COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WILMINGTON, DELAWARE

For The Year Ended

JUNE 30, 2006

Issued by the Department of Finance

CITY OF WILMINGTON, DELAWARE

COMPREHENSIVE ANNUAL FINANCIAL

REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PREPARED BY THE DEPARTMENT OF FINANCE

CITY OF WILMINGTON, DELAWARE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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JAMES M. BAKER
MAYOR

City of Wilmington
Delaware

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

December 15, 2006

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

The City Charter requires that the City government 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, 2006.

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, 2006, 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, 2006, 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 report not only on the fair presentation of the financial statements, but also the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Wilmington's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD & A 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 Governmental 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. Note 2-B presents expenditures over appropriation and the cause of these variances.

Economic Condition and Outlook

Looking Forward in City Government. The Fiscal Year 2007 operating budget represents a 4.9% increase over that of fiscal year 2006 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 2007 budget reflects the following:

- The fiscal year General Fund operating budget for 2007 totals $116,071,883. The 2007 budget represents a $13.0 million or 13% increase from FY 2006. The recent revenue initiatives by the City and with the help of State legislative action have resulted in the financial strength and stability to provide the level of resources necessary to focus and expand direct City services most important to its citizens.

- The FY2007 budget required neither an increase in property taxes nor the use of budget reserves;

- Total Materials, Supplies and Equipment costs rose $6,062,209, with $1.2 million related to anticipated increases in the cost of electricity. Revenue enforcement efforts in parking citations will increase almost by $581,250 but are expected to generate over $1.1 million in revenues. The City is making up for federal Community Development Block Grant funding reductions by increasing General Fund expenditures by $454,519. Internal service costs are expected to increase by $650,000 primarily as a result of increased data processing costs and motor vehicle costs.

- Total Personal Service costs are expected to rise by $11,981,657. As previously mentioned, $6,410,000 is the result of the change in accounting for State contributions to pension plans. A combination of reassignments from the Water/Sewer Fund and new positions adds 16 positions to Public Works clean-up efforts at a cost of $1,017,346. Building Code enforcement added five positions at a cost of $272,778.

- The Mayor's budget created a $500,000 project account to assist with the implementation of the recommendations of the Wilmington HOPE Commission. The funds are specifically targeted for youth programs and economic development activities that assist individuals and communities;

- Adoption of a new Stormwater Management System fee that, when implemented in January 2007, will reduce the water/sewer bills of a projected 88% of the City's water/sewer customers thus reducing the impact of an approved 15% water/sewer rate increase.

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 Economic Development Office, utilized tax incentive programs and bond financing agreements with several corporations from fiscal year 2006 through the first half of fiscal year 2007 to create new jobs in the City and retain existing jobs. Our creative and aggressive encouragement of business growth has yielded productive results. Some successes include the move of AAA to a site near the river and the continued retention of those jobs, the retention of 235 jobs at Blue Cross & Blue Shield and the creation of 450 more, and the expansion of Barclays by 394 jobs.

Local Economy. The City of Wilmington and Wilmington's Economic Development Office has acquired the services of the EDiS Company to begin construction of an $8.6 million 455-space parking garage and retail facility between Market and King Streets. 15,000 square feet of retail space will also be constructed on the ground level of the parking facility and will become the new home of Al's Sporting Goods, currently located at 210 Market Street, adjacent to the new parking garage.

U.S. Senator Thomas R. Carper, Wilmington Mayor James M. Baker, and Robert Buccini of the Buccini Pollin Group (BPG) announced the finalization of a lease between the United State Postal Service (USPS) and BPG to locate a new full-service Post Office in Downtown Wilmington. USPS officially signed a lease for 31,000 square feet of ground level space in the new $90 million, 15-story office tower being

constructed by the Buccini Pollin Group at 500 Delaware Avenue. The building will be known as the WSFS Financial Center on Delaware Avenue. The new Wilmington Post Office, a state-of-the-art facility, will replace the Post Office that has been located at 10th and King Streets since February 20, 1937 in what is today the Wilmington Trust Building. The new Wilmington Post Office is scheduled to open in early 2008.

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. Projects designed to increase the City's revenue base and stabilize areas of the City include:

- The Christina Landing project is an $80 million townhouse and condominium project, consisting of 63 townhouses, a 26-story condominium tower and apartment tower. The sixty-three townhouses have been built as has the 22-story apartment tower. The companion 26-story condominium tower is presently under construction and has been two-thirds pre-sold.

- The City of Wilmington and the Delaware Department of Transportation (DelDOT) announced the closure of Market Street in Downtown Wilmington from Fourth to Seventh Streets beginning July 12, 2006. The closure marks the beginning of the third and final phase of the Market Street Reconstruction Project that will be completed in two segments during 2006 and 2007. The first phase of the Market Street makeover, begun in 2001, involved the portion from Ninth Street to Eleventh Street, and the second phase started in 2003 resulted in the reconstruction of Seventh Street and Ninth Street.

    - The first portion of the third and final phase of the Market Street Project is scheduled to be completed in about one year and involves the reconstruction of Market Street between 4th and 7th Streets and new traffic signals at the intersections of 2nd and 4th and Market Streets.

    - The second portion of Phase Three will begin in the spring or summer of 2007 and will involve the reconstruction of Market Street between 4th and MLK Boulevard.

    - The final Market Street project consists of reconstructing the remaining stretch of the Downtown District's main business corridor to allow for two-way traffic flow. The enhancements for the streetscape project will include the following: new stone curbing, brick sidewalks and crosswalks, decorative lighting, and trees.

    - The goal of the entire Market Street Project is to stimulate economic development and continue the revitalization of the City's Downtown District so Wilmington's "main street" can effectively function as a connector for the Central Business District to the continually developing Ships Tavern District and Christina Riverfront.

    - The project is funded with 80% Federal dollars from the Intermodal Surface Transportation Efficiency Act (ISTEA) and 20% from the City of Wilmington. Because Federal funds are involved in the project, all the design aspects of the project have been reviewed and approved by the State of Delaware's Historical Preservation Office.

- The City of Wilmington and a host of affordable housing and community revitalization advocates officially set the stage for development of a 71-unit, mixed-income neighborhood that epitomizes the changing appearance of the Wilmington skyline at Speakman Place, a $14 million mixed-income townhouse project that will stand on the site of the former Speakman Company manufacturing plant in the City's Northeast area. The project has secured a $500,000 grant through the Trust Bank, which has been arranged through the Federal Home Loan Bank of Pittsburgh (FHL Bank Pittsburgh), to fund 18 affordable housing units in Phase I of the four-phase development. Development of Speakman Place is being carried out by Cornerstone West Community Development Corporation in conjunction with Ingerman Group, a Cherry Hill, NJ developer. Cornerstone West's sister organization, West End Neighborhood House, is starting to take applications for ownership and is working with eight area financial institutions to provide financial assistance and below-market mortgage rates. The first buyers are expected to take occupancy in the summer of 2007.

- The Wilmington Housing Partnership (WHP) and the City of Wilmington unveiled a $4 million plan to construct 20 townhouse community in 6th and Franklin Streets area. This project is expected to be completed by December of 2007. The Wilmington Housing Partnership, a nonprofit housing development corporation funded with City, State, Federal, corporate, business and philanthropic resources, has purchased eight properties along 6th Street and Franklin Street for about one million dollars and will create a new townhouse community of owner-occupied homes featuring three bedrooms, two-and-a-half baths, and a garage. The new homes will sell for approximately $160,000.

- Wilmington's newest residential and business development project, the most extensive mixed-use project ever carried out in Wilmington's history on the City's Christina Riverfront, has broken ground for "The Buccini/Pollin Group's Justison Landing Project". The $500 million Justison Landing will be developed over the next three to five years on eleven acres of land along the Christina Riverfront. When completed, Justison Landing will have produced nearly 700 new residential units, including townhouses, condominiums, loft units, and apartments, as well as 75,000 square feet of retail space, 300,000 square feet of commercial space, and twelve levels of on-site garage parking.

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 plans 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.

The Honorable Mayor and Members of City Council
December 15, 2006

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, 2005. The City of Wilmington has received this prestigious award for twenty-two 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, 2006. 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 A. Morris
Director of Finance

Winston L. Robinson
Senior Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wilmington Delaware

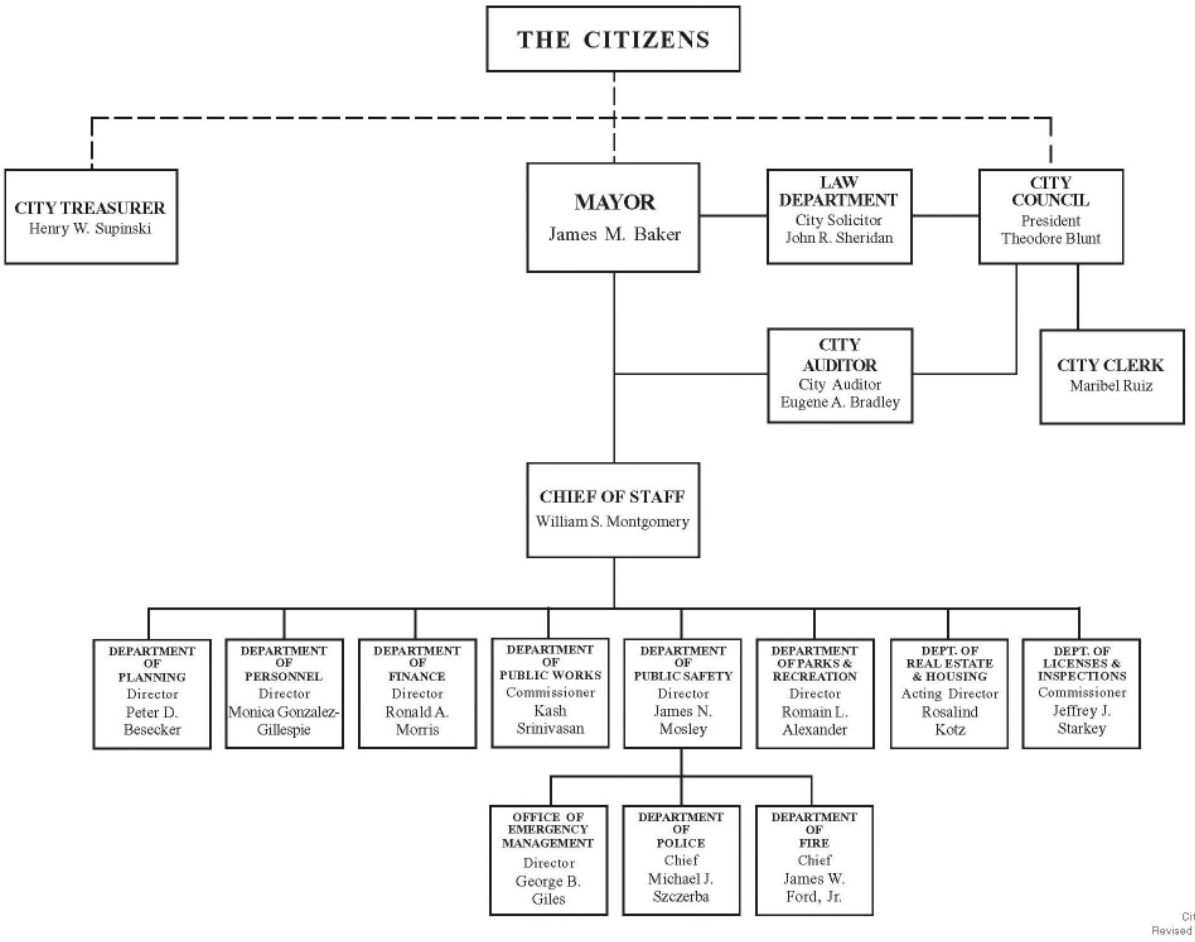
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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, 2006

Executive

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

City Council

President	Theodore Blunt
1st District	Charles Potter, Jr.
2nd District	Norman D. Griffiths
3rd District	Stephanie T. Bolden
4th District	Hanifa G.N. Shabazz
5th District	Samuel Prado
6th District	Kevin F. Kelley, Sr.
7th District	Paul F. Ignudo, Jr.
8th District	Gerald L. Brady, Sr.
Council Person at Large	Michael A. Brown, Sr.
Council Person at Large	Loretta Walsh
Council Person at Large	Theopalis K. Gregory
Council Person at Large	Charles M. Freel

Department Heads

Chief of Staff	William S. Montgomery
City Solicitor	John R. Sheridan, Esquire
City Auditor	Eugene Bradley, CPA
Clerk of Council	Maribel Ruiz
Planning	Peter D. Besecker
Personnel	Monica Gonzalez-Gillespie
Finance	Ronald A. Morris
Public Works	Kash Srinivasan
Public Safety	James N. Mosley
Parks and Recreation	Romain L. Alexander
Real Estate and Housing	Rosalind Kotz (Acting)
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, CVA
Charles H. Elter, CPA, CFP
Robert S. Smith, CPA
Ronald E. Derr, CPA
George G. Fournaris, CPA, CGFM
•
Donald S. Emenheiser, CPA. CFP, MBA
Edward T Gallagher, CPA, CIA
Dana L. Ketterer. CPA
Clyde G. Hartman, CPA/ABV, CFE, CVA
Cameron B, McDonald. CPA, CCIFP
Jean D. Lloyd, CPA
Scott G. Sipple, Jr., CPA
Stuart A. Solomon. CPA (NJ)

Members of:
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Delaware Society of CPA's

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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, as of and for the fiscal year ended June 30, 2006, 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 87.4% and 91.6%, 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 1.0% and 0.2%, 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, 2006, 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.

As discussed in Note 16 to the financial statements, certain errors resulting in the misstatement of previously reported assets and liabilities as of June 30, 2005 were discovered by management of the City during the current year. Accordingly, the net assets and fund balances as of July 1, 2005 have been restated to correct the errors.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2006, on our consideration of the City of Wilmington, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing 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 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 non-major 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
December 14, 2006

CITY OF WILMINGTON, DELAWARE
Management's Discussion and Analysis

June 30, 2006

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, 2006. We encourage readers to consider the information presented here in conjunction with the 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 $202,776,647 (net assets), an increase of $32,540,075 from the restated previous year; net assets for the prior year were restated by an increase of $11,093,582 as explained in Note 16. The net assets of governmental activities increased $34,174,087 from the restated previous year, while the net assets from business activities decreased $1,634,012.

- Discretely presented component units reported net assets of $50,893,394, a decrease of $1,042,077 from the previous year.

Fund Level

- As of the close of the current fiscal year, the City of Wilmington's governmental funds reported combined ending fund balances of $104,626,128, an increase of $55,933,013 from the restated previous year; fund balances were restated by an increase of $2,556,183 as explained in Note 16. Of the current ending balances, the unreserved balance of the General Fund is $58,044,416 or 56 % of the total General Fund expenditures and transfers out. Of the unreserved balance, $20,378,110 is designated for specific activities detailed in Note 11, $15,661,377 is designated for Permanent Investment, and $22,004,929 is designated for the Budget Reserve Account for Public Emergencies and fiscal year 2007 expenditures.

- The Capital Projects Fund had a fund balance in the amount of $23,757,025 to fund current and future City capital improvements.

- The Police Special Fund has a fund balance of $6,275,994 to fund Public Safety concerns.

- The Commerce Fund Balance designates $10,517,702 for future economic development activities.

Long-Term Debt

- The City's total net general obligation debt increased to $218,226,414 at June 30, 2006, an increase of $48,415,003. Current capital funding requirements significantly exceeded the City principal debt service due to the construction of a new public works yard and the rebuilding of a reservoir.

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.

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 (page 16) 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 17) 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). The statements also present financial information for the City's component units.

- *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. Also included is the Wilmington Park Trust Commission (The Trust) which is presented as 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.

- *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 in this report: Brandywine Gateway Corporation, Christina Gateway Corporation, Rock Manor Golf Corporation, Wilmington UDAG Corporation, Wilmington Economic Development Corporation, Wilmington Downtown Business Improvement District, Riverfront Wilmington Business Improvement District, and the Wilmington Parking Authority.

Fund Financial Statements. The fund financial statements begin on page 18 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. 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 cash 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 long-term focus of the government-wide statements, reconciliations are provided (page 19) to explain the differences 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 21). These funds are reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets, available to satisfy current liabilities. Governmental funds of the City include the General Fund, Police Special Fund, Commerce Fund, Special Revenue Funds (Other Governmental Funds), and the Capital Projects 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 the accrual basis of 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, workers' compensation and risk management.

- *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 beginning on page 30 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, Treasurer's Office.

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 34 of this report.

Required Supplementary Information. 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. The required supplementary information can be found on page 74.

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. Detailed General Fund budget information as well as combining and individual fund statements begin on page 76.

Statistical Section. The City provides certain informational and statistical schedules that begin on page 97.

Financial Analysis of the Government as a Whole

Net Assets. A year-to-year comparison of net assets (2005 is restated by a net increase of $11,093,582 to include the effect of $12,284,640 of additional net governmental infrastructure assets, depreciation of $6,885,644 related to the replacement of the Public Works Yard, and other items as explained in Note 16) is as follows:

City of Wilmington's Net Assets as of June 30, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Current and other Assets	$ 155,496,184	$ 116,037,687	$ 13,693,166	$ 5,209,342	$ 169,189,350	$ 121,247,029
Capital Assets	154,024,140	136,696,046	163,175,660	152,459,542	317,199,800	289,155,588
Total Assets	309,520,324	252,733,733	176,868,826	157,668,884	486,389,150	410,402,617
Long Term Liabilities	163,670,802	131,157,604	94,589,585	69,690,727	258,260,387	200,848,331
Other Liabilities	15,864,760	25,765,454	9,487,356	13,552,260	25,352,116	39,317,714
Total Liabilities	179,535,562	156,923,058	104,076,941	83,242,987	283,612,503	240,166,045
Net Assets:						
Invested in Capital Assets, Net of Related Debt	44,920,136	29,495,222	82,303,094	83,342,256	127,223,230	112,837,478
Restricted	47,553,927	18,550,295	13,216,350	-	60,770,277	18,550,295
Unrestricted	37,510,699	47,765,158	(22,727,559)	(8,916,359)	14,783,140	38,848,799
Total Net Assets	$ 129,984,762	$ 95,810,675	$ 72,791,885	$ 74,425,897	$ 202,776,647	$ 170,236,572

The largest component of City's net assets, $127,223,230, 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. The increase in Invested in Capital Assets (Net of Related Debt) of $14,385,752 is caused primarily by the increase of net capital assets being greater than the increase in net debt as the City invests in its infrastructure. Restricted net assets in the amount of $60,770,277 represent resources that are subject to a City of Wilmington charter provision or enabling legislation as to how they may be used; these increased $42,219,982 primarily due to the increase of $38,065,042 of unspent bond funds obligated to capital projects. The unrestricted net assets of governmental activities decreased by $10,254,459 in part due to the increase in capital assets during FY 2006. Unrestricted net assets of business-type activities decreased by $13,811,200 due in part to principal payments on debt, capital acquisitions, and the current year deficit change on net assets.

Changes in Net Assets. A schedule of a comparison of year-to-year changes in activity is on the following page. As noted in Note 16, prior year net assets were restated; expenses for 2005 have been restated in that depreciation of $2,073,409 has been added to governmental activities. For comparative purposes, payments to pension funds by the State on behalf of the City amounting to $6,428,777 have been added to both revenue and expense of 2005.

The combined net assets of the City increased $32,540,075 over the course of this year's operations. The net assets of governmental activities increased $34,174,087, and the net assets of business-type activities decreased by $1,634,012. A significant part of the former increase came as taxes on income (wage and net profit taxes) increased by $7,443,154 (16%) due in large part to termination payments after a local corporate merger. Higher interest costs caused a decrease of $1,473,812 in business-type activities.

City of Wilmington's Changes in Net Assets
Year Ended June 30, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
REVENUES						
Program Revenues:						
Charges for Services	$ 18,357,838	$ 14,933,441	$40,929,948	$ 38,632,385	$ 59,287,786	$ 53,565,826
Operating Grants & Contributions	26,298,656	24,244,134	177,326	148,493	26,475,982	24,392,627
Capital Grants & Contributions	11,066,220	5,211,389	-	-	11,066,220	5,211,389
General Revenues:						
Total Taxes	91,353,757	87,512,471	-	-	91,353,757	87,512,471
Investment Earnings	5,268,048	3,113,915	-	-	5,268,048	3,113,915
Other Revenues	7,140,100	13,331,387	-	-	7,140,100	13,331,387
Total Revenues	159,484,619	148,346,737	41,107,274	38,780,878	200,591,893	187,127,615
EXPENSES						
General Government	17,908,626	33,731,581	-	-	17,908,626	33,731,581
Commerce	2,541,506	2,112,027	-	-	2,541,506	2,112,027
Real Estate and Housing	7,178,124	9,058,065	-	-	7,178,124	9,058,065
Public Works	16,916,066	14,583,093	-	-	16,916,066	14,583,093
Parks and Recreation	7,805,055	7,311,483	-	-	7,805,055	7,311,483
Public Safety	65,487,887	65,426,116	-	-	65,487,887	65,426,116
Interest on Long Term Debt	7,473,268	6,116,357	-	-	7,473,268	6,116,357
Water/Sewer	-	-	42,741,286	38,501,176	42,741,286	38,501,176
Total Expenses	125,310,532	138,338,722	42,741,286	38,501,176	168,051,818	176,839,898
Changes in Net Assets	$ 34,174,087	$ 10,008,015	$ (1,634,012)	$ 279,702	$ 32,540,075	$ 10,287,717

Governmental Activities

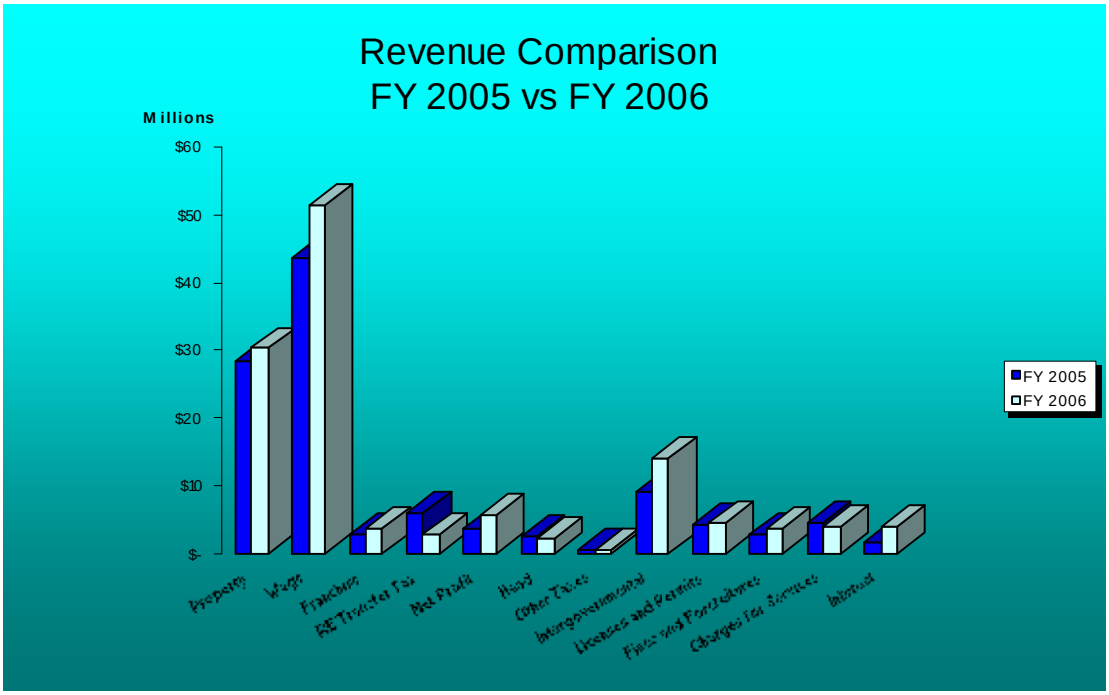
Revenues of governmental activities for fiscal year 2006 exceeded 2005 by $11,137,882. The primary source of this increase was $9,753,450 of revenue recognized on a public safety grant from New Castle County. The key revenue elements are discussed later in the fund statement comparisons.

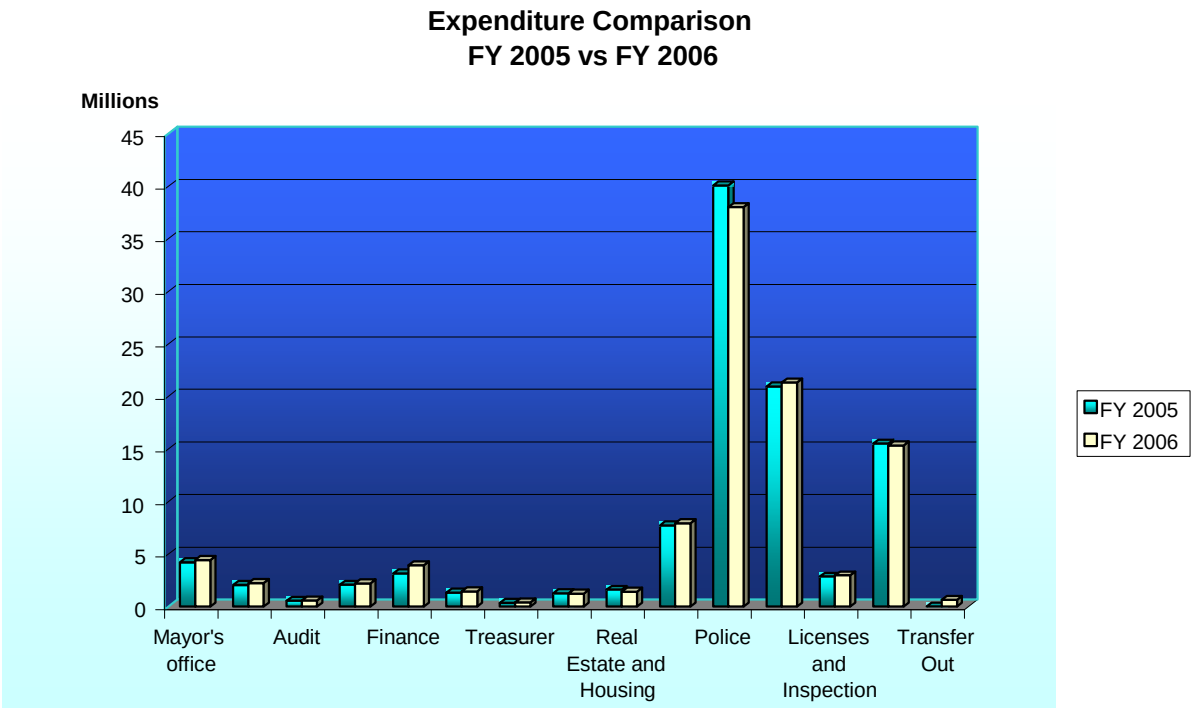
Expenses of governmental activities for fiscal 2006 decreased by $13,028,190 compared to 2005. Key cost elements are discussed later in the fund statement comparison.

The charts on the following page depict a comparative view of the revenues and expenses of the governmental activities for fiscal year 2006 as compared to fiscal year 2005.

Business-type Activities

Net assets of the business-type activities decreased by $1,634,012 for the current fiscal year primarily due to increased interest costs as the City replaces aging infrastructure. Detail explanations of the variance are contained in the financial analysis of the City's Funds - Proprietary Funds section below.


Revenue Comparison
FY 2005 vs FY 2006
Millions
$60
$50
$40
$30
$20
$10
$-
FY 2005
FY 2006


Expenditure Comparison
FY 2005 vs FY 2006
Millions
45
40
35
30
25
20
15
10
5
0
Mayor's office
Audit
Finance
Treasurer
Real Estate and Housing
Police
Licenses and Inspection
Transfer Out
FY 2005
FY 2006

Financial Analysis of the City's Funds

As the City completed the fiscal year, its governmental funds reported fund balances of $104,626,128. Of the current ending fund balances, $58,044,416 is reported as unreserved in the General Fund, $12,187,533 as reserved for special revenue projects, and $34,394,179 as unreserved for special revenue and capital projects.

The unreserved balance of the General Fund amounts to 56% of total General Fund expenditure and transfers out. Of the unreserved General Fund balance, the City has designated $20,378,110 for specific activities detailed in Note 11, $15,661,377 into a Permanent Investment Reserve, and $22,004,929 into a Budget Reserve account for Public Emergencies.

The fund balance of the Capital Projects Fund increased to $23,757,025 as the result of unspent bond funds. The Police Special Fund has $6,275,994 available from a New Castle County grant to pay for public safety expenditures, primarily additional police officers. The Commerce Fund has available $10,517,702 to pay for economic development activities including funding future debt service on port related long term obligations.

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 $58,044,416, an increase of $22,386,379 over fiscal year 2005 as restated. The General Fund unreserved fund balance designates part as a $15,661,377 Permanent Investment Reserve intended to provide the operating funds needed for day-to-day operations of the City. The remainder after special designations of $22,004,929 (detailed in Note 11) is a Budget Reserve for Public Emergencies that can be used with the approval of a majority of the thirteen members of City Council.

The schedule on the following page presents General Fund revenues and expenditures for 2006 compared to budget and 2005. The amounts for 2005 have been restated to include State payments made to City pension funds on behalf of the City as intergovernmental revenues and public safety expenditures, the same accounting used in 2006.

The revenues for fiscal year 2006 increased $16,787,126 compared to the restated prior fiscal year. Primary contributing areas are:

- Property Tax Revenues increased $1,871,742, due to the activity involving various taxable and non-taxable properties.
- Wage taxes increased by $7,734,384 compared to 2005 due primarily to severance packages offered by MBNA to terminated employees as a result of the sale of MBNA to Bank of America. The Delinquent Accounts staff have also increased their collections efforts and identified and collected a significant amount of unpaid taxes due to the City of Wilmington.
- Franchise taxes increased by $152,472 compared to the prior year's results. The increase reflects the continued impact of rising natural gas prices on franchise tax collections.
- Intergovernmental increased by $4,686,674 compared to 2005 primarily due to the first payment in lieu of taxes paid by the State to the City, this amounted to $2,980,485. Limited Liability Taxes and Corporate Filing Fees increased by $696,420 from 2005. The State of Delaware provided an annual contribution to the City of Wilmington to the Police and Fire pension in the amount of $6,742,706 compared to $6,428,777 in 2005.

City of Wilmington, Delaware
General Fund Activity vs. Prior Year and Budget

	Restated Prior Year	2006 Actual	Variance Positive (Negative)	Final Budget	2006 Actual	Variance Positive (Negative)
Revenues:						
Taxes:						
Property	$28,417,535	$30,289,277	$ 1,871,742	$30,391,500	$30,289,277	$ (102,223)
Wage	43,801,665	51,536,049	7,734,384	41,640,625	51,536,049	9,895,424
Net Profit	3,546,455	3,541,769	(4,686)	2,357,500	3,541,769	1,184,269
Franchise	2,689,238	2,841,710	152,472	2,340,500	2,841,710	501,210
Real Estate Transfer Taxes	6,021,220	5,663,155	(358,065)	3,366,000	5,663,155	2,297,155
Head	2,433,334	2,239,433	(193,901)	2,518,000	2,239,433	(278,567)
Other Taxes	495,982	495,389	(593)	410,000	495,389	85,389
Intergovernmental	9,225,057	13,911,731	4,686,674	9,435,000	13,911,731	4,476,731
Licenses and permits	4,174,056	4,395,440	221,384	3,659,750	4,395,440	735,690
Fines and Forefeitures	2,818,007	3,705,122	887,115	2,325,000	3,705,122	1,380,122
Charges for Services	4,561,492	4,032,123	(529,369)	3,872,533	4,032,123	159,590
Investment Earnings	1,538,286	3,858,255	2,319,969	1,300,000	3,858,255	2,558,255
Total Revenues	109,722,327	126,509,453	16,787,126	103,616,408	126,509,453	22,893,045
Expenditures:						
General Governmental Services:						
Mayor's office	4,220,603	4,446,525	(225,922)	4,669,980	4,446,525	223,455
City Council	2,061,544	2,251,052	(189,508)	2,180,070	2,251,052	(70,982)
Audit	556,892	583,502	(26,610)	562,775	583,502	(20,727)
Law	2,080,955	2,216,251	(135,296)	2,253,848	2,216,251	37,597
Finance	3,158,985	3,927,996	(769,011)	3,997,570	3,927,996	69,574
Personnel	1,326,047	1,441,063	(115,016)	1,398,828	1,441,063	(42,235)
Treasurer	352,631	391,018	(38,387)	375,108	391,018	(15,910)
Planning	1,259,587	1,242,117	17,470	1,254,575	1,242,117	12,458
Real Estate and Housing	1,607,314	1,411,446	195,868	1,533,420	1,411,446	121,974
Parks and Recreation	7,732,563	7,927,289	(194,726)	8,230,624	7,927,289	303,335
Public Safety:						
Police	40,066,598	38,015,910	2,050,688	37,821,185	38,015,910	(194,725)
Fire	20,949,530	21,319,877	(370,347)	21,095,093	21,319,877	(224,784)
Licenses and Inspection	2,848,401	2,964,975	(116,574)	2,983,491	2,964,975	18,516
Public Works	15,502,801	15,349,675	153,126	16,124,402	15,349,675	774,727
Total Expenditures	103,724,451	103,488,696	235,755	104,480,969	103,488,696	992,273
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,997,876	23,020,757	17,022,881	(864,561)	23,020,757	23,885,318
Other Financing Sources (Uses)						
Transfer Out	-	(645,992)	(645,992)	(645,992)	(645,992)	-
Gain on Sale of Capital Assets	13,433	11,614	(1,819)	-	11,614	11,614
Total Other Financing Sources (Uses)	13,433	(634,378)	(647,811)	(645,992)	(634,378)	11,614
Net Change in Fund Balances	$ 6,011,309	$22,386,379	$ 16,375,070	$ (1,510,553)	$22,386,379	$ 23,896,932

- Licenses and Permits Fees increased by $221,384 primarily due to the renovation and construction boom in the City.

- Investment Earnings increased $2,319,969 over 2005 due to the rise in the rate of return on invested funds and an increased amount available for investment.

The current year's expenditures decreased by $235,755 compared to fiscal year 2005 spending levels primarily due to movement of certain 2006 police costs to a special revenue fund offset by general cost increases and increased collection costs on increased revenue. In addition, the General Fund made a one-time transfer of $645,992 to the Commerce Fund to pay for a State requested transaction.

- General Governmental expenditures for 2006, which were 16% of the entire General Fund expenditures, experienced an increase of $1,482,280 compared to the 2005 results. Higher costs to collect fines and related items, due to higher volume, accounted for $641,004 of the increase.

- Police expenditures, which represented 37% of the City's General Fund expenditures, experienced a decrease of $2,050,688 primarily due to payment of major expenses by a grant from New Castle County.

- The Finance department incurred increased costs for collection commissions.

Proprietary Funds

Water/Sewer Fund - Comparison to Prior Year

The operation of the Business-type activities decreased the City's restated net assets by $1,634,012. Net Assets for June 30, 2005, were restated to account for $6,885,644 in additional depreciation that the infrastructure inventory determined should have been recorded in prior years when the decision was made to move out of the old Public Works Yard and $634,783 of additional deferred revenue. Compared to 2005, the Water/Sewer System's revenues in fiscal year 2006 increased by $2,326,397 or 6%.

- Sewer Service Charges to New Castle County increased 2.7% from $15,405,124 to $15,818,123.

- Other operating revenues (primarily direct user charges) increased by 8.4% from $23,157,974 to $25,111,825. This increase is the direct result of the City of Wilmington implementing the radio read technology in FY 2005 along with the 15% increase in the water rates in FY 2006.

- Compared to fiscal year 2005 results, operating expenses increased by $2,639,516 or 7.4%. Declines in Personal Services ($537,839) and depreciation ($380,481) were offset by higher maintenance and fuel costs.

General Fund Budgetary Highlights

The City adopted the fiscal year 2006 budget on May 19, 2005, 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 $103,616,408 of revenues before other financing sources (uses), and $104,480,969 of expenditures. The actual results were revenues before other financing sources (uses) of $22,893,045 above budget and expenditures of $992,273 were under budget.

- Wage Tax revenues, representing 53% of General Fund Tax revenues, exceeded the budget by $9,895,424 due in part to severance packages offered by MBNA due to certain employees after the sale of MBNA to Bank of America.
- Net Profit Taxes exceeded the budget by $1,184,269. Continued profitability of the legal service industry is primarily responsible for the increase in this revenue source.
- Franchise Taxes exceed budget by $501,210. Reflected in this increase is the impact of the increasing natural gas prices on the natural gas tax.
- Intergovernmental revenues exceed budget by $4,476,731 due primarily to almost $3,000,000 received from the State as a payment in lieu of taxes.
- Investment earnings increased by $2,558,255 more than budget due to large amounts available for investment and rising rates.
- Public Works expenditures were under budget by $774,727 due to reduced debt service costs attributed bond refundings and reduced property maintenance costs as the old Public Works Yard was vacated and operations moved to temporary facilities.

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2006, the City had invested $317,199,800, net of accumulated depreciation, in a broad range of capital assets. The following table presents 2006 asset balances compared to 2005 balances; as further detailed in Note 16, balances for 2005 are restated to include infrastructure assets of $24,244,383 and accumulated depreciation of $11,959,743 as required by GASB 34.

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

	Governmental Activities		Business-type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Land	$ 23,937,941	$ 22,137,941	$ 3,656,612	3,656,612	$ 27,594,553	$ 25,794,553
Art	1,183,107	1,138,107	-	-	1,183,107	1,138,107
Construction in Progress	16,107,487	1,675,978	15,759,489	3,448,165	31,866,976	5,124,143
Buildings & Improvements	18,726,136	21,030,326	-	1,036,695	18,726,136	22,067,021
Parks & Recreation Facilities	9,588,948	9,610,232	-	-	9,588,948	9,610,232
Streets & Signals	68,223,528	69,184,040	-	-	68,223,528	69,184,040
Water Reservoirs, Facilities & Water Lines	-	-	54,683,113	53,724,593	54,683,113	53,724,593
Wastewater Facilities & Sewer Lines	-	-	89,076,446	90,571,251	89,076,446	90,571,251
Vehicles, Equipment & Other	16,256,993	11,919,422	-	22,226	16,256,993	11,941,648
Totals	$ 154,024,140	$ 136,696,046	$ 163,175,660	$ 152,459,542	$ 317,199,800	$ 289,155,588

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

Governmental Activities:

- There was an increase of $5 million in improvements other than buildings mainly due to the relocation project of the Public Works Yard and infrastructure improvements related to Christina Landing (a major residential development). This project is expected to be completed in fiscal year 2007.
- There was an increase of $1.4 million in Vehicles for the purchase of fire apparatus and additional City vehicles.
- Machinery and Equipment increased $1.3 million, primarily due to the City's three-year project to install a new financial information system.

Business-type Activities:

- Improvements Other than Buildings increased $7 million primarily due to water infrastructure improvements and improvements to the Combined Sewer Overflow (CSO).
- Machinery and Equipment increased $1.7 million due to the installation of the new radio read technology.

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

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $218,226,414. Of this amount, $130,717,406 comprises debt backed by the full faith and credit of the government for Governmental activities, and $87,509,008 is supported by Business-Type activities.

- On September 16, 2005, the City issued $13,700,000 of General Obligation Bonds, Series C of 2005, to fund the construction of a water reservoir. This is the second of two related loans and does not have any funds drawn down as of June 30, 2006.
- On January 31, 2006 the City issued $41,415,000 of General Obligation Bonds, Series A-1 of 2006 and $5,050,000, Series A-2 (Taxable), to fund capital projects and refund related bond anticipation notes.
- On February 16, 2006, the City issued $17,725,000 of General Obligation Variable Rate Demand Bonds, Series B of 2006, primarily to fund a new Public Works yard.

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.

City of Wilmington's Outstanding Debt
General Obligations Bonds

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	$ 130,717,406	$ 104,791,988	$ 87,509,008	$ 65,019,423	$ 218,226,414	$ 169,811,411

Economic Factors and 2006 Budgets and Rates

The City of Wilmington's unemployment rate of 4.6% trended downwards while per capita income continues to grow. The City's diversified service economy is evidenced by the Riverfront District and the Ship's Tavern District – Retail Development, and the relocation of the following to the City: Buccini/Pollin Group, AAA providing up to 400 new jobs, Parcels, Inc providing 50 new jobs, and the relocation of ING to the former Chase building bringing up to 300 new jobs.

Private developers are investing in downtown residential expansion with the following new housing initiatives: The Residences at Center City with over 100 units, The Residences on Rodney Square with 275 units and Christina Landing with 65 townhouses, 200 apartments, and 220 condominiums.

All of these economic factors were taken into account when adopting the General Fund budget for fiscal year 2006. The City's budget addresses economic development, public safety, and infrastructure needs. Tax and service charge rates primarily stayed unchanged in fiscal year 2006. The property tax rate was unchanged while added taxable reassessments increased the 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 A. Morris, 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, page 35 and the financial statements are listed on page 32.

BASIC FINANCIAL STATEMENTS

City of Wilmington, Delaware

Statement of Net Assets
June 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Investments (Note 3)	$ 113,754,173	$ 7,256,850	$ 121,011,023	$ 20,257,537
Receivables, Net (Note 4)	22,341,099	5,733,921	28,075,020	23,390,422
Due from Other Governments	18,097,861	-	18,097,861	-
Prepaid Items & Other Assets	1,303,051	702,395	2,005,446	1,131,331
Restricted Assets:				
Cash and Investments	-	-	-	10,258,762
Capital Assets, Net (Note 6)				
Land	23,937,941	3,656,612	27,594,553	19,579,858
Art	1,183,107	-	1,183,107	-
Construction in Progress	16,107,487	15,759,489	31,866,976	6,790,857
Buildings	18,726,136	-	18,726,136	23,413,980
Parks & Recreation Facilities	9,588,948	-	9,588,948	-
Streets & Street Signals	68,223,528	-	68,223,528	-
Water & Sewer Systems	-	143,759,559	143,759,559	-
Vehicles, Equipment, and Other	16,256,993	-	16,256,993	2,354,974
Total Assets	309,520,324	176,868,826	486,389,150	107,177,721
LIABILITIES				
Accounts Payable & Accrued Expenses	9,527,298	8,627,911	18,155,209	2,053,356
Salary and Benefits Payable	1,491,501	129,444	1,620,945	112,363
Deferred Revenue	2,344,723	730,001	3,074,724	170,173
Other Liabilities	2,501,238	-	2,501,238	-
Long Term Liabilities				
Due Within One Year:				
Bonds Payable	11,866,627	6,632,498	18,499,125	1,951,421
Capital Leases	1,040,125	1,636,044	2,676,169	13,390
Claims Liabilities	4,368,929	-	4,368,929	-
Compensated Absences	805,000	335,000	1,140,000	-
Due in More Than One Year:				
Bonds Payable	119,246,843	81,906,948	201,153,791	50,078,429
Capital Leases	2,890,768	3,913,426	6,804,194	9,747
Claims Liabilities	16,870,273	-	16,870,273	-
Compensated Absences	6,582,237	165,669	6,747,906	-
Minority Interest	-	-	-	1,895,448
Total Liabilities	179,535,562	104,076,941	283,612,503	56,284,327
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	44,920,136	82,303,094	127,223,230	17,544,544
Restricted for:				
Debt Service	-	-	-	2,891,591
Capital Projects	24,848,692	13,216,350	38,065,042	-
Public Safety	6,275,994	-	6,275,994	-
Park Operations	5,911,539	-	5,911,539	-
Economic Development	10,517,702	-	10,517,702	12,160,000
Unrestricted	37,510,699	(22,727,559)	14,783,140	18,297,259
Total Net Assets	$ 129,984,762	$ 72,791,885	$ 202,776,647	$ 50,893,394

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, 2006

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
			Grants and Contributions		Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
General Governmental Services	$ 17,908,626	$ 8,304,184	$ 202,125	$ 1,984,725	$ (7,417,592)	$ -	$ (7,417,592)	$ -
Commerce	2,541,506	-	10,088	-	(2,531,418)	-	(2,531,418)	-
Real Estate and Housing	7,178,124	735,375	6,097,220	-	(345,529)	-	(345,529)	-
Public Works	16,916,066	29,839	1,216,052	8,046,710	(7,623,465)	-	(7,623,465)	-
Parks and Recreation	7,805,055	78,494	742,035	381,004	(6,603,522)	-	(6,603,522)	-
Public Safety	65,487,887	9,209,946	18,031,136	653,781	(37,593,024)	-	(37,593,024)	-
Interest on Long-term Debt	7,473,268	-	-	-	(7,473,268)	-	(7,473,268)	-
Total Governmental Activities	125,310,532	18,357,838	26,298,656	11,066,220	(69,587,818)	-	(69,587,818)	-
Business-Type Activities:								
Water/Sewer	42,741,286	41,107,274	-	-	-	(1,634,012)	(1,634,012)	-
Total Primary Governments	$ 168,051,818	$ 59,465,112	$ 26,298,656	$ 11,066,220	(69,587,818)	(1,634,012)	(71,221,830)	-
Component Units:								
Brandywine Gateway Corporation	$ 1,837,673	$ 493,024	$ -	$ -	-	-	-	(1,344,649)
Christina Gateway Corporation	70,990	96,547	-	-	-	-	-	25,557
Rock Manor Golf Corporation	455,110	329,476	-	-	-	-	-	(125,634)
Wilmington UDAG Corporation	630,156	432,528	-	-	-	-	-	(197,628)
Wilmington Economic Development Corporation	430,859	153,217	-	-	-	-	-	(277,642)
Wilmington Parking Authority	7,094,931	6,414,172	-	-	-	-	-	(680,759)
Downtown Visions	1,794,569	1,857,671	-	-	-	-	-	63,102
Riverfront Business Improvement District	204,655	240,712	-	-	-	-	-	36,057
Total Component Units	$ 12,518,943	$ 10,017,347	$ -	$ -	-	-	-	(2,501,596)
	General Revenues:							
	Taxes:							
	Property Taxes, Levied for General Purposes				30,403,939	-	30,403,939	-
	Income Taxes				54,791,274	-	54,791,274	-
	Other Taxes				6,158,544	-	6,158,544	-
	Investment Earnings				5,268,048	-	5,268,048	943,928
	Other Revenues including Capital Asset Gains				11,614	-	11,614	345,591
	Payments from State Government				2,980,485	-	2,980,485	-
	Payments from Primary Government				-	-	-	170,000
	Payments from Component Units				275,000	-	275,000	-
	Grants, Entitlements, and Contributions not Restricted to Specific Programs				3,873,001	-	3,873,001	-
	Total General Revenues and Transfers				103,761,905	-	103,761,905	1,459,519
	Changes in Net Assets				34,174,087	(1,634,012)	32,540,075	(1,042,077)
	Net Assets - Beginning				77,196,666	81,946,324	159,142,990	51,935,471
	Prior Period Adjustments				18,614,009	(7,520,427)	11,093,582	-
	Net Assets - Beginning As Restated				95,810,675	74,425,897	170,236,572	51,935,471
	Net Assets - Ending				$ 129,984,762	$ 72,791,885	$ 202,776,647	$ 50,893,394

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

City of Wilmington, Delaware

Balance Sheet
Governmental Funds
June 30, 2006

	General	Capital Projects	Police Special	Commerce	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	$ 39,887,061	$ 26,035,268	$ 6,321,867	$ 10,777,641	$ 291,235	$ 83,313,072
Investments	-	-	-	-	5,964,950	5,964,950
Receivables, Net (Note 4)	7,590,007	-	-	14,648,734	102,358	22,341,099
Due from Other Funds	16,160,212	-	-	-	-	16,160,212
Due from Component Unit	550,000	-	-	-	-	550,000
Due from Other Governments	586,160	790,778	-	-	7,368,673	8,745,611
Prepaid Items & Other Assets	200,000	-	-	-	-	200,000
TOTAL ASSETS	$ 64,973,440	$ 26,826,046	$ 6,321,867	$ 25,426,375	$ 13,727,216	$ 137,274,944
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	$ 1,516,223	$ 3,069,021	$ 2,643	$ 52,792	$ 1,517,461	$ 6,158,140
Salaries and Benefits Payable	1,338,233	-	43,230	7,147	71,961	1,460,571
Due to Other Funds	-	-	-	-	3,762,080	3,762,080
Deferred Revenue	2,573,330	-	-	13,848,734	2,344,723	18,766,787
Other Liabilities	1,501,238	-	-	1,000,000	-	2,501,238
Total Liabilities	6,929,024	3,069,021	45,873	14,908,673	7,696,225	32,648,816
Fund Balances:						
Reserved for:						
Public Safety	-	-	6,275,994	-	-	6,275,994
Park Operations	-	-	-	-	5,911,539	5,911,539
Unreserved, Reported In:						
General Fund, Designated:						
Special Designations	20,378,110	-	-	-	-	20,378,110
Permanent Investment Reserve	15,661,377	-	-	-	-	15,661,377
Budget Reserve Account for Public Emergencies	22,004,929	-	-	-	-	22,004,929
Special Revenue Funds	-	-	-	10,517,702	119,452	10,637,154
Capital Project Funds	-	23,757,025	-	-	-	23,757,025
Total Fund Balances	58,044,416	23,757,025	6,275,994	10,517,702	6,030,991	104,626,128
Total Liabilities and Fund Balances	$ 64,973,440	$ 26,826,046	$ 6,321,867	$ 25,426,375	$ 13,727,216	$ 137,274,944

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

City of Wilmington, Delaware

Reconciliation of Governmental Funds Balance Sheet
To the Statement of Net Assets
For the Year Ended June 30, 2006

The Total Net Assets reported for governmental activities in the Statement of Net Assets (Page 16) is different because:

Total Fund Balances for Government Funds (Page 18)		$ 104,626,128
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. Also excluded are $15,672,318 of internal service fund assets accounted for in the following line.		138,351,822
Internal Service funds are used by management to charge the costs of centrally managed services to using funds and departments. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. The increase is equal to the internal service net assets.		2,847,796
Some of the city's taxes and other revenues will be collected after yearend, but are not available soon enough to pay current-year's expenditures and, therefore, are reported as deferred revenue in the fund statements.		16,422,064
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	(7,197,336)	
Accrued Interest on Long Term Debt	(2,216,728)	
Deferred Amounts - Bond Issuance Costs	1,059,625	
Deferred Amounts - Bond Premium	(2,157,210)	
Deferred Amounts - Advance Refunding Difference	1,772,353	
Bonds and Notes Payable	(123,523,752)	(132,263,048)
Total Net Assets of Governmental Activities (Page 16)		$ 129,984,762

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, 2006

	General	Capital Projects	Police Special	Commerce	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 30,289,277	$ -	$ -	$ -	$ -	$ 30,289,277
Wages	51,536,049	-	-	-	-	51,536,049
Net Profit	3,541,769	-	-	-	-	3,541,769
Franchise	2,841,710	-	-	-	-	2,841,710
Real Estate Transfer	5,663,155	-	-	-	-	5,663,155
Head	2,239,433	-	-	-	-	2,239,433
Other Taxes	495,389	-	-	-	-	495,389
Intergovernmental	13,911,731	8,055,527	9,753,450	7,995,031	12,762,566	52,478,305
Licenses and Permits	4,395,440	-	-	-	-	4,395,440
Fines and Forfeitures	3,705,122	-	-	-	-	3,705,122
Charges for Services	4,032,123	4,279	-	-	828,869	4,865,271
Investment Earnings	3,858,255	-	-	1,002,396	407,397	5,268,048
Total Revenues	126,509,453	8,059,806	9,753,450	8,997,427	13,998,832	167,318,968
EXPENDITURES						
Current:						
General Governmental Services	15,328,879	-	-	-	2,146,311	17,475,190
Commerce	-	-	-	1,746,783	-	1,746,783
Real Estate and Housing	325,321	-	-	-	6,832,595	7,157,916
Public Works	12,284,076	-	-	-	1,096,600	13,380,676
Parks and Recreation	5,720,969	-	-	-	1,443,444	7,164,413
Public Safety	60,752,885	-	3,477,456	-	2,212,870	66,443,211
Debt Service:						
Principal Retirement	5,689,235	-	-	5,801,389	-	11,490,624
Interest and Fiscal Charges	3,387,331	-	-	1,431,361	-	4,818,692
Capital Outlays	-	18,274,564	-	-	-	18,274,564
Total Expenditures	103,488,696	18,274,564	3,477,456	8,979,533	13,731,820	147,952,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,020,757	(10,214,758)	6,275,994	17,894	267,012	19,366,899
OTHER FINANCING SOURCES (USES)						
Proceeds from						
Capital Asset Sales	11,614	-	-	1,567,500	-	1,579,114
Bonds Issued	-	34,155,000	-	-	-	34,155,000
Bond Premiums	-	1,365,925	-	-	-	1,365,925
Bond Issuance Costs	-	(533,925)	-	-	-	(533,925)
Transfers In	-	-	-	645,992	-	645,992
Transfers Out	(645,992)	-	-	-	-	(645,992)
Total Other Financing Sources (Uses)	(634,378)	34,987,000	-	2,213,492	-	36,566,114
Net Change in Fund Balances	22,386,379	24,772,242	6,275,994	2,231,386	267,012	55,933,013
Fund Balance - Beginning	31,751,854	(4,165,217)	-	12,786,316	5,763,979	46,136,932
Prior Period Adjustments (Note 16)	3,906,183	3,150,000	-	(4,500,000)	-	2,556,183
Fund Balance - Beginning, as Restated	35,658,037	(1,015,217)	-	8,286,316	5,763,979	48,693,115
Fund Balance - Ending	$ 58,044,416	$ 23,757,025	$ 6,275,994	$ 10,517,702	$ 6,030,991	$ 104,626,128

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

City of Wilmington, Delaware

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Year Ended June 30, 2006

Amounts reported for governmental activities in the Statement of Activities (Page 17) are different because:

Net Change in Fund Balances - Total Governmental Funds (Page 20)		$ 55,933,013
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital asset acquisitions exceeded depreciation expense.		
Capital assets acquisition	$ 19,966,777	
Depreciation expense	(4,650,449)	15,316,328
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets less accumulated depreciation.		(2,274,834)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The following are the net changes in these non-current resources.		
Port of Wilmington Sale Proceeds	$ (8,072,332)	
Property and Other Taxes	(171,882)	
Fees and Fines	310,862	(7,933,352)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

	Debt Issued	Repayments	
General Obligation Bonds	$ (34,155,000)	$ 11,490,624	
Issuance Costs & Similar Items	(1,365,925)	(2,476,917)	
Net Adjustment	(35,520,925)	9,013,707	(26,507,218)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The following are the impact of the net changes in balances.

Compensated Absences	$ (1,457,644)	
Accrued Interest on Long-Term Debt	(711,584)	(2,169,228)
The net revenue of internal service funds is reported with governmental activities.		1,809,378
Change in net assets of governmental activities (page 17)		$ 34,174,087

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

City of Wilmington, Delaware

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
Property	$ 30,466,500	$ 30,391,500	$ 30,289,277	$ (102,223)
Wage	41,640,625	41,640,625	51,536,049	9,895,424
Net Profit	2,357,500	2,357,500	3,541,769	1,184,269
Franchise	2,340,500	2,340,500	2,841,710	501,210
Real Estate Transfer Taxes	3,366,000	3,366,000	5,663,155	2,297,155
Head	2,518,000	2,518,000	2,239,433	(278,567)
Other Taxes	410,000	410,000	495,389	85,389
Intergovernmental	3,025,000	9,435,000	13,911,731	4,476,731
Licenses and Permits	3,078,500	3,659,750	4,395,440	735,690
Fines and Forfeitures	2,325,000	2,325,000	3,705,122	1,380,122
Charges for Services	3,872,533	3,872,533	4,032,123	159,590
Interest	1,300,000	1,300,000	3,858,255	2,558,255
Total Revenues	96,700,158	103,616,408	126,509,453	22,893,045
Expenditures:				
General Governmental Services:				
Mayor's office	4,669,980	4,669,980	4,446,525	223,455
City Council	2,130,070	2,180,070	2,251,052	(70,982)
Audit	528,775	562,775	583,502	(20,727)
Law	2,228,848	2,253,848	2,216,251	37,597
Finance	3,019,000	3,997,570	3,927,996	69,574
Personnel	1,353,828	1,398,828	1,441,063	(42,235)
Treasurer	361,108	375,108	391,018	(15,910)
Planning	1,254,575	1,254,575	1,242,117	12,458
Real Estate and Housing	1,533,420	1,533,420	1,411,446	121,974
Parks and Recreation	8,230,624	8,230,624	7,927,289	303,335
Public Safety:				
Police	35,638,330	37,821,185	38,015,910	(194,725)
Fire	16,635,093	21,095,093	21,319,877	(224,784)
Licenses and Inspection	2,983,491	2,983,491	2,964,975	18,516
Public Works	16,124,402	16,124,402	15,349,675	774,727
Total Expenditures	96,691,544	104,480,969	103,488,696	992,273
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,614	(864,561)	23,020,757	23,885,318
Other Financing Sources (Uses)				
Transfer Out	-	-	(645,992)	(645,992)
Gain on Sale of Capital Assets	-	-	11,614	11,614
Total Other Financing Sources (Uses)	-	-	(634,378)	(634,378)
Net Change in Fund Balances	8,614	(864,561)	22,386,379	23,250,940
Fund Balance - Beginning	31,751,854	31,751,854	31,751,854	-
Prior Period Adjustments	-	-	3,906,183	3,906,183
Fund Balance - Beginning as Restated	31,751,854	31,751,854	35,658,037	3,906,183
Fund Balance - Ending	$ 31,760,468	$ 30,887,293	$ 58,044,416	$ 27,157,123

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 - Budget and Actual
Major Fund
Police Special
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Intergovernmental	$ 9,753,450	$ 9,753,450	$ 9,753,450	$ -
Total Revenues	9,753,450	9,753,450	9,753,450	-
Expenditures:				
Personal Services	2,997,154	2,997,154	2,997,154	-
Materials, Supplies and Equipment	480,302	480,302	480,302	-
Total Expenditures	3,477,456	3,477,456	3,477,456	-
Excess of Revenues Over Expenditures	6,275,994	6,275,994	6,275,994	-
Net Change in Fund Balances	6,275,994	6,275,994	6,275,994	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	$ 6,275,994	$ 6,275,994	$ 6,275,994	$ -

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 - Budget and Actual
Major Fund
Commerce
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Intergovernmental	$ -	$ -	$ 7,995,031	$ 7,995,031
Interest	3,986,864	3,986,864	1,002,396	(2,984,468)
Other	305,141	305,141	-	(305,141)
Total Revenues	4,292,005	4,292,005	8,997,427	4,705,422
Expenditures:				
Personal Services	585,110	585,110	569,200	15,910
Materials, Supplies and Equipment	467,162	467,162	1,177,583	(710,421)
Debt Service	5,925,274	6,500,274	7,232,750	(732,476)
Total Expenditures	6,977,546	7,552,546	8,979,533	(1,426,987)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,685,541)	(3,260,541)	17,894	3,278,435
Other Financing Sources				
Transfer In	-	645,992	645,992	-
Gain on Sale of Capital Assets	-	-	1,567,500	1,567,500
Total Other Financing Sources	-	645,992	2,213,492	1,567,500
Net Change in Fund Balances	(2,685,541)	(2,614,549)	2,231,386	4,845,935
Fund Balance - Beginning	-	-	12,786,316	12,786,316
Prior Period Adjustments	-	-	(4,500,000)	(4,500,000)
Fund Balance - Beginning as Restated	-	-	8,286,316	8,286,316
Fund Balance - Ending	$ (2,685,541)	$ (2,614,549)	$ 10,517,702	$ 13,132,251

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

SEAL OF THE CITY OF WILMINGTON
DELAWARE

City of Wilmington, Delaware
Statement of Fund Net Assets
Proprietary Funds
June 30, 2006

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 7,256,850	$ 24,476,151
Receivables, Net (Note 4)	5,733,921	-
Total Current Assets	12,990,771	24,476,151
Noncurrent Assets:		
Deferred Charges	702,395	43,426
Capital Assets, Net (Note 6)		
Land	3,656,612	-
Construction in Progress	15,759,489	3,208,333
Buildings & Improvements	-	10,375
Reservoirs and Water Filter Facilities	29,897,347	-
Water Lines	24,785,766	-
Wastewater Pump and Treatment Facilities	83,535,725	-
Sewer Lines	5,540,721	-
Vehicles, Machinery & Equipment	-	12,453,610
Total Noncurrent Assets	163,878,055	15,715,744
Total Assets	176,868,826	40,191,895
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,337,613	1,052,539
Salaries and Benefits Payable	129,444	30,930
Due to Other Funds	-	3,595,882
Deferred Revenue	730,001	-
Accrued Interest Payable	1,290,298	99,891
Bonds Payable	6,632,498	423,613
Capital Leases	1,636,044	1,040,125
Compensated Absences	335,000	189,901
Claims Liabilities	-	4,368,929
Total Current Liabilities	18,090,898	10,801,810
Non-Current Liabilities:		
Bonds Payable	81,906,948	6,781,248
Capital Leases	3,913,426	2,890,768
Compensated Absences	165,669	-
Claims Liabilities	-	16,870,273
Total Non-Current Liabilities	85,986,043	26,542,289
Total Liabilities	104,076,941	37,344,099
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	82,303,094	5,628,231
Restricted for:		
Capital Projects	13,216,350	1,091,667
Unrestricted	(22,727,559)	(3,872,102)
Total Net Assets	$ 72,791,885	$ 2,847,796

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

City of Wilmington, Delaware

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-type Activities	Governmental Activities
	Water and Sewer	Internal Service Funds
OPERATING REVENUES		
Charges for Services	$ 40,929,948	$ 24,008,985
Employee Contributions	-	484,582
Intergovernmental	177,326	-
Other	-	1,359,152
Total Operating Revenues	41,107,274	25,852,719
OPERATING EXPENSES		
Personal Services	8,183,657	1,899,500
Materials, Supplies and Contractual Services	24,815,076	6,336,639
Depreciation and Amortization	5,090,091	2,426,050
Claims Expense	-	13,046,109
Insurance Premiums	-	229,945
Total Operating Expenses	38,088,824	23,938,243
Operating Income	3,018,450	1,914,476
NON-OPERATING REVENUES (EXPENSES)		
Interest Expense	(4,525,680)	(258,560)
Bond Issuance Expense	(126,782)	(2,320)
Gain on Sale of Assets	-	155,782
Total Non-Operating Revenues (Expenses):	(4,652,462)	(105,098)
Change in Net Assets	(1,634,012)	1,809,378
Total Net Assets - Beginning	81,946,324	1,038,418
Prior Period Adjustments	(7,520,427)	-
Total Net Assets - Beginning as Restated	74,425,897	1,038,418
Total Net Assets - Ending	$ 72,791,885	$ 2,847,796

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, 2006

	Business-type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from Customers and Users	$ 39,758,506	$ -
Receipts from interfund services provided	-	26,008,501
Payments to Suppliers	(16,651,916)	(19,649,946)
Payments to Employees	(8,227,661)	(1,787,182)
Net Cash Provided by Operating Activities	14,878,929	4,571,373
Cash Flows from Noncapital Financing Activities		
Advances to Other Funds	(10,755,782)	20,817,375
Net Cash Provided by (Used in) Noncapital Financing Activities	(10,755,782)	20,817,375
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Capital Debt	29,995,677	2,746,340
Acquisition and Construction of Capital Assets	(18,445,723)	(5,823,599)
Principal Paid on Capital Debt	(5,985,111)	(851,463)
Interest Paid on Capital Debt	(2,812,273)	-
Proceeds from Capital Lease and Notes	1,560,000	2,340,000
Principal Paid on Capital Lease and Notes	(988,416)	-
Interest Paid on Capital Lease	(190,701)	(258,560)
Net Cash Provided by (Used in) Capital and Related Financing Activities	3,133,453	(1,847,282)
Net Increase in Cash and Cash Equivalents	7,256,600	23,541,466
Cash and Cash Equivalents - July 1, 2005	250	934,685
Cash and Cash Equivalents - June 30, 2006	$ 7,256,850	$ 24,476,151
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 3,018,450	$ 1,914,476
Adjustments to Reconcile Operating Income to Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	5,090,091	2,426,050
Bond Issuance Costs Amortized	(126,782)	(2,320)
Decrease in Provision for Uncollectible Accounts	(356,471)	-
Gain on Sale of Assets	-	155,782
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	545,985	-
Increase (Decrease) in Accounts Payable	5,555,596	(421,129)
Increase (Decrease) in Compensated Absences	(72,772)	29,037
Increase in Accrued Salaries	28,768	12,331
Increase in Accrued Interest	466,063	99,891
Increase in Deferred Revenue	730,001	-
Increase in Claims Liability	-	357,255
Net Cash Provided by Operating Activities	$ 14,878,929	$ 4,571,373

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

SEAL OF THE CITY OF WILMINGTON
DELAWARE

City of Wilmington

Combined Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Pension and Other Employee Benefit Trust Funds			
	Total Pension Funds	Post - Retirement Benefit	Total	Total Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 7,530,856	$ 405,476	$ 7,936,332	$ 282,630
Receivables:				
Due from Federal Government	-	-	-	211,613
Accrued Interest Receivable	766,733	50,807	817,540	-
Total Receivables	766,733	50,807	817,540	211,613
Investments, at Fair Value:				
Money Market Mutual Funds	2,670,808	-	2,670,808	-
U.S. Government Obligations	7,520,627	-	7,520,627	-
U.S. Agencies - Government Guaranteed	181,387	-	181,387	-
U.S. Agencies - Other	24,044,623	2,476,962	26,521,585	-
Foreign Government Obligations	969,352	-	969,352	-
Corporate Bonds	20,256,156	290,081	20,546,237	-
Stocks	91,416,205	-	91,416,205	-
Other Mutual Funds	3,331,567	-	3,331,567	-
Total Investments	150,390,725	2,767,043	153,157,768	-
Due from Other Funds	2,241,915	-	2,241,915	-
Total Assets	160,930,229	3,223,326	164,153,555	494,243
LIABILITIES				
Accounts Payable	13,570	-	13,570	142,321
Salaries and Benefits Payable	4,479	-	4,479	78
Due to Other Funds	10,844,888	-	10,844,888	199,276
Compensated Absences	7,345	-	7,345	-
Liability for Stale-dated Pension Checks	173,826	-	173,826	-
Funds held in Escrow	-	-	-	152,568
Total Liabilities	11,044,108	-	11,044,108	494,243
Net Assets				
Held in Trust for Pension Benefits	$ 149,886,121	$ 3,223,326	$ 153,109,447	$ -

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

City of Wilmington, Delaware

Combined Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Year Ended June 30, 2006

	Pension and Other Employee Benefit Trust Funds		
	Total Pension Funds	Post - Retirement Benefit	Total
ADDITIONS			
Contributions:			
City			
Paid Directly by the City	$ 5,982,258	$ 505,189	$ 6,487,447
Paid by the State On-Behalf of the City	6,742,706	-	6,742,706
Employees	1,249,634	167,721	1,417,355
Total Contributions	13,974,598	672,910	14,647,508
Investment Income			
Interest	6,078,267	37,787	6,116,054
Net Appreciation in Fair Value	6,043,223	33,179	6,076,402
Total Investment Earnings	12,121,490	70,966	12,192,456
Less: Investment Expense	(667,812)	-	(667,812)
Net Investment Income	11,453,678	70,966	11,524,644
Total Additions	25,428,276	743,876	26,172,152
DEDUCTIONS			
Benefits Paid	16,395,802	362,325	16,758,127
Administrative Expenses	593,622	18,957	612,579
Total Deductions	16,989,424	381,282	17,370,706
Net Increase in Plan Net Assets	8,438,852	362,594	8,801,446
Net Assets - Beginning	141,447,269	2,860,732	144,308,001
Net Assets - Ending	$ 149,886,121	$ 3,223,326	$ 153,109,447

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

City of Wilmington, Delaware

Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 20006

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
Cash and Cash Equivalents	$ 11,320,664	$ 366,142	$ 59,683	$ 1,021,228	$ 818,095	$ 3,437,139	$ 79,904	$ 56,783	$ 17,159,638
Investments	-	-	-	-	-	3,097,899	-	-	3,097,899
Receivables, Net	390,602	1,800,000	-	7,014,779	500,070	13,635,382	27,590	21,999	23,390,422
Restricted Assets:									
Investments	-	-	-	-	-	10,258,762	-	-	10,258,762
Deferred Charges & Other Assets	-	-	-	91,954	19,914	1,008,904	10,559	-	1,131,331
Capital Assets, Net:									
Land	-	2,900,000	-	392,089	4,321	16,283,448	-	-	19,579,858
Construction in Progress	-	-	-	573,640	-	6,217,217	-	-	6,790,857
Building and Improvements	-	-	-	409,849	2,587,076	19,970,059	446,996	-	23,413,980
Vehicles, Machinery & Equipment	-	-	-	7,625	30,755	1,775,027	533,780	7,787	2,354,974
Total Assets	11,711,266	5,066,142	59,683	9,511,164	3,960,231	75,683,837	1,098,829	86,569	107,177,721
LIABILITIES									
Accounts Payable & Accrued Expenses	372,200	1,000	41,365	400,834	119,015	1,087,166	26,352	5,424	2,053,356
Salaries and Benefits Payable	-	-	-	-	-	40,411	71,952	-	112,363
Deferred Revenue	-	-	-	-	-	161,388	8,785	-	170,173
Long-term Liabilities									
Due within One Year									
Bonds Payable	-	-	165,000	-	-	1,749,750	36,671	-	1,951,421
Capital Leases	-	-	8,997	-	1,920	-	2,473	-	13,390
Due in More than One Year									
Loans Payable	12,160,000	-	223,262	-	1,550,000	34,792,910	649,661	702,596	50,078,429
Capital Leases	-	-	1,536	-	4,917	-	3,294	-	9,747
Minority Interest	-	-	-	-	-	1,895,448	-	-	1,895,448
Total Liabilities	12,532,200	1,000	440,160	400,834	1,675,852	39,727,073	799,188	708,020	56,284,327
NET ASSETS									
Invested in Capital Assets Net of Related Debt	-	-	-	1,383,203	-	16,161,341	-	-	17,544,544
Restricted for:									
Debt Service	-	-	-	-	1,030,141	1,861,450	-	-	2,891,591
Under Contractual Agreement	-	-	-	-	-	12,160,000	-	-	12,160,000
Unrestricted	(820,934)	5,065,142	(380,477)	7,727,127	1,254,238	5,773,973	299,641	(621,451)	18,297,259
Total Net Assets	$ (820,934)	$ 5,065,142	$ (380,477)	$ 9,110,330	$ 2,284,379	$ 35,956,764	$ 299,641	$ (621,451)	$ 50,893,394

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

City of Wilmington, Delaware

Combining Statement of Activities
Discretely Presented Component Units
For the Year Ended June 30, 2006

		Program Revenues	Net (Expense) Revenues and Changes in Net Assets								
	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	Total
Brandywine Gateway Corporation	$ 1,837,673	$ 493,024	$ (1,344,649)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,344,649)
Christina Gateway Corporation	70,990	96,547	-	25,557	-	-	-	-	-	-	25,557
Rock Manor Golf Corporation	455,110	329,476	-	-	(125,634)	-	-	-	-	-	(125,634)
Wilmington UDAG Corporation	630,156	432,528	-	-	-	(197,628)	-	-	-	-	(197,628)
Wilmington Economic Development Corporation	430,859	153,217	-	-	-	-	(277,642)	-	-	-	(277,642)
Wilmington Parking Authority	7,094,931	6,414,172	-	-	-	-	-	(680,759)	-	-	(680,759)
Downtown Visions	1,794,569	1,857,671	-	-	-	-	-	-	63,102	-	63,102
Riverfront Business Improvement District	204,655	240,712	-	-	-	-	-	-	-	36,057	36,057
	$ 12,518,943	$ 10,017,347	(1,344,649)	25,557	(125,634)	(197,628)	(277,642)	(680,759)	63,102	36,057	(2,501,596)
General Revenues											
Payments from the Primary Government			-	-	170,000	-	-	-	-	-	170,000
Investment Earnings			-	-	-	-	-	926,348	17,278	302	943,928
Other Revenues			-	-	(118,841)	-	-	455,918	-	8,514	345,591
Total General Revenues			-	-	51,159	-	-	1,382,266	17,278	8,816	1,459,519
Change in Net Assets			(1,344,649)	25,557	(74,475)	(197,628)	(277,642)	701,507	80,380	44,873	(1,042,077)
Net Assets - Beginning			523,715	5,039,585	(306,002)	9,307,958	2,562,021	35,255,257	219,261	(666,324)	51,935,471
Net Assets - Ending			$ (820,934)	$ 5,065,142	$ (380,477)	$ 9,110,330	$ 2,284,379	$35,956,764	$ 299,641	$ (621,451)	$50,893,394

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

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 City has adopted all GASB Statements through no. 48 with the exception of No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the City is not required by GASB to implement these statements before fiscal year 2008. 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.

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.

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 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, 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. The majority of the officers and directors are appointed by the Mayor.

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

Rock Manor Golf Corporation
c/o City of Wilmington
City Treasurer
800 French Street
Wilmington, Delaware 19801

Wilmington Economic Development Corporation
100 West 10th 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 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. The City is not able to impose its will on the organizations and the organizations do not provide specific financial benefits or impose specific financial burdens to the City. 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 offsetting internal balances and eliminated. 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. All remaining governmental funds are aggregated and reported as non-major funds. In addition, the fund financial statements present internal service funds and fiduciary funds by fund type.

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. In 2006 the City implemented the GASB 34 requirement of reporting bridges, roads and infrastructure as capital assets.

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. Agency funds report only assets and liabilities as they do not have a measurement focus, but do use the accrual basis of accounting.

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 2006 include property taxes levied principally on July 1, 2005, and collected prior to September 1, 2006. 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.

Expenses 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 expenses to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. 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 the City's primary operating fund. It accounts for all financial transactions of the City except those resources required to be accounted for in another fund. Revenues are derived principally from property taxes, municipal user taxes, employee taxes, and intergovernmental revenues. This fund accounts for expenditures for the general administrative

services of the City, parks and recreation, public safety, public works, licenses and inspections, real estate and housing, and debt service on general long-term obligations.

The Police Special Fund, a special revenue fund, is used to account for a special grant from the New Castle County government to be used for expanding police activities within the City of Wilmington.

The Commerce Fund, a special revenue 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 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 City reports the following major enterprise fund:

The 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 for others and reports the City's five pension trust funds and a pension healthcare trust funds.

Agency Funds account for assets held by the City in a custodial capacity (assets equal liabilities) and do not present results of operations or have a measurement focus.

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.

Amounts recorded as program revenues include a) charges to customers or applicants for materials, services or privileges provided, b) operating grants and contributions, and c) capital grants and contributions. Internally dedicated resources including all taxes are reported as general revenues.

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 within one year 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 one year 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 include 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 may occur in connection with various bond and trust agreements. Investments are 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 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."

Investment Policies

Primary Government - Pooled Cash -The City's investment policy for surplus cash and investments is governed by the State of Delaware's Constitution. The City is authorized to make direct investments in:

- Certificates of Deposits from financial institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or, to the extent not insured, collateralized by U.S. Government securities,
- U.S. Government securities,
- Obligations issued or guaranteed by any U.S. Government agency,

- Collateralized repurchase agreements with respect to a U.S. Government securities or U.S. Government agency securities and,
- Obligations of States, Counties or Cities with a rating of "A" or better.

The City is not authorized to invest in:
- Any speculative type investments,
- Corporate equities,
- Corporate debt securities.

Primary Government - Fiduciary Funds - Deposits and Investments - The investment policy for the City's Pension Trust Funds is in accordance with the Investment Policy Statement of the City of Wilmington Board of Pensions and Retirement. The Investment Policy Statement's general policy is to apply the prudent person rule. Investments are made as a prudent person would act, with discretion and intelligence, to seek reasonable income, preserve capital and avoid speculative investments. The City's Pension Trust Funds may be invested in domestic equities, international equities, fixed income securities, U.S. Government securities, U.S. Government agency securities, U.S. certificates of deposit, bankers' acceptances, commercial paper or alternate investments.

The Investment Policy Statement of the City of Wilmington Board of Pensions and Retirement delineates the following asset mix, intended to meet the Funds' investment objectives while limiting investment risk by assuring an acceptable level of diversification in the portfolio. Domestic equity exposure must be maintained between 45% and 65%. International equity exposure must be maintained at or below 10%. Fixed income exposure must be maintained between 30% and 50%. Exposure in alternate investments must be maintained at or below 5%. (Although authorized, the Board has chosen not to invest any funds in alternate investments.) The Policy emphasizes having adequate liquidity to permit benefit payments when due, while at the same time fostering growth in response to the Funds' long-term liabilities through asset allocation and investment guidelines. The Policy seeks to optimize diversification through asset allocation and certain other constraints.

Component Units - The Wilmington Park Trust Fund Commission (a blended component unit) has authority to invest in corporate equities and debt through a 1935 Act of the State Legislature. The Wilmington Parking Authority has authority to invest cash from operations and bond issues, and the assets of its pension funds under The Investment Policy Statement approved by its Board of Directors.

Receivables

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.

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.

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.

Wage Taxes are recorded when paid. Wage taxes withheld by employers and remittable to the City at yearend are recorded as receivable. Receivables are also recorded on a calendar year basis when employers' payments are reconciled 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.

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.

Revenues in the government-wide financial statements are susceptible to accrual in the period in which they become measurable unless accorded other treatment by GASB standards. All revenue and receivables in the government-wide and governmental fund statements are shown net of allowances for uncollectible accounts. Allowances are based on historic trends or specific evaluation as necessary.

Due to/Due from Other Funds which are recorded in the fund financial statements are the yearend outstanding balances of a variety of transactions between funds, including cash transactions, operating expenditures and transfers of resources to provide services, operating transfers, to construct assets and to service debt.

Due to/from Other Governments (or Component Units) primarily consist of amounts arising from transfer payments and amounts due from grantors. Certain revenues collected by the State and remitted to the City are recorded as derived revenue transactions; all amounts are remitted to the City within 60 days of yearend and are recorded as receivable.

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

Inventories and Prepaid Items

Inventories are not significant and materials are recorded as expenses/expenditures when acquired. Significant prepayments to vendors are recorded as prepaid items and recorded as expenditures when consumed rather than when purchased.

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 ($25,000 to $50,000 for land improvements, buildings, and infrastructure) and an estimated useful life in excess of one year. 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. Collections of art (primarily sculptures) are capitalized but not depreciated if they are preserved and not held for investment. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the estimated useful lives of the related assets. The City records six months of 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
Streets & Signals	20 - 35
Buildings	50 - 60
Utility Plants and Lines	50 - 60
Machinery and Equipment	10 - 15
Vehicles	5 - 10

Deferred Revenue

Deferred revenue consists of revenues that have not met all requirements of revenue recognition. Deferred items primarily consist of reimbursement-type grants where costs have not yet been incurred; this includes instances where the City receives periodic advance funding, but has not expended the funds nor met all the criteria to claim the funds as revenue for the current fiscal period. In the fund financial statements, deferred revenue includes property taxes that are not available resources.

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 Liabilities

In the government-wide financial statements and the proprietary fund types in the fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred items and amortized over the term of the related debt.

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

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.

Net Assets and Fund Equity

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on governmental fund statements. Net Assets are classified as "Invested in Capital Assets, Net of Related Debt," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund.

In the governmental fund financial statements, reservations of fund balance represent amounts that are legally restricted by outside parties for use for a specific purpose or are otherwise not available for appropriation. "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, 2006, included the General, Commerce and certain non-major funds. Special revenue funds adopt budgets equal to the expenditures available for reimbursement by grants.

All budgets for the above funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary comparison schedules for the General, Police Special, and Commerce Funds are presented as part of the Basic Statements. Such comparison schedules for the non-major funds and more detail on General Fund expenditures 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, 2006, expenditures exceeded appropriations in the following departments. The main cause was higher internal service costs primarily related to data processing. The State payments to the police pension plan were higher than budgeted and caused police department expenditures to be higher than budgeted.

Fund	Department	Expenditures Over Budget
General Fund	City Council	$ 70,982
	Audit	20,727
	Personnel	42,235
	Treasurer	15,910
	Police	194,724

3. Deposits and Investments

The City pools surplus cash and investments of all funds for investment purposes with the City Treasurer. The City also separately pools pension funds with the City Treasurer. Pension funds are held by the City Treasurer and outside custodians; they are managed by the City Treasurer and outside investment managers.

	Primary Government	Pension Funds	Discretely Presented Component Units
Deposits			
Insured Deposits (FDIC)	$ 719,408	$ 845,821	$ 682,953
Uninsured Deposits - Collateral held by pledging bank's agent in the City or Unit's name	6,088,152	-	1,683,374
Certificate of Deposits due within One Year - Collateral held by pledging bank's agent in the City or Unit's name	109,019,967	6,685,035	-
Uninsured and Uncollateralized	88,881	-	3,330,819
Total Deposits	$ 115,916,408	$ 7,530,856	$ 5,697,146
Investments			
Repurchase Agreements	$ -	$ -	$ 12,751,697
Money Market Mutual Funds	-	2,670,808	-
U.S. Government Obligations	276,912	7,520,627	2,669,832
U.S. Agencies - Government Guaranteed	-	181,387	8,153,722
U.S. Agencies - Other	2,476,962	24,044,623	-
Foreign Government Obligations	-	969,352	-
Corporate Bonds	290,081	20,256,156	-
Stock Equities	3,635,945	91,416,205	-
Mutual Funds	1,869,864	3,331,567	1,243,902
Total Investments	$ 8,549,764	$ 150,390,725	$ 24,819,153

Custodial Credit Risk – Deposits

Primary Government and Fiduciary Funds - Custodial credit risk for deposits exists when, in the event of a failure of a depository financial institution, the City may be unable to recover deposits or recover collateral deposits that are in the possession of an outside party. All City deposits are required by law to be federally insured or, to the extent not insured, collateralized by direct obligations of the United States of America.

Custodial Credit Risk – Investments

Primary Government and Fiduciary Funds - Custodial credit risk for investments exists when, in the event of a failure the counterparty to a transaction, a government may be unable to recover the value of investments or collateral securities that are in the possession of an outside party. The table below (the same table provides custodial credit risk and interest rate risk data) provides information about the custodial credit risk associated with the Fiduciary Funds' investments. The investments disclosed in the table are uninsured and uncollateralized, held by the counterparty or by its trust department but not in the City's name.

Interest Rate Risk

Fiduciary Funds - Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Investment Policy Statement's policy with regards to interest rate risk is that the average duration of fixed income securities held shall never be more than nine months greater or less than the most recently published average duration of the Lehman Brothers Intermediate Government/Corporate Index. The City invests in various collateralized mortgage obligations classified as U.S. Government Agencies not explicitly guaranteed by the government; as of June 30, 2006, the portfolio included $6,935,466 of these securities. These securities are based on cash flows from interest payments on underlying mortgages and are sensitive to prepayments specifically during periods of declining interest rates. The following is a maturity schedule summarizing fixed income and short-term investments as of June 30, 2006.

		Investment Maturities (in Years)				
Investment Type	**Fair Value**	**< 1 year**	**1-4.9**	**5-9.9**	**10-19.9**	**> 20**
U.S. Treasuries	$ 7,797,539	$ -	$ 3,908,322	$ 3,889,217	$ -	$ -
U.S. Govt. Agencies - Guaranteed	181,387	-	6,264	99	17,411	157,613
U.S. Govt. Agencies - Other	26,521,585	1,666,660	11,771,570	3,474,674	5,589,596	4,019,085
Foreign Gov'ts.	969,352	-	969,352	-	-	-
Corporate Bonds	20,546,237	2,564,420	11,033,059	4,873,835	1,366,439	708,484
Total	$ 56,016,100	$ 4,231,080	$ 27,688,567	$ 12,237,825	$ 6,973,446	$ 4,885,182

Credit Risk

The Investment Policy Statement's address's credit risk by requiring that the average quality of fixed income investments in any fixed income manager's portfolio shall equal or exceed Moody's Aa or equivalent rating and the minimum quality of any single fixed income investment purchased or retained shall equal Moody's Baa or equivalent rating. As of June 30, 2006, the Benefit Trust Funds fixed income and short-term investments had the following risk characteristics.

Moody's Ratings or Comparable	Percent of Total Benefit Trust Funds	Market Value
AAA to A	12.52%	$ 20,546,237
Government	21.44%	35,192,951
	33.96%	$ 55,739,188

Concentration of Credit Risk

When investments are concentrated in one issuer (excluding the U.S. Government), this concentration presents a heightened risk of loss. As of June 30, 2006, there were no investments with a fair value in excess of 5% of the Funds' net assets invested in any one particular issue.

Foreign Currency Risk

The Pension Funds' exposure to foreign currency risk derives from its positions in foreign currency–denominated equity investments. All fixed income securities of foreign governments are denominated in U.S. dollars. The Funds' exposure to foreign currency risk is summarized as follows:

Currency	Fair Value in U.S. Dollars	Equities
Euros	$ 4,817,023	$ 4,817,023
Swiss Francs	1,192,761	1,192,761
British Pounds	4,074,746	4,074,746
Norwegian Krone	343,653	343,653
Canadian Dollars	697,125	697,125
Total in Foreign Denominated Investments	$ 11,125,308	$ 11,125,308

The pension fund's investment policy permits it to invest up to 10 percent of total investments in foreign currency–denominated investments. The system's current position is 7.4 percent.

Investment Commitments at June 30, 2006

The pension funds had no investment commitments at June 30, 2006.

The following provides a reconciliation between amounts disclosed in the above footnote and the amounts presented in the Statements of Net Assets.

	Primary Government	Fiduciary Funds	Component Units
Cash and Cash Equivalents	$ 115,916,408	$ 7,530,856	$ 5,697,146
Investments	8,549,764	150,390,725	24,819,153
	$ 124,466,172	$ 157,921,581	$ 30,516,299
Unrestricted	$ 121,011,023	$ -	$ 20,257,537
Restricted	-	-	10,258,762
Fiduciary Funds	3,455,149	157,921,581	-
	$ 124,466,172	$ 157,921,581	$ 30,516,299

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 (no differences exist between government-wide and fund basis receivables):

	Governmental Activities				Business-type Activities
	General	Commerce	Non-Major Funds	Total Governmental	Water and Sewer
Receivables:					
Property Taxes	$ 2,654,137	$ -	$ -	$ 2,654,137	$ -
Wage Taxes	5,390,533	-	-	5,390,533	-
Parking Citations	19,319,322	-	-	19,319,322	-
Business Licenses	1,037,690	-	-	1,037,690	-
Signs and Licenses	2,779,467	-	-	2,779,467	-
Other	1,347,041	-	102,358	1,449,399	-
Utility Billings	-	-	-	-	11,106,931
Notes - Current	-	671,361	-	671,361	-
Notes - NonCurrent	-	13,977,373	-	13,977,373	-
Gross Receivables	32,528,190	14,648,734	102,358	47,279,282	11,106,931
Less: Allowance for Uncollectibles	(24,938,183)	-	-	(24,938,183)	(5,373,009)
Net Total Receivables	$ 7,590,007	$ 14,648,734	$ 102,358	$ 22,341,099	$ 5,733,922

Discretely Presented Component Units

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

	Brandywine Gateway Corporation	Christina Gateway Corporation	Wilmington UDAG Corporation	Wilmington Parking Authority	Wilmington Economic Development Corporation	Other Component Units	Total
Receivables:							
Accounts	$ 390,602	$ 1,800,000	$ 45,457	$ 84,159	$ -	$ 49,589	$ 2,369,807
Mortgages and Loans	-	-	6,969,322	13,580,059	835,718	-	21,385,099
Less: Allowance for Uncollectibles	-	-	-	(28,836)	(335,648)	-	(364,484)
Net Total Receivables	$ 390,602	$ 1,800,000	$ 7,014,779	$ 13,635,382	$ 500,070	$ 49,589	$ 23,390,422

5. Notes Receivable

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 note receivable at June 30, 2006, in the amount of $14,648,734 is included in the government-wide statement of net assets and governmental funds balance sheet; the current and non-current amounts are disclosed in the schedule in Note 4.

6. Capital Assets

A. Primary Government

The City completed an inventory of its infrastructure and other capital assets in order to implement the infrastructure statement requirements of GASB 34. The grouping of assets were also changed to titles that reflect the nature and use of assets. The June 30, 2005 balances in the following Governmental Activities schedule have been restated below to reflect the $12,284,640 of infrastructure assets as further explained in Note 16. During 2006, all motor vehicle assets were consolidated from various funds into the motor vehicle internal service fund.

The capital asset activity for Governmental Activities (2005 is restated to include infrastructure assets of $24,244,383 and accumulated depreciation of $11,959,743) for the year ended June 30, 2006 was as follows:

	Restated June 30, 2005	Increases	Decreases	June 30, 2006
Governmental activities:				
Capital Assets not being Depreciated:				
Land	$ 22,137,941	$ 1,800,000	$ -	$ 23,937,941
Art	1,138,107	45,000	-	1,183,107
Construction in Progress	1,675,978	14,431,509	-	16,107,487
Total Capital Assets not being Depreciated	24,952,026	16,276,509	-	41,228,535
Capital Assets being Depreciated:				
Buildings and Improvements	33,082,315	667,038	(2,329,073)	31,420,280
Parks and Recreation Faciltities	21,189,518	466,471	-	21,655,989
Streets and Street Signals	101,010,433	2,215,202	(846,297)	102,379,338
Vehicles, Equipment and Other	27,741,079	8,767,650	(2,203,516)	34,305,213
Total Capital Assets being Depreciated	183,023,345	12,116,361	(5,378,886)	189,760,820
Less Accumulated Depreciation For:				
Buildings and Improvements	(12,051,989)	(1,362,152)	719,997	(12,694,144)
Parks and Recreation Faciltities	(11,579,286)	(487,755)	-	(12,067,041)
Streets and Street Signals	(31,826,393)	(3,175,714)	846,297	(34,155,810)
Vehicles, Equipment and Other	(15,821,657)	(4,424,704)	2,198,141	(18,048,220)
Total Accumulated Depreciation	(71,279,325)	(9,450,325)	3,764,435	(76,965,215)
Total Capital Assets being Depreciated, Net	111,744,020	2,666,036	(1,614,451)	112,795,605
Governmental Activities Capital Assets, Net	$136,696,046	$18,942,545	$ (1,614,451)	$154,024,140

The capital asset activity for Business-Type Activities (restated to group assets to reflect the nature and use of assets and restated to reflect $6,885,644 of prior year depreciation related to the replacement of the Public Works Yard) for the year ended June 30, 2006 was as follows:

	Restated June 30, 2005	Increases	Decreases	June 30, 2006
Business-type Activities:				
Capital Assets not being Depreciated:				
Land	$ 3,656,612	$ -	$ -	$ 3,656,612
Construction in Progress	3,448,165	12,311,324	-	15,759,489
Total Capital Assets not being Depreciated	7,104,777	12,311,324	-	19,416,101
Capital Assets being Depreciated:				
Buildings and Improvements	26,171,863	-	(17,105,965)	9,065,898
Reservoirs and Water Filter Facilities	44,736,708	97,384	-	44,834,092
Water Lines	34,435,790	2,881,083	(1,314,755)	36,002,118
Wastewater Pump and Treatment Facilties	140,008,546	28,980	-	140,037,526
Sewer Lines	9,712,847	1,005,786	(190,585)	10,528,048
Vehicles	813,242	-	(813,242)	-
Total Capital Assets being Depreciated	255,878,996	4,013,233	(19,424,547)	240,467,682
Less Accumulated Depreciation For:				
Buildings and Improvements	(25,135,168)	-	16,069,270	(9,065,898)
Reservoirs and Water Filter Facilities	(14,088,503)	(848,242)	-	(14,936,745)
Water Lines	(11,359,402)	(1,171,705)	1,314,755	(11,216,352)
Wastewater Pump and Treatment Facilties	(54,174,639)	(2,845,509)	518,347	(56,501,801)
Sewer Lines	(4,975,503)	(202,409)	190,585	(4,987,327)
Vehicles	(791,016)	(22,226)	813,242	-
Total Accumulated Depreciation	(110,524,231)	(5,090,091)	18,906,199	(96,708,123)
Total Capital Assets being Depreciated, Net	145,354,765	(1,076,858)	(518,348)	143,759,559
Business-type Activities Capital Assets, Net	$152,459,542	$ 11,234,466	$ (518,348)	$163,175,660

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

Governmental Activities	
General Government	$ 982,033
Commerce	707,335
Real Estate and Housing	23,211
Public Works	3,479,904
Parks and Recreation	2,078,093
Public Safety	2,179,749
Total Depreciation Expense - Governmental Activities	$ 9,450,325
Total Depreciation Expense - Business-type Activities	
Water/Sewer	$ 5,090,091

Construction Commitments

The City of Wilmington has active construction contracts as of June 30, 2006. The programs include a new public works yard, an emergency communications system, and a reservoir and other water and wastewater facilities.

Project	Spent-to-Date	Remaining Commitment
New Public Works Yard	$ 9,439,588	$ 14,581,698
Other Capital Projects	6,435,526	9,341,064
Reservoirs & Other Water and Wastewater Projects	17,691,756	26,130,912
Total	$ 33,566,870	$ 50,053,674

B. Component Units

Capital asset activity for the City's component units for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 16,202,879	$ 4,436,596	$ 1,059,617	$ 19,579,858
Construction-In-Progress	1,430,522	6,295,747	935,412	6,790,857
Total Capital Assets Not Being Depreciated	17,633,401	10,732,343	1,995,029	26,370,715
Capital Assets Being Depreciated:				
Buildings and Improvements	47,754,516	970,925	1,782,762	46,942,679
Machinery and Equipment	3,662,996	109,400	611,698	3,160,698
Vehicles	170,975	-	10,566	160,409
Total Capital Assets Being Depreciated	51,588,487	1,080,325	2,405,026	50,263,786
Less Accumulated Depreciation For:				
Buildings	(22,624,214)	(1,397,350)	(492,865)	(23,528,699)
Machinery and Equipment	(1,068,383)	(309,489)	(411,739)	(966,133)
Vehicles	-	-	-	-
Total Accumulated Depreciation	(23,692,597)	(1,706,839)	(904,604)	(24,494,832)
Total Capital Assets Being Depreciated, Net	27,895,890	(626,514)	1,500,422	25,768,954
Component Units Activities Capital Assets, Net	$ 45,529,291	$ 10,105,829	$ 3,495,451	$ 52,139,669

7. Interfund Balances and Transfers

Interfund balances arise primarily from the General Fund's role as receiver, investor, and disburser of cash. The payable from the Internal Service Funds (primarily the Motor Vehicle Fund) arises from vehicle purchases that will be collected through charges to the General and other funds. The Fiduciary Fund payable amounting to $8,802,250 primarily represents a liability to the General Fund for prior years' pension charges paid and not reimbursed. Interfund balances are not expected to be repaid within one year.

The composition of interfund balances as of June 30, 2006, is as follows.

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental Funds	$ 3,762,080
	Internal Service Funds	3,595,882
	Fiduciary Funds	8,802,250
Total		$ 16,160,212

A transfer of $645,992 from the General Fund to the Commerce Fund to finance a receivable prepayment agreement with the State was the only interfund transfer during the year ended June 30, 2006.

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, 2006 with June 30, 2005 balances restated for the reclassification of a $1,350,000 Bond anticipation note to short term debt as further explained in Note 16:

	Restated Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental Activities:					
Bonds Payable	$ 104,791,988	$ 36,935,000	$ (11,009,582)	$ 130,717,406	$ 12,047,215
Less: Deferred Amounts					
Premium on Debts Issued	1,063,345	1,369,765	(264,692)	2,168,418	214,576
Gain on Refunding	(3,889,068)	-	2,116,715	(1,772,353)	(395,164)
Total Bonds Payable	101,966,265	38,304,765	(9,157,559)	131,113,471	11,866,627
Capital Leases	2,408,836	2,340,000	(817,944)	3,930,892	1,040,125
Insurance Claims Payable	20,881,947	13,792,042	(13,434,787)	21,239,202	4,368,929
Compensated Absences	5,900,556	2,291,666	(804,985)	7,387,237	805,000
Governmental Activity Long-Term Liabilities	$ 131,157,604	$ 56,728,473	$ (24,215,275)	$ 163,670,802	$ 18,080,681
Business-Type Activities:					
Bonds Payable	$ 65,019,423	$ 28,474,696	$ (5,985,111)	$ 87,509,008	$ 6,669,229
Less: Deferred Amounts					
Premium on Debts Issued	545,233	1,520,981	(137,159)	1,929,055	165,823
Gain on Refunding	(1,970,489)	-	1,071,872	(898,617)	(202,554)
Total Bonds Payable	63,594,167	29,995,677	(5,050,398)	88,539,446	6,632,498
Capital Leases	4,977,886	1,560,000	(988,416)	5,549,470	1,636,044
Compensated Absences	573,441	261,506	(334,278)	500,669	335,000
Business-Type Activity Long-Term Liabilities	$ 69,145,494	$ 31,817,183	$ (6,373,092)	$ 94,589,585	$ 8,603,542
Discretely Presented Component Units					
Brandywine Gateway	$ 12,160,000	$ -	$ -	$ 12,160,000	$ -
Rock Manor Golf Corporation	464,560	-	(65,765)	398,795	172,606
Wilmington Economic Development Corporation	1,605,853	-	(49,016)	1,556,837	-
Wilmington Parking Authority	22,973,244	18,079,623	(4,510,207)	36,542,660	1,749,750
Downtown Visions	802,528	-	(110,429)	692,099	36,671
Riverfront Business Improvement District	727,846	-	(25,250)	702,596	-
Component Units Long-Term Liabilities	$ 38,734,031	$ 18,079,623	$ (4,760,667)	$ 52,052,987	$ 1,959,027

B. General Obligation Bonds

The City of Wilmington issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. General Fund revenues are used to satisfy general obligation bonds

payable recorded in the governmental activities section of the government-wide statement of net assets; bonds recorded in the business-type activities section are payable from revenues of the Water & Sewer Fund. General obligation bonds are secured by the full faith and credit of the City. Bonds issued by the Wilmington Parking Authority (a discretely presented component unit) are guaranteed by the City in the event that resources of the Authority are insufficient to cover debt service on the bonds. The City is subject to the rules and regulations established by the Internal Revenue Code and the U.S. Treasury that, under certain conditions, may create an arbitrage rebate to be paid to the federal government. The City's debt service payments of $9,076,566 in 2006 were within the statutory debt limit of $18,284,170.

The following is a summary of general obligation bonds outstanding as of June 30, 2006:

Date of Issue/ Maturity	Amount of Original Issue	Description	Interest Rates	Balance Outstanding June 30, 2006
1993/2022	$ 68,305,000	Series of 1993B	3.9% - 5.1%	$ 31,295,000
1993/2013	1,938,000	Series of 1993 - WPA	4.50%	986,920
1993/2016	20,000,000	Series of 1993 - DNREC	3.25%	11,757,389
1996/2016	5,500,000	Series of 1996B	4.15% - 6.20%	3,765,000
1998/2018	45,500,000	Series of 1998	3.6% - 5.25%	35,350,000
2000/2008	2,000,000	Series of 2000	70% of Prime Rate	232,500
2001/2012	22,165,000	Series of 2001	3.25% - 5.0%	6,590,000
2002/2023	34,780,000	Series of 2002	4.0% - 5.375%	30,995,000
2002/2025	11,000,000	Series of 2002 - DDWSRF (Only $2,081,605 drawn at June 30, 2006)	2.96%	2,079,605
2004/2022	12,945,000	Series of 2004B	2.0% -4.2%	12,930,000
2005/2016	18,785,000	Series of 2005	3.0% - 5.0%	18,055,000
2006/2025	46,465,000	Series of 2006A	3.25% - 5.0%	46,465,000
2006/2025	17,725,000	Series of 2006B Demand Bonds	Variable	17,725,000
	Total General Obligation Bonds Payable			$ 218,226,414

Primary Government

On August 23, 2002, the City entered into a General Obligation Financing agreement with Delaware Drinking Water State Revolving Fund (DDWSRF) 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. Construction on the project has started and cash draws against the loan are being made periodically. A final loan closing will occur at the end of the 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, 2006, is $2,079,605, which is recorded in the Water and Sewer Fund.

On September 16, 2005, the City entered into a further General Obligation Financing agreement with Delaware Water State Revolving Fund (DDWSRF) for an amount not to exceed $13,700,000. The net loan proceeds supplement the 2002 loan for the costs associated with the City's Cool Spring Reservoir project; the 2002 loan will be fully utilized before draws on the 2005 loan begin. A final loan closing will occur at the end of the project. The loan bears an interest rate of 1.185%. Payments are due every six months, with a final payment due April 30, 2028. The loan is recorded in the Water and Sewer Fund.

On January 31, 2006, the City issued $46,465,000 of General Obligation Bonds, Series of 2006. The taxable portion of these bonds ($5,050,000) was labeled A-2 and the other portion was labeled A-1. The proceeds of the bonds were applied to capital projects of the City and to retire bond anticipation notes issued related to those projects. The bonds mature in varying amounts between October 1, 2006, and October 1, 2025, and bear annual interest rates between 3.25% and 5.0%. The proceeds paid off a Bond Anticipation Note (BAN) issued in the prior fiscal year (March 18, 2005) in the amount of $1,350,000 and two BAN's issued during the current fiscal year in the amounts of $8,278,000 and $2,234,500.

On February 16, 2006, the City issued $17,725,000 of General Obligation Variable Rate Demand Bonds, Series of 2006B. The proceeds of the bonds were applied primarily to the new public works yard capital project of the City. The bonds mature in varying amounts annually between October 1, 2006, and October 1, 2025; these maturities and estimates of interest are included in the debt service schedule below. The variable interest rates are determined weekly by a remarketing agent and are set at the lowest interest rate that would cause the market value for the bonds to equal 100 percent of the principal amount under prevailing market conditions. Interest is paid monthly. Interest rates were between 3% and 4% during 2006. The Demand Bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on notice and delivery to the City's remarketing agent; the loans are also subject to voluntary and mandatory redemption provisions. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. If the remarketing agent is unable to resell any repurchased bonds, the City has a Standby Purchase Agreement with Bank of America, N.A., whereby the repurchased bonds are repaid over five-year period with equal monthly principal payments. This agreement expires February 15, 2009, unless extended or terminated sooner. The City is required to pay quarterly remarketing and liquidity fees at an annual rate of 8.0 and 10.9 basis points on the outstanding principal amount.

Annual debt service requirements to maturity for general obligation bonds including the two loans with the Delaware Water Drinking Fund are as follows:

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2007	$ 12,047,215	$ 6,194,955	$ 6,669,229	$ 4,460,774
2008	12,806,017	5,433,284	7,401,473	4,146,235
2009	11,706,826	4,930,450	7,251,794	3,864,910
2010	12,213,166	4,352,702	7,062,660	3,248,093
2011	10,120,136	3,725,230	4,566,567	2,957,199
2012-2016	27,765,902	14,268,396	21,886,109	12,168,125
2017-2021	21,880,844	8,186,218	19,018,002	7,750,935
2022-2026	22,177,300	2,858,524	22,573,570	2,818,438
	130,717,406	$ 49,949,759	96,429,404	$ 41,414,709
Less: Funds Not Drawn	-		(8,920,396)	
Total	$ 130,717,406		$ 87,509,008	

Component Units

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	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ -	$ -	$ 65,000	$ 21,650	$ 2,388,838	$ 1,456,361
2008	-	-	65,000	15,078	2,558,336	1,377,723
2009	-	-	65,000	7,925	2,206,920	1,281,186
2010	-	-	65,000	1,042	2,208,816	1,194,682
2011	-	-	28,262	-	2,110,000	1,112,783
2012-2016	-	-	-	-	9,935,000	3,953,625
2017-2021					2,760,000	2,659,238
2022-After	1,550,000	-	-	-	10,625,000	3,526,325
Total	$ 1,550,000	$ -	$ 288,262	$ 45,695	$ 34,792,910	$ 16,561,923

Year Ending	Brandywine Gateway Corporation		Downtown Visions		Riverfront Business Improvement District	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ -	$ -	$ 36,671	$ -	$ -	$ -
2008	-	-	156,831	-	-	-
2009	-	-	28,233	-	-	-
2010	-	-	27,756	-	-	-
2011	-	-	29,996	-	-	-
2012-2016	12,160,000	-	406,845	-	702,596	-
Total	$ 12,160,000	$ -	$ 686,332	$ -	$ 702,596	$ -

C. Prior-Year Defeasance of Debt

In 2005 the City defeased part of its Series 1996A General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City and Authority's financial statements. At June 30, 2006, $12,645,000 of City of Wilmington bonds outstanding are 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, 2006, ten issues with debt of $48,639,380 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 and PNC Bank N.A. The agreements allow the City to purchase equipment at an adjustable market rate of interest. The City records these transactions as capital leases and capital purchases of motor vehicles through its Motor Vehicle Fund (internal service) and water meters through the Water/Sewer Fund. 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. At June 30, 2006, the City has $7,153,750 of water meters and $5,686,691 of motor vehicles under lease with accumulated depreciation of $1,519,235 and $1,055,743, respectively.

As of June 30, 2006, payments under these capital leases are as follows:

Year Ending June 30	Water/ Sewer	Motor Vehicle
2007	$ 1,636,044	$ 1,221,737
2008	1,583,097	983,221
2009	1,510,017	947,226
2010	1,066,046	721,306
2011	363,077	540,458
Total Minimum Lease Payments	6,158,281	4,413,948
Less: Amount Representing Interest	(608,811)	(483,056)
Present Value of Lease Payments	$ 5,549,470	$ 3,930,892

2. Operating Leases- Component Unit

In May 1995, the Wilmington Parking Authority (component unit) sold one of its parking garages and simultaneously leased the facility back through May 31, 2007. Minimum future rental payments on these non-cancelable operating leases as of June 30, 2006, were $253,000.

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 2006 was $133,905. The following is a schedule of minimum future rental income on non-cancelable operating leases as of June 30, 2006:

Year Ending June 30	Wilmington Parking Authority
2007	$ 72,107
2008	48,115
2009	6,000
2010	6,000
2011	6,000
2012 and thereafter	424,000
Total Minimum Future Rental Income	**$ 562,222**

10. Deferred Revenues

Governmental Funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In government-wide statement, deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

		Governmental Fund Financial Statements	Government-wide Financial Statements
General Fund			
Unearned Property and Wage Taxes	$ 1,390,266		
Unearned Permits and Other revenues	1,183,064		
		$ 2,573,330	$ -
Commerce Fund			
Unearned Revenue on Notes Receivable		13,848,734	-
Non-Major Funds			
Unearned grant revenues			
Delaware Criminal Justice Planning		334,622	334,622
Special Project		1,413,738	1,413,738
Park Recreation Assistance		596,363	596,363
		2,344,723	2,344,723
Total		**$ 18,766,787**	**$ 2,344,723**
Water & Sewer Fund			
Unearned service charges			**$ 730,001**

11. Fund Balance

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

- Special Designations ($20,378,110):
  - $ 5,000,000 Support for previous Water/Sewer Fund Capital Projects
  - 3,500,000 Replenish the Economic Strategic Fund
  - 3,000,000 Estimated impact of one-time Wage Tax Refunds
  - 2,300,000 Establish a Housing Opportunities Fund
  - 2,000,000 Decrease Unfunded Liability of Pension Plans
  - 1,000,000 Support of the Hope Commission
  - 1,000,000 Increase Risk Management Catastrophic Reserve
  - 500,000 Decrease unfunded liability of Pension Healthcare Plan
  - 500,000 To Offset New Castle County Service Reductions
  - 500,000 Increase Community Protection Cameras
  - 495,000 Support WHA Uniformed Security Program
  - 350,000 Youth & Young Adult Initiatives
  - 233,110 Acquire Equipment for CATV
- Permanent Investment ($15,661,377) was established within the City Code for the purpose of providing a longer-term reserve for the City to address certified emergencies.
- Budget Reserve Amount for Public Emergencies ($22,004,929) 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.

Other Funds
The following funds have reserved fund balances designated for specific purposes:

Major Fund	Police Special Fund	Public Safety	$6,275,994
Non-major Fund	Wilmington Park Trust Commission	Park Maintenance	5,911,539

The unreserved Funds balances for all special revenue funds amounting to $119,452 and all capital funds totaling $23,757,025 are designated to be used for subsequent years' expenditures for various grants, activities, and capital projects.

12. Self Insurance Funds

A. Risk Management

The City is self-insured for actuarially determined exposure of general liability, automotive liability, police professional liability, and public officials' liability. 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. The claims liability includes amounts for incremental claim adjustment expenses and estimates of subrogation. An actuarial valuation is performed on an annual basis. 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, 2006, 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:

	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2004 - 2005	$ 5,862,378	$ 223,905	$ (504,809)	$ 5,581,474
2005 - 2006	5,581,474	(517,476)	(464,324)	4,599,674

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. An actuarial valuation is performed on an annual basis. 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:

	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2004 - 2005	$ 11,647,493	$ 4,830,784	$ (2,303,872)	$ 14,174,405
2005 - 2006	14,174,405	2,954,692	(2,193,498)	14,935,599

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 calculates the City's claims exposure annually. An analysis of claims liabilities recorded in the Health and Welfare Fund (restated for accruals further explained in Note 16) is presented below:

	Beginning Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2004 - 2005 (Restated)	$ 1,693,915	$ 9,409,787	$ (9,655,534)	$ 1,448,168
2005 - 2006	1,448,168	11,354,826	(11,099,065)	1,703,929

13. Commitments and Contingencies

A. Grant Compliance

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.

B. Litigation – Primary Government

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. 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 and the vendor that manages the City's wastewater treatment plant have entered into arbitration over a contract dispute. The City and vendor are in the middle of a twenty-year agreement. The dispute centers on escalation clauses and the inclusion of certain costs; the City is paying the vendor's current estimate of costs pending resolution of the issue. The vendor has raised issues related to a prior year; the City believes that the prior year issues are without merit and that the vendor's current estimate of costs is overstated. Management is of the opinion that the outcome of this arbitration will not have a material adverse effect on the City's financial position.

The City also 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, 2006.

C. Litigation – Component Unit

WEDCO, a component unit, has been identified as a potentially responsible party along with two other parties for environmental liabilities related to the contamination of the 12th Street landfill site. The complaint alleges that the parties are jointly and severally liable for the cleanup costs that are estimated as at least $3.6 million. WEDCO intends to defend the matter vigorously. It is not possible to determine the likely outcome and any potential financial exposure.

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 County and 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	319	421	268	135	115
Number of Terminated Employees Entitled to Benefits	7	19	-	46	119
Number of Fully Vested, Partially Vested, & Non-Vested Active Employees	87	132	46	66	517
Current Year Annual Covered Payroll	$ 5,118,382	$ 8,595,485	$ 2,021,854	$ 2,914,520	$ 22,892,454

The City's current-year total payroll for all employees was $60,776,931.

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 Pension and Retirement (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, 2006, represented 95% 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, 2006, the following individual plans have cash or investments in excess of 5% of the individual plan's net assets.

			Plan III	
Name of Insitution	Investment Type	Firefighters	Nonuniformed	Police
Wilmington Saving Fund Society	Certificates of Deposit	$ -	$ 1,120,000	$ -
Wilmington Trust Company	Certificates of Deposit	$ 3,545,000	$ -	$ 1,675,000

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.

Contributions to the pension plans by the State of Delaware on-behalf of the City are recorded as intergovernmental revenue in the City's fund and government-wide statements and as a pension expense. The contributions are included in the pension statements as separately presented component of City contributions to the trusts.

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

City of Wilmington

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2006

	Plan I Non-uniformed Pension	Plan II Non-uniformed Pension	Plan III Non-uniformed Pension	Wilmington Park Trust Pension
ASSETS				
Cash and Cash Equivalents	$ 48,539	$ 5,100	$ 1,775,432	$ -
Receivables:				
Accrued Interest Receivable	46,697	118,537	75,904	-
Total Receivables	46,697	118,537	75,904	-
Investments, at Fair Value:				
Money Market Mutual Funds	175,948	275,903	368,288	6,395
U.S. Government Obligations	495,445	776,904	1,037,047	-
U.S. Agencies - Government Guaranteed	11,949	18,738	25,012	-
U.S. Agencies - Other	1,584,015	2,483,884	3,315,602	-
Foreign Government Obligations	63,859	100,137	133,668	-
Corporate Bonds	1,334,439	2,092,523	2,793,196	-
Stocks	6,022,331	9,443,577	12,605,719	-
Other Mutual Funds	219,477	344,161	459,402	221,887
Total Investments	9,907,463	15,535,827	20,737,934	228,282
Due from Other Funds	-	-	2,237,633	-
Total Assets	10,002,699	15,659,464	24,826,903	228,282
LIABILITIES				
Accounts Payable	1,787	2,218	8,077	8,250
Salaries and Benefits Payable	436	900	2,271	-
Due to Other Funds	1,545,452	1,400,962	4,282	-
Compensated Absences	735	1,472	3,668	-
Liability for Stale-dated Pension Checks	37,717	8,265	5,284	-
Total Liabilities	1,586,127	1,413,817	23,582	8,250
Net Assets				
Held in Trust for Pension Benefits	$ 8,416,572	$ 14,245,647	$ 24,803,321	$ 220,032

City of Wilmington, Delaware

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2006

	Plan I Non-uniformed Pension	Plan II Non-uniformed Pension	Plan III Non-uniformed Pension	Wilmington Park Trust Pension
ADDITIONS				
Contributions:				
City				
Paid Directly by the City	$ 397,085	$ -	$ 1,890,483	$ 7,311
Paid by the State On-Behalf of the City	39,600	-	-	-
Employees	-	-	460,131	-
Total Contributions	436,685	-	2,350,614	7,311
Investment Income				
Investment Earnings	362,430	630,070	922,595	6,700
Net Appreciation in Fair Value	300,969	520,159	1,179,493	6,111
Total Investment Earnings	663,399	1,150,229	2,102,088	12,811
Less: Investment Expense	(40,670)	(66,113)	(103,244)	-
Net Investment Income	622,729	1,084,116	1,998,844	12,811
Total Additions	1,059,414	1,084,116	4,349,458	20,122
DEDUCTIONS				
Benefits Paid	1,214,571	760,132	1,235,968	16,500
Administrative Expenses	46,997	76,885	182,155	4,400
Total Deductions	1,261,568	837,017	1,418,123	20,900
Net Increase (Decrease) in Plan Net Assets	(202,154)	247,099	2,931,335	(778)
Net Assets - Beginning	8,618,726	13,998,548	21,871,986	220,810
Net Assets - Ending	$ 8,416,572	$ 14,245,647	$ 24,803,321	$ 220,032

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 June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	$ 4,923,603	100.0%	$ -
2005	4,755,418	100.0%	-
2006	3,897,342	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 June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	$ 5,195,626	100.0%	$ -
2005	5,989,169	100.0%	-
2006	5,813,130	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 June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	$ 256,374	100.0%	$ -
2005	631,920	100.0%	-
2006	436,685	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 June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	$ -	100.0%	$ -
2005	257,768	100.0%	-
2006	-	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: 1.85% 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 plus years of service equal 85. 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 June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	$ 893,621	100.0%	$ -
2005	4,046,130	100.0%	-
2006	2,350,614	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 2006, 2005, and 2004 were $1,631,263, $1,325,960, and $1,093,249, respectively. Those amounts are equal to the required contribution for each year.

Wilmington Parks Trust Commission Pension Plan

Plan Description and Eligibility: The Park Trust Commission Employees Plan III is a single-employer defined benefit plan that covers all Park Trust Commission employees.

Service Benefits: 1.75% of average monthly earnings multiplied by total years of service (maximum 25 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 plus years of service, equal 85. Early - retirement at age 55 with 5 years of credited service; benefits reduced by .4% for each month benefits commence before age 65.

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

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

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

Death Benefit: Same as Survivor Benefit.

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

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	$ 1,619	100.0%	$ -
2005	59,852	100.0%	-
2006	7,311	100.0%	-

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	Park Trust Commission
Annual Required Contribution and Pension Cost (7/1/05-6/30/06) (1)	$ 254,700	$ 3,439,990	$ 397,085	$ -	$ 1,890,483	$ 7,311
Actuarial Valuation Date	July 1, 2004	July 1, 2004	July 1, 2004	July 1, 2004	July 1, 2004	July 1, 2005
Actuarial Cost Method	Aggregate Entry Age	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	Level Percent Closed
Remaining Amortization Period (2)	25 years	25 years	25 years	25 years	25 years	25 years
Asset Valuation Method	Fair Value	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%	8.00%
Projected Salary Increases	5.50% (4)	5.50% (4)	5.50% (3)	5.00% (3)	5.50% (3)	5.00%
Includes Inflation rate of	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	Ad Hoc	Ad Hoc	None	None	None	None

(1) The actuarial valuation is done every other year. The last valuation completed was the July 1, 2005 valuation for the fscal year ended June 30, 2004 The contribution for the year after the valuation is equal to an increase of 4% 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 amounts paid into the Firefighters Pension Plan and the Police Pension Plan for the Cost-of-Living Adjustment for each plan.

(3) For employees under 30, 5.5%; 5% thereafter.

(4) Based on a sevice dependent scale.

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 $102,964 for the year ended June 30, 2006. This contribution was computed using the aggregate cost method, assuming an 7% annual return on investments and 4.5% 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, 2006, the plan has 1,220 eligible participants. The plan is on a pay as you go basis. Benefit expenses recognized during 2006 were $381,282 and participant contributions were $167,721.

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. Prior Period Adjustments

As part of implementing GASB 34, the City capitalized road and park infrastructure at its estimated cost and related accumulated depreciation as explained in Note 6. The effect of this prior period adjustment on the net assets of the government-wide activities is to record $24,244,383 of assets and $11,959,743 of accumulated depreciation resulting in a restatement increasing June 30, 2005 net assets by $12,284,640.

The conversion to new accounting software has revealed that certain revenue and expenditure accruals should have occurred at the end of fiscal 2005.

- The General Fund Balance has been restated and increased by $4,228,283 for wage taxes, head taxes, and intergovernmental revenues not recorded in 2005 or prior years. The General Fund Balance has been restated and reduced by $322,100 for health insurance claims payments not recorded in 2005. The claims are paid through an internal service fund; although there was no net impact on the fund balance of the Health and Welfare Fund, information in Note 12 related to the claims has been restated. Both restatements had the same impact on government-wide Governmental Activities Net Assets.
- The government-wide Governmental Activities Net Assets were restated and increased by $2,423,186 for revenue accruals incorrectly recorded.

In the years prior to 2006, the State of Delaware's contributions to the City's Police and Fire Pension Plans had been recorded only as additions in the Pension Funds but not as revenues to and expenditures from the General Fund, as required. Starting in 2006 these amounts ($6,742,706) are recorded first as revenues to the General Fund and expenditures from the General Fund and then as additions to the Pension Funds.

As part of the infrastructure review, it was determined that $4,500,000 of bonds were previously recorded as a Commerce Fund Other Financing Source whereas the expenditures were incurred by the Capital Projects Fund. The Commerce Fund Balance was restated and reduced by $4,500,000 and the Capital Project Fund Balance increased by the same amount.

A bond anticipation note that did not meet the criteria for long-term debt was erroneously included as an other financing source and as long-term debt in 2005. The Capital Projects Fund Balance have been restated and reduced by $1,350,000.

The Water and Sewer Fund Net Assets have been restated and reduced by $634,783 to account for deferred revenue resulting from the advance billing of water service fees that should have been recorded at the end of 2005. Also, Water and Sewer Fund Net Assets have been restated and reduced by $6,885,644 of additional depreciation that the infrastructure inventory determined should have been recorded in prior years when the decision was made to move out of the old Public Works Yard.

An Aerial View of the City of Wilmington

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.

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						
7/1/2000	$ 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%
7/1/2004	35,988,659	78,282,035	42,293,376	46.0%	5,148,859	821.4%
Police						
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%
7/1/2004	55,912,712	109,873,650	53,960,938	50.9%	8,687,036	621.2%
Plan I Non-Uniformed						
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%
7/1/2004	8,845,811	11,567,327	2,721,516	76.5%	2,287,449	119.0%
Plan II Non-Uniformed						
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%
7/1/2004	13,777,139	8,624,587	(5,152,552)	159.7%	2,694,348	-191.2%
Plan III Non-Uniformed						
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%
7/1/2004	17,836,771	35,491,489	17,654,718	50.3%	19,456,448	90.7%
Park Trust						
7/1/2001	$ 166,933	$ 230,057	$ 63,124	72.6%	$ 131,863	47.9%
7/1/2003	173,772	240,896	67,124	72.1%	91,031	73.7%
7/1/2005	220,810	176,218	(44,592)	125.3%	94,902	-47.0%

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF WILMINGTON, DELAWARE

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.

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 and, in addition, the annual appropriated Capital Budget is adopted. 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, 2006, with the unspent appropriations becoming the succeeding year's authorization. The Director of Finance has the authority to re-appropriate these unspent appropriations into the succeeding fiscal year. Consequently, the budgeted appropriations for Special Revenue Funds represent the City's final appropriations for the fiscal year supported by the corresponding grant revenues. Budgetary comparison schedules for non-major special revenue funds with legally adopted budgets are presented in the combining and individual fund financial statements and schedules section of this report.

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

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

CITY OF WILMINGTON, DELAWARE

MAJOR GOVERNMENTAL FUND

GENERAL FUND

Budgetary Accounting Control (continued)

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

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

City of Wilmington, Delaware

General Fund
Schedule of Departmental Expenditures - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance from Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
MAYOR'S OFFICES				
Office of the Mayor				
Personal Services	$ 932,138	$ 932,138	$ 963,228	$ (31,090)
Materials, Supplies and Equipment	849,630	849,630	752,137	97,493
Special Purpose	72,000	72,000	72,000	-
Debt Service	945,874	945,874	830,137	115,737
Total Office of the Mayor	2,799,642	2,799,642	2,617,502	182,140
Management and Budget				
Personal Services	366,014	366,014	291,780	74,234
Materials, Supplies and Equipment	82,300	82,300	75,456	6,844
Total Management and Budget	448,314	448,314	367,236	81,078
Office of Emergency Management				
Personal Services	50,203	50,203	73,643	(23,440)
Materials, Supplies and Equipment	102,060	102,060	85,309	16,751
Total Office of Emergency Management	152,263	152,263	158,952	(6,689)
Cultural Affairs				
Personal Services	231,776	231,776	234,422	(2,646)
Materials, Supplies and Equipment	377,131	377,131	409,749	(32,618)
Special Purpose	55,000	55,000	52,848	2,152
Total Cultural Affairs	663,907	663,907	697,019	(33,112)
Constituent Services				
Personal Services	442,704	442,704	448,538	(5,834)
Materials, Supplies and Equipment	163,150	163,150	157,278	5,872
Total Constituent Services	605,854	605,854	605,816	38
Mayor's Offices				
Personal Services	2,022,835	2,022,835	2,011,611	11,224
Materials, Supplies and Equipment	1,574,271	1,574,271	1,479,929	94,342
Special Purpose	127,000	127,000	124,848	2,152
Debt Service	945,874	945,874	830,137	115,737
Total Mayor's Offices	$ 4,669,980	$ 4,669,980	$ 4,446,525	$ 223,455
CITY COUNCIL				
City Council				
Personal Services	$ 465,442	$ 515,443	$ 457,251	$ 58,192
Materials, Supplies and Equipment	348,756	364,832	404,870	(40,038)
Special Purpose	117,330	120,000	116,922	3,078
Debt Service	25,754	25,754	6,874	18,880
Total City Council	957,282	1,026,029	985,917	40,112

City of Wilmington, Delaware

General Fund
Schedule of Departmental Expenditures - Budget and Actual (Continued)
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance from Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
CITY COUNCIL (Continued)				
City Clerk				
Personal Services	$ 485,648	$ 485,648	$ 575,945	$ (90,297)
Materials, Supplies and Equipment	70,326	59,012	68,903	(9,891)
Total City Clerk	555,974	544,660	644,848	(100,188)
Cable and Communication				
Personal Services	512,762	512,762	523,896	(11,134)
Materials, Supplies and Equipment	98,520	91,087	84,016	7,071
Debt Service	5,532	5,532	12,375	(6,843)
Total Cable and Communication	616,814	609,381	620,287	(10,906)
City Council Offices				
Personal Services	1,463,852	1,513,853	1,557,092	(43,239)
Materials, Supplies and Equipment	517,602	514,931	557,789	(42,858)
Special Purpose	117,330	120,000	116,922	3,078
Debt Service	31,286	31,286	19,249	12,037
Total City Council Offices	$ 2,130,070	$ 2,180,070	$ 2,251,052	$ (70,982)
AUDIT				
Audit Department				
Personal Services	$ 345,421	$ 379,421	$ 396,474	$ (17,053)
Materials, Supplies and Equipment	183,354	183,354	187,028	(3,674)
Total Audit Department	$ 528,775	$ 562,775	$ 583,502	$ (20,727)
LAW				
Law Department				
Personal Services	$ 1,575,420	$ 1,600,420	$ 1,655,069	$ (54,649)
Materials, Supplies and Equipment	653,428	653,428	561,182	92,246
Total Law Department	$ 2,228,848	$ 2,253,848	$ 2,216,251	$ 37,597
FINANCE				
Finance Administrative				
Personal Services	$ 195,916	$ 195,762	$ 214,256	$ (18,494)
Materials, Supplies and Equipment	139,816	175,016	191,902	(16,886)
Total Finance Administrative	335,732	370,778	406,158	(35,380)
Earned Income Tax				
Personal Services	504,475	504,475	545,225	(40,750)
Materials, Supplies and Equipment	206,137	199,087	226,866	(27,779)
Total Earned Income Tax	710,612	703,562	772,091	(68,529)
Accounting				
Personal Services	526,045	655,065	537,128	117,937
Materials, Supplies and Equipment	116,181	154,031	153,525	506
Debt Service	189,368	189,368	144,189	45,179
Total Accounting	831,594	998,464	834,842	163,622

City of Wilmington, Delaware

General Fund
Schedule of Departmental Expenditures - Budget and Actual (Continued)
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance from Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
FINANCE (Continued)				
Procurement and Records				
Personal Services	$ 271,986	$ 271,986	$ 294,441	$ (22,455)
Materials, Supplies and Equipment	123,616	125,116	85,146	39,970
Total Procurement and Records	395,602	397,102	379,587	17,515
Delinquent Accounts Division				
Personal Services	172,835	172,835	188,054	(15,219)
Materials, Supplies and Equipment	24,151	24,151	33,043	(8,892)
Total Delinquent Accounts Division	196,986	196,986	221,097	(24,111)
Central Cashier				
Personal Services	168,657	168,657	160,657	8,000
Materials, Supplies and Equipment	238,587	1,020,793	981,316	39,477
Total Central Cashier	407,244	1,189,450	1,141,973	47,477
Utility Billing				
Personal Services	95,235	95,235	116,809	(21,574)
Materials, Supplies and Equipment	45,995	45,993	55,439	(9,446)
Total Utility Billing	141,230	141,228	172,248	(31,020)
Finance Department				
Personal Services	1,935,149	2,064,015	2,056,570	7,445
Materials, Supplies and Equipment	894,483	1,744,187	1,727,237	16,950
Debt Service	189,368	189,368	144,189	45,179
Total Finance Department	$ 3,019,000	$ 3,997,570	$ 3,927,996	$ 69,574
PERSONNEL				
Personnel - Admin				
Personal Services	$ 169,577	$ 214,577	$ 184,323	$ 30,254
Materials, Supplies and Equipment	124,659	124,659	165,855	(41,196)
Total Personnel - Admin	294,236	339,236	350,178	(10,942)
Human Resource and Services				
Personal Services	805,192	805,192	877,097	(71,905)
Materials, Supplies and Equipment	254,400	254,400	213,788	40,612
Total Human Resource and Services	1,059,592	1,059,592	1,090,885	(31,293)
Personnel Department				
Personal Services	974,769	1,019,769	1,061,420	(41,651)
Materials, Supplies and Equipment	379,059	379,059	379,643	(584)
Total Personnel Department	$ 1,353,828	$ 1,398,828	$ 1,441,063	$ (42,235)
CITY TREASURER				
Treasurer				
Personal Services	$ 265,955	$ 277,955	$ 285,322	$ (7,367)
Materials, Supplies and Equipment	95,153	97,153	105,696	(8,543)
Total Treasurer	$ 361,108	$ 375,108	$ 391,018	$ (15,910)

City of Wilmington, Delaware

General Fund
Schedule of Departmental Expenditures - Budget and Actual (Continued)
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance from Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
PLANNING				
Planning				
Personal Services	$ 779,108	$ 779,108	$ 798,340	$ (19,232)
Materials, Supplies and Equipment	303,815	303,815	266,706	37,109
Debt Service	171,652	171,652	177,071	(5,419)
Total Planning	$ 1,254,575	$ 1,254,575	$ 1,242,117	$ 12,458
REAL ESTATE & HOUSING				
Real Estate and Housing - Admin				
Personal Services	$ 95,192	$ 95,192	$ 77,891	$ 17,301
Materials, Supplies and Equipment	64,906	64,906	79,286	(14,380)
Debt Service	1,087,796	1,087,796	1,017,592	70,204
Total Real Estate and Housing - Admin	1,247,894	1,247,894	1,174,769	73,125
Real Estate and Housing - Rehabilitation				
Personal Services	80,662	80,662	80,495	167
Materials, Supplies and Equipment	136,000	136,000	87,649	48,351
Debt Service	68,864	68,864	68,533	331
Total Real Estate and Housing - Rehabilitation	285,526	285,526	236,677	48,849
Real Estate & Housing Department				
Personal Services	175,854	175,854	158,386	17,468
Materials, Supplies and Equipment	200,906	200,906	166,935	33,971
Debt Service	1,156,660	1,156,660	1,086,125	70,535
Total Real Estate & Housing Department	$ 1,533,420	$ 1,533,420	$ 1,411,446	$ 121,974
LICENSE & INSPECTION				
License and Inspection				
Personal Services	$ 2,159,531	$ 2,159,531	$ 2,244,812	$ (85,281)
Materials, Supplies and Equipment	568,233	568,233	482,505	85,728
Special Purpose	216,900	216,900	198,825	18,075
Debt Service	38,827	38,827	38,833	(6)
Total License and Inspection	$ 2,983,491	$ 2,983,491	$ 2,964,975	$ 18,516
PUBLIC WORKS				
Public Works - Admin				
Personal Services	$ 536,952	$ 536,952	$ 563,628	$ (26,676)
Materials, Supplies and Equipment	406,573	505,335	594,297	(88,962)
Debt Service	864,805	864,805	883,845	(19,040)
Total Public Works - Admin	1,808,330	1,907,092	2,041,770	(134,678)
Street Maintenance				
Materials, Supplies and Equipment	200,317	199,717	174,906	24,811
Debt Service	1,372,836	1,372,836	1,258,845	113,991
Total Street Maintenance	1,573,153	1,572,553	1,433,751	138,802

City of Wilmington, Delaware

General Fund
Schedule of Departmental Expenditures - Budget and Actual (Continued)
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance from Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
PUBLIC WORKS (Continued)				
Transportation/WILDOT				
Personal Services	$ 801,083	$ 801,083	$ 907,745	$ (106,662)
Materials, Supplies and Equipment	428,616	428,616	804,581	(375,965)
Debt Service	859,061	859,061	759,504	99,557
Total Transportation/WILDOT	2,088,760	2,088,760	2,471,830	(383,070)
Street Cleaning				
Personal Services	1,663,825	1,663,825	1,421,570	242,255
Materials, Supplies and Equipment	1,291,129	1,261,667	1,330,854	(69,187)
Total Street Cleaning	2,954,954	2,925,492	2,752,424	173,068
Rubbish Collection				
Personal Services	2,056,313	2,056,313	2,259,829	(203,516)
Materials, Supplies and Equipment	2,767,700	2,757,300	3,231,032	(473,732)
Total Rubbish Collection	4,824,013	4,813,613	5,490,861	(677,248)
Property Maintenance				
Personal Services	324,093	324,093	378,961	(54,868)
Materials, Supplies and Equipment	1,249,598	1,191,297	485,927	705,370
Debt Service	1,301,501	1,301,502	294,151	1,007,351
Total Property Maintenance	2,875,192	2,816,892	1,159,039	1,657,853
Public Works Department				
Personal Services	5,382,266	5,382,266	5,531,733	(149,467)
Materials, Supplies and Equipment	6,343,933	6,343,932	6,621,597	(277,665)
Debt Service	4,398,203	4,398,204	3,196,345	1,201,859
Total Public Works Department	$ 16,124,402	$ 16,124,402	$ 15,349,675	$ 774,727
PARKS & RECREATION				
Parks and Recreation - Admin				
Personal Services	$ 383,509	$ 383,509	$ 408,540	$ (25,031)
Materials, Supplies and Equipment	207,331	209,903	199,615	10,288
Debt Service	1,883,879	1,883,879	1,845,605	38,274
Total Parks and Recreation - Admin	2,474,719	2,477,291	2,453,760	23,531
Park Maintenance				
Personal Services	1,580,737	1,525,469	1,402,302	123,167
Materials, Supplies and Equipment	1,238,978	1,238,978	922,780	316,198
Debt Service	260,291	260,291	360,715	(100,424)
Total Park Maintenance	3,080,006	3,024,738	2,685,797	338,941
Recreation				
Personal Services	481,268	481,268	532,237	(50,969)
Materials, Supplies and Equipment	333,995	389,262	367,611	21,651
Total Recreation	815,263	870,530	899,848	(29,318)

City of Wilmington, Delaware

General Fund
Schedule of Departmental Expenditures - Budget and Actual (Continued)
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance from Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
PARKS & RECREATION (Continued)				
William Hicks Anderson Center				
Personal Services	$ 466,247	$ 466,247	$ 582,692	$ (116,445)
Materials, Supplies and Equipment	398,540	390,210	302,672	87,538
Debt Service	7,023	15,353	-	15,353
Total William Hicks Anderson Center	871,810	871,810	885,364	(13,554)
Youth and Families				
Personal Services	757,356	757,356	780,133	(22,777)
Materials, Supplies and Equipment	231,470	228,899	222,387	6,512
Total Youth and Families	988,826	986,255	1,002,520	(16,265)
Parks and Recreation Department				
Personal Services	3,669,117	3,613,849	3,705,904	(92,055)
Materials, Supplies and Equipment	2,410,314	2,457,252	2,015,065	442,187
Debt Service	2,151,193	2,159,523	2,206,320	(46,797)
Total Parks and Recreation Department	$ 8,230,624	$ 8,230,624	$ 7,927,289	$ 303,335
FIRE DEPARTMENT				
Fire - Admin				
Personal Services	$ 782,224	$ 5,242,224	$ 5,139,437	$ 102,787
Materials, Supplies and Equipment	391,756	378,356	555,351	(176,995)
Debt Service	663,563	663,563	568,601	94,962
Total Fire - Admin	1,837,543	6,284,143	6,263,389	20,754
Fire - Suppression				
Personal Services	12,444,957	12,444,957	12,365,453	79,504
Materials, Supplies and Equipment	1,395,085	1,408,985	1,639,206	(230,221)
Total Fire - Suppression	13,840,042	13,853,942	14,004,659	(150,717)
Fire - Prevention				
Personal Services	704,408	704,408	733,319	(28,911)
Materials, Supplies and Equipment	253,100	252,600	318,510	(65,910)
Total Fire - Prevention	957,508	957,008	1,051,829	(94,821)
Fire Department				
Personal Services	13,931,589	18,391,589	18,238,209	153,380
Materials, Supplies and Equipment	2,039,941	2,039,941	2,513,067	(473,126)
Debt Service	663,563	663,563	568,601	94,962
Total Fire Department	$ 16,635,093	$ 21,095,093	$ 21,319,877	$ (224,784)
POLICE DEPARTMENT				
Police - Admin				
Personal Services	$ 2,534,551	$ 4,734,551	$ 4,806,161	$ (71,610)
Materials, Supplies and Equipment	645,725	693,750	350,744	343,006
Debt Service	782,288	782,288	790,104	(7,816)
Total Police - Admin	3,962,564	6,210,589	5,947,009	263,580

City of Wilmington, Delaware

General Fund
Schedule of Departmental Expenditures - Budget and Actual (Continued)
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance from Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
POLICE DEPARTMENT (Continued)				
Police - Patrol				
Personal Services	$ 11,470,962	$ 11,470,962	$ 13,171,388	$ (1,700,426)
Materials, Supplies and Equipment	1,526,258	1,519,658	1,997,980	(478,322)
Total Police - Patrol	12,997,220	12,990,620	15,169,368	(2,178,748)
Police - Special Operations				
Personal Services	4,830,978	4,830,978	3,407,441	1,423,537
Materials, Supplies and Equipment	528,896	417,896	350,228	67,668
Total Police - Special Operations	5,359,874	5,248,874	3,757,669	1,491,205
Police - Support Services				
Personal Services	930,756	930,756	978,099	(47,343)
Materials, Supplies and Equipment	401,274	383,263	339,712	43,551
Total Police - Support Services	1,332,030	1,314,019	1,317,811	(3,792)
Police - Investigations				
Personal Services	7,068,776	7,068,776	6,834,740	234,036
Materials, Supplies and Equipment	765,352	763,352	635,275	128,077
Total Police - Investigations	7,834,128	7,832,128	7,470,015	362,113
Police - Communications				
Personal Services	2,606,194	2,606,194	2,554,296	51,898
Materials, Supplies and Equipment	915,662	954,103	1,104,009	(149,906)
Debt Service	150,281	150,281	150,339	(58)
Total Police - Communications	3,672,137	3,710,578	3,808,644	(98,066)
Police Operations				
Materials, Supplies and Equipment	480,377	514,377	545,394	(31,017)
Total Police Operations	480,377	514,377	545,394	(31,017)
Police Department				
Personal Services	29,442,217	31,642,217	31,752,125	(109,908)
Materials, Supplies and Equipment	5,263,544	5,246,399	5,323,342	(76,943)
Debt Service	932,569	932,569	940,443	(7,874)
Total Police Department	$ 35,638,330	$ 37,821,185	$ 38,015,910	$ (194,725)
Total Expenditures	$ 96,691,544	$ 104,480,969	$ 103,488,696	$ 992,273

CITY OF WILMINGTON, DELAWARE

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE 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 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 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 Home for People with Aids (HOPWA) Grant Fund accounts for a United States Department of Housing & Urban Development Grant dedicated to providing living areas to individuals with AIDS.

The National Endowment for the Arts Grant Fund accounts for United States National Endowment for the Arts grants.

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

City of Wilmington, Delaware

Combining Balance Sheet
Non-Major Governmental Funds - Special Revenue Funds
June 30, 2006

ASSETS	Park Recreation Assistance	Community Development Block Grant	Section 8 Housing Assistance	Municipal Street Aid	Home Partnership Program	Wilmington Park Trust Commission	Delaware Criminal Justice Planning	Home for People with AIDS Grant	National Endowment For the Arts	Special Projects Funds	U.S. Department of Commerce	Total Nonmajor Governmental Funds
Cash and Cash Equivalents	$ -	$ -	$ 38,221	$ 246,362	$ -	$ 6,652	$ -	$ -	$ -	$ -	$ -	$ 291,235
Investments	-	-	-	-	-	5,964,950	-	-	-	-	-	5,964,950
Receivables, Net (Note 4)	-	102,358	-	-	-	-	-	-	-	-	-	102,358
Due from Other Governments	1,298,760	325,486	839,722	-	226,791	98,285	1,303,391	648,983	24,970	2,578,685	23,600	7,368,673
Total Assets	$ 1,298,760	$ 427,844	$ 877,943	$ 246,362	$ 226,791	$ 6,069,887	$ 1,303,391	$ 648,983	$ 24,970	$ 2,578,685	$ 23,600	$13,727,216
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts Payable	$ 81,698	$ 261,716	$ 37,136	$ 126,910	$ -	$ 9,663	$ 124,333	$ 154,819	$ -	$ 721,186	$ -	$ 1,517,461
Salaries and Benefits Payable	26,248	22,980	-	-	919	1,348	9,263	315	924	9,964	-	71,961
Due to Other Funds	594,451	143,148	840,807	-	225,872	147,337	835,173	493,849	24,046	433,797	23,600	3,762,080
Deferred Revenue	596,363	-	-	-	-	-	334,622	-	-	1,413,738	-	2,344,723
Total Liabilities	1,298,760	427,844	877,943	126,910	226,791	158,348	1,303,391	648,983	24,970	2,578,685	23,600	7,696,225
Fund Balances:												
Reserved	-	-	-	119,452	-	5,911,539	-	-	-	-	-	6,030,991
Total Fund Balances	-	-	-	119,452	-	5,911,539	-	-	-	-	-	6,030,991
Total Liabilities and Fund Balances	$ 1,298,760	$ 427,844	$ 877,943	$ 246,362	$ 226,791	$ 6,069,887	$ 1,303,391	$ 648,983	$ 24,970	$ 2,578,685	$ 23,600	$13,727,216

City of Wilmington, Delaware

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds - Special Revenue Funds
For the Year Ended June 30, 2006

	Park Recreation Assistance	Community Development Block Grant	Section 8 Housing Assistance	Municipal Street Aid	Home Partnership Program	Wilmington Park Trust Commission	Delaware Criminal Justice Planning	Home for People with AIDS Grant	National Endowment for the Arts	Special Projects	U.S. Department of Commerce	Total Nonmajor Governmental Funds
REVENUES												
Intergovernmental	$ 1,112,719	$ 2,805,531	$ 1,994,158	$ 1,197,181	$ 421,812	$ -	$1,208,779	$ 772,234	$ 33,249	$3,190,678	$ 26,225	$ 12,762,566
Program Income	-	674,961	-	-	-	-	-	-	-	-	-	674,961
Interest Income	-	-	-	-	-	398,288	-	-	-	9,109	-	407,397
Other/Private Contributions	-	-	-	-	60,414	78,494	-	-	-	15,000	-	153,908
Total Revenues	1,112,719	3,480,492	1,994,158	1,197,181	482,226	476,782	1,208,779	772,234	33,249	3,214,787	26,225	13,998,832
EXPENDITURES												
Current:												
General Governmental Services	-	60,815	-	-	-	-	-	-	33,249	2,026,022	26,225	2,146,311
Real Estate and Housing	-	3,093,426	1,994,158	-	482,226	-	-	772,234	-	490,551	-	6,832,595
Public Works	-	-	-	1,077,729	-	-	-	-	-	18,871	-	1,096,600
Parks and Recreation	1,112,719	-	-	-	-	329,222	-	-	-	1,503	-	1,443,444
Public Safety	-	326,251	-	-	-	-	1,208,779	-	-	677,840	-	2,212,870
Total Expenditures	1,112,719	3,480,492	1,994,158	1,077,729	482,226	329,222	1,208,779	772,234	33,249	3,214,787	26,225	13,731,820
Net change in Fund Balances	-	-	-	119,452	-	147,560	-	-	-	-	-	267,012
Fund Balance - Beginning	-	-	-	-	-	5,763,979	-	-	-	-	-	5,763,979
Fund Balance - Ending	$ -	$ -	$ -	$ 119,452	$ -	$ 5,911,539	$ -	$ -	$ -	$ -	$ -	$ 6,030,991

City of Wilmington, Delaware

Schedule of Revenues, Expenditures
Changes in Fund Balances - Budget and Actual
Non-Major Funds - Special Revenue Funds
For the Year Ended June 30, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Park Recreation Assistance			
Revenues	$ 2,225,259	$ 1,112,719	$ (1,112,540)
Expenditures	2,225,259	1,112,719	(1,112,540)
Excess Revenues Over Expenditures	$ -	$ -	$ -
Commmunity Development Block Grant			
Revenues	$ 3,938,871	$ 3,480,492	$ (458,379)
Expenditures	3,938,871	3,480,492	(458,379)
Excess Revenues Over Expenditures	$ -	$ -	$ -
Section 8 Housing Assistance			
Revenues	$ 2,363,557	$ 1,994,158	$ (369,399)
Expenditures	2,363,557	1,994,158	(369,399)
Excess Revenues Over Expenditures	$ -	$ -	$ -
Municipal Street Aid			
Revenues	$ 1,197,187	$ 1,197,181	$ (6)
Expenditures	1,197,187	1,077,729	(119,458)
Excess Revenues Over Expenditures	$ -	$ 119,452	$ 119,452
Home Partnership Program			
Revenues	$ 596,788	$ 482,226	$ (114,562)
Expenditures	596,788	482,226	(114,562)
Excess Revenues Over Expenditures	$ -	$ -	$ -
Home for People With Aids			
Revenues	$ 825,680	$ 772,234	$ (53,446)
Expenditures	825,680	772,234	(53,446)
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 under its self-insurance program. 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 City pays insurance premiums to cover specific city-owned properties.

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, 2006

	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	$ 742,280	$ 49,586	$ -	$ 24,528	$ 17,031	$ 150	$ 558,083	$ 6,176,049	$ 15,165,478	$ 1,742,966	$ 24,476,151
Total Current assets	742,280	49,586	-	24,528	17,031	150	558,083	6,176,049	15,165,478	1,742,966	24,476,151
Noncurrent Assets:											
Deferred Charges	34,325	-	-	-	-	-	9,101	-	-	-	43,426
Capital Assets, Net:											
Construction-in-progress	308,333	-	-	-	-	2,900,000	-	-	-	-	3,208,333
Buildings and Improvements	-	-	-	-	-	-	10,375	-	-	-	10,375
Machinery and Equipment	2,111,838	-	17,484	-	-	196,307	265,415	447	-	-	2,591,491
Vehicles	-	-	-	-	-	9,862,119	-	-	-	-	9,862,119
Total Noncurrent Assets	2,454,496	-	17,484	-	-	12,958,426	284,891	447	-	-	15,715,744
Total Assets	3,196,776	49,586	17,484	24,528	17,031	12,958,576	842,974	6,176,496	15,165,478	1,742,966	40,191,895
LIABILITIES											
Current Liabilities:											
Accounts Payable	149,396	2,039	487	11,979	8,172	536,086	47,242	67,092	194,658	35,388	1,052,539
Salaries and Benefits Payable	14,116	3,753	872	998	2,375	-	2,960	1,042	3,962	852	30,930
Accrued Interest Payable	41,727	-	-	-	-	49,352	8,812	-	-	-	99,891
Due to Other Funds	-	-	15,953	-	-	3,579,929	-	-	-	-	3,595,882
Bonds Payable	199,415	-	-	-	-	164,314	59,884	-	-	-	423,613
Capital Lease	-	-	-	-	-	1,040,125	-	-	-	-	1,040,125
Claims Liability	-	-	-	-	-	-	-	465,000	2,200,000	1,703,929	4,368,929
Compensated Absences	62,385	43,794	172	11,551	6,484	-	26,274	5,185	31,259	2,797	189,901
Total Current Liabilities	467,039	49,586	17,484	24,528	17,031	5,369,806	145,172	538,319	2,429,879	1,742,966	10,801,810
Noncurrent Liabilities:											
Bonds Payable	2,729,737	-	-	-	-	3,353,709	697,802	-	-	-	6,781,248
Capital Lease	-	-	-	-	-	2,890,768	-	-	-	-	2,890,768
Claims Liability	-	-	-	-	-	-	-	4,134,674	12,735,599	-	16,870,273
Total Noncurrent Liabilities	2,729,737	-	-	-	-	6,244,477	697,802	4,134,674	12,735,599	-	26,542,289
Total Liabilities	3,196,776	49,586	17,484	24,528	17,031	11,614,283	842,974	4,672,993	15,165,478	1,742,966	37,344,099
NET ASSETS											
Invested in Capital Assets, Net of Related Debt	582,686	-	17,484	-	-	5,509,510	(481,896)	447	-	-	5,628,231
Restricted for:											
Capital Projects	1,091,667	-	-	-	-	-	-	-	-	-	1,091,667
Unrestricted	(1,674,353)	-	(17,484)	-	-	(4,165,217)	481,896	1,503,056	-	-	(3,872,102)
Total Net Assets	$ -	$ -	$ -	$ -	$ -	$ 1,344,293	$ -	$ 1,503,503	$ -	$ -	$ 2,847,796

City of Wilmington, Delaware

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	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	$ 2,352,483	$ 390,467	$ 281,645	$ 214,510	$ 322,780	$ 5,095,462	$ 1,189,863	$ 394,046	$ 3,712,546	$ 10,055,183	$ 24,008,985
Employee Contributions	-	-	-	-	-	-	-	-	-	484,582	484,582
Other	-	-	-	-	-	1,350,000	-	-	9,152	-	1,359,152
Total Operating Revenues	2,352,483	390,467	281,645	214,510	322,780	6,445,462	1,189,863	394,046	3,721,698	10,539,765	25,852,719
OPERATING EXPENSES											
Personal Services	621,221	271,320	63,513	61,228	150,759	-	203,772	122,490	325,015	80,182	1,899,500
Materials, Supplies, Equipment and Contractual Services	1,275,177	109,121	211,900	153,282	160,371	3,290,717	784,557	60,138	287,963	3,413	6,336,639
Depreciation and Amortization	367,459	10,026	6,232	-	11,650	1,814,459	181,055	33,864	-	1,305	2,426,050
Claims Expense	-	-	-	-	-	-	-	(517,476)	3,108,720	10,454,865	13,046,109
Insurance Premiums	-	-	-	-	-	-	-	229,945	-	-	229,945
Total Operating Expenses	2,263,857	390,467	281,645	214,510	322,780	5,105,176	1,169,384	(71,039)	3,721,698	10,539,765	23,938,243
Operating Income	88,626	-	-	-	-	1,340,286	20,479	465,085	-	-	1,914,476
NON-OPERATING REVENUES (EXPENSES)											
Interest Expense	(86,960)	-	-	-	-	(151,775)	(19,825)	-	-	-	(258,560)
Bond Issuance Costs	(1,666)	-	-	-	-	-	(654)	-	-	-	(2,320)
Gain on Sale of Assets	-	-	-	-	-	155,782	-	-	-	-	155,782
Total Non-Operating Revenues (Expenses)	(88,626)	-	-	-	-	4,007	(20,479)	-	-	-	(105,098)
Change in Net Assets	-	-	-	-	-	1,344,293	-	465,085	-	-	1,809,378
Total Net Assets - Beginning	-	-	-	-	-	-	-	1,038,418	-	-	1,038,418
Total Net Assets - Ending	$ -	$ -	$ -	$ -	$ -	$ 1,344,293	$ -	$ 1,503,503	$ -	$ -	$ 2,847,796

City of Wilmington, Delaware

Combining Statement of Cash Flows
Internal Service Funds
June 30, 2006

	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	$2,352,483	$ 390,467	$281,645	$ 214,510	$322,780	$ 6,601,244	$ 1,189,863	$ 394,046	$ 3,721,698	$ 10,539,765	$ 26,008,501
Payments to Suppliers	(1,220,776)	(127,191)	(208,249)	(142,732)	(161,082)	(3,493,186)	(919,075)	(701,765)	(2,813,592)	(9,862,298)	(19,649,946)
Payments to Employees	(554,207)	(247,403)	(70,621)	(69,082)	(157,950)	-	(201,757)	(123,408)	(284,310)	(78,444)	(1,787,182)
Net Cash Provided by (Used in) Operating Activities	577,500	15,873	2,775	2,696	3,748	3,108,058	69,031	(431,127)	623,796	599,023	4,571,373
Cash Flows from Noncapital Financing Activities		-									
Advances From (To) Other Funds	(1,641,521)	33,713	(2,296)	21,832	13,283	273,663	(175,802)	6,609,278	14,541,282	1,143,943	20,817,375
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,641,521)	33,713	(2,296)	21,832	13,283	273,663	(175,802)	6,609,278	14,541,282	1,143,943	20,817,375
Cash Flows from Capital and Related Financing Activities:											
Proceeds from Bonds and Capital Leases	1,988,654	-	-	-	-	2,340,000	757,686	-	-	-	5,086,340
Acquisition and Construction of Capital Assets	(1,004,410)	-	(479)	-	-	(4,752,002)	(64,206)	(2,502)	-	-	(5,823,599)
Principal Paid on Bond Maturities and Capital Leases	(24,418)	-	-	-	-	(817,944)	(9,101)	-	-	-	(851,463)
Interest Paid on Bonds and Capital Leases	(86,960)	-	-	-	-	(151,775)	(19,825)	-	-	-	(258,560)
Net Cash Provided by (Used in) Capital and Related Financing Activities	872,866	-	(479)	-	-	(3,381,721)	664,554	(2,502)	-	-	(1,847,282)
Net Increase in Cash and Cash Equivalents	(191,155)	49,586	-	24,528	17,031	-	557,783	6,175,649	15,165,078	1,742,966	23,541,466
Cash and Cash Equivalents - July 1, 2005	933,435	-	-	-	-	150	300	400	400	-	934,685
Cash and Cash Equivalents - June 30, 2006	$ 742,280	$ 49,586	$ -	$ 24,528	$ 17,031	$ 150	$ 558,083	$ 6,176,049	$ 15,165,478	$ 1,742,966	$ 24,476,151
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:											
Operating Income	$ 88,626	$ -	$ -	$ -	$ -	$ 1,340,286	$ 20,479	$ 465,085	$ -	$ -	1,914,476
Adjustments to Reconcile Operating Income to Cash Provided by (Used in) Operating Activities:											
Depreciation and Amortization	367,459	10,026	6,232	-	11,650	1,814,459	181,055	33,864	-	1,305	2,426,050
Bond Issuance Costs Amortized	(1,666)	-	-	-	-	-	(654)	-	-	-	(2,320)
Gain on Sale of Assets	-	-	-	-	-	155,782	-	-	-	-	155,782
Changes in Assets and Liabilities:											
Due from Other Funds	-	-	-	-	-	-		-	-	-	-
Increase (Decrease) in Accounts Payable	51,288	(6,111)	97	6,623	(4,307)	(251,821)	(141,668)	52,183	(146,401)	18,988	(421,129)
Increase (Decrease) in Compensated Absences	20,417	11,144	(3,700)	(4,143)	(4,246)	-	301	(353)	8,715	902	29,037
Increase (Decrease) in Accrued Salaries	9,649	814	146	216	651	-	706	(106)	288	(33)	12,331
Increase in Accrued Interest Payable	41,727					49,352	8,812				99,891
Increase (Decrease) in Claims Liability	-	-	-	-	-	-	-	(981,800)	761,194	577,861	357,255
Net Cash Provided by Operating Activities	$ 577,500	$ 15,873	$ 2,775	$ 2,696	$ 3,748	$ 3,108,058	$ 69,031	$ (431,127)	$ 623,796	$ 599,023	$ 4,571,373

CITY OF WILMINGTON, DELAWARE

FIDUCIARY FUNDS

PENSION TRUST FUNDS

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

Uniformed Plans	**Non-Uniformed Plans**
Fire Pension	Plan I
Police Pension	Plan II
	Plan III
	Park Trust

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.

The Park Trust Commission Employees Plan is a single-employer defined benefit plan that covers all Park Trust Commission employees.

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 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 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
Pension Trust Funds
June 30, 2006

	Fire Pension	Police Pension	Plan I Non-uniformed Pension	Plan II Non-uniformed Pension	Plan III Non-uniformed Pension	Wilmington Park Trust Pension	Total Pension Funds
ASSETS							
Cash and Cash Equivalents	$ 3,992,079	$ 1,709,706	$ 48,539	$ 5,100	$ 1,775,432	$ -	$ 7,530,856
Receivables:							
Accrued Interest Receivable	201,114	324,481	46,697	118,537	75,904	-	766,733
Total Receivables	201,114	324,481	46,697	118,537	75,904	-	766,733
Investments, at Fair Value:							
Money Market Mutual Funds	722,185	1,128,484	175,948	275,903	368,288	6,395	2,670,808
U.S. Government Obligations	2,033,578	3,177,653	495,445	776,904	1,037,047	-	7,520,627
U.S. Agencies - Government Guaranteed	49,047	76,641	11,949	18,738	25,012	-	181,387
U.S. Agencies - Other	6,501,668	10,159,454	1,584,015	2,483,884	3,315,602	-	24,044,623
Foreign Government Obligations	262,113	409,575	63,859	100,137	133,668	-	969,352
Corporate Bonds	5,477,265	8,558,733	1,334,439	2,092,523	2,793,196	-	20,256,156
Stocks	24,718,945	38,625,633	6,022,331	9,443,577	12,605,719	-	91,416,205
Other Mutual Funds	900,857	1,407,670	219,477	344,161	459,402	221,887	3,331,567
Total Investments	40,665,658	63,543,843	9,907,463	15,535,827	20,737,934	228,282	150,390,725
Due from Other Funds	-	4,282	-	-	2,237,633	-	2,241,915
Total Assets	44,858,851	65,582,312	10,002,699	15,659,464	24,826,903	228,282	160,930,229
LIABILITIES							
Accounts Payable	688	800	1,787	2,218	8,077	8,250	13,570
Salaries and Benefits Payable	436	436	436	900	2,271	-	4,479
Due to Other Funds	5,830,063	2,064,129	1,545,452	1,400,962	4,282	-	10,844,888
Compensated Absences	735	735	735	1,472	3,668	-	7,345
Liability for Stale-dated Pension Checks	45,427	77,133	37,717	8,265	5,284	-	173,826
Total Liabilities	5,877,349	2,143,233	1,586,127	1,413,817	23,582	8,250	11,044,108
Net Assets							
Held in Trust for Pension Benefits	$ 38,981,502	$ 63,439,079	$ 8,416,572	$ 14,245,647	$ 24,803,321	$ 220,032	$ 149,886,121

City of Wilmington, Delaware

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2006

	Fire Pension	Police Pension	Plan I Non-uniformed Pension	Plan II Non-uniformed Pension	Plan III Non-uniformed Pension	Wilmington Park Trust Pension	Total Pension Funds
ADDITIONS							
Contributions:							
City							
Paid Directly by the City	$ 254,700	$ 3,439,990	$ 397,085	$ -	$ 1,890,483	$ 7,311	$ 5,982,258
Paid by the State							
On-Behalf of the City	4,329,966	2,373,140	39,600	-	-	-	6,742,706
Employees	272,925	516,578	-	-	460,131	-	1,249,634
Total Contributions	4,857,591	6,329,708	436,685	-	2,350,614	7,311	13,974,598
Investment Income							
Investment Earnings	1,640,219	2,522,953	362,430	630,070	922,595	6,700	6,078,267
Net Appreciation in Fair Value	1,476,017	2,566,585	300,969	520,159	1,179,493	6,111	6,043,223
Total Investment Earnings	3,116,236	5,089,538	663,399	1,150,229	2,102,088	12,811	12,121,490
Less: Investment Expense	(175,167)	(282,618)	(40,670)	(66,113)	(103,244)	-	(667,812)
Net Investment Income	2,941,069	4,806,920	622,729	1,084,116	1,998,844	12,811	11,453,678
Total Additions	7,798,660	11,136,628	1,059,414	1,084,116	4,349,458	20,122	25,428,276
DEDUCTIONS							
Benefits Paid	5,723,703	7,461,428	1,214,571	760,132	1,235,968	16,500	16,395,802
Administrative Expenses	188,359	99,226	46,997	76,885	182,155	4,400	593,622
Total Deductions	5,912,062	7,560,654	1,261,568	837,017	1,418,123	20,900	16,989,424
Net Increase (Decrease) in Plan Net Assets	1,886,598	3,575,974	(202,154)	247,099	2,931,335	(778)	8,438,852
Net Assets - Beginning	37,094,904	59,863,105	8,618,726	13,998,548	21,871,986	220,810	141,447,269
Net Assets - Ending	$ 38,981,502	$ 63,439,079	$ 8,416,572	$14,245,647	$24,803,321	$ 220,032	$149,886,121

City of Wilmington, Delaware

Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2006

	Balance at June 30, 2005	Additions	Deductions	Balance at June 30, 2006
ESCROW LOANS AND GRANTS				
ASSETS				
Cash and Cash Equivalents	$ 216,425	$ 344,077	$ 277,872	$ 282,630
Total Assets	$ 216,425	$ 344,077	$ 277,872	$ 282,630
LIABILITIES				
Accounts Payable	$ 63,000	$ 344,934	$ 277,872	$ 130,062
Funds Held in Escrow	153,425	277,872	278,729	152,568
				-
Total Liabilities	$ 216,425	$ 622,806	$ 556,601	$ 282,630
EMERGENCY SHELTER GRANT				
ASSETS				
Due from Federal Government	$ 152,394	$ 69,718	$ 10,499	$ 211,613
Total Assets	$ 152,394	$ 69,718	$ 10,499	$ 211,613
LIABILITIES				
Accounts Payable	$ 17,569	$ 12,259	$ 17,569	$ 12,259
Accrued Wages and Fringes	346	78	346	78
Due to Other Funds	134,479	116,600	51,803	199,276
Total Liabilities	$ 152,394	$ 128,937	$ 69,718	$ 211,613
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 216,425	$ 344,077	$ 277,872	$ 282,630
Due from Federal Government	152,394	69,718	10,499	211,613
Total Assets	$ 368,819	$ 413,795	$ 288,371	$ 494,243
LIABILITIES				
Accounts Payable	$ 80,569	$ 357,193	$ 295,441	$ 142,321
Accrued Wages and Fringes	346	78	346	78
Due to Other Funds	134,479	116,600	51,803	199,276
Funds Held in Escrow	153,425	277,872	278,729	152,568
Total Liabilities	$ 368,819	$ 751,743	$ 626,319	$ 494,243

CITY OF WILMINGTON, DELAWARE

STATISTICAL SECTION
(Unaudited)

This part of the City of Wilmington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends 99

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 104

These schedules contain information to help the reader assess the City's most consistent year-to-year revenue source, the property tax.

Debt Capacity 108

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 112

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information 114

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the services it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year. The City implemented GASB 34 in in phases starting in 2002 and implemented the final provisions with regard to infrastructure in 2006; schedules presenting government-wide information include information beginning in 2002 unless otherwise explained.

SEAL OF THE CITY OF WILMINGTON
DELAWARE

Table I

NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
GOVERNMENTAL ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	$ 31,108,977	$ 29,844,049	$ 46,418,603	$ 29,495,222	$ 44,920,136
Restricted	9,718,750	12,574,298	18,881,357	18,550,295	47,553,927
Unrestricted	13,921,976	10,890,569	19,257,293	47,765,158	37,510,699
Total Governmental Activities Net Assets	$ 54,749,703	$ 53,308,916	$ 84,557,253	$ 95,810,675	$ 129,984,762
BUSINESS-TYPE ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	$ 64,050,844	$ 71,695,507	$ 81,489,353	$ 83,342,256	$ 82,303,094
Restricted	-	-	-	-	13,216,350
Unrestricted	16,996,490	7,139,685	177,269	(8,916,359)	(22,727,559)
Total Business-type Activities Net Assets	$ 81,047,334	$ 78,835,192	$ 81,666,622	$ 74,425,897	$ 72,791,885
PRIMARY GOVERNMENT					
Invested in Capital Assets, Net of Related Debt	$ 95,159,821	$ 101,539,556	$ 127,907,956	$ 112,837,478	$ 127,223,230
Restricted	9,718,750	12,574,298	18,881,357	18,550,295	60,770,277
Unrestricted	30,918,466	18,030,254	19,434,562	38,848,799	14,783,140
Total Primary Government Net Assets	$ 135,797,037	$ 132,144,108	$ 166,223,875	$ 170,236,572	$ 202,776,647

Note: Governmental activities infrastructure was not fully included in net assets until June 30, 2006.
Net assets for 2004 and 2005 are as restated in 2006 to reflect additions of infrastructure and other items; the main net effect was to add $19,442,011 to governmental activities net assets to 2004 and reduce business activities by $7,520,427 for 2005.
Net assets for 2002 are as restated in 2003 to primarily to reflect a change in accounting for the Commerce Fund.

Table II

CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year				
	2002	2003	2004	2005	2006
EXPENSES					
Governmental Activities:					
General Government	$ 34,331,721	$ 34,206,686	$ 27,860,683	$ 33,731,581	$ 17,908,626
Commerce	3,482,407	2,722,144	1,906,066	2,112,027	2,541,506
Real Estate and Housing	7,870,595	8,080,851	8,108,654	9,058,065	7,178,124
Public Works	12,453,280	16,807,245	14,338,205	14,583,093	16,916,066
Parks and Recreation	5,341,614	6,305,699	8,559,178	7,311,483	7,805,055
Public Safety	46,868,653	47,597,878	48,632,268	65,426,116	65,487,887
Interest on Long-Term Debt	6,711,160	7,701,464	5,502,044	6,116,357	7,473,268
Total Governmental Activities Expenses	117,059,430	123,421,967	114,907,098	138,338,722	125,310,532
Business-Type Activities:					
Water/Sewer	34,847,458	39,011,421	35,987,710	38,501,176	42,614,504
Total Business-Type Activities Expenses	34,847,458	39,011,421	35,987,710	38,501,176	42,614,504
Total Primary Government Expenses	$ 151,906,888	$ 162,433,388	$ 150,894,808	$ 176,839,898	$ 167,925,036
PROGRAM REVENUES					
Governmental Activities:					
Charges for Services:					
General Government	$ 6,243,072	$ 8,836,198	$ 8,929,547	$ 9,312,768	$ 8,304,184
Real Estate and Housing	-	-	-	-	735,375
Public Works	1,919	9,140	6,194	19,329	29,839
Parks and Recreation	1,010,552	2,509,403	-	-	78,494
Public Safety	7,202,081	6,964,442	6,516,985	8,034,678	9,209,946
Operating Grants and Contributions	9,031,393	9,062,321	11,751,700	24,244,134	26,298,656
Capital Grants and Contributions	4,674,657	1,986,087	2,300,217	5,211,389	11,066,220
Total Governmental Activities Revenues	28,163,674	29,367,591	29,504,643	46,822,298	55,722,714

Business-Type Activities:					
Charges for Services:					
Water	34,631,018	38,799,279	37,917,607	38,632,385	40,980,492
Operating Grants and Contributions	-	-	1,901,533	148,493	-
Total Business-Type Activities Revenues	34,631,018	38,799,279	39,819,140	38,780,878	40,980,492
Total Primary Government Revenues	$ 62,794,692	$ 68,166,870	$ 69,323,783	$ 85,603,176	$ 96,703,206
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental Activities:					
Taxes					
Property Taxes	$ 26,088,116	$ 28,598,639	$ 29,068,010	$ 28,417,535	$ 30,403,939
Income Taxes	44,096,406	40,625,407	44,270,947	47,348,120	54,791,274
Other Taxes	6,301,857	3,262,024	8,400,361	9,313,482	6,158,544
Investment Earnings	3,430,624	2,649,356	2,857,460	3,113,915	5,268,048
Payments from State Governments	-	-	-	-	2,980,485
Payments from Component Units	275,000	275,000	275,000	275,000	275,000
Other Revenues including Capital Asset Sales Gains	2,302,762	3,040,798	1,840,997	1,583,993	11,614
Grants, Entitlements, and Contributions not Restricted to Specific Programs	11,997,471	14,162,365	10,496,006	11,472,394	3,873,001
Total Governmental Activities	94,492,236	92,613,589	97,208,781	101,524,439	103,761,905
Business-Type Activities:					
Other Revenues including Capital Asset Sales Gains	(1,000,000)	(2,000,000)	(1,000,000)	-	-
Total Business-Type Activities	(1,000,000)	(2,000,000)	(1,000,000)	-	-
Total Primary Government	$ 93,492,236	$ 90,613,589	$ 96,208,781	$ 101,524,439	$ 103,761,905
CHANGE IN NET ASSETS					
Governmental Activities	$ 5,596,480	$ (1,440,787)	$ 11,806,326	$ 10,008,015	$ 34,174,087
Business-Type Activities	(1,216,440)	(2,212,142)	2,831,430	279,702	(1,634,012)
Total Primary Government	$ 4,380,040	$ (3,652,929)	$ 14,637,756	$ 10,287,717	$ 32,540,075

Note: Governmental activities infrastructure was not fully included in net assets until June 30, 2006.
Net assets for 2004 and 2005 are as restated in 2006 to reflect additions of infrastructure and other items; the net effect was to add $16,108,901 of net assets to 2004.
Net assets for 2002 are as restated in 2003 primarily to reflect a change in accounting for the Commerce Fund.

Table III

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GENERAL FUND										
Unreserved, reported in:										
Special Designations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,378,110
Permanent Investment Reserves			880,804	1,498,300	2,835,512	4,281,764	3,283,362	9,434,759	12,440,414	15,661,377
Budget Reserve Account for Public Emergencies	7,306,453	16,964,394	17,093,130	10,838,626	9,706,536	11,152,791	10,154,389	16,305,786	19,311,440	22,004,929
Total General Fund	$ 7,306,453	$ 16,964,394	$ 17,973,934	$ 12,336,926	$ 12,542,048	$ 15,434,555	$ 13,437,751	$ 25,740,545	$ 31,751,854	$ 58,044,416
ALL OTHER GOVERNMENTAL FUNDS										
Reserved, reported in:										
Park Operations	$ -	$ -	$ -	$ -	$ 5,375,816	$ 5,050,276	$ 4,884,615	$ 5,396,359	$ 5,396,359	$ 5,911,539
Public Safety	-	-	-	-	-	-	-	-	-	6,275,994
Unreserved, reported in:										
Economic Development	-	-	-	-	-	5,399,098	7,689,683	13,484,998	12,786,316	10,517,702
Special Revenue Funds	-	-	-	-	-	-	-	-	-	119,452
Capital Projects Funds	5,492,617	56,929	14,014,469	5,330,105	(548,079)	13,825,180	7,520,107	609,248	(2,674,890)	23,757,025
Total All Other Governmental Funds	$ 5,492,617	$ 56,929	$ 14,014,469	$ 5,330,105	$ 4,827,737	$ 24,274,554	$ 20,094,405	$ 19,490,605	$ 15,507,785	$ 46,581,712

Table IV

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES										
Taxes, related Penalties and Interest										
Property Taxes	$ 19,907,710	$ 22,531,695	$ 23,564,697	$ 22,744,851	$ 22,716,220	$ 26,088,116	$ 28,598,639	$ 29,068,010	$ 28,417,535	$ 30,289,277
Wage Taxes	29,974,733	36,689,417	35,184,760	34,649,986	38,557,371	41,225,538	37,369,184	41,030,254	43,801,665	51,536,049
Net Profit	1,640,043	1,933,587	2,088,700	2,608,936	1,288,704	3,014,110	3,256,223	3,240,693	3,546,455	3,541,769
Franchise	1,427,786	1,384,479	1,711,664	1,576,913	1,451,078	2,066,036	1,840,354	2,431,540	2,689,238	2,841,710
Real Estate Transfer	1,501,847	2,408,491	3,150,781	2,694,184	2,336,701	4,235,821	3,262,024	6,033,039	6,021,220	5,663,155
Head Taxes	1,693,227	2,221,400	3,353,649	2,634,739	3,299,688	2,524,037	2,573,858	2,500,666	2,433,334	2,239,433
Other Taxes	-	-	-	-	-	-	-	2,367,322	3,292,262	495,389
Intergovernmental	14,042,898	14,312,849	16,366,478	13,565,758	14,249,138	20,462,343	20,412,105	16,758,565	25,839,008	52,478,305
Licenses and Permits	2,652,559	2,669,501	2,578,393	2,867,953	2,710,586	2,575,989	2,811,199	2,479,805	4,174,056	4,395,440
Fines and Forfeitures	2,250,640	2,615,780	2,284,145	2,049,087	1,992,739	4,142,057	3,394,601	2,783,406	2,818,007	3,705,122
Charges for Services	820,512	1,291,834	1,117,251	1,154,005	1,368,606	4,085,950	4,745,897	5,125,897	4,561,492	4,865,271
Investment Earnings	1,427,775	1,576,398	2,739,961	3,400,027	2,962,419	3,430,624	2,649,356	2,857,460	3,113,915	5,268,048
Other	3,422,356	3,272,167	3,527,436	3,825,361	3,515,498	719,603	660,709	1,333,567	1,303,121	-
Total Revenues	80,762,086	92,907,598	97,667,915	93,771,800	96,448,748	114,570,224	111,574,149	118,010,224	132,011,308	167,318,968
EXPENDITURES										
General Government	9,559,788	12,125,912	17,152,463	15,004,184	15,328,398	14,706,775	14,495,849	13,439,612	14,241,663	17,475,190
Commerce	-	-	-	-	-	3,281,376	2,575,276	1,810,417	1,236,442	1,746,783
Real Estate and Housing	6,950,287	6,315,469	6,181,177	6,652,541	6,741,099	7,564,299	7,956,163	7,935,627	8,863,045	7,157,916
Public Works	11,186,616	9,468,789	10,975,927	10,160,894	12,229,271	14,092,783	14,583,648	11,570,411	14,065,151	13,380,676
Parks and Recreation	5,234,260	5,709,391	7,440,123	7,416,208	7,251,154	5,850,726	7,032,067	6,390,136	7,449,084	7,164,413
Public Safety	33,733,314	35,320,827	39,238,255	43,291,315	44,820,879	53,278,040	54,110,914	50,891,648	64,731,825	66,443,211
Pensions and Retirement	4,305,449	4,691,686	5,155,435	6,241,575	4,028,643	-	-	-	-	-
Debt Service:										
Principal	2,992,622	4,949,971	5,336,199	5,320,342	4,730,061	7,963,411	9,156,620	8,660,870	9,574,847	11,490,624
Interest	2,957,843	2,978,152	3,336,915	3,904,631	3,732,657	4,713,784	5,820,204	5,502,554	4,611,213	4,818,692
Capital Outlay - Capital Projects	4,518,833	7,325,148	16,127,369	12,801,482	7,432,548	3,757,293	6,655,980	7,664,015	9,495,688	18,274,564
Total Expenditures	81,439,012	88,885,345	110,943,863	110,793,172	106,294,710	115,208,487	122,386,721	113,865,290	134,268,958	147,952,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	(676,926)	4,022,253	(13,275,948)	(17,021,372)	(9,845,962)	(638,263)	(10,812,572)	4,144,934	(2,257,650)	19,366,899
OTHER FINANCING SOURCES (USES)										
Proceeds from Sales of Capital Assets	-	-	-	-	-	2,984,528	3,338,894	2,054,060	1,813,433	1,579,114
Bond Anticipation Notes	-	-	-	-	-	-	-	4,500,000	1,350,000	-
Bond Anticipation Note Repayment	-	-	-	-	-	-	-	-	(4,500,000)	-
Bonds Issued	-	-	31,234,543	-	-	18,775,000	-	-	21,311,195	34,155,000
Premium on Debt Issued	-	-	-	-	-	491,355	-	-	777,555	1,365,925
Current Refunding	-	-	-	-	-	16,109,522	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	(16,135,121)	-	-	(17,191,175)	-
Bond Issuance Costs	-	-	-	-	-	514,789	-	-	397,575	(533,925)
Transfers In	937,095	634,226	2,902,852	6,108,857	4,626,243	1,240,187	2,348,388	3,051,615	-	645,992
Transfers Out	(739,657)	(434,226)	(1,094,367)	(3,408,857)	(426,243)	(40,187)	(73,388)	(2,051,615)	-	(645,992)
Total Other Financing Sources (Uses)	197,438	200,000	33,043,028	2,700,000	4,200,000	23,940,073	5,613,894	7,554,060	3,958,583	36,566,114
Net Change in Fund Balances	(479,488)	4,222,253	19,767,080	(14,321,372)	(5,645,962)	23,301,810	(5,198,678)	11,698,994	1,700,933	55,933,013
Prior Period Adjustments	-	-	-	-	-	-	(978,275)	-	-	2,556,183
Net Change in Fund Balances	$ (479,488)	$ 4,222,253	$ 19,767,080	$ (14,321,372)	$ (5,645,962)	$ 23,301,810	$ (6,176,953)	$ 11,698,994	$ 1,700,933	$ 58,489,196
Debt Service as a Percentage of Noncapital Expenditures	7.58%	9.23%	8.06%	8.63%	8.25%	11.47%	12.85%	13.07%	10.94%	11.39%

Note: Within expenditures of 1997 to 2006, departments have been reclassified to their current categories for comparative purposes.

Table V

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	Real Property		Personal Property		Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate[1]
	Residential Property	Commercial / Industrial	Public Utilities	Other			
2006	$ 913,295,497	$ 1,385,575,324	$ 1,345,874,700	$ 61,976,300	$ 1,230,455,950	$ 2,476,265,871	$ 1.397
2005	864,483,283	1,311,521,526	1,273,942,752	58,663,900	1,319,807,937	2,188,803,524	1.307
2004	613,947,367	931,429,449	904,741,380	41,662,514	1,309,442,737	1,182,337,973	1.307
2003	860,906,269	1,306,094,781	1,268,671,498	58,421,163	1,294,837,900	2,199,255,811	1.307
2002	781,983,023	1,186,359,053	1,152,366,535	53,065,426	1,296,014,160	1,877,759,877	1.307
2001	623,718,375	946,253,204	919,140,392	42,325,575	n/a	2,531,437,546	1.307
2000	519,908,687	788,761,852	766,161,610	35,281,042	n/a	2,110,113,191	1.082
1999	518,069,624	785,971,779	763,451,480	35,156,243	n/a	2,102,649,126	1.082
1998	513,793,191	779,483,934	757,149,531	34,866,044	n/a	2,085,292,700	1.082
1997	536,624,284	814,121,353	790,794,490	36,415,364	n/a	2,177,955,491	1.082

Source: New Castle County Board of Taxable Assessment

Notes: Property in the city is assessed at ESTIMATED actual value; therefore, the assessed values are equal to actual value.
Tax rates are $1.3969 per $100 of assessed value.

Table VI

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(per $100 of Assessed Value)
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City of Wilmington Direct Rates										
City	$ 1.0018	$ 1.0819	$1.0819	$ 1.0819	$ 1.0819	$1.3067	$ 1.3067	$1.3067	$1.3067	$1.3969
School District	1.0253	1.0253	1.0253	1.0253	1.0253	1.0870	1.0870	1.0870	1.0870	1.0870
New Castle County	0.1580	0.1580	0.1580	0.1580	0.1580	0.1580	0.1580	0.1580	0.1580	0.1580
Total Direct Tax Rate	$ 2.1851	$ 2.2652	$2.2652	$ 2.2652	$ 2.2652	$ 2.5517	$ 2.5517	$ 2.5517	$2.5517	$2.6419

Sources: City of Wilmington, Revenue Division

Notes: The city's basic property tax rate may be increased by majority vote of the thirteen City Council members.
Real property was taxed at 100% of the assessed value of the property.
Overlapping rates are those of State, Local and County governments that apply to property owners within the City of Wilmington.

Table VII

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	1997			2006		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
Bank of America (formerly MBNA) and Related Entities	$ 50,051,980	5	2.30%	$ 91,247,900	1	2.46%
Delmarva Power & Light	91,870,245	2	4.20%	81,916,300	2	2.21%
Brandywine Operating Partnership	-		-	63,704,500	3	1.72%
Hercules Incorporated	63,241,471	3	2.90%	58,084,300	5	1.57%
E.I. Du Pont Nemours & Company	124,032,108	1	5.70%	57,119,200	4	1.54%
1201 Market Street LLC	-		-	51,775,000	6	1.40%
Verizon	51,595,873	4	2.40%	42,725,500	7	1.15%
Hub Properties Trust	-		-	36,072,400	8	0.97%
Tatten Properties	27,639,207	10	1.30%	27,608,600	9	0.74%
Rodney Square Investors, L.P.	29,217,520	9	1.30%	27,054,360	10	0.73%
100 West Tenth Street Corp	-		-	21,870,700	11	0.59%
TRC One Rodney Square	-		-	15,113,600	12	0.41%
Elk Grove Suites	-		-	13,542,000	13	0.37%
Bassett Partners L.P.	43,509,972	6	2.00%	-		-
Eugene A. Della Donne & Son	42,944,023	7	2.00%	-		-
Didimoi Property Holdings	38,802,842	8	1.80%	-		-
EML Associates	26,933,711	11	1.20%	-		-
Challenge Property Holdings	20,374,770	12	0.90%	-		-
Wilmington Saving Fund Society	16,750,228	13	0.80%	-		-
Totals	$ 626,963,950		28.80%	$ 587,834,360		15.86%

Source: City of Wilmington's Revenue Division

Table VIII

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Total Tax Levy[1] for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	$ 30,400,278	$ 29,636,621	97.5%	n/a	$ 29,636,621	97.5%
2005	28,718,484	26,965,293	93.9%	$ 921,830	27,887,123	97.1%
2004	28,086,411	23,480,668	83.6%	4,268,723	27,749,391	98.8%
2003	28,737,675	27,107,949	94.3%	1,473,678	28,581,627	99.5%
2002	28,247,996	24,596,758	87.1%	3,627,140	28,223,898	99.9%
2001	22,571,945	22,099,308	97.9%	428,190	22,527,498	99.8%
2000	22,744,851	21,377,849	94.0%	1,339,803	22,717,652	99.9%
1999	23,564,697	22,599,984	95.9%	941,626	23,541,610	99.9%
1998	22,531,695	21,585,785	95.8%	928,412	22,514,197	99.9%
1997	19,907,770	18,942,915	95.2%	949,184	19,892,099	99.9%

Source: City of Wilmington, Finance Department

Note: [1] For presentation purposes, the City considers Tax Levy to be the taxes levied during the normal tax year and excludes adjustments to prior year taxes.

Table IX

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

	Governmental Activities			Business-Type Activities				
Fiscal Year	General Obligation Bonds	Capital Leases	Bonds Anticipation Notes	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita[1]
2006	$ 130,717,406	$ 3,930,893	$ -	$ 87,509,007	$ 5,549,470	$ 227,706,776	8.93%	$ 3,135
2005	105,855,333	2,408,836	-	65,564,656	4,977,886	178,806,711	8.15%	2,461
2004	109,638,038	2,777,856	-	69,938,279	2,195,627	184,549,800	8.41%	2,540
2003	118,395,331	3,071,784	-	72,192,162	159,122	193,818,399	9.05%	2,637
2002	127,607,476	4,872,516	-	77,626,099	296,309	210,402,400	10.09%	2,867
2001	114,702,493	5,415,912	5,294,094	67,303,058	485,846	193,201,403	9.37%	2,647
2000	121,203,954	5,377,286	2,017,333	72,608,006	643,627	201,850,206	10.40%	2,781
1999	129,939,128	3,983,184	-	78,277,775	444,617	212,644,704	11.43%	2,930
1998	107,067,861	2,853,705	3,364,682	68,919,891	498,601	182,704,740	10.26%	2,517
1997	114,992,102	1,161,311	-	70,760,203	341,835	187,255,451	11.21%	2,579

Source: City of Wilmington's Treasurer's Office

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] See Schedule XIV on page 110 for population data.

This ratio uses population data from the prior calendar year.

Table X

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds	Percentage of Actual Taxable Value[1] of Property	Per Capita[2]
2006	$ 130,717,406	3.72%	$1,799.42
2005	105,855,333	4.96%	1,457.18
2004	109,638,038	5.02%	1,509.25
2003	118,395,331	5.60%	1,610.76
2002	127,607,476	6.03%	1,738.52
2001	114,702,493	5.37%	1,571.27
2000	121,203,954	5.74%	1,669.89
1999	129,939,128	6.18%	1,790.24
1998	107,067,861	5.13%	1,474.76
1997	114,992,102	5.28%	1,583.91

Source: City of Wilmington's Treasurer's Office

Note:
1 See Schedule V on page 102 for Actual Taxable Value of Property data.
2 See Schedule XIV on page 110 for population data.
This ratio uses population data from the prior calendar year.

Table XI

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2006
(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
New Castle County debt	$ 169,145,000	15%	$ 25,879,185
Various School Districts	227,171,701	16%	35,438,785
Subtotal - Overlapping Debt			61,317,970
City of Wilmington Direct Debt	130,717,406	100%	130,717,406
Totals			$ 192,035,376

Source: City of Wilmington Treasurer's Office

Table XII

CITY OF WILMINGTON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Years									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating Budget	$ 63,580,359	$ 71,882,554	$77,440,937	$ 79,330,994	$ 83,597,208	$ 79,979,957	$ 87,421,961	$88,029,760	$ 92,182,803	$ 104,480,969
Debt Limit	11,126,563	12,579,447	13,552,164	13,882,924	14,629,511	13,996,492	15,298,843	15,405,208	16,131,991	18,284,170
Total Net Debt Applicable to Limit	5,950,465	7,928,123	8,673,114	9,224,973	8,462,718	12,677,195	9,238,483	8,310,947	8,720,315	9,076,566
Legal Debt Margin	$ 5,176,098	$ 4,651,324	$ 4,879,050	$ 4,657,951	$ 6,166,793	$ 1,319,297	$ 6,060,360	$ 7,094,261	$ 7,411,676	$ 9,207,604
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	53.00%	63.00%	64.00%	66.00%	58.00%	91.00%	60.00%	54.00%	54.00%	50.00%

Note: The City is limited to the issuance of general obligation debt provided that the 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 amounts issued for Water and Sewer purposes.

Table XIII

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(Unaudited)

Calendar Year	Population	Personal Income	Per Capita Income	Employment	Unemployment Rate	Median Age	Median Household Effective Buying Income
2006	72,644	$ 2,193,921,444	$ 30,201	33,371	4.6%	33.7	$40,778
2005	72,644	2,193,921,444	30,201	31,843	6.3%	34.1	35,116
2004	72,503	2,189,663,103	30,201	32,748	6.4%	33.7	31,499
2003	73,503	2,142,612,450	29,150	32,165	5.3%	36.9	36,064
2002	73,400	2,085,954,600	28,419	32,667	5.9%	36.3	36,084
2001	73,000	2,061,520,000	28,240	35,517	5.0%	35.5	37,489
2000	72,582	1,940,407,188	26,734	34,291	4.4%	35.3	35,037
1999	72,582	1,860,784,734	25,637	32,733	4.5%	35.1	32,092
1998	72,600	1,781,168,400	24,534	33,286	4.6%	34.2	31,002
1997	72,600	1,669,727,400	22,999	32,625	5.5%	34.1	29,720

Sources: Population, medial age and median household effective buying income provided by Delaware Online. The employment and unemployed data provided by the City of Wilmington, Department of Management and Budget.

Note: The unemployment rate is an adjusted annual average.

Table XIV

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	Calendar Year 1997		Calendar Year 2006	
Taxpayer	**Employees**	**Rank**	**Employees**	**Rank**
State of Delaware	17,200	1	14,573	1
Bank of America	10,721	3	10,326	2
E.I. Du Pont Nemours & Company	12,455	2	9,900	3
Christiana Care Health Services	5,476	5	7,300	4
Total County/Municipal Government	1,342	16	6,800	5
AstraZeneca Inc.	2,782	8	4,500	6
University of Delaware	5,138	6	3,860	7
J.P. Morgan Bank	-	-	3,500	8
Bank One Card Services	1,372	15	2,800	10
Christina School District	2,857	7	2,789	11
U.S. Government	5,600	4	2,709	12
Nemours	-	-	2,566	13
Wilmington Trust Corp	2,508	9	2,289	14
Red Clay School District	1,996	11	1,862	17
PNC Financial Services Group	-	-	1,705	19
Sears, Roebuck & Co.	1,501	13	1,557	20
Delmarva Power	2,189	10	1,482	22
Colonial School District	1,383	14	1,400	23
Happy Harry's Inc.	-	-	1,397	24
Brandywine School District	1,700	12	1,355	25
Totals	76,220		84,670	

Sources: City of Wilmington Department of Economic Development

Note: Employment in the Wilmington Metropolitan area.

Table XV

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Years									
Function	**1996**	**1997**	**1998**	**1999**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
General Government										
Mayor's Office	15.50	21.50	24.50	42.50	40.50	43.00	33.00	45.00	45.00	46.00
City Council	21.00	23.00	26.00	26.00	27.00	27.00	26.00	25.00	29.00	29.00
Audit	5.00	5.00	5.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00
Law	19.00	19.00	18.00	18.00	18.00	19.00	18.00	19.00	20.00	20.00
Finance	78.00	94.00	96.00	100.00	100.00	101.00	122.00	86.19	87.24	84.20
Personnel	16.00	17.00	19.00	19.00	20.00	20.00	21.00	21.00	21.00	21.00
Treasurer	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00
Planning	14.00	14.00	14.00	12.00	14.00	14.00	10.00	10.00	10.00	11.00
Real Estate and Housing	20.00	21.00	21.00	23.00	24.00	24.00	3.00	2.81	2.76	2.80
Parks and Recreation	48.50	48.50	56.50	50.50	50.50	47.00	52.00	52.00	52.00	52.00
Public Safety										
Police	310.00	341.00	350.00	347.00	348.00	344.00	344.00	368.00	377.00	386.00
Fire	174.00	174.00	175.00	175.00	176.00	176.00	176.00	176.00	176.00	176.00
Municipal Court	28.00	28.00	-	-	-	-	-	-	-	-
License and Inspection	23.00	23.00	24.00	29.00	33.00	31.00	35.00	36.00	37.00	39.00
Public Works	252.00	199.00	204.00	206.00	209.00	212.00	212.00	212.00	212.00	212.00
Totals	**1,030.00**	**1,034.00**	**1,039.00**	**1,060.00**	**1,072.00**	**1,070.00**	**1,063.00**	**1,064.00**	**1,080.00**	**1,091.00**

Sources: City of Wilmington Office of Management and Budget

Note: Budgeted Positions at the end of the fiscal year.
Actual data is not available.

Table XVI

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Function	Fiscal Years 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Physical Arrests	n/a	n/a	n/a	n/a	n/a	n/a	13,567	12,473	13,456	10,230
Police Calls	129,009	131,873	129,331	120,886	131,344	132,614	133,124	127,417	125,665	n/a
Fire/EMS Calls	13,511	13,938	14,880	15,271	15,112	15,466	15,807	15,301	15,902	15,124
Inspections	333	939	221	353	636	363	505	710	1,121	778
Parking Violations Issued	99,251	98,734	100,435	79,356	102,684	88,559	62,959	54,081	52,708	68,719
Building Permits Issued	42	75	75	49	49	95	55	58	58	46
Health and Welfare										
Meals served-Summer	n/a	n/a	n/a	n/a	n/a	454,392	206,610	215,180	207,599	231,189
Meals served-Evening	n/a	n/a	n/a	n/a	n/a	40,372	272,840	185,109	332,509	n/a
Emergency Shelter	555	548	757	992	1,173	938	1,059	326	268	329
HOPWA (Housing) *	n/a	n/a	n/a	290	939	225	765	595	1,075	352
Water										
Water Production (millions of gallons)	9,234	8,337	8,406	7,577	8,101	8,033	7,776	7,983	7,918	7,201
Water Sold (millions of gallons)	7,472	7,275	6,192	7,074	4,780	n/a	5,228	7,222	6,925	6,032
Wastewater										
Average Daily Sewage Treatment (Millions of gallons)	n/a	n/a	n/a	n/a	n/a	74.83	67.96	87.95	81.56	78.48
Landfill										
Annual Tons of Refuse	n/a	n/a	n/a	n/a	33,505	43,137	43,613	43,376	42,897	41,689

Sources: Various City of Wilmington Departments.

Notes: Quantifiable and meaningful operating indicators are not available for all functions.
n/a = Not available

Table XVII

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Function	Fiscal Years									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police Patrol Units	311	309	306	304	302	300	298	306	309	320
Paramedic Units	3	3	3	3	3	3	3	3	3	3
Highways, Streets, and Bridges										
Roads & Streets (miles)	147	147	147	147	147	147	147	147	147	147
Health and Welfare										
Buses	2	2	2	2	2	2	2	2	2	2
Water										
Production Capacity (millions of gallons per day)	9.23	8.33	8.40	7.58	8.10	8.03	7.83	8.13	7.88	6.49
Wastewater										
Watewater Treatment Capacity (millions of gallons per day)	95	95	95	95	100	100	105	105	105	105

Sources: Various City of Wilmington departments.

Note: Quantifiable and meaningful capital asset indicators are not available for all functions.
n/a = Not available