



THE VILLAGE OF PALM SPRINGS, FLORIDA



Cover Photo: Lt. Randal Hoffer

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2007

The CAFR cover photo was taken by Lt. Randal Hoffer perched in the Village's aerial bucket truck overlooking our ball field complex, water playground, and adjoining picnic pavilion. I want to thank Lt. Hoffer for his high-flying assistance in obtaining this photograph.

Rebecca L. Morse,
Chief Financial Officer

The seal of The Village of Palm Springs, Florida, is a circular emblem. It features a central palm tree with a green canopy and a brown trunk, set against a yellow background. The words "THE VILLAGE OF PALM SPRINGS" are written in a light blue arc across the top, and "FLORIDA" is written in a light blue arc across the bottom. The seal is faintly visible in the background of the page.

**THE VILLAGE OF
PALM SPRINGS, FLORIDA**

Comprehensive Annual
Financial Report

**Fiscal Year Ended
September 30, 2007**

**Prepared by:
Finance Department**

**Rebecca L. Morse, CGFO, CPFO
Chief Financial Officer**

VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2007

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
List of Principal Officials	v
Organizational Chart	vi
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Assets	13
Statement of Activities	14

Fund Financial Statements:

Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets - Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund	22
Statement of Fiduciary Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
Notes to Financial Statements	26

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule - General Fund	52
Notes to Budgetary Comparison Schedule	56
Condition Rating of the Village's Street System	57
Schedule of Funding Progress - Pension Trust Funds	58
Schedule of Employer Contributions - Pension Trust Funds	59

COMBINING FUND FINANCIAL STATEMENTS AND DEBT SCHEDULES:

Nonmajor Governmental Funds:

Combining Balance Sheet	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	61

VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2007

COMBINING FUND FINANCIAL STATEMENTS AND DEBT SCHEDULES (Continued):

Fiduciary Funds:

Combining Statement of Fiduciary Net Assets	62
Combining Statement of Changes in Fiduciary Net Assets	63

Schedules of Long-Term Debt to Maturity:

Combining Schedule of Debt Service Requirements (Principal and Interest) to Maturity	64
\$7,890,000 Florida Municipal Loan Council Bond, Series 2002-A, dated May 1, 2002.....	65
\$7,244,700 Promissory Note, dated December 14, 2001	66
\$1,209,857 Water and Sewer Capital Appreciation Bonds, Series 1988	67
\$11,550,000 Florida Municipal Loan Council Revenue Bonds, Series 2003A	68

STATISTICAL SECTION

Financial Trends:

Net Assets by Component	69
Changes in Net Assets.....	71
Governmental Activities Tax Revenues by Source	75
Fund Balances of Governmental Funds.....	76
Changes in Fund Balances of Governmental Funds.....	78
General Governmental Tax Revenues by Source	80
Assessed Value of Taxable Property	81

Revenue Capacity:

Property Tax Rates - Direct and Overlapping Governments	82
Principal Property Taxpayers	83
Property Tax Levies and Collections.....	85
Water and Sewer Revenue Base.....	86

Debt Capacity:

Ratios of Outstanding Debt by Type.....	87
Ratios of General Bonded Debt Outstanding	88
Direct and Overlapping Governmental Activities Debt	89
Water and Sewer Pledged Revenue Coverage	90

Demographic and Economic Information:

Demographic and Economic Statistics.....	91
Principal Employers	92

Operating Information:

Full-time Equivalent Village Government Employees by Function	93
Operating Indicators by Function.....	94
Capital Asset Statistics by Function	96
Schedule of Insurance in Force	98

VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2007

COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	99
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	101

INTRODUCTORY SECTION



Village of Palm Springs

Department of Finance

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Palm Springs, Fl. 33461-1699

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January 18, 2008

***The Honorable Mayor, Members of
the Village Council and Residents
of the Village of Palm Springs***

The Finance Department is pleased to present the Village's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2007. The CAFR has been prepared in accordance with the Village Charter, Florida State Statutes and generally accepted accounting principles (GAAP) for governments. This report provides full financial disclosure to assist users of this report in evaluating the financial condition and activities of the Village government.

Sole responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Village. The Village's financial operations are designed with a comprehensive system of internal controls established to safeguard assets from loss, theft or misuse. The Village's internal control system is designed to provide reasonable, reliable financial records for use in preparing financial statements in accordance with generally accepted accounting principles. To the best of our knowledge and belief the presented data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the Village as measured by the financial activity of its various funds and the Village as a whole.

Florida Statutes require an annual audit by independent certified public accountants. Caler, Donten, Levine, Druker, Porter & Veil, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Village of Palm Springs' financial statements for the year ended September 30, 2007. The independent auditor's report on the basic financial statements and combining fund statements and debt schedules is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) follows the independent audit report in the financial section of this report. The MD&A provides a narrative analysis of the basic financial statements. MD&A and this letter both contain information valuable to the user of the financial statements and should be read in conjunction with them.

Village profile

The Village of Palm Springs was incorporated in 1957 and is centrally located in Palm Beach County. As part of South Florida's Gold Coast, Palm Beach County is well recognized for its unique lifestyle with a comfortable average year-around temperature of 75 degrees, 45 miles of beaches, over 140 golf courses and many cultural attractions. These elements and many more combine to create an unequaled quality of life that has attracted a diverse population from retirees to young professionals.

The Village's current estimated population is 14,363. In the last ten years our population has increased by over 4,200 residents and we have annexed 1,028 acres since 1997. Palm Springs is an attractive, affordable community offering a mix of single family homes, townhouses, condominiums and all the services working families and retirees look for. As a full-service municipality, the Village strives to meet the needs and desires of the entire spectrum of residents by providing public safety services (police, fire and advanced life support),

a public library, parks and recreation facilities and activities, sanitation and recycling services, water and sewer services, road and street maintenance and beautification as well as general government support services.

The Village's enterprise operation consists of two water treatment plants. The first plant, located within the Village, is a 6 million gallon treatment facility .The second plant, dedicated to former Public Service Director Robert L. Pratt, is located in unincorporated Palm Beach County and is a 3 million gallon treatment facility with expansion capabilities to 4 million gallons. The Village's sewer treatment is handled through two connections to the East Central Regional Wastewater Treatment Facilities. The Village has agreements with Palm Beach County for one connection and with the City of Lake Worth for the second. As of September 30, 2007, our utility system had 19,825 water customers and 17,180 sewer customers. Approximately 49% of total connections serve our residents; the other 51% of our connections are in the unincorporated area.

The Village operates under a Council-Manager form of government. Four Council members are elected at large each representing a district in which they must reside. The Mayor is elected at large and may reside in any of the four districts. The Mayor and four council members are elected to serve two year overlapping terms. Day to day operations of the Village is under the direction of the Village Manager who is appointed by the Village Council.

Economic outlook and financial planning

The Village's taxable property value has increased from \$177.6 million in 1998 to \$806.7 million, an increase of over 354% in the last ten years. This is due to the Village's annexation initiative that added new commercial businesses as well as residential and vacant property to the Village. The Village is continuing its annexation initiative including the southern end of our current boundaries with plans to incorporate the large commercial corridor on Lake Worth Road and the north end along Congress Avenue to Summit Boulevard.

The Village began our annexation initiative in 1997 to increase the ratio of commercial property and offset our heavy residential property. The Village was also being negatively impacted by crime and code enforcement issues in the surrounding unincorporated area and felt that we would be better equipped to address those issues if they were part of the Village. Our voluntary annexation program has been tremendously successful and beneficial to the old and new residents alike. The surrounding residents and businesses welcomed the increased services offered by the Village.

During 2007 the Florida Legislature passed property tax reform legislation establishing limits on the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For fiscal years ending September 30, 2008 and thereafter, the maximum tax levy allowed by a majority vote of the governing body is based on a percentage applied to the "rolled-back" millage rate of the local government. The rolled-back millage rate is generally equivalent to the millage rate necessary to produce the same amount of property tax revenue as the prior year with no increase in the assessed value of taxable property. The percentage applied to the rolled-back millage rate is calculated based on the compound annual growth rate in the per capita property taxes levied for fiscal years ended September 30, 2002 through 2007 as calculated by the State. The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a two-thirds vote to adopt a rate equal to the prior year rolled-back millage rate; 2) a unanimous vote to adopt a rate equal to the prior year millage rate; or, 3) any millage rate approved by referendum. For the fiscal year ending September 30, 2008 the Village adopted the maximum millage rate permitted by a majority vote of the Village Council under this formula, which is 4.0076. This millage rate results in a total tax levy of \$3,793,610 for 2008, representing a reduction of 1.8% from the property tax levy for 2007. Future property tax increases will generally be limited to the compound annual growth rate calculated by the State.

The effect of the State property tax reform on the Village for fiscal year 2007-2008 resulted in a disproportionate reduction in taxes based on our growth in taxable value. The formula used by the State to

determine the percentage the Village must reduce the millage rate is based on a ratio of taxable value and population. Since the Village's targeted annexations were primarily commercial property, our tax base and demand for services grew significantly without an equal growth in population. Despite the fact that the Village millage rate declined from 5.3114 mills in 1997 to 4.7714 mills for fiscal year 2007, or approximately 10%, the State formula resulted in an additional percentage reduction of 9%, the maximum rate, which duplicates the reductions voluntarily adopted by the Village in prior years. The Village has adopted a budget for fiscal year 2008 at this reduced level and we are reviewing all areas of Village operations looking for ways to address this reduction without sacrificing our high level of service.

In January 2008, Florida voters will decide on a Constitutional amendment proposed by the State Legislature that could further reduce property tax revenues for all local governments in the State by doubling the current \$25,000 homestead exemption, allowing the portability of certain taxable value exemptions on homestead properties and limiting annual increases in the taxable valuations of non-homestead properties to 10%.

The Village is prudently managed and we will continue to deliver a high level of services to our residents to the best of our ability with the resources we have. As of September 30, 2007 the General Fund had a total fund balance of \$5,954,784. The components of fund balance are detailed as follows.

Total fund balance	\$ 5,954,784
Less non-expendable assets:	
Reserved for inventories	25,330
Designated for disaster recovery	1,000,000
Designated for future capital projects	<u>1,500,000</u>
 Total unreserved, undesignated fund balance	 <u>\$ 3,429,454</u>

The General Fund's unreserved, undesignated fund balance represents 25% of the General Fund budget for the next fiscal year. Our goal is to maintain this unreserved, undesignated fund balance in the 20-25% range. The Village has designated funds for future capital projects to fund long-term capital demands. The Village annually updates the 5-year capital budget to compare the capital needs to the forecasted available resources. This process allows the Village ample time to evaluate funding sources or alternative methods of service delivery. The five year capital plan will be readdressed after we see the impact of the tax cut proposals on the ballot in January 2008.

The Village Council legally adopts a formal budget for the General Fund. The Village maintains budgetary control at the department level of expenditure. All expenditures in excess of \$5,000 or more require the Village Manager's authorization, and expenditures over \$25,000 require approval by the Village Council and/or competitive bid.

Budget transfers within a department are handled administratively. The Village Council must approve budget transfers between departments or budget amendments, which increase or decrease the total fund.

A schedule comparing the original budget, revised budget and actual revenues and expenditures is located on pages 52 – 55 of this report.

Major initiatives

During this fiscal year the Village negotiated a partnership agreement with Palm Beach County to provide overlapping coverage for fire rescue services. The Village fire rescue personnel and equipment will blend with the Palm Beach County Fire Rescue to function as one agency providing the closest unit response within the Village and the surrounding unincorporated area or adjacent municipalities served by Palm Beach County Fire

Rescue currently. Effective October 1, 2007 (fiscal year 2008) the Village will begin transporting advanced life support patients and billing for that service using the same fee schedule utilized by Palm Beach County.

The Florida Commission for Law Enforcement Accreditation (CFA) awarded the Palm Springs Public Safety Department full law enforcement accreditation. This award was received after an exhaustive assessment of our policies, procedures, personnel and facilities. The two year process included a re-writing of the Department's policies and procedures. In addition the personnel of our Public Safety Department were required to comply with all CFA standards (over 250). The CFA assessment team, made up of law enforcement professionals from around the state, was very impressed with our Public Safety Department. In the final report from the assessors to the Commission the Department was complimented on its professionalism and skilled management.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palm Springs for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. The Village of Palm Springs has received a Certificate of Achievement for the last nineteen consecutive years (fiscal years ended 1988-2006). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

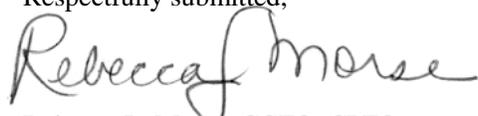
Acknowledgements

After twenty years I am more convinced that what makes Palm Springs exceptional is a dedicated team of individuals starting with our Mayor and Council who express their vision to Village Manager, Karl Umberger who takes that vision and infuses it into our everyday operations. Karl's commitment and willingness to do whatever it takes to keep Palm Springs "A Great Place to Call Home" establishes the high standard of quality service we expect at every level of our operation.

I want to thank the Mayor, Council and Village Manager for providing the environment, resources and support that enables my department to strive for excellence and provide accurate, timely, and useful financial information for the betterment of our community.

I also want to thank Mariana Ortega-Sanchez, Assistant Finance Director, Nancie Rathbun, Administrative Assistant, and Janeth Caban, Fiscal Specialist for their devotion to excellence. I know that I am blessed to work with such talented, dedicated individuals. Thank you!

Respectfully submitted,



Rebecca L. Morse, CGFO, CPFO
Chief Financial Officer

VILLAGE OF PALM SPRINGS, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2007

<u>Title</u>	<u>Name</u>
Mayor	J. "Mike" Davis
Vice-Mayor	Bev Smith
Mayor Pro-Tem	Joni Brinkman
Council Member	Chester D. Osborne
Council Member	Patti Waller
Village Manager	Karl E. Umberger
Public Service Director	William F. Davis
Public Safety Director	Jay C. Pickens
Chief Financial Officer	Rebecca L. Morse
Village Clerk	Virginia M. Walton
Library Director	Elena Romeo
Leisure Services Director	William Golson
Land Development Director	Bette J. Lowe
Village Attorney	Thomas J. Baird

**VILLAGE OF PALM SPRINGS, FLORIDA
ORGANIZATIONAL CHART
SEPTEMBER 30, 2007**

VOTERS of PALM SPRINGS

VILLAGE ATTORNEY
Thomas J. Baird

AUDITOR
*Caler, Donten, Levine, Druker,
Porter & Veil, P.A.*

CONSULTANTS
Eckler Engineering

MAYOR AND VILLAGE COUNCIL
*J. "Mike" Davis - Mayor
Bev Smith - Vice Mayor
Joni Brinkman - Mayor Pro-Tem
Chester D. Osborne - Council Member
Patti Waller - Council Member*

BOARD & COMMITTEES
Code Enforcement Board
Land Development Board
Leisure Services Board
Library Board
General Employees Pension
Hazardous Employees Pension

VILLAGE MANAGER
Karl E. Umberger

PUBLIC SAFETY
Jay Pickens

LIBRARY
Elena Romeo

LEISURE SERVICES
William Golson

FINANCE
Rebecca Morse

PUBLIC SERVICE
William Davis

LAND DEVELOPMENT
Bette Lowe

VILLAGE CLERK
Virginia Walton

UTILITIES

PUBLIC WORKS

SANITATION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Palm Springs
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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.



Charles S. Cox

President

Jeffrey R. Enow

Executive Director

FINANCIAL SECTION



CALER, DONTEN, LEVINE, DRUKER, PORTER & VEIL, P.A.

WILLIAM K. CALER, JR., CPA
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DAVID S. DONTEN, CPA
SCOTT D. DRUKER, CPA, JD
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Honorable Mayor and
Village Council
Village of Palm Springs, Florida

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Palm Springs, Florida. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palm Springs, Florida, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2008, on our consideration of the internal control over financial reporting of the Village of Palm Springs, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 on 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* and the *required supplementary information* on pages 3 through 12 and pages 52 through 59, respectively, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. 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 basic financial statements of the Village of Palm Springs, Florida. The introductory section, the combining fund financial statements and debt schedules, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Palm Springs, Florida. The combining fund financial statements and debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

*Cale, Danten, Levine,
Dunker, Porter & Veil, P.A.*

January 18, 2008

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Village of Palm Springs we are presenting this discussion and analysis (MD&A) to provide a narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2007. Please read it in conjunction with the accompanying transmittal letter beginning on page i and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net assets at September 30, 2007 were \$46.9 million. Of this amount, \$9.4 million (unrestricted net assets) may be used to meet the Village's ongoing obligations to residents and creditors.
- Governmental net assets were \$12.8 million, an increase of \$0.5 million.
- Water and Sewer net assets were \$34.1 million, an increase of \$1.1 million.
- The total revenues from all sources were \$24.9 million, an increase of \$1.1 million.
- The total cost of all Village programs was \$23.2 million, an increase of \$3.3 million.
- During the year, the Village's governmental funds revenues exceeded expenses by \$0.6 million.
- Total revenues in the General Fund exceeded total expenditures by \$0.6 million, including other financing sources and uses.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3,429,454 or 28% of total General Fund expenditures.
- The Village's total debt decreased by \$2.4 million during the current fiscal year. The Village governmental activities debt increased by \$148,557 and the business activities debt decreased by \$2.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes financial statements consisting of the following four components:

1. Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Village as a whole.
2. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds.
3. Notes to the financial statements.
4. Other information.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Government-wide Financial Statements

A frequently asked question regarding the Village's financial health is whether the year's activities contributed positively to the overall financial well being. The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Village's net assets and changes therein. Net assets, the difference between assets and liabilities, are one way to measure the Village's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities present information about the following:

- **Governmental activities** -All of the Village's basic services are considered to be governmental activities, including the Village Council, Village Manager, Village Clerk, Finance, Land Development (planning, building, zoning and licensing), Public Safety (police, fire and advanced life support), Sanitation and Recycling, Public Works (road and street maintenance), Library and Leisure Services. The Village's general obligation debt is also included in the governmental activities.
- **Proprietary activities/Business-type activities** -The Village charges a fee to customers to cover all of the cost of the services provided. The Village's Water and Sewer Utility system is reported in this category.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds -not the Village as a whole. Some funds are required to be established by State law. However, management establishes other funds, which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants and other money. The Village's three kinds of funds, *governmental*, *proprietary* and *fiduciary*, use different accounting approaches as explained below.

- **Governmental funds** - Most of the Village's basic services are reported in the governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general governmental operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The Village of Palm Springs has five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is the only major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 60-61 of this report. The basic governmental fund financial statements can be found on pages 16-19 of this report.
- **Proprietary funds** - The Village's only proprietary fund is the Water and Sewer Enterprise fund. The Water and Sewer Enterprise fund accounts for the operations of the water and wastewater utility and

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

charges customers for the services it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

- ***Fiduciary funds*** - Fiduciary funds are used 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 Village's own programs. The Village maintains two fiduciary funds; the General Employees Pension Trust Fund and the Hazardous Employees Pension Trust Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Financial Statements

The notes to the financial statements are provided to communicate additional information that is essential to obtaining a comprehensive understanding of the data contained in the government-wide and fund financial statements. The notes to the financial statements are located on pages 26-51 of this report.

Other Information

In addition to the basic financial statements and notes, this annual report also presents certain required supplementary information which includes a budgetary comparison schedule for the General Fund together with notes pertaining to the budget schedule. The Village also presents information concerning the Village's progress in funding its obligation to provide pension benefits to its employees in this section. Required supplementary information can be found on pages 52-59.

The combining statements of the nonmajor governmental funds and the combining statements of the fiduciary funds are presented on pages 60-63 of this report.

Immediately following the combining statements the Village includes schedules of long-term debt. These schedules detail the principal and interest payments due by issue and fiscal year through maturity. These schedules are located on pages 64-68 of this report.

The statistical section located on pages 69-98 of this report presents schedules providing details about the financial trends, revenue capacity, debt capacity, demographic, economic and operating information to assist the user in understanding the Village's financial statements and overall financial health.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$46.9 million at the close of the most recent fiscal year, an increase of \$1.6 million over fiscal year 2006.

The largest portion of the Village's net assets (77.1%) reflects its investment in capital assets (land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Village of Palm Springs Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$ 6,593,418	\$ 6,232,194	\$ 9,380,382	\$ 10,368,736	\$ 15,973,800	\$ 16,600,930
Capital assets	14,687,382	14,559,449	44,695,291	45,026,880	59,382,673	59,586,329
Total assets	\$ 21,280,800	\$ 20,791,643	\$ 54,075,673	\$ 55,395,616	\$ 75,356,473	\$ 76,187,259
Liabilities:						
Long-term debt outstanding	\$ 7,215,000	\$ 7,360,000	\$ 17,737,284	\$ 20,433,006	\$ 24,952,284	\$ 27,793,006
Other liabilities	1,201,523	1,081,751	2,216,905	1,963,096	3,418,428	3,044,847
Total liabilities	\$ 8,416,523	\$ 8,441,751	\$ 19,954,189	\$ 22,396,102	\$ 28,370,712	\$ 30,837,853
Net Assets:						
Invested in capital assets, net of debt	\$ 7,472,382	\$ 7,199,449	\$ 28,748,028	\$ 27,627,368	\$ 36,220,410	\$ 34,826,817
Restricted for Debt Service	-	-	1,357,698	118,999	1,357,698	118,999
Unrestricted	5,391,895	5,150,443	4,015,758	5,253,146	9,407,653	10,403,589
Total net assets	\$ 12,864,277	\$ 12,349,892	\$ 34,121,484	\$ 32,999,513	\$ 46,985,761	\$ 45,349,405

An additional portion of the Village's net assets (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$9.4 million or 20.0%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Village of Palm Springs Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 2,530,671	\$ 2,333,621	\$ 11,302,346	\$ 11,195,361	\$ 13,833,017	\$ 13,528,982
Operating grants and contributions	304,791	997,541	-	-	304,791	997,541
Capital grants and contributions	206,681	340,716	934,530	575,661	1,141,211	916,377
General revenues:						
Property taxes	4,262,490	3,125,706	-	-	4,262,490	3,125,706
Utility service taxes	1,720,394	1,661,837	-	-	1,720,394	1,661,837
Franchise fees	888,873	810,272	-	-	888,873	810,272
Sales and use taxes	1,412,439	1,453,700	-	-	1,412,439	1,453,700
Intergovernmental, unrestricted	508,398	521,390	-	-	508,398	521,390
Investment earnings	326,789	239,422	388,337	441,016	715,126	680,438
Miscellaneous	112,024	62,633	4,345	10,003	116,369	72,636
Total revenues	\$ 12,273,549	\$ 11,546,838	\$ 12,629,558	\$ 12,222,041	\$ 24,903,108	\$ 23,768,879
Expenses:						
Program expenses:						
General government	\$ 1,652,285	\$ 1,489,124	\$ -	\$ -	\$ 1,652,285	\$ 1,489,124
Public Safety	7,436,765	6,013,883	-	-	7,436,765	6,013,883
Sanitation and Recycling	840,332	1,045,789	-	-	840,332	1,045,789
Transportation	1,023,051	941,378	-	-	1,023,051	941,378
Culture/Recreation	1,742,484	1,573,129	-	-	1,742,484	1,573,129
Interest on long-term debt	376,367	382,721	-	-	376,367	382,721
Water and Sewer Utility	-	-	\$ 10,195,468	\$ 8,498,243	10,195,468	8,498,243
Total Expenses	\$ 13,071,284	\$ 11,446,024	\$ 10,195,468	\$ 8,498,243	\$ 23,266,752	\$ 19,944,267
Change in net assets before transfers	\$ (797,734)	\$ 100,814	\$ 2,434,090	\$ 3,723,798	\$ 1,636,356	\$ 3,824,612
Transfers	1,312,119	1,270,286	(1,312,119)	(1,270,286)	-	-
Increase in net assets	\$ 514,385	\$ 1,371,100	\$ 1,121,971	\$ 2,453,512	\$ 1,636,356	\$ 3,824,612
Net Assets - October 1	12,349,892	10,978,792	32,999,513	30,546,001	45,349,405	41,524,793
Net assets - September 30	\$ 12,864,277	\$ 12,349,892	\$ 34,121,484	\$ 32,999,513	\$ 46,985,761	\$ 45,349,405

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Governmental Activities

Governmental activities increased the Village's net assets by \$514,385, which represents 31% of the total increase in net assets for fiscal year 2007. Last fiscal year the governmental activities increased the Village's net assets by \$1,371,100 or 36% of the total increase for fiscal year 2006. The increase in net assets was lower in fiscal year 2007 as compared to the prior fiscal year reflecting the negative impact of increasing fuel cost, insurance costs and personnel related costs on the overall operations of the Village.

Property taxes increased \$1.1 million or 36%. This reflects the completion of numerous projects including 10 single family homes, 94 townhomes and two large commercial properties on Congress Avenue. Operating grants, and capital grants declined from the high in 2006 that included FEMA and State disaster funds as well as insurance reimbursements related to our 2004 and 2005 hurricanes.

The Village's programs include General Government, Public Safety, Sanitation and Recycling, Transportation, and Culture/Recreation. General Government includes the legislative, executive, financial, and other general operations of the Village. Public Safety includes police, fire, advanced life support services as well as planning, building, zoning, licensing and code enforcement operations. Transportation includes our street maintenance and public works operations. Culture/Recreation includes our library and leisure services. Below is a schedule presenting the net cost of each program (total cost, less revenues generated by the activities). The net cost shows the extent to which the Village's general revenues support each of the Village's programs.

**Village of Palm Springs
Governmental Activities
Net Cost of Services**

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2007	2006	2007	2006	2007	2006
General Government	\$ 1,652,285	\$ 1,489,124	\$ (519,976)	\$ (1,324,991)	\$ 1,132,309	\$ 164,133
Public Safety	7,436,765	6,013,883	(1,383,539)	(1,246,842)	6,053,226	4,767,041
Physical Environment	840,332	1,045,789	(582,711)	(532,932)	257,621	512,857
Transportation	1,023,051	941,378	(11,742)	(8,432)	1,011,309	932,946
Culture/Recreation	1,742,484	1,573,129	(544,175)	(558,681)	1,198,309	1,014,448
Interest on long-term debt	376,367	382,721	-	-	376,367	382,721
Totals	\$ 13,071,284	\$ 11,446,024	\$ (3,042,143)	\$ (3,671,878)	\$ 10,029,141	\$ 7,774,146

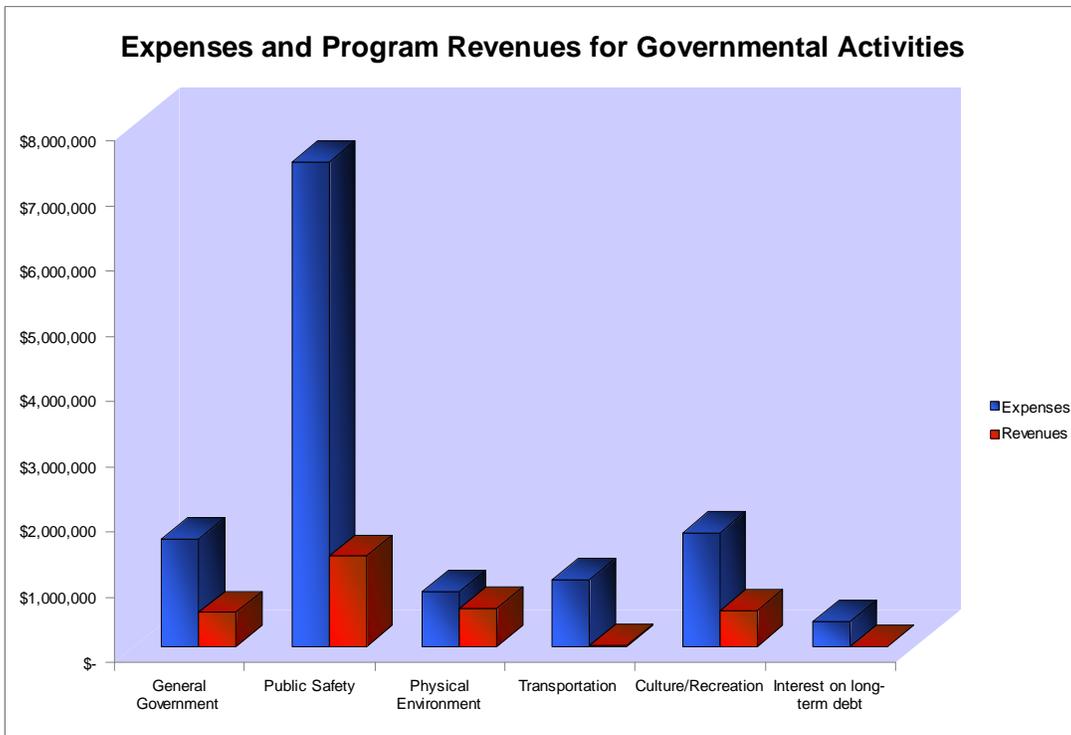
The total cost of all governmental activities this year was \$13.0 million. The schedule above shows that \$3.0 million of the cost of services was paid by those who directly benefited from the programs and \$10.0 million was financed through general revenues.

The cost of Fire Rescue services (included in Public Safety) increased 40% since FY 2006. This was due to the addition of three full time firefighters and the associated operating costs. The personnel increase was mandated by the Palm Beach County level of service requirement.

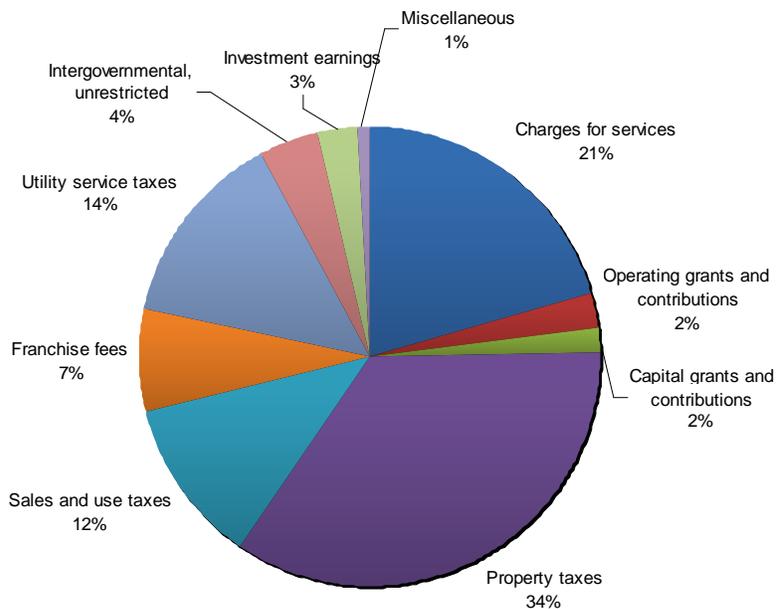
VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)



Governmental Activities Revenues by Source



VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Property taxes contributed 34% of total governmental activity revenues this fiscal year as compared to 26% in fiscal year 2006. In fiscal year 2007 the Village was credited with the completion of numerous new developments in areas that had been annexed in prior years. The Village also continued the annexation initiative and has more developers planning new or redevelopment projects that will boost our taxable value in future years. Operating and capital grants/contributions declined to 4% of total governmental revenues, down from 12% in fiscal year 2006. In 2006 the Village had received reimbursements from FEMA, the state and our insurance relating back to the 2004 and 2005 active hurricane seasons. Charges for services increased slightly (1%) this year with increased participation in leisure programs and increased demand for outside details performed by our police personnel. Investment earnings contributed an additional 1% due to an increase in interest rates.

Business Type Activities

Net assets of the proprietary fund (Water and Sewer Enterprise) at September 30, 2007, were \$34.1 million. The cost of providing proprietary (business-type) activities this year was \$10.2 million, as shown in the Statement of Activities. Net assets increased by \$1.1 million. Revenues derived from charges for services represent 93% of total revenues and increased by \$0.1 million or less than 1% over fiscal year 2006.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The Village uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The governmental funds report on the same functions as the governmental activities in the government-wide statements but the focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources available at fiscal year end. This information is useful in evaluating the Village's financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$6,073,865 an increase of \$624,860 in comparison with the prior year. The increase was generated by revenues in excess of expenditures of \$620,401 in the General Fund and \$24,144 in the Law Enforcement Special Revenue fund, net of the excess expenditures over revenues in the Library Special Revenue fund of \$6,999, the Debt Service fund of \$5,518 and the Capital Projects fund of \$7,168.

The unreserved fund balance is \$5,994,360, which is available for spending at the Village's discretion. Of this amount, \$1,500,000 is designated for future capital improvements, \$1,000,000 is designated for disaster recovery, and \$3,494,360 is undesignated.

The remainder of the fund balance (\$79,505) is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$15,275), reserved for law enforcement purposes (\$38,900) and represents inventory of goods (\$25,330).

The primary operating fund for the Village is the general fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,929,454, while the total fund balance was \$5,954,784. As a measure of the general fund's liquidity, it is useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 48.1% of total general fund expenditures.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Proprietary Funds

The Village has one proprietary fund type, an enterprise fund. Enterprise funds present the same functions presented as business-type activities in the government-wide financial statements. The Village of Palm Springs uses an enterprise fund to account for its Water and Sewer Utility operations.

The Village's proprietary fund financial statements provide the same type of information found in the business-type activities of government-wide financial statements, but in more detail.

Unrestricted net assets for the Water and Sewer Enterprise Fund were \$4.0 million at fiscal year end. Unrestricted net assets decreased \$1.2 million compared to the prior fiscal year. This is primarily due to the increase in net assets invested in capital assets. Total net assets for the Water and Sewer Enterprise Fund were \$34.1 million at fiscal year end, an increase of \$1.1 million compared to the prior fiscal year. Operating revenue grew to \$11,302,346, an increase of \$106,985 or 0.9%. Operating expenses increased by \$1,332,336, or 16.93% over fiscal year 2006, for a total of \$9,212,302. The increase in operating expenses reflects the increased cost of insurance, chemicals and other goods. Numerous suppliers increased their prices this year and referenced the impact of fuel costs on their operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were \$244,297 and can be briefly summarized as follows:

- \$100,700 increase to outside detail services revenue and appropriate the funds to pay officers for detail services.
- \$23,000 recognized increased summer camp registrations and appropriate funds for leisure services.
- \$13,500 increase to recognize additional grant funds from FRDAP for the Ballfield complex.
- \$25,000 increase grant revenue from Palm Beach County for the development of Lillian Road Park.
- \$6,694 increase to recognize grant funds from FDLE and appropriate those funds for new tasers.
- \$25,500 appropriate State EMS grant funds received in fiscal year 2006 for the purchase of 12 lead EKG monitors.
- \$15,162 appropriate donation received in FY 2006 for a new library circulation desk.
- \$1,754 donations received for the Village's 50th Anniversary Celebration.
- \$17,337 increase to recognize donation to public safety and appropriate those funds to purchase ALS stretcher and stair chair.
- \$15,650 to recognize and appropriate revenue from insurance proceeds to repair public safety vehicles.

Of this increase, \$70,694 was funded by grants, \$123,700 was paid by charges for the service, \$15,650 from miscellaneous revenues and \$34,253 was paid by donations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Village of Palm Springs' investment in capital assets for its governmental and business type activities as of September 30, 2007, amounts to \$59,382,673 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, library books, software, roads, sidewalks, bridges, drainage and intangible assets. The governmental activities increased the investment in capital assets by \$127,933 or less than 1% over fiscal year 2006. Business-type activities decreased the investment in capital assets by \$163,839 or less than 1% from fiscal year 2006. This decline reflects the increase in depreciation related to the major capital improvements to our water treatment plants that were added in fiscal year 2006.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

Village of Palm Springs Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 170,036	\$ 170,036	\$ 364,217	\$ 364,217	\$ 534,253	\$ 534,253
Buildings	7,828,186	7,719,751	3,013,999	3,013,999	10,842,185	10,733,750
Improvements other than buildings	1,813,661	1,611,996	56,689,715	56,168,693	58,503,376	57,780,689
Machinery & Equipment	4,177,905	3,713,702	3,098,376	2,791,620	7,276,281	6,505,322
Software & Library Materials	846,554	771,196	72,606	78,055	919,160	849,251
Infrastructure	4,121,761	4,121,761	-	-	4,121,761	4,121,761
Intangible Assets	-	-	7,183,533	7,183,533	7,183,533	7,183,533
Construction in Progress	-	139,541	4,406,835	3,072,370	4,406,835	3,211,911
Total Assets	18,958,103	18,247,983	74,829,281	72,672,487	93,787,384	90,920,470
Less Accumulated Depreciation	(4,270,721)	(3,688,534)	(30,133,990)	(27,813,357)	(34,404,711)	(31,501,891)
Total	\$ 14,687,382	\$ 14,559,449	\$ 44,695,291	\$ 44,859,130	\$ 59,382,673	\$ 59,418,579

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

- Completion of concession stand and ball field improvements totaling \$306,198.
- Completion of sewer line improvement totaling \$124,426.
- Completion of water line improvement totaling \$123,376.
- Addition of a backhoe loader for \$58,913.
- Construction in progress of \$4,406,835 represents water and sewer system improvement projects.

Debt: At fiscal year end, the Village had a total debt outstanding of \$25,528,155. The revenue bonds and note payable represent financing of improvements to both water treatment plants and wastewater system. The obligation under utility agreement is an agreement between the Village and the City of Lake Worth that provides the Village with a portion of Lake Worth's capacity into the East Central Regional Wastewater Treatment Facility. The debt represents the Village's share of debt issued by Lake Worth for this connection this agreement matured September 30, 2006 and has not been renegotiated. The Village still utilizes the connection to Lake Worth and continues to pay treatment (O&M) costs for the connection.

The general obligation bonds financed the new Village complex including a new administration building, a new public safety building, an addition and renovation to the library, new tennis courts, new basketball courts, a new water play area, new playground, picnic pavilion, mini-golf course and other site improvements. The remaining balance is the liability for compensated absences as shown in the table below. Beginning in fiscal year 2007 the Village combined the former sick leave accrual with the personal leave time accrual for a combined personal leave time. The increased liability reflects this policy change.

Village of Palm Springs Outstanding Debt

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 7,215,000	\$ 7,360,000	\$ -	\$ -	\$ 7,215,000	\$ 7,360,000
Revenue Bonds	-	-	13,494,181	15,345,043	13,494,181	15,345,043
Note Payable	-	-	3,862,457	4,533,236	3,862,457	4,533,236
Obligation under utility agreement	-	-	-	159,204	-	159,204
Compensated Absences	662,455	368,898	294,062	134,458	956,517	503,356
Total	\$ 7,877,455	\$ 7,728,898	\$ 17,650,700	\$ 20,171,941	\$ 25,528,155	\$ 27,900,839

Additional information on the Village's debt can be found in Note 5, beginning on page 41 of this report.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Ad valorem taxes are the single most significant governmental revenue source for the Village of Palm Springs representing 34% of total governmental revenues. These revenues are generated by a millage rate set annually by the Village Council with a legal limit of 10 mills or \$10.00 per \$1,000 of taxable property value. The Village has reduced the operating millage rate over the past ten years from approximately \$5.26 per \$1,000 of taxable value in 1998 to the present rate of \$4.77 per \$1,000 of taxable value for the current fiscal year, a decrease of over 9%.

The Village's taxable property values have increased 455% since 1998. This increase is primarily due to annexation, development and redevelopment. The Village has now annexed over 1,028 acres since 1997. Annexation has increased our property tax base and increased the ratio of commercial properties to residential. Each budget year the Village examines the impact of annexation and other economic and social factors that place a demand on our capacity to provide services. The Village has been able to adopt a budget that provides the funding necessary to maintain the current service level through the expanded Village boundaries.

The millage rate for fiscal year 2008 was lowered to 4.0076 mills in order to comply with the State maximum millage rate in compliance with the property tax reform legislation passed by the Florida Legislature in 2007.

The Village maintains an unreserved, undesignated fund balance in the general fund intended to provide funding for unforeseen events. The Village Council has prudently designated \$1 million dollars of the general fund's fund balance for disaster recovery and \$1.5 million for future capital needs.

The Water and Sewer Utility operations are supported primarily by user fees and the Village is working with a consultant on the next rate study that should be implemented during fiscal year 2008.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information please contact:

**Village of Palm Springs
Finance Department
226 Cypress Lane
Palm Springs, FL 33461
561-965-4013**

www.villageofpalm Springs.org

BASIC FINANCIAL STATEMENTS

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

September 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,847,574	\$ 3,994,244	\$ 9,841,818
Receivables:			
Accounts, net of allowance	147,017	1,767,416	1,914,433
Utility taxes	142,425		142,425
Franchise fees	270,296		270,296
Intergovernmental	28,184		28,184
Inventory	25,330	238,072	263,402
Net pension asset	132,592		132,592
Restricted assets:			
Cash and cash equivalents	-	2,793,936	2,793,936
Cash with fiscal agent	-	290,000	290,000
Capital assets:			
Capital assets, not being depreciated	4,291,797	4,771,052	9,062,849
Capital assets being depreciated	14,666,306	70,058,229	84,724,535
Accumulated depreciation	(4,270,721)	(30,133,990)	(34,404,711)
Unamortized bond issue costs	-	296,714	296,714
Total assets	\$ 21,280,800	\$ 54,075,673	\$ 75,356,473
Liabilities			
Accounts payable and accrued liabilities	\$ 141,108	\$ 636,183	\$ 777,291
Contracts and retainage payable		71,890	71,890
Accrued interest payable	152,107	232,931	385,038
Deposits	76,850	981,839	1,058,689
Revenue collected in advance	169,003	-	169,003
Compensated absences-current portion	-	43,257	43,257
Compensated absences-noncurrent portion	662,455	250,805	913,260
Long-term liabilities due within one year	150,000	1,493,307	1,643,307
Long-term liabilities due in more than one year	7,065,000	16,243,977	23,308,977
Total liabilities	\$ 8,416,523	\$ 19,954,189	\$ 28,370,712
Net assets			
Invested in capital assets, net of related debt	\$ 7,472,382	\$ 28,748,028	\$ 36,220,410
Restricted for debt service	-	1,357,698	1,357,698
Unrestricted	5,391,895	4,015,758	9,407,653
Total net assets	\$ 12,864,277	\$ 34,121,484	\$ 46,985,761

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Activities

Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,652,285	\$ 428,057	\$ 55,383	\$ 36,536
Public safety	7,436,765	1,163,450	213,395	6,694
Physical environment	840,332	582,711	-	-
Transportation	1,023,051	-	11,742	-
Culture/recreation	1,742,484	356,453	24,271	163,451
Interest on long-term debt	376,367	-	-	-
Total governmental activities	13,071,284	2,530,671	304,791	206,681
Business-type activities:				
Utility-water and sewer	10,195,468	11,302,346	-	934,530
Total business-type activities	10,195,468	11,302,346	-	934,530
Total	\$ 23,266,752	\$ 13,833,017	\$ 304,791	\$ 1,141,211

General revenues:

Taxes:

Property taxes

Utility service taxes

Franchise fees

Sales and use taxes

Intergovernmental, unrestricted

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

Governmental Activities	Business-Type Activities	Total
\$ (1,132,309)	\$ -	\$ (1,132,309)
(6,053,226)	-	(6,053,226)
(257,621)	-	(257,621)
(1,011,309)	-	(1,011,309)
(1,198,309)	-	(1,198,309)
(376,367)	-	(376,367)
(10,029,141)	-	(10,029,141)
-	2,041,408	2,041,408
-	2,041,408	2,041,408
(10,029,141)	2,041,408	(7,987,733)
4,262,490	-	4,262,490
1,720,394	-	1,720,394
888,873	-	888,873
1,412,439	-	1,412,439
508,398	-	508,398
326,789	388,337	715,126
112,024	4,345	116,369
1,312,119	(1,312,119)	-
10,543,526	(919,437)	9,624,089
514,385	1,121,971	1,636,356
12,349,892	32,999,513	45,349,405
\$ 12,864,277	\$ 34,121,484	\$ 46,985,761

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 5,728,377	\$ 119,197	\$ 5,847,574
Receivables:			
Accounts, net of allowance for uncollectibles	146,529	488	147,017
Utility taxes	142,425	-	142,425
Franchise fees	270,296	-	270,296
Intergovernmental	28,184	-	28,184
Inventory	25,330	-	25,330
Total assets	\$ 6,341,141	\$ 119,685	\$ 6,460,826
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 140,504	\$ 604	\$ 141,108
Deposits	76,850	-	76,850
Revenue collected in advance	169,003	-	169,003
Total liabilities	\$ 386,357	\$ 604	\$ 386,961
Fund balances:			
Reserved for:			
Inventory	\$ 25,330	\$ -	\$ 25,330
Law enforcement	-	38,900	38,900
Debt service	-	15,275	15,275
Unreserved, designated for:			
Capital projects	1,500,000	-	1,500,000
Disaster recovery	1,000,000	-	1,000,000
Subsequent year's budget	-	-	-
Unreserved, undesignated	3,429,454	-	3,429,454
Unreserved, reported in nonmajor funds:			
Special revenue funds	-	64,906	64,906
Total fund balances	\$ 5,954,784	\$ 119,081	\$ 6,073,865
Total liabilities and fund balances	\$ 6,341,141	\$ 119,685	\$ 6,460,826

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2007

Total governmental fund balances (page 16) \$ 6,073,865

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Cost of assets	\$ 18,958,103	
Accumulated depreciation	<u>(4,270,721)</u>	
		14,687,382

Net pension assets of defined benefit pension plans are reported in the statement of net assets. Because these do not represent available, spendable resources, they are not reported in governmental funds. 132,592

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(7,215,000)	
Accrued interest payable on long-term debt	(152,107)	
Compensated absences, long-term portion	<u>(662,455)</u>	
		<u>(8,029,562)</u>

Total net assets (page 13) \$ 12,864,277

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 6,353,962	\$ 517,795	\$ 6,871,757
Licenses and permits	807,031	-	807,031
Intergovernmental	2,439,028	-	2,439,028
Confiscated property	-	101,432	101,432
Charges for services	1,290,774	-	1,290,774
Fines and forfeitures	173,730	-	173,730
Contributions	15,039	2,508	17,547
Interest	320,245	6,544	326,789
Miscellaneous	245,226	236	245,462
Total revenues	11,645,035	628,515	12,273,550
Expenditures			
Current:			
General government	1,376,114	7,377	1,383,491
Public safety	6,881,516	37,323	6,918,839
Physical environment	782,933	-	782,933
Transportation	994,880	-	994,880
Culture/recreation	1,498,667	8,954	1,507,621
Capital outlay	802,936	46,326	849,262
Debt service:			
Principal	-	145,000	145,000
Interest and other fiscal charges	-	378,783	378,783
Total expenditures	12,337,046	623,763	12,960,809
Excess (deficiency) of revenues over expenditures	(692,011)	4,752	(687,259)
Other financing sources (uses)			
Transfers in	1,312,412	160	1,312,572
Transfers out	-	(453)	(453)
Total other financing sources (uses)	1,312,412	(293)	1,312,119
Change in fund balances	620,401	4,459	624,860
Fund balances, beginning of year	5,334,383	114,622	5,449,005
Fund balances, end of year	\$ 5,954,784	\$ 119,081	\$ 6,073,865

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2007*

Net change in fund balances - total governmental funds (page 18) \$ 624,860

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 849,262	
Less current year depreciation expense	<u>(708,861)</u>	140,401

Losses on disposal of capital assets are reported in the statement of activities but not in the governmental funds. (12,468)

Some revenues, expenses, gains and losses reported in the statement of activities are not reported in the governmental funds because they have no effect on current financial resources:

Change in compensated absences	(378,100)	
Change in net pension asset	<u>(7,724)</u>	(385,824)

Net effect of accrued interest on long-term debt (difference between amount accrued in prior year and current year accrual) 2,416

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Principal payments on long-term debt		145,000
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Change in net assets of governmental activities (pages 14-15)	\$	514,385
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VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

Proprietary Fund

September 30, 2007

	Water and Sewer Utility
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,994,244
Accounts receivable, net	1,767,416
Inventory	238,072
Restricted assets:	
Cash and cash equivalents	2,793,936
Cash with fiscal agent	290,000
Total current assets	9,083,668
Noncurrent assets:	
Capital assets	
Capital assets not being depreciated	4,771,052
Capital assets being depreciated	70,058,229
Accumulated depreciation	(30,133,990)
Unamortized bond issue costs	296,714
Total noncurrent assets	44,992,005
Total assets	\$ 54,075,673
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 636,183
Current portion of compensated absences payable	43,257
Contracts and retainage payable	71,890
Payable from restricted assets:	
Accrued interest	232,931
Current portion of note payable	698,307
Current portion of revenue bonds payable	795,000
Total current liabilities	2,477,568
Noncurrent liabilities:	
Deposits	981,839
Compensated absences payable	250,805
Note payable	3,164,150
Revenue bonds payable, net of unamortized premium	13,079,827
Total noncurrent liabilities	17,476,621
Total liabilities	\$ 19,954,189
Net assets:	
Invested in capital assets, net of related debt	\$ 28,748,028
Restricted	1,357,698
Unrestricted	4,015,758
Total net assets	\$ 34,121,484

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA*Statement of Revenues, Expenses and Changes in Net Assets**Proprietary Fund**Year Ended September 30, 2007*

	Water and Sewer Utility
Operating revenues	
Charges for services	\$ 11,302,346
Total operating revenues	11,302,346
Operating expenses:	
Personal services	3,130,492
Operating expenses	3,689,707
Depreciation and amortization	2,392,103
Total operating expenses	9,212,302
Operating income	2,090,044
Nonoperating revenues (expenses)	
Investment income	388,337
Miscellaneous revenues	4,345
Interest expense	(983,166)
Total nonoperating revenues (expenses)	(590,484)
Income before contributions and transfers	1,499,560
Capital contributions	934,530
Transfers out	(1,312,119)
Change in net assets	1,121,971
Net assets, beginning of year	32,999,513
Net assets, end of year	\$ 34,121,484

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows

Proprietary Fund

Year Ended September 30, 2007

	Water and Sewer Utility
<hr/>	
Cash flows from operating activities	
Cash received from customers	\$ 11,138,898
Cash paid to suppliers for goods and services	(3,645,404)
Cash paid to employees for services	(2,945,489)
Net cash provided by operating activities	4,548,005
<hr/>	
Cash flows from noncapital financing activities	
Transfers out	(1,312,119)
Net cash used in noncapital financing activities	(1,312,119)
<hr/>	
Cash flows from capital and related financing activities	
Principal paid on promissory note	(670,779)
Principal paid on bonds	(2,135,000)
Principal paid on obligation under utility agreement	(159,204)
Interest paid on long-term debt	(718,982)
Acquisition and construction of capital assets	(2,291,650)
Capital contributions from customers	934,530
Net cash used in capital and related financing activities	(5,041,085)
<hr/>	
Cash flows from investing activity	
Interest on investments	392,682
Net cash provided by investing activity	392,682
<hr/>	
Net decrease in cash and cash equivalents	(1,412,517)
Cash and cash equivalents, beginning of year	8,490,697
Cash and cash equivalents, end of year	\$ 7,078,180
<hr/>	
Cash and cash equivalents per balance sheet	
Unrestricted	\$ 3,994,244
Restricted	2,793,936
Cash with fiscal agent	290,000
Cash and cash equivalents, end of year	\$ 7,078,180

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows (Continued)

Proprietary Fund

Year Ended September 30, 2007

	Water and Sewer Utility
Cash flows from operating activities	
Operating income	\$ 2,090,044
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,392,103
Provision for uncollectible accounts	20,191
Loss on disposal of capital assets	6,311
Change in operating assets:	
Accounts receivable	(183,490)
Inventory	35,850
Accounts payable and accrued liabilities	27,541
Compensated absences payable	159,604
Deposits	(149)
Total adjustments	2,457,961
Net cash provided by operating activities	\$ 4,548,005
Supplemental disclosure of noncash capital and related financing activities	
Accrued interest on capital appreciation bonds	\$ 284,138
Book value of assets disposed	6,311

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Fiduciary Net Assets

September 30, 2007

	Employee Pension Funds
Assets	
Cash and cash equivalents	\$ 4,219,673
Investments	
U.S. Government securities	1,479,682
U.S. Government agencies	1,003,753
Mortgage and asset-backed securities	151,506
Corporate bonds	1,668,737
Common stocks	10,408,810
Receivables:	
Interest and dividends	65,180
Other	43,129
Total assets	\$ 19,040,470
Liabilities	
Accounts payable and accrued liabilities	\$ 62,458
Total Liabilities	\$ 62,458
Net Assets	
Held in trust for pension benefits	\$ 18,978,012
Total net assets	\$ 18,978,012

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2007

	Employee Pension Funds
Additions	
Contributions:	
Employer	\$ 1,669,455
Plan members	345,096
State of Florida	177,424
Total contributions	2,191,975
Investment income:	
Interest	357,950
Dividends	180,320
Net appreciation in fair value of investments	1,856,818
Investment expenses	(97,014)
Net investment income	2,298,074
Total additions	4,490,049
Deductions	
Administration	64,613
Benefits	479,845
Total deductions	544,458
Net increase in plan net assets	3,945,591
Net assets held in trust for pension benefits, beginning of year	15,032,421
Net assts held in trust for pension benefits, end of year	\$ 18,978,012

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Palm Springs, Florida (the "Village") was incorporated in 1957 pursuant to Chapter 57-1698, Laws of Florida and is located in central Palm Beach County, Florida. The Village operates under the Council-Manager form of government and provides a wide range of community services including public safety, planning and zoning, water and sewer systems, sanitation, streets and roads, parks, recreation, and library. The Village Council ("The Council") is responsible for legislative and fiscal control of the Village.

The basic financial statements of the Village have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Village's accounting policies are described below.

Financial Reporting Entity

As required by U.S. generally accepted accounting principles, these basic financial statements present the primary government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Village's financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by GASB, management has determined that no component units exist which would require inclusion in this report. Further, the Village is not aware of any entity that would consider the Village to be a component unit.

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Franchise taxes, utility service taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The Village reports the following major governmental fund:

General Fund

The general fund is the primary operating fund of the Village. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures and capital improvement costs that are not paid through other funds are paid from the general fund.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Village reports the following major (and only) enterprise fund:

Water and Sewer Fund

This fund is used to account for operations that provide a service to citizens, financed primarily by a user charge, and where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise fund consists of the water and sewer fund which is used to account for water and sewer services provided by the Village to residents and other users.

Additionally, the Village reports the following fund types:

Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds used by the Village are:

Library Fund -This fund accounts for revenue received through donations and book sales. Expenditures from this fund are primarily for the purchase of books and equipment for the library.

Law Enforcement Fund -This fund accounts for proceeds from law enforcement forfeitures. Expenditures from this fund are made only for public safety purposes.

Capital Projects Fund

The capital projects fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Debt Service Fund

Debt service funds are used to account for assets held for the repayment of principal and interest on general obligation debt reported in governmental activities in the statement of net assets.

Fiduciary Funds

Pension trust funds are used to account for assets held in a trustee capacity for retirement pensions. Pension trust funds are fiduciary funds. The Village has two defined benefit pension funds; one for General Employees and one for Hazardous Employees (police and fire).

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Village has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected to not follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's utility functions and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the Village's water and sewer utility fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

Pooled cash and investments consist of cash on hand, restricted and unrestricted interest-bearing cash accounts, investments with the Local Government Surplus Funds Trust Fund (LGIP), and investments with the Florida Municipal Investment Trust Fund (FMIT), administered by the Florida League of Cities. Cash balances and the requirements of all funds are considered in determining the amount to be invested.

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust Fund and the Florida Municipal Investment Trust, are "2a-7 like" pools and, thus, these investments are valued using the pooled share price.

The Florida Municipal Investment Trust is an interlocal governmental entity created under Chapter 163, Florida Statutes. The operation and administration of the Trust is the responsibility of a Board of Trustees who are selected from the ranks of elected officials of governmental entities participating in the Trust.

The State Board of Administration administers the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the LGIP.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

a. Deposits and Investments (Continued)

The Local Government Surplus Funds Trust Fund was not a rated investment vehicle or a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 like fund.

Cash and cash equivalents, for purposes of the statement of cash flows, include pooled cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

b. Inventory

Inventory consists of materials and supplies which are carried at cost in the governmental funds and at the lower of cost (first-in, first-out) or market in the enterprise fund. The Village uses the consumption method, wherein all inventories are maintained by perpetual records, expensed when used, and adjusted by an annual physical count.

c. Unbilled Service Receivables

The Water and Sewer enterprise fund recognizes revenue on the basis of monthly cycle billings to customers for services provided. As a result of this cycle billing method, there are unbilled receivables at the end of each fiscal year with respect to services provided but not billed at such date. It is the policy of the Village to accrue these amounts at year end.

d. Concentration of Credit Risk

The Village requires customer deposits and maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses.

e. Capital Assets

Capital assets, which include property, plant, and equipment, intangible assets and infrastructure assets (e.g., roads, bridges, sidewalks, drainage, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of \$1,000 or more and an estimated life in excess of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. General governmental infrastructure assets acquired or constructed since incorporation in 1957 have been capitalized.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

e. Capital Assets (Continued)

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are the assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. The street network was valued based on current construction costs discounted by consumer price indices for highway construction.

Capital assets of the enterprise fund are capitalized in the fund. The valuation basis for enterprise fund capital assets are the same as those used for general capital assets. Additionally, net interest cost is capitalized on enterprise fund capital assets during the construction period in accordance with Statements of Financial Accounting Standards No. 34 and 62.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the government-wide financial statements and in the enterprise fund financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts and any resulting gain or loss is included in net income.

Capital assets of the Village are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 -50 years
Improvements	10- 50 years
Software / library materials	3-5 years
Equipment and vehicles	3-20 years

The street network (pavement, drainage, sidewalks, and curbs) is not depreciated. The Village has elected to use the modified approach in accounting for its streets. The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The Village uses a pavement rating system to rate street condition and quantify the results of maintenance efforts. The condition rating of the Village's street system may be found on page 57.

f. Compensated Absences

The Village's employees earn personal leave time based on their years of continual service as follows: 160 hours after 1 year; 200 hours after 6 years; 240 hours after 11 years; and

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

f. Compensated Absences (Continued)

280 hours after 21 years. Personal leave may be used for vacation, illness and other time off as approved by the employee's supervisor. Employees may accumulate personal leave time up to a maximum number of hours based on years of service, but never more than 600 hours. Employees are also required to use a minimum number of hours of personal leave time annually based upon years of service, or forfeit the unused hours up to the minimum required to be used, however, employees may be compensated for unused personal leave, up to a maximum of 80 hours annually, if their unscheduled leave does not exceed certain limits each year. Upon termination, employees are compensated for accumulated personal leave at their rate of pay at termination, up to a maximum number of hours based on years of service, but never more than 600 hours.

A liability for compensated absences is accrued when incurred in the government-wide and enterprise fund financial statements. In the governmental funds, a liability is recorded for compensated absences only if they have matured, for example, as a result of employee resignations and retirements, and the amount, if any, is reported with accounts payable and accrued liabilities in the Statement of Net Assets. The general fund is used to liquidate the liability recorded in the governmental funds.

g. Long-Term Obligations

In the government-wide financial statements and enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund statement of net assets.

Bond discount and premium of the government-wide financial statements and enterprise fund are amortized using the straight-line method, which approximates the interest method, and are charged against operations over the term of the bond issues.

h. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Usage of reserves has been limited to the following:

- ❖ Reserved for inventory - Indicates that a portion of fund balance is segregated since this item does not represent "available spendable resources."
- ❖ Reserved for law enforcement - Resources restricted to expenditures on behalf of the Village's public safety department.
- ❖ Reserved for debt service - Resources restricted to the payment of future debt service of long-term debt of the governmental funds.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

i. On-behalf Payments

On-behalf payments of \$177,424 received from the State of Florida for pension contributions to the Village of Palm Springs Hazardous Employees Pension Fund were recognized in the government-wide and General Fund financial statements.

j. Interfund Transactions

During the course of normal operations, it is necessary for the Village to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- ❖ Reimbursements to a fund, which are generally reflected through the allocation of pooled cash accounts, for expenditures or expenses initially made from it that are properly applicable to another fund.
- ❖ Transfers in and out, as appropriate, for all other interfund transactions, which are shown as other financing sources or uses.
- ❖ Outstanding balances between funds are reported as "due to/from other funds."

k. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Village at January 1, 2006, upon which the 2006/07 levy was based, was approximately \$810 million. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the Village is established by the Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County, County School Board, and Special District tax requirements. The operating millage rate assessed by the Village for the year ended September 30, 2007 was 4.7714 (\$4.7714 for each \$1,000 of assessed valuation). Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer.

Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

k. Property Taxes (continued)

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2007, unpaid delinquent taxes are not material and have not been recorded by the Village.

During 2007 the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ending September 30, 2008, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage reduction applied to the prior year (2006/2007) property tax revenue. The percentage reduction is calculated based on the compound annual growth rate in the per capita property taxes levied for fiscal years ended September 30, 2002 through 2007. The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a two-thirds vote to adopt a rate equal to the prior year rolled-back millage rate; 2) a unanimous vote to adopt a rate equal to the prior year millage rate; or, 3) any millage rate approved by referendum. For the fiscal year ending September 30, 2008 the Village adopted the maximum millage rate permitted by a majority vote of the Village Council under this formula, which was 4.0076. This millage rate results in a total tax levy of \$3,645,865 for 2008, representing a reduction of 1.8% from the property tax levy for 2007. Beginning in 2009, future property tax growth is limited to the annual growth rate of per capita personal income, which is currently 4% to 5%, plus the value of new construction.

l. Recent Accounting Pronouncements

The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which provides guidance on all aspects of reporting by employers for other postemployment benefits (OPEB). The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2009. Management has not completed its analysis of the effects of this statement, if any, on the financial statements of the Village.

m. Use of Estimates

The financial statements and related disclosures are prepared in conformity with U.S. generally accepted accounting principles. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, the Village's deposits at year end are considered to be fully insured or collateralized with securities held by the entity or by its agent in the entity's name.

Investments

The Village adopted an investment policy to establish guidelines for the efficient management of its cash reserves. Section VI of the investment policy identifies permitted instruments as follows:

- a. U.S. Government obligations and U.S. Government agency obligations;
- b. State Board of Administration Local Government Surplus Funds Trust Fund;
- c. Securities of, or other interests in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations, and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian;
- d. Certificates of deposit and savings accounts in state-certified qualified public depositories;
- e. Repurchase agreements;

Investments of the General Employees Pension Fund are limited to:

- a. Time or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation, or a savings and loan association insured by the Federal Savings and Loan Insurance Corporation;
- b. Obligations of the United States or obligations guaranteed as to principal and interest by the United States;
- c. Bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, or stocks issued by corporations organized under the laws of foreign jurisdictions, provided that not more than 5% of the Plan's assets are invested in the common stock or capital stock of any one issuing company.

Investments of the Hazardous Employees Pension Fund are limited to:

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- a. Time or savings accounts of a national bank, a state bank or a savings bank insured by the Federal Deposit Insurance Corporation or other federal agency;
- b. Obligations of the United States or obligations guaranteed as to principal and interest by the United States;
- c. Bonds issued by the State of Israel;
- d. Bonds, stocks, commingled funds administered by National or State banks or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided that in the case of stocks, the corporation is traded on a recognized national exchange and, in the case of bonds, the security holds a rating in one of the three highest classifications by a major rating service, and if such investments are made in a pooled bond fund administered by a state or national bank, then the rating of each issue in the pooled bond fund shall hold a rating within the top three rating classifications of a major rating service.
- e. Annuity and life insurance contracts of life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the participants in the fund shall be entitled under the provision of the Plan and to pay the initial and subsequent premium thereon.

The following matrix presents the components of the Village's cash and cash equivalents and investments at September 30, 2007.

	Fair Value		
	Unrestricted	Restricted	Pension
Cash and cash equivalents:			
Petty cash	\$ 2,300	\$ -	\$ -
Deposits with financial institutions	-	290,000	-
Investment in State Board of Administration LGIP	4,692,657	2,792,964	-
Florida Municipal Investment Trust Enhanced Cash	470	972	-
Money market mutual funds	5,146,391	-	4,219,673
Total cash and cash equivalents	\$ 9,841,818	\$ 3,083,936	\$ 4,219,673
Pension fund investments:			
U.S. Government securities	\$ -	\$ -	\$ 1,479,682
U.S. Government agencies	-	-	1,003,753
Mortgage and asset-backed securities	-	-	151,506
Corporate bonds	-	-	1,668,737
Common stocks	-	-	10,408,810
Total investments	\$ -	\$ -	\$ 14,712,488

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

A summary of deposits and investments as shown on the statement of net assets and statement of fiduciary net assets for the Village is as follows:

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 5,847,574	\$ -	\$ 5,847,574
Business-type activities	7,078,180	-	7,078,180
Total statement of net assets	12,925,754	-	12,925,754
Fiduciary net assets	4,219,673	14,712,488	18,932,161
Total deposits and investments	\$ 17,145,427	\$ 14,712,488	\$ 31,857,915

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. The Village investment policy requires that pension investments in debt securities must be rated in one of the top three investment grades by a Nationally Recognized Statistical Rating Organization (NRSRO). The Local Government Surplus Funds Trust Fund and Florida Municipal Investment Trust are not rated. The Village utilizes ratings from Standard and Poor's and Moody's Investor Services for its investments. The NRSRO ratings for the Village's investments at September 30, 2007 are summarized as follows:

Investment Type	NRSRO Rating	Fair Value
Pension fund investments:		
U.S. Government securities	AAA	\$ 1,479,682
U.S. Government agencies	AAA	1,003,753
Mortgage and asset-backed securities	AAA	3,288
Mortgage and asset-backed securities	Not Rated	148,218
Corporate bonds	AAA	255,896
Corporate bonds	AA	828,760
Corporate bonds	A	563,385
Corporate bonds	BBB	20,696
Total		\$ 4,303,678

On November 29, 2007 the Board of Trustees of the State Board of Administration (SBA) closed the Local Government Surplus Funds Trust Fund (LGIP) to all redemptions by participants due to substantial withdrawals from the LGIP over the two preceding weeks that severely reduced the overall liquidity of the LGIP. The withdrawals were in response to published press reports concerning the exposure of the LGIP investments to potential losses from sub-prime mortgage investments. On December 4, 2007 the Board of Trustees approved a restructuring plan for the LGIP and engaged BlackRock, Inc. as the new investment manager of the LGIP for an interim period of 90 days, during which a permanent manager would be named.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The restructuring divided the LGIP into two separate pools, LGIP Pool A and Pool B representing approximately 86% and 14%, respectively, of the original LGIP assets. Pool A was designated as the ongoing fund consisting of only appropriate, money market assets of the highest quality. On December 6, 2007, Pool A re-opened to accept new deposits from participants and allow restricted withdrawals. Pool B retained all securities from the original LGIP that had defaulted, are in default or had extended payment terms or had potentially elevated credit risk. Pool B remains closed to deposits and withdrawals and will require that all assets be held to their ultimate maturity. The SBA has advised participants that approximately 50% of the Pool B securities are expected to pay in full, while the remaining 50% of the Pool B securities have underlying assets with value, however, the ultimate realizable value of these securities remains uncertain.

At November 30, 2007, the Village's investment in the LGIP was \$7,521,352, which was subsequently divided into \$6,439,454 in Pool A and \$1,081,898 in Pool B. In addition, no LGIP investment earnings for the month of November 2007 were credited to the Village, which estimated this loss to be approximately \$30,000. The investment in Pool A is subject to restrictions that permit withdrawal of the greater of 15% of the invested balance or \$2 million without penalty, excluding new deposits into Pool A on or after December 6, 2007 which are available without restrictions. Withdrawals in excess of these limits are allowed with a penalty of 2% of the amount in excess of the limit. The SBA has advised participants that the withdrawal restrictions on Pool A will be reduced and eventually removed in the future as conditions permit. The Village withdrew \$2 million, the maximum allowed, from Pool A on December 17, 2007.

On December 21, 2007, Standard and Poor's Ratings Services assigned a rating of AAAM to Pool A and the Village expects to receive all of its invested principal in Pool A as the withdrawal restrictions are eliminated. The ultimate realizable value of the LGIP Pool B investment cannot be determined at this time, however, it is the opinion of management based upon consultation with the SBA, that the amount of loss, if any, will not adversely affect the services provided by the Village. Additional information on the current status of the LGIP may be obtained from the State Board of Administration.

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Village may not recover cash and investments held by another party in the event of a financial failure. The Village investment policy requires cash and investments to be fully insured or collateralized, or held in independent custodial safekeeping accounts in the name of the Village. At September 30, 2007 all investments were insured or collateralized, except the State Board of Administration investment pool and money market mutual funds which are considered *unclassified* pursuant to GASB Statement No. 3.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The Village does not have a formal policy that limits the maturities of its investments. The Village pension funds' investment in mortgage-backed securities consist of mortgage pass-through securities based on pools of residential home mortgage loans which are subject to prepayments and therefore highly sensitive to changes in interest rates.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The table below summarizes the scheduled maturities of investments at September 30, 2007.

Investment Type	Fair Value of Investment Maturities			
	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Pension fund investments:				
U.S. Government securities	\$ -	\$ 900,769	\$ 371,523	\$ 207,390
U.S. Government agencies	145,711	503,849	278,137	76,056
Mortgage and asset-backed securities	-	3,247	26,664	121,595
Corporate bonds	54,873	964,800	649,064	-
Total	\$ 200,584	\$ 2,372,665	\$ 1,325,388	\$ 405,041

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. For investments other than the Village pension funds, there is no specific policy for concentration of credit risk. In the Village pension funds, securities of a single issuer are limited to no more than 5% of the Plan's net assets invested in common stocks and debt securities.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk in the Village's investments at September 30, 2007.

NOTE 3. RECEIVABLES

Receivables at September 30, 2007, are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts	\$ 559,738	\$ 1,829,232	\$ 2,388,970
Intergovernmental	28,184	-	28,184
	587,922	1,829,232	2,417,154
Less: allowable for uncollectibles	-	(61,816)	(61,816)
Net receivables	\$ 587,922	\$ 1,767,416	\$ 2,355,338

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 170,036	\$ -	\$ -	\$ 170,036
Infrastructure	4,121,761	-	-	4,121,761
Construction in progress	139,541	-	(139,541)	-
Total capital assets not being depreciated	4,431,338	-	(139,541)	4,291,797
Capital assets being depreciated:				
Buildings	7,719,751	108,435	-	7,828,186
Improvements other than buildings	1,611,996	201,665	-	1,813,661
Machinery and equipment	3,713,702	603,345	(139,142)	4,177,905
Library materials and software	771,196	75,358	-	846,554
Total capital assets being depreciated	13,816,645	988,803	(139,142)	14,666,306
Less accumulated depreciation for:				
Buildings	(727,911)	(204,840)	-	(932,751)
Improvements other than buildings	(201,490)	(74,415)	-	(275,905)
Machinery and equipment	(2,194,754)	(366,650)	126,674	(2,434,730)
Library materials and software	(564,379)	(62,956)	-	(627,335)
Accumulated depreciation	(3,688,534)	(708,861)	126,674	(4,270,721)
Governmental activities				
Capital assets, net	\$ 14,559,449	\$ 279,942	\$ (152,009)	\$ 14,687,382
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 364,217	\$ -	\$ -	\$ 364,217
Construction in progress	3,072,370	1,855,488	(521,023)	4,406,835
Total capital assets not being depreciated	3,436,587	1,855,488	(521,023)	4,771,052
Capital assets being depreciated:				
Buildings	3,013,999	-	-	3,013,999
Improvements other than buildings	56,168,692	521,023	-	56,689,715
Intangible assets	7,183,533	-	-	7,183,533
Equipment and software	2,869,675	351,750	(50,443)	3,170,982
Total capital assets being depreciated	69,235,899	872,773	(50,443)	70,058,229
Less accumulated depreciation for:				
Buildings	(1,844,282)	(54,912)	-	(1,899,194)
Improvements other than buildings	(19,510,910)	(1,815,274)	-	(21,326,184)
Intangible assets	(4,743,315)	(212,344)	-	(4,955,659)
Equipment and software	(1,714,850)	(282,235)	44,132	(1,952,953)
Accumulated depreciation	(27,813,357)	(2,364,765)	44,132	(30,133,990)
Business-type activities				
Capital assets, net	\$ 44,859,129	\$ 363,496	\$ (527,334)	\$ 44,695,291

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended September 30, 2007, was charged to functions as follows:

Governmental Activities:	
General government	\$ 210,016
Public safety	265,802
Physical environment	52,141
Transportation	15,963
Culture and recreation	164,939
<hr/>	
Total depreciation expense- Governmental activities	\$ 708,861
<hr/>	
Business-type activities: Water & Sewer	\$ 2,364,765

NOTE 5. LONG-TERM DEBT

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended September 30, 2007:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,360,000	\$ -	\$ 145,000	\$ 7,215,000	\$ 150,000
Compensated absences	368,898	788,649	495,092	662,455	-
Total	\$ 7,728,898	\$ 788,649	\$ 640,092	\$ 7,877,455	\$ 150,000
<hr/>					
Business-type activities:					
Promissory note	\$ 4,533,236	\$ -	\$ 670,779	\$ 3,862,457	\$ 698,307
Capital appreciation bonds	4,385,043	284,138	1,925,000	2,744,181	580,000
Revenue bonds, series 2003	10,960,000	-	210,000	10,750,000	215,000
Obligation under utility agreements	159,204	-	159,204	-	-
Compensated absences	134,458	361,390	201,786	294,062	43,257
Total	\$ 20,171,941	\$ 645,528	\$ 3,166,769	17,650,700	\$ 1,536,564
<hr/>					
Unamortized premium on revenue bonds				380,646	
Total				\$18,031,346	

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT (Continued)

Governmental Activities:

\$7,890,000 Florida Municipal Loan Council Revenue Bonds, Series 2002A

The bonds represent the Village's portion of the Florida Municipal Loan Council Revenue Bonds, Series 2002A. Interest of 3.25% to 5.50% is payable on May 1 and November 1. Principal will be repaid in thirty installments maturing on May 1, 2032. The full faith, credit, and taxing power of the Village is pledged to the repayment of the principal and interest on the note. Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 150,000	\$ 365,056	\$ 515,056
2009	160,000	359,056	519,056
2010	165,000	352,656	517,656
2011	170,000	346,056	516,056
2012	180,000	339,044	519,044
2013-2017	1,045,000	1,541,317	2,586,317
2018-2022	1,365,000	1,224,295	2,589,295
2023-2027	1,745,000	843,220	2,588,220
2028-2032	2,235,000	354,650	2,589,650
Total	\$ 7,215,000	\$ 5,725,350	\$12,940,350

Business-Type Activities:

\$7,244,700 Promissory Note

The note payable is a \$7,244,700 Promissory Note dated December 14, 2001. From December 14, 2001 to October 1, 2012, the outstanding principal amount will bear interest at 4.05% and will be repaid in monthly installments of \$70,164, including interest. The note is secured by a pledge of the net revenues derived from the operation of the water and sewer system. Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 698,307	\$ 143,665	\$ 841,972
2009	727,385	114,587	841,972
2010	757,280	84,692	841,972
2011	788,525	53,447	841,972
2012	821,026	20,946	841,972
2013	69934	231	70,165
Total	\$ 3,862,457	\$ 417,568	\$ 4,280,025

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT (Continued)

Revenue Bonds

The Village has issued revenue bonds which are collateralized by a pledge of and lien on the net revenues derived from the operation of the water and sewer system. The provisions of the water and sewer bond resolutions differ in some respects, but generally provide for:

1. Annual debt service funding by monthly transfers of cash to a reserve account.
2. Establishment of certain cash reserves. The maximum deposit required is usually set at the highest future principal and interest payment.
3. Maintenance of a renewal and replacement cash reserve set at 5% of the previous year's gross revenue up to a maximum of \$100,000.
4. Early redemption of outstanding bonds at call rates varying between \$10 and \$40 per certificate or 101% to 104% of the instrument's face value, depending on the bonds and call date.
5. Investing of cash reserves in time deposits or direct obligations of the U.S. Government with varying maturity restrictions.
6. The use of cash is generally restricted to the following items, listed in priority: operation and maintenance, debt service, reserves, renewal and replacement, and any other lawful purpose.

At September 30, 2007, the Village was in compliance with its bond covenants.

Revenue bonds currently outstanding are as follows:

\$1,209,857 Capital Appreciation Bonds, Series 1988, due in annual installments of \$485,000 to \$685,000 from April 1, 2005 through October 1, 2012, with interest at 7.75% - 8.25% accrued semi-annually on April 1 and October 1 of each year. The annual maturities below include the original principal amount plus accrued interest accreted through maturity.

Year Ending September 30,	Total
2008	\$ 580,000
2009	575,000
2010	570,000
2011	570,000
2012	570,000
2013	485,000
Total	\$ 3,350,000

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 5. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

\$11,550,000 Florida Municipal Loan Council Revenue Bonds, Series 2003A

The bonds represent the Village's portion of the Florida Municipal Loan Council Revenue Bonds, Series 2003A. Interest at rates ranging from 3.00% to 5.25% is payable semi-annually on May 1 and November 1. Principal will be repaid in thirty installments with final maturity on May 1, 2033. Principal and interest are payable from and secured solely by a pledge of and lien upon the net revenues of the water and sewer utility system of the Village. The bonds were issued to provide funds for water and wastewater system improvements. Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest	Total
2008	\$ 215,000	\$ 528,176	\$ 743,176
2009	225,000	521,726	746,726
2010	230,000	514,974	744,974
2011	240,000	503,476	743,476
2012	255,000	491,476	746,476
2013-2017	1,475,000	2,246,624	3,721,624
2018-2022	1,905,000	1,817,384	3,722,384
2023-2027	2,420,000	1,306,426	3,726,426
2028-2032	3,075,000	653,750	3,728,750
2033	710,000	35,500	745,500
Total	\$10,750,000	\$ 8,619,512	\$19,369,512

Interest Expense

Total interest costs incurred on all Village debt for the year ended September 30, 2007, was \$376,367 for governmental activities and \$983,166 for business-type activities.

Federal Arbitrage Regulations

The Village is subject to the arbitrage restrictions imposed by the federal government for its outstanding bond issues. No events have occurred since the issuance of each bond that would cause the bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code.

NOTE 6. OBLIGATION UNDER UTILITY AGREEMENTS AND INTANGIBLE RIGHTS

The obligation under utility agreements included two contracts dated January 1, 1978, with the City of Lake Worth (the "City"), providing that the City supply the Village wastewater facilities for a period of 40 years. The City obtained Florida State Bond Loans, Series E and Series R, for the purpose of constructing, as well as improving, existing water and sewer facilities. The Village was obligated to pay the City a percentage of its pro rata share (based on water and sewer reserved capacity) of the debt service of these loans until October 31, 2006 when the loans were paid in full.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 6. OBLIGATION UNDER UTILITY AGREEMENTS AND INTANGIBLE RIGHTS (Continued)

The Series E Loan was originally issued October 1, 1976, at a face value of \$7,585,000. The loan matured in varying amounts through June 30, 2006. The Village's pro rata share of the loan was 20.712%. The present value (discounted at the same rate as the Series E Loan) of the Village's obligation to the City was \$2,089,437 at issuance. Intangible water and sewer usage rights were recorded at the same amount and allow the Village to use the City's water and sewer facilities for the term of the contract. The intangible rights are being amortized over the 40-year contract period.

The Series R Loan was originally issued July 1, 1985, at a face value of \$8,520,000. The loan matured in varying amounts through July 1, 2006. The Village's pro rata share of the loan was 37.04%. The present value (discounted at the same rate as the Series R Loan) of the Village's obligation to the City was \$4,245,610 at issuance. Intangible water and sewer rights were recorded at the same amount. On November 1, 1989, the City issued \$10,300,000 Refunding Revenue Bonds, Series 1989, part of which was used to refund the Series R Bonds and to improve the existing facility. As a result of this refunding issue, the Village amended its original contract with the City whereby the outstanding obligation and intangible rights increased \$494,876. The amendment also required the Village to pay 125% (previously 133%) of its pro rata share of the debt service payments. The intangible rights are being amortized over 33 years (remaining term of contract).

In February 1994, the City issued \$15,680,000 Sewer System Refunding Revenue Bonds, Series 1994, part of which was used to refund both the Series E and Series R. Bonds. As a result of this refunding issue, the Village amended its contracts with the City, whereby the combined outstanding obligation and intangible rights increased \$353,610 and the maturity date was extended to October 31, 2006. The amendment also required the Village to pay 120% (previously 133% and 125% for the Series E and Series R Bonds, respectively) of its pro rata share of the debt service. The additional intangible rights are being amortized over 22 years (remaining term of the contract). At September 30, 2007, the combined intangible rights had a net book value of \$2,227,874 and were recorded with capital assets. All loan obligations were paid in full on October 31, 2006.

NOTE 7. INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2007:

	Transfers in	Transfers out
Governmental Activities:		
Major Fund - General Fund	\$ 1,312,412	\$
Nonmajor Fund – Debt Service Fund	160	
Nonmajor Fund – Capital Projects Fund		453
Business-type Activities:		
Enterprise Fund		1,312,119
Total interfund transfers	\$ 1,312,572	\$ 1,312,572

Transfers include payments in lieu of taxes of \$1,312,119 that are not payments for services. The remaining transfers of \$453 were for the unspent portion of capital project funds.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 8. ENTERPRISE FUND RESTRICTED ASSETS AND RESERVES

Restricted assets of the enterprise fund at September 30, 2007, include amounts restricted for debt service, and plant renewal and replacement under the terms of the outstanding revenue bonds, and unused bond proceeds. Restricted resources are used first to fund expenses incurred for restricted purposes. The following is a summary of the restricted assets at September 30, 2007:

	Restricted Assets
Utility Debt Service	\$ 2,692,964
Renewal and Replacement	100,000
Cash with fiscal agent	290,000
Unused proceeds from 2003 bonds	972
	<hr/> \$ 3,083,936 <hr/>

The provisions of the water and sewer bond issues require the Village to establish, in addition to the current portions of principal and interest due, a reserve equal to the maximum principal and interest requirements in any ensuing fiscal year. The required cash balances as of September 30, 2007, and the reserve requirements have been met for the water and sewer bonds.

The Village is also required to establish a reserve for renewal and replacement of water and sewer facilities. The required reserve is 5% of the preceding year's revenue up to a maximum of \$100,000. The Village has reserved \$100,000 which meets this legal requirement at September 30, 2007.

NOTE 9. PENSION PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of Palm Springs Hazardous Employees Pension Fund, covering all police officers and firefighters, and Village of Palm Springs General Employees Pension Fund, covering substantially all other full-time Village employees. Both plans are reported as pension trust funds and are included as part of the Village's reporting entity.

Each plan has its own board which acts as plan administrator and trustee. Each plan's assets may only be used for the payment of benefits to the members of and beneficiaries of the plan in accordance with the terms of each plan document. The costs of administering each plan are paid by the pension fund. Plan provisions are established by and may be amended by the Village Council.

Contribution requirements are determined by the actuary. The financial statements of each Plan are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being approved for use for funding purposes. Additionally, the State collects a locally authorized insurance premium surcharge for the Hazardous Employees Pension Fund on casualty and fire insurance policies within the corporate limits, which can only be

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 9. PENSION PLANS (Continued)

distributed after the State has ascertained that the local government has met the reporting requirements for its most recently completed fiscal year.

Investments are reported at fair value and are managed by third party money managers. The Village's independent custodians and individual money managers price each instrument using various third party pricing sources. There were no nongovernmental investments that exceeded 5% of net plan assets in the Hazardous or General Employees Pension Funds.

The following schedule is derived from the respective actuarial reports and Village information for the two pension plans as of September 30, 2005 (the latest actuarial valuation date):

	General Employees	Hazardous Employees	
Accounting Policies and Plan Assets:			
Authority	Village Ordinance	Village Ordinance/State Statute	
Basis of Accounting	Accrual	Accrual	
Asset Valuation			
Reporting	Fair Value	Fair Value	
Actuarial Valuation	5-year smoothed market	4-year smoothed market	
Legal Reserves	None	None	
Long-Term Receivable	None	None	
Internal/Participant Loans	None	None	
Membership and Plan Provisions:			
Members:			
Active Participants	114	47	
Retirees and Beneficiaries	29	10	
Terminated Vested	27	15	
Normal Retirement Benefits:			
Retirement Age	62	Option 1	Option 2
Years of Service (minimum)	10	50	55
Accrual	2.5%	15	10
Maximum	50%	3.0%	3.0%
Years to Vest	10	None	None
		10	10
Contributions:			
Actuarial Rate			
Village	19.60%	28.72%	
State	-	2.99%	
Participants	3.00%	6.60%	
Annual Pension Cost	\$851,289	\$631,368	
Contribution Made	\$851,291	\$818,164	

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 9. PENSION PLANS (Continued)

	General Employees	Hazardous Employees
Actuarial Valuation:		
Frequency	Annual	Annual
Latest Valuation	9/30/06	9/30/06
Basis for Contribution	9/30/05	9/30/05
Cost Method	Entry age	Entry age
Amortization:		
Method	Level percent	Level percent
Period	15-25 years	3-23 years
Open/Closed	Closed	Closed
Assumptions:		
Investment Earnings (including inflation)	8.0% / year	8.0% / year
Salary Increases (including inflation)	4.7%-8.3% / year	5.0%-8.0% / year
Inflation	4.5% / year	5.0% / year
Cost of living adjustments	3.0%	3.0%
Mortality Rates	1983 Group Annuity Mortality Table	1983 Group Annuity Mortality Table

Three-Year Trend Information				
	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
Hazardous Employees:	9/30/05	\$ 419,195	118%	\$ 121,183
	9/30/06	553,371	104%	140,316
	9/30/07	631,368	130%	132,592
General Employees:	9/30/05	\$ 498,271	100%	-
	9/30/06	745,116	100%	-
	9/30/07	851,289	100%	-

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 9. PENSION PLANS (Continued)

The annual pension cost and net pension asset for the Hazardous Employees Pension Fund for the most recent valuation were as follows:

Annual required contribution (ARC)	\$	626,200
Interest on net pension asset		(11,225)
Adjustment to ARC		16,393
<hr/>		
Annual pension cost (APC)		631,368
Village contribution		623,644
<hr/>		
Decrease in net pension asset		(7,724)
Net pension asset, beginning of year		140,316
<hr/>		
Net pension asset, end of year	\$	132,592

Pension Plan Financial Statements

The General Employees Pension Fund and the Hazardous Employees Pension Fund plans do not issue stand-alone GAAP financial reports. Accordingly, the Village is required to present separate financial statements for each plan in the notes to the financial statements. Financial statements for the General Employees Pension Fund and the Hazardous Employees Pension Fund as of and for the year ended September 30, 2007, are as follows:

Statements of Plan Net Assets		
	General Employees Pension Fund	Hazardous Employees Pension Fund
Assets		
Cash and cash equivalents	\$ 2,682,443	\$ 1,537,230
Investments:		
U.S. Government securities	564,650	915,032
U.S. Government agencies	350,975	652,778
Mortgage and asset-backed securities	30,548	120,958
Corporate bonds	851,253	817,484
Common stocks	5,179,523	5,229,287
Receivables:		
Interest and dividends	34,029	31,151
Other	524	42,605
Total assets	9,693,945	9,346,525
Liabilities		
Accounts payable and accrued liabilities	19,090	43,368
Total liabilities	19,090	43,368
Net assets held in trust for pension benefits	\$ 9,674,855	\$ 9,303,157

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 9. PENSION PLANS (Continued)

Statements of Changes in Plan Net Assets		
	General Employees Pension Fund	Hazardous Employees Pension Fund
Additions		
Contributions:		
Employer	\$ 851,291	\$ 818,164
Plan members	134,438	210,658
State of Florida	-	177,424
Total contributions	985,729	1,206,246
Investment income:		
Interest	186,288	171,662
Dividends	118,148	62,172
Net appreciation in fair value of investments	899,661	957,157
Investment expenses	(56,287)	(40,727)
Net investment income	1,147,810	1,150,264
Total additions	2,133,539	2,356,510
Deductions		
Administration	29,453	35,160
Benefits	274,636	205,209
Total deductions	304,089	240,369
Net increase in plan net assets	1,829,450	2,116,141
Net Assets - October 1, 2006	7,845,405	7,187,016
Net Assets - September 30, 2007	\$ 9,674,855	\$ 9,303,157

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

Construction contracts of the business-type activities consist of the following:

	Total Project Authorization	Expended September 30, 2007	Retainage Payable September 30, 2007	Balance to Complete
Task #90 - Wells 18 and 19	\$ 271,600	\$ 187,164	\$ -	\$ 84,436
Task #92 - Water & sewer improvements	3,976,114	3,685,658	71,890	218,566
Intersection improvements – Forest Hill and Haverhill Roads	165,524	28,604	-	136,920
Canal 9 water main	198,154	22,463	-	175,691
	\$ 4,611,392	\$ 3,923,889	\$ 71,890	\$ 615,613

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

NOTE 10. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

The Village is a defendant in lawsuits occurring in the normal course of business, the outcome of which is not presently determinable. In the opinion of legal counsel, the resolution of these matters will not have a significant impact on the financial condition of the Village.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Village for the return of those funds.

NOTE 11. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Specifically, the Village purchases commercial insurance for property, medical benefits, worker's compensation, general liability, automobile liability, errors and omissions, and directors and officers liability. The Village is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/ \$200,000 for all claims relating to the same accident.

There have been no significant reductions in insurance coverage from coverage in the prior year. There were no settlements in excess of coverage in the years ended September 30, 2007, 2006, and 2005.

**REQUIRED SUPPLEMENTARY
INFORMATION**

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
Ad valorem taxes	\$ 3,712,977	\$ 3,712,977	\$ 3,744,695	\$ 31,718
Franchise fees	701,000	701,000	888,873	187,873
Utility service taxes	1,624,292	1,624,292	1,720,394	96,102
Total taxes	6,038,269	6,038,269	6,353,962	315,693
Licenses and permits:				
Occupational licenses	185,000	185,000	193,399	8,399
Building permits	550,000	550,000	599,302	49,302
Other permits and licenses	1,250	1,250	14,330	13,080
Total licenses and permits	736,250	736,250	807,031	70,781
Intergovernmental:				
State revenue sharing	575,893	575,893	508,398	(67,495)
Alcoholic beverage licenses	7,500	7,500	10,089	2,589
Municipal fuel tax refund	3,300	3,300	5,102	1,802
Local option gas tax	347,368	347,368	331,656	(15,712)
County occupational licenses	35,000	35,000	37,508	2,508
Half-cent sales tax	1,147,240	1,147,240	1,065,592	(81,648)
Grant revenue	552,779	597,973	282,629	(315,344)
Other intergovernmental revenue	36,742	36,742	20,630	(16,112)
Total intergovernmental	2,705,822	2,751,016	2,261,604	(489,412)
Charges for services:				
General government	65,550	65,550	67,083	1,533
Public safety	570,964	671,664	312,289	(359,375)
Sanitation	530,876	530,876	582,711	51,835
Leisure services	327,900	350,900	315,817	(35,083)
Nonresident fees	10,000	10,000	12,874	2,874
Total charges for services	1,505,290	1,628,990	1,290,774	(338,216)
Fines and forfeitures:				
Judgements and fines	77,500	77,500	80,037	2,537
Other	85,600	85,600	93,693	8,093
Total fines and forfeitures	163,100	163,100	173,730	10,630
Contributions	11,700	13,454	15,039	1,585

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Miscellaneous:				
Interest earnings	\$ 242,000	\$ 242,000	\$ 320,245	\$ 78,245
Miscellaneous revenue	89,500	105,150	167,326	62,176
Facility rental	72,180	72,180	77,900	5,720
Total miscellaneous	403,680	419,330	565,471	146,141
Total revenues	11,564,111	11,750,409	11,467,611	(282,798)
Other financing sources				
Appropriated fund balance	-	57,999	-	(57,999)
Transfer in	1,312,119	1,312,119	1,312,412	293
Total revenues and other financing sources	\$ 12,876,230	\$ 13,120,527	\$ 12,780,023	\$ (340,504)
Expenditures				
General government:				
Legislative:				
Personal services	\$ 46,298	\$ 46,509	\$ 46,424	\$ 85
Operating	57,108	73,897	63,221	10,676
Nonoperating	122,000	54,500	2,000	52,500
Total legislative	225,406	174,906	111,645	63,261
Executive:				
Personal services	500,126	501,978	491,925	10,053
Operating	31,626	29,774	25,097	4,677
Capital outlay	24,200	24,200	23,520	680
Total executive	555,952	555,952	540,542	15,410
Financial Administration:				
Personal services	352,547	350,902	328,516	22,386
Operating	24,001	25,646	21,331	4,315
Capital outlay	4,200	4,200	3,286	914
Total financial administration	380,748	380,748	353,133	27,615
Legal:				
Operating	100,000	108,000	105,855	2,145
Other general government:				
Personal services	3,000	3,000	2,359	641
Operating	305,666	326,516	289,386	37,130
Capital outlay	6,000	6,650	6,549	101
Total other general government	314,666	336,166	298,294	37,872
Total general government	1,576,772	1,555,772	1,409,469	146,303

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public safety:				
Land development:				
Personal services	\$ 476,027	\$ 469,247	\$ 381,281	\$ 87,966
Operating	181,332	190,100	153,875	36,225
Capital outlay	8,400	6,412	6,410	2
Total land development	665,759	665,759	541,566	124,193
Fire Rescue:				
Personal services	1,308,485	1,298,685	1,248,631	50,054
Operating	102,847	109,647	84,866	24,781
Capital outlay	13,500	42,000	41,554	446
Total fire rescue	1,424,832	1,450,332	1,375,051	75,281
Law enforcement:				
Personal services	4,377,237	4,442,837	4,367,699	75,138
Operating	435,448	493,579	467,740	25,839
Capital outlay	169,900	186,550	186,485	65
Total law enforcement	4,982,585	5,122,966	5,021,924	101,042
Total public safety	7,073,176	7,239,057	6,938,541	300,516
Physical environment:				
Sanitation services:				
Personal services	485,798	470,998	445,447	25,551
Operating	459,780	477,600	337,486	140,114
Capital outlay	255,000	251,980	232,529	19,451
Total physical environment	1,200,578	1,200,578	1,015,462	185,116
Transportation:				
Personal services	601,022	603,522	512,231	91,291
Operating	486,940	584,590	482,649	101,941
Capital outlay	214,000	113,850	7,290	106,560
Total transportation	1,301,962	1,301,962	1,002,170	299,792
Culture/recreation:				
Library:				
Personal services	466,122	467,963	448,429	19,534
Operating	111,667	122,807	120,714	2,093
Capital outlay	58,900	61,081	57,555	3,526
Total library	636,689	651,851	626,698	25,153
Leisure services:				
Personal services	462,460	459,110	457,312	1,798
Operating	348,893	388,997	387,779	1,218
Capital outlay	192,700	238,200	237,758	442
Total leisure services	1,004,053	1,086,307	1,082,849	3,458

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Special events:				
Operating	\$ 83,000	\$ 85,000	\$ 84,433	\$ 567
Total culture/recreation	1,723,742	1,823,158	1,793,980	29,178
Total expenditures	\$ 12,876,230	\$ 13,120,527	12,159,622	\$ 960,905
Net change in fund balance			\$ 620,401	
Fund balance, beginning of year			5,334,383	
Fund balance, end of year			\$ 5,954,784	

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2007

NOTE 1. BUDGETARY ACCOUNTING

State of Florida Statutes require that all municipal governments establish budgetary systems and approve annual operating budgets. The Council annually adopts an operating budget and appropriates funds for the general fund. The procedures for establishing the budget are as follows:

- ❖ Prior to September 1, the Village Manager submits to the Council a proposed operating budget prepared for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- ❖ Public hearings are conducted to obtain taxpayer comments.
- ❖ The Village advises the County Property Appraiser of the proposed millage rate and the date, time and place of the public hearing for budget acceptance.
- ❖ The budget and related millage rate are legally enacted by resolution.
- ❖ Changes or amendments to the budget of the Village or a department must be approved by the Council; however, changes within a department which do not affect the total departmental expenditures may be approved at the administrative level. Accordingly, the legal level of control is at the department level.

The adopted budgets are prepared on the modified accrual basis in accordance with U.S. generally accepted accounting principles, except that the State of Florida on-behalf payments to the Village for the hazardous employees' pension plan are not budgeted. As a result, General Fund revenues and expenditures reported in the budgetary comparison schedule differ from the revenues and expenditures reported on the GAAP basis. The differences can be reconciled as follows:

	Revenues	Expenditures
Budgetary Basis	\$ 11,467,611	\$ 12,159,622
State on-behalf payments for hazardous employees pension contributions	177,424	177,424
GAAP Basis	\$ 11,645,035	\$ 12,337,046

The reported budgetary data represents the final appropriated budget after amendments adopted by the Council. Supplemental appropriations of \$244,297 were needed for costs incurred for personnel and related operating expenses for the year ended September 30, 2007, increasing the original general fund budget from \$12,876,230 to \$13,120,527. Unexpended appropriations lapse at year end.

NOTE 2. ENCUMBRANCES

Encumbrance accounting, in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized by the Village during the year. However, all encumbrances outstanding at year end lapse and, accordingly, there is no reservation of fund balance for encumbrances at September 30, 2007.

VILLAGE OF PALM SPRINGS, FLORIDA

CONDITION RATING OF THE VILLAGE'S STREET SYSTEM

SEPTEMBER 30, 2007

Percentage of lane miles in good or better condition: 100%

Percentage of lane miles in substandard condition: 0%

Comparison of needed-to-actual maintenance/preservation:

	Needed	Actual	Difference
2000	\$ 11,000	\$ 4,178	\$ 6,822
2001	20,000	5,740	14,260
2002	40,000	3,287	36,713
2003	41,400	6,361	35,039
2004	90,000	83,184	6,816
2005	91,200	90,644	556
2006	125,000	124,704	296
2007	243,000	242,423	577
Total	\$ 661,600	\$ 560,521	\$ 101,079

The condition of street pavement is rated using the Asphalt Pavement Rating Form as developed by the Asphalt Institute. The Asphalt Pavement Rating Form is based on a weighted average of thirteen defects found in pavement services. The form uses a measurement scale that is based on a condition index rating from zero for failed pavement to 100 for pavement in perfect condition. The condition index is used to classify roads in seven categories: excellent (100-85), very good (84-70), good (69-55), fair (54-40), poor (39-25), very poor (24-10), failed (9-0). It is the Village's policy to maintain at least 80% of its street system at a good or better condition. Needed maintenance is calculated based upon inspections and the condition assessment index.

In accordance with GASB Statement No. 34, the Village is required to report at least one complete condition assessment at transition using the modified approach. The condition assessment was completed by the Village in 2003 and documented that eligible infrastructure assets are being preserved at or above the condition level established by the Village. In 2004 the first one-third of the streets in the network were evaluated. In 2005 the second third of the streets were evaluated. The remaining third of the streets were evaluated in 2006. In Fiscal Year 2007, the first third of the street network was reevaluated and the ratings continue to meet or exceed Village policy. Future assessments will be completed on a cyclical basis.

The Village calculates needed maintenance of its street system annually. However, the scheduling of these street projects often crosses fiscal years. Also, many streets are restored as utility work is performed. Therefore, actual maintenance may be less than or greater than the calculated needed maintenance in any fiscal year.

VILLAGE OF PALM SPRINGS, FLORIDA

Required Supplementary Information

Pension Trust Funds - Schedule of Funding Progress

Actuarial Valuation Date September 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
<u>Hazardous Employees</u>						
2001	\$ 4,554,323	\$ 5,309,378	\$ 755,055	85.8%	\$ 1,568,547	48.1%
2002	4,384,766	5,934,435	1,549,669	73.9%	1,572,230	98.6%
2003	4,819,265	6,687,739	1,868,474	72.1%	1,702,272	109.8%
2004	5,193,023	9,404,474	4,211,451	55.2%	1,789,143	235.4%
2005	5,952,552	11,133,634	5,181,082	53.5%	2,263,680	228.9%
2006	7,016,483	12,620,820	5,604,337	55.6%	2,455,243	228.3%
<u>General Employees</u>						
2001	\$ 5,863,873	\$ 5,806,339	\$ (57,534)	101.0%	\$ 2,927,648	-
2002	5,428,384	6,357,619	929,235	85.4%	3,056,401	30.4%
2003	6,203,585	7,286,863	1,083,278	85.1%	3,482,399	31.1%
2004	6,502,614	8,967,008	2,464,394	72.5%	3,987,247	61.8%
2005	6,949,418	10,120,984	3,171,566	68.7%	4,137,546	76.7%
2006	7,882,464	11,944,135	4,061,671	66.0%	4,285,900	94.8%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	General Employees	Hazardous Employees
Valuation date	9/30/2006	9/30/2006
Actuarial cost method	Entry age	Entry age
Asset valuation method	5-Year Smoothed Market	4-Year Smoothed Market
Actuarial assumptions:		
Investment rate of return (including inflation)	8.0% / year	8.0% / year
Salary increases (including inflation)	4.7% - 8.3% / year	5.0% - 8.0% / year
Inflation	4.5% / year	5.0% / year
Cost of living adjustments	3.0%	3.0%

VILLAGE OF PALM SPRINGS, FLORIDA

Required Supplementary Information

Pension Trust Funds - Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
Hazardous Employees Pension Fund		
2002	\$ 286,675	109%
2003	397,241	106%
2004	417,489	118%
2005	548,908	104%
2006	626,200	100%
2007	853,902	100%
General Employees Pension Fund		
2002	131,309	100%
2003	399,459	100%
2004	428,696	100%
2005	498,271	100%
2006	745,116	100%
2007	851,289	100%

**COMBINING FUND FINANCIAL
STATEMENTS AND DEBT SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds – Special revenue funds are used to account for specific revenues that are restricted to expenditure for particular purposes.

Library Fund – Accounts for revenue received through donations and book sales. Expenditures are for purchases of books and equipment for the Village library.

Law Enforcement Fund – Accounts for proceeds from law enforcement forfeitures. Expenditures are for law enforcement purposes.

Capital Projects Fund – The capital projects fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Debt Service Fund – Debt service funds are used to account for assets held for the repayment of principal and interest on general obligation debt.

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2007

	<u>Special Revenue Funds</u>			Debt Service Fund	Total Nonmajor Governmental Funds
	Library Fund	Law Enforcement Fund			
Assets:					
Cash and cash equivalents	\$ 64,603	\$ 39,319	\$ 15,275	\$ 119,197	
Accounts receivable	303	185	-	488	
Total assets	\$ 64,906	\$ 39,504	\$ 15,275	\$ 119,685	
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 604	\$ -	\$ 604	
Total liabilities	\$ -	\$ 604	\$ -	\$ 604	
Fund balances:					
Reserved for:					
Law enforcement	\$ -	\$ 38,900	\$ -	\$ 38,900	
Debt service	-	-	15,275	15,275	
Unreserved:					
Special revenue funds	64,906	-	-	64,906	
Total fund balances	\$ 64,906	\$ 38,900	\$ 15,275	\$ 119,081	
Total liabilities and fund balances	\$ 64,906	\$ 39,504	\$ 15,275	\$ 119,685	

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2007

	Special Revenue Funds		Capital	Debt	Total
	Library	Law	Projects	Service	Nonmajor
	Fund	Enforcement	Fund	Fund	Governmental
		Fund			Funds
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 517,795	\$ 517,795
Confiscated property	-	101,432	-	-	101,432
Contributions	2,508	-	-	-	2,508
Interest	3,113	2,459	662	310	6,544
Miscellaneous	236	-	-	-	236
Total revenues	5,857	103,891	662	518,105	628,515
Expenditures					
Current:					
General government	-	-	7,377	-	7,377
Public safety	-	37,323	-	-	37,323
Culture/recreation	8,954	-	-	-	8,954
Capital outlay	3,902	42,424	-	-	46,326
Debt service:					
Principal	-	-	-	145,000	145,000
Interest and other fiscal charges	-	-	-	378,783	378,783
Total expenditures	12,856	79,747	7,377	523,783	623,763
Excess (deficiency) of revenues over expenditures	(6,999)	24,144	(6,715)	(5,678)	4,752
Other Financing Sources (Uses)					
Transfers in	-	-	-	160	160
Transfers out	-	-	(453)	-	(453)
Total other financing sources (uses)	-	-	(453)	160	(293)
Net change in fund balances	(6,999)	24,144	(7,168)	(5,518)	4,459
Fund balances, beginning of year	71,905	14,756	7,168	20,793	114,622
Fund balances, end of year	\$ 64,906	\$ 38,900	\$ -	\$ 15,275	\$ 119,081

FIDUCIARY FUNDS

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Fiduciary Net Assets

September 30, 2007

	General Employees Pension Fund	Hazardous Employees Pension Fund	Total Pension Funds
Assets			
Cash and cash equivalents	\$ 2,682,443	\$ 1,537,230	\$ 4,219,673
Investments:			
U.S. Government securities	564,650	915,032	1,479,682
U.S. Government agencies	350,975	652,778	1,003,753
Mortgage and asset-backed securities	30,548	120,958	151,506
Corporate bonds	851,253	817,484	1,668,737
Common stocks	5,179,523	5,229,287	10,408,810
Receivables:			
Interest and dividends	34,029	31,151	65,180
Other	524	42,605	43,129
Total assets	\$ 9,693,945	\$ 9,346,525	\$ 19,040,470
Liabilities			
Accounts payable and accrued liabilities	\$ 19,090	\$ 43,368	\$ 62,458
Total liabilities	\$ 19,090	\$ 43,368	\$ 62,458
Net Assets			
Net assets held in trust for pension benefits	\$ 9,674,855	\$ 9,303,157	\$ 18,978,012
Total net assets	\$ 9,674,855	\$ 9,303,157	\$ 18,978,012

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2007

	General Employees Pension Fund	Hazardous Employees Pension Fund	Total Pension Funds
Additions			
Contributions:			
Employer	\$ 851,291	\$ 818,164	\$ 1,669,455
Plan members	134,438	210,658	345,096
State of Florida	-	177,424	177,424
Total contributions	985,729	1,206,246	2,191,975
Investment income:			
Interest	186,288	171,662	357,950
Dividends	118,148	62,172	180,320
Net appreciation in fair value of investments	899,661	957,157	1,856,818
Investment expenses	(56,287)	(40,727)	(97,014)
Net investment income	1,147,810	1,150,264	2,298,074
Total additions	2,133,539	2,356,510	4,490,049
Deductions			
Administration	29,453	35,160	64,613
Benefits	274,636	205,209	479,845
Total deductions	304,089	240,369	544,458
Net increase in plan net assets	1,829,450	2,116,141	3,945,591
Net assts held in trust for pension benefits, beginning of year	7,845,405	7,187,016	15,032,421
Net assets held in trust for pension benefits, end of year	\$ 9,674,855	\$ 9,303,157	\$ 18,978,012

SCHEDULES OF LONG-TERM DEBT TO MATURITY

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Schedule of Debt Service Requirements (Principal and Interest) to Maturity
September 30, 2007

Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities		Total
	Bond Payable	Note Payable	Revenue Bonds Payable		
			Series 1988	Series 2003A	
2008	\$ 515,056	\$ 841,972	\$ 580,000	\$ 743,176	\$ 2,680,204
2009	519,056	841,972	575,000	746,726	2,682,754
2010	517,656	841,972	570,000	744,974	2,674,602
2011	516,056	841,972	570,000	743,476	2,671,504
2012	519,044	841,972	570,000	746,476	2,677,492
2013	515,044	70,165	485,000	743,724	1,813,933
2014	519,868	-	-	744,812	1,264,680
2015	518,868	-	-	745,112	1,263,980
2016	517,319	-	-	744,626	1,261,945
2017	515,218	-	-	743,350	1,258,568
2018	517,569	-	-	746,288	1,263,857
2019	519,094	-	-	743,174	1,262,268
2020	519,794	-	-	744,274	1,264,068
2021	516,044	-	-	744,324	1,260,368
2022	516,794	-	-	744,324	1,261,118
2023	516,794	-	-	743,326	1,260,120
2024	516,044	-	-	743,526	1,259,570
2025	519,544	-	-	747,824	1,267,368
2026	517,044	-	-	746,000	1,263,044
2027	518,794	-	-	745,750	1,264,544
2028	519,544	-	-	744,250	1,263,794
2029	518,788	-	-	746,500	1,265,288
2030	517,006	-	-	747,250	1,264,256
2031	519,200	-	-	746,500	1,265,700
2032	515,112	-	-	744,250	1,259,362
2033	-	-	-	745,500	745,500
Total	\$ 12,940,350	\$ 4,280,025	\$ 3,350,000	\$ 19,369,512	\$ 39,939,887

VILLAGE OF PALM SPRINGS, FLORIDA

\$7,890,000 Florida Municipal Loan Council Bond, Series 2002-A, dated May 1, 2002

Fiscal Year	Ending September 30,	Principal		Interest		Total	Interest Rate		
		May 1	May 1	November 1	November 1				
2008	\$	150,000	\$	182,528	\$	182,528	\$	515,056	4.000%
2009		160,000		179,528		179,528		519,056	4.000%
2010		165,000		176,328		176,328		517,656	4.000%
2011		170,000		173,028		173,028		516,056	4.125%
2012		180,000		169,522		169,522		519,044	5.000%
2013		185,000		165,022		165,022		515,044	5.500%
2014		200,000		159,934		159,934		519,868	5.500%
2015		210,000		154,434		154,434		518,868	5.500%
2016		220,000		148,660		148,659		517,319	5.500%
2017		230,000		142,609		142,609		515,218	5.500%
2018		245,000		136,284		136,285		517,569	5.500%
2019		260,000		129,547		129,547		519,094	5.500%
2020		275,000		122,397		122,397		519,794	5.000%
2021		285,000		115,522		115,522		516,044	5.000%
2022		300,000		108,397		108,397		516,794	5.000%
2023		315,000		100,897		100,897		516,794	5.000%
2024		330,000		93,022		93,022		516,044	5.000%
2025		350,000		84,772		84,772		519,544	5.000%
2026		365,000		76,022		76,022		517,044	5.000%
2027		385,000		66,897		66,897		518,794	5.000%
2028		405,000		57,272		57,272		519,544	5.125%
2029		425,000		46,894		46,894		518,788	5.125%
2030		445,000		36,003		36,003		517,006	5.125%
2031		470,000		24,600		24,600		519,200	5.125%
2032		490,000		12,556		12,556		515,112	5.125%
Total	\$	7,215,000	\$	2,862,675	\$	2,862,675	\$	12,940,350	

VILLAGE OF PALM SPRINGS, FLORIDA

\$7,244,700 Promissory Note, dated December 14, 2001

Fiscal Year				
Ending				
September 30,	Principal		Interest	Total
2008	\$ 698,307		\$ 143,665	\$ 841,972
2009	727,385		114,587	841,972
2010	757,280		84,692	841,972
2011	788,525		53,447	841,972
2012	821,026		20,946	841,972
2013	69,934		231	70,165
Total	\$ 3,862,457		\$ 417,568	\$ 4,280,025

VILLAGE OF PALM SPRINGS, FLORIDA

\$1,209,857 Water and Sewer Capital Appreciation Bonds, Series 1988

Fiscal Year	Ending	Principal		Interest		Total				
		September 30,	October 1	April 1	October 1		April 1			
2008	\$	63,632	\$	60,604	\$	226,368	\$	229,396	\$	580,000
2009		58,258		54,489		231,742		230,511		575,000
2010		52,369		49,807		232,631		235,193		570,000
2011		47,854		45,480		237,146		239,520		570,000
2012		43,688		41,490		241,312		243,510		570,000
2013		67,808		-		417,192		-		485,000
Total	\$	333,609	\$	251,870	\$	1,586,391	\$	1,178,130	\$	3,350,000

VILLAGE OF PALM SPRINGS, FLORIDA

\$11,550,000 Florida Municipal Loan Council Revenue Bonds, Series 2003A

Fiscal Year	Ending September 30,	Principal		Interest		Total	Interest Rate		
		May 1	May 1	November 1	November 1				
2008	\$	215,000	\$	264,088	\$	264,088	\$	743,176	3.000%
2009		225,000		260,863		260,863		746,726	3.000%
2010		230,000		257,487		257,487		744,974	5.000%
2011		240,000		251,738		251,738		743,476	5.000%
2012		255,000		245,738		245,738		746,476	5.000%
2013		265,000		239,362		239,362		743,724	5.250%
2014		280,000		232,406		232,406		744,812	5.250%
2015		295,000		225,056		225,056		745,112	5.250%
2016		310,000		217,313		217,313		744,626	5.250%
2017		325,000		209,175		209,175		743,350	5.250%
2018		345,000		200,644		200,644		746,288	5.250%
2019		360,000		191,587		191,587		743,174	5.250%
2020		380,000		182,137		182,137		744,274	5.250%
2021		400,000		172,162		172,162		744,324	5.000%
2022		420,000		162,162		162,162		744,324	5.000%
2023		440,000		151,663		151,663		743,326	4.500%
2024		460,000		141,763		141,763		743,526	4.500%
2025		485,000		131,412		131,412		747,824	4.500%
2026		505,000		120,500		120,500		746,000	5.000%
2027		530,000		107,875		107,875		745,750	5.000%
2028		555,000		94,625		94,625		744,250	5.000%
2029		585,000		80,750		80,750		746,500	5.000%
2030		615,000		66,125		66,125		747,250	5.000%
2031		645,000		50,750		50,750		746,500	5.000%
2032		675,000		34,625		34,625		744,250	5.000%
2033		710,000		17,750		17,750		745,500	5.000%
Total	\$	10,750,000	\$	4,309,756	\$	4,309,756	\$	19,369,512	

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Village of Palm Springs’ 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 Village of Palm Springs’ overall financial health.

Contents	Page
Financial Trends	69
<i>These schedules contain trend information to help the reader understand how the Village of Palm Springs’ financial performance and well-being have changed over time.</i>	
Revenue Capacity	81
<i>These schedules contain information to help the reader assess the Village of Palm Springs’ most significant local revenue sources, the property tax and water and sewer revenue.</i>	
Debt Capacity	87
<i>These schedules present information to help the reader assess the affordability of the Village of Palm Springs’ current levels of outstanding debt and the Village of Palm Springs’ ability to issue additional debt in the future.</i>	
Demographic and Economic Information	91
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village of Palm Springs’ financial activities take place.</i>	
Operating Information	93
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village of Palm Springs’ financial report relates to the services the Village of Palm Springs provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

VILLAGE OF PALM SPRINGS, FLORIDA

Net Assets by Component

Last Five Fiscal Years

Accrual Basis of Accounting

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 4,441,217	\$ 6,584,386	\$ 6,818,977
Restricted	2,764,453	-	-
Unrestricted	3,212,820	4,100,592	4,159,815
Total governmental activities net assets	\$ 10,418,490	\$ 10,684,978	\$ 10,978,792
Business-type activities			
Invested in capital assets, net of related debt	\$ 16,776,279	\$ 19,234,374	\$ 19,027,484
Restricted	4,363,132	2,336,464	2,307,654
Unrestricted	5,960,324	6,992,800	9,210,863
Total business-type activities net assets	\$ 27,099,735	\$ 28,563,638	\$ 30,546,001
Primary government			
Invested in capital assets, net of related debt	\$ 21,217,496	\$ 25,818,760	\$ 25,846,461
Restricted	7,127,585	2,336,464	2,307,654
Unrestricted	9,173,144	11,093,392	13,370,678
Total primary government net assets	\$ 37,518,225	\$ 39,248,616	\$ 41,524,793

Fiscal Year	
2006	2007
\$ 7,199,449	\$ 7,472,382
-	-
5,150,443	5,391,895
\$ 12,349,892	\$ 12,864,277

\$ 27,627,368	\$ 28,748,028
118,999	1,357,698
5,253,146	4,015,758
\$ 32,999,513	\$ 34,121,484

\$ 34,826,817	\$ 36,220,410
118,999	1,357,698
10,403,589	9,407,653
\$ 45,349,405	\$ 46,985,761

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Net Assets

Last Five Fiscal Years

Accrual Basis of Accounting

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$ 1,758,726	\$ 1,246,098	\$ 1,460,229
Public safety	3,655,456	4,306,625	5,047,665
Physical environment	440,529	809,087	770,321
Transportation	720,492	938,374	1,018,045
Culture/recreation	469,983	1,331,518	1,387,063
Interest on long-term debt	482,553	426,357	389,788
Total governmental activities expenses	7,527,739	9,058,059	10,073,111
Business-type activities:			
Water/Sewer Utility	7,404,500	8,006,446	\$ 7,751,695
Total business-type activities expenses	7,404,500	8,006,446	7,751,695
Total primary government expenses	\$ 14,932,239	\$ 17,064,505	\$ 17,824,806
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 221,343	\$ 318,035	\$ 321,004
Public safety	785,366	838,765	675,994
Physical environment	350,120	398,628	414,375
Culture/recreation	236,772	357,950	335,149
Operating grants and contributions:			
General government	25,468	-	331,564
Public safety	82,189	76,566	120,352
Transportation	-	-	7,955
Culture/recreation	74,439	29,745	33,741
Capital grants and contributions:			
General government	10,000	-	-
Public safety	-	44,204	57,553
Transportation	-	-	74,294
Culture/recreation	581,141	176,238	-
Total governmental activities program revenues	2,366,838	2,240,131	2,371,981
Business-type activities:			
Charges for services:			
Water/Sewer	8,618,975	9,637,956	10,172,417
Capital grants and contributions	1,125,555	715,077	401,985
Total business-type activities program revenues	9,744,530	10,353,033	10,574,402
Total primary government program revenues	\$ 12,111,368	\$ 12,593,164	\$ 12,946,383
Net (expense)/revenue			
Governmental activities	\$ (5,160,901)	\$ (6,817,928)	\$ (7,701,130)
Business-type activities	2,340,030	2,346,587	2,822,707
Total primary government net expense	\$ (2,820,871)	\$ (4,471,341)	\$ (4,878,423)

Fiscal Year	
2006	2007
\$ 1,489,124	\$ 1,652,285
6,013,883	7,436,765
1,045,789	840,332
941,378	1,023,051
1,573,129	1,742,484
382,721	376,367
11,446,024	13,071,284
\$ 8,498,243	10,195,468
8,498,243	10,195,468
\$ 19,944,267	\$ 23,266,752
\$ 412,527	\$ 428,057
994,345	1,163,450
532,932	582,711
393,817	356,453
718,297	55,383
242,497	213,395
8,432	11,742
28,315	24,271
194,167	36,536
10,000	6,694
-	-
136,549	163,451
3,671,878	3,042,143
11,195,361	11,302,346
575,661	934,530
11,771,022	12,236,876
\$ 15,442,900	\$ 15,279,019
\$ (7,774,146)	\$ (10,029,141)
3,272,779	2,041,408
\$ (4,501,367)	\$ (7,987,733)

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Net Assets (Continued)

Last Five Fiscal Years

Accrual Basis of Accounting

	Fiscal Year		
	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes:			
Property taxes	\$ 2,138,258	\$ 2,317,271	\$ 2,616,249
Utility service taxes	1,241,306	1,285,916	1,492,779
Franchise fees	526,320	552,295	562,586
Sales and use taxes	1,197,671	1,290,027	1,346,148
Intergovernmental, unrestricted	363,681	421,513	505,715
Investment earnings	133,061	70,684	126,658
Miscellaneous	86,129	31,340	144,544
Transfers	990,172	1,115,370	1,200,265
Total governmental activities	<u>6,676,598</u>	<u>7,084,416</u>	<u>7,994,944</u>
Business-type activities			
Investment earnings	238,020	219,955	330,172
Miscellaneous	19,657	12,731	29,749
Transfers	(990,172)	(1,115,370)	(1,200,265)
Total business-type activities	<u>(732,495)</u>	<u>(882,684)</u>	<u>(840,344)</u>
Total primary government	<u>\$ 5,944,103</u>	<u>\$ 6,201,732</u>	<u>\$ 7,154,600</u>
Changes in Net Assets			
Governmental activities	\$ 1,515,697	\$ 266,488	\$ 293,814
Business-type activities	<u>1,607,535</u>	<u>1,463,903</u>	<u>1,982,363</u>
Total primary government	<u>\$ 3,123,232</u>	<u>\$ 1,730,391</u>	<u>\$ 2,276,177</u>

Fiscal Year	
2006	2007
\$ 3,125,706	\$ 4,262,490
1,661,837	1,720,394
810,272	888,873
1,453,700	1,412,439
521,390	508,398
239,422	326,789
62,633	112,024
1,270,286	1,312,119
9,145,246	10,543,526
441,016	388,337
10,003	4,345
(1,270,286)	(1,312,119)
(819,267)	(919,437)
\$ 8,325,979	\$ 9,624,089
\$ 1,371,100	\$ 514,385
2,453,512	1,121,971
\$ 3,824,612	\$ 1,636,356

VILLAGE OF PALM SPRINGS, FLORIDA

Governmental Activities Tax Revenues by Source

Last Five Fiscal Years

Accrual Basis of Accounting

Fiscal Year	Property Tax	Utility Service Tax	Franchise Fees	Sales and Use Tax	Total
2003	\$ 2,138,258	\$ 1,241,306	\$ 526,320	\$ 1,197,671	\$ 5,103,555
2004	2,317,271	1,285,916	552,295	1,290,027	5,445,509
2005	2,616,249	1,492,779	562,586	1,346,148	6,017,762
2006	3,125,706	1,661,837	810,272	1,453,700	7,051,515
2007	4,262,490	1,720,394	888,873	1,412,439	8,284,196

VILLAGE OF PALM SPRINGS, FLORIDA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General fund				
Reserved	\$ 15,479	\$ 16,319	\$ 17,776	\$ 10,604
Unreserved	<u>1,346,286</u>	<u>1,596,734</u>	<u>2,099,882</u>	<u>2,785,703</u>
Total General Fund	<u>\$ 1,361,765</u>	<u>\$ 1,613,053</u>	<u>\$ 2,117,658</u>	<u>\$ 2,796,307</u>
All other governmental funds				
Reserved	\$ 14,128	\$ 14,499	\$ 14,050	\$ 12,614
Unreserved, reported in:				
Special revenue funds	<u>168,563</u>	<u>151,037</u>	<u>115,518</u>	<u>17,786</u>
Total all other governmental funds	<u>\$ 182,691</u>	<u>\$ 165,536</u>	<u>\$ 129,568</u>	<u>\$ 30,400</u>

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 6,259	\$ 9,703	\$ 11,692	\$ 22,622	\$ 16,822	\$ 25,330
<u>3,457,660</u>	<u>3,798,650</u>	<u>4,072,476</u>	<u>4,127,817</u>	<u>5,317,561</u>	<u>5,929,454</u>
<u><u>\$ 3,463,919</u></u>	<u><u>\$ 3,808,353</u></u>	<u><u>\$ 4,084,168</u></u>	<u><u>\$ 4,150,439</u></u>	<u><u>\$ 5,334,383</u></u>	<u><u>\$ 5,954,784</u></u>
\$ 6,167,601	\$ 2,369,958	\$ 249,050	\$ 201,098	\$ 42,717	\$ 54,175
<u>19,092</u>	<u>50,076</u>	<u>70,382</u>	<u>73,249</u>	<u>71,905</u>	<u>64,906</u>
<u><u>\$ 6,186,693</u></u>	<u><u>\$ 2,420,034</u></u>	<u><u>\$ 319,432</u></u>	<u><u>\$ 274,347</u></u>	<u><u>\$ 114,622</u></u>	<u><u>\$ 119,081</u></u>

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year			
	1998	1999	2000	2001
Revenues				
Taxes	\$ 2,196,096	\$ 2,266,955	\$ 2,538,952	\$ 2,817,347
Licenses and permits	176,861	231,549	218,904	175,713
Intergovernmental	1,308,837	1,356,469	1,534,183	1,493,623
Confiscated property	-	-	-	-
Grants	-	-	-	-
Charges for services	521,063	569,928	616,163	643,125
Fines and forfeitures	145,240	165,491	149,962	162,697
Contributions	37,603	34,261	43,703	33,596
Investment earnings	153,873	106,772	148,555	144,638
Miscellaneous	151,815	185,394	136,263	188,154
Total revenues	4,691,388	4,916,819	5,386,685	5,658,893
Expenditures				
General government	804,182	800,880	794,282	819,386
Public safety	2,418,895	2,470,929	2,555,442	2,871,557
Physical environment	302,388	323,778	321,411	327,565
Transportation	527,672	514,062	487,655	552,555
Culture/Recreation	1,001,217	1,070,289	1,095,784	1,018,519
Capital Outlay	420,605	178,681	563,481	507,050
Debt service				
Principal	43,428	45,816	48,336	50,995
Interest and other fiscal charges	25,669	23,200	20,887	17,898
Total expenditures	5,544,056	5,427,635	5,887,278	6,165,525
Excess of revenues over (under) expenditures	(852,668)	(510,816)	(500,593)	(506,632)
Other financing sources (uses)				
Insurance recoveries	-	-	-	-
Transfers in	659,057	744,949	1,058,584	1,169,944
Transfers out	-	-	(89,353)	(216,292)
Bonds issued	-	-	-	-
Proceeds of refunding note	-	-	-	-
Redemption of bonds	-	-	-	-
Total other financing sources (uses)	659,057	744,949	969,231	953,652
Net change in fund balances	<u>\$ (193,611)</u>	<u>\$ 234,133</u>	<u>\$ 468,638</u>	<u>\$ 447,020</u>
Debt service as a percentage of non-capital expenditures	1.37%	1.33%	1.47%	1.23%

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 3,272,134	\$ 3,905,884	\$ 4,155,482	\$ 4,671,614	\$ 5,597,815	\$ 6,871,757
258,364	620,841	711,795	446,473	749,514	807,031
1,566,010	1,749,953	1,955,300	2,426,341	3,134,436	2,439,028
-	15,515	29,578	13,167	25,924	101,432
-	591,141	154,859	-	-	-
653,923	723,730	845,962	1,025,234	1,166,898	1,290,774
179,059	170,629	140,670	162,527	182,734	173,730
24,635	49,311	33,434	18,311	64,268	17,547
164,983	133,061	70,684	126,658	239,422	326,789
51,488	93,200	111,413	202,041	191,660	245,462
6,170,596	8,053,265	8,209,177	9,092,366	11,352,671	12,273,550
906,582	988,770	1,050,402	1,247,293	1,283,700	1,383,491
3,117,272	3,552,982	4,005,927	4,845,761	5,748,952	6,918,839
385,569	406,397	752,528	723,124	996,777	782,933
584,258	699,430	912,573	1,007,187	917,523	994,880
923,166	1,029,230	1,193,457	1,238,815	1,408,466	1,507,621
2,161,371	5,045,584	2,707,162	681,664	911,849	849,262
53,800	371,461	130,000	135,000	140,000	145,000
15,022	409,092	397,285	392,601	385,638	378,783
8,147,040	12,502,946	11,149,334	10,271,445	11,792,905	12,960,809
(1,976,444)	(4,449,681)	(2,940,157)	(1,179,079)	(440,234)	(687,259)
-	-	-	-	194,167	-
970,424	1,183,220	1,115,370	1,200,265	1,270,286	1,312,572
-	(193,048)	-	-	-	(453)
7,829,925	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,800,349	990,172	1,115,370	1,200,265	1,464,453	1,312,119
\$ 6,823,905	\$(3,459,509)	\$(1,824,787)	\$ 21,186	\$ 1,024,219	\$ 624,860
1.16%	11.69%	6.66%	5.82%	5.08%	4.52%

VILLAGE OF PALM SPRINGS, FLORIDA

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

Fiscal Year	Property Tax	Utility Service Tax	Franchise Fees	Sales Tax	Total
1998	\$ 972,713	\$ 760,390	\$ 462,993	\$ 646,918	\$ 2,843,014
1999	1,012,090	802,028	452,837	686,254	2,953,209
2000	1,132,703	931,995	474,254	760,263	3,299,215
2001	1,272,374	952,623	592,350	784,982	3,602,329
2002	1,489,071	1,262,933	520,130	878,129	4,150,263
2003	2,138,258	1,241,306	526,320	900,323	4,806,207
2004	2,317,271	1,285,916	552,295	979,566	5,135,048
2005	2,616,249	1,492,779	562,586	1,038,093	5,709,707
2006	3,125,706	1,661,837	810,272	1,102,442	6,700,257
2007	4,262,490	1,720,394	888,873	1,065,592	7,937,349

VILLAGE OF PALM SPRINGS, FLORIDA

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ending September 30,	Assessed Values		Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate	Estimated Actual Taxable Value ⁽¹⁾
	Real Property	Personal Property			
1998	\$ 166,359,756	\$ 11,316,560	\$ 177,676,316	22.3626	\$ 187,027,701
1999	176,287,521	10,663,403	186,950,924	19.4061	196,790,446
2000	198,824,997	11,344,980	210,169,977	21.7054	221,231,555
2001	225,302,844	13,552,211	238,855,055	21.5792	251,426,374
2002	275,502,947	18,007,541	293,510,488	21.5947	308,958,408
2003	304,931,917	19,476,608	324,408,525	22.8620	341,482,658
2004	357,940,185	21,247,358	379,187,543	22.2405	399,144,782
2005	427,173,602	26,059,291	453,232,893	21.6977	477,087,256
2006	531,883,879	31,084,717	562,968,596	21.0700	592,598,522
2007	771,880,309	37,843,752	809,724,061	20.7666	852,341,117

⁽¹⁾ The basis of assessed taxable value is approximately one hundred percent (100%) of actual taxable value.

For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

Source: Palm Beach County Property Appraiser's Office.

VILLAGE OF PALM SPRINGS, FLORIDA

*Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years*

Fiscal Year Ending September 30,	General Fund	Debt Service	Total Village of Palm Springs	School District	Palm Beach County	Special Taxing Districts	Total All
1998	5.2632	0.4064	5.6696	9.5570	4.8666	2.2694	22.3626
1999	5.2632	0.3684	5.6316	6.6820	4.8582	2.2343	19.4061
2000	5.2632	0.3262	5.5894	8.9180	4.9360	2.2620	21.7054
2001	5.1593	0.3026	5.4619	8.9179	4.9363	2.2631	21.5792
2002	4.9999	0.2458	5.2457	8.9480	4.9351	2.4659	21.5947
2003	4.8740	1.9311	6.8051	8.7790	4.8084	2.4695	22.8620
2004	4.8740	1.4468	6.3208	8.5712	4.7928	2.5557	22.2405
2005	4.7714	1.2009	5.9723	8.4320	4.7677	2.5257	21.6977
2006	4.7714	0.9692	5.7406	8.1060	4.7192	2.5042	21.0700
2007	4.7714	0.6657	5.4371	8.1060	4.7193	2.5042	20.7666

Tax rate limits	- Ten mills per Florida Statute 200.81 (one mill equals \$1 per \$1,000 of assessed valuation).
Scope of tax rate limit	- No municipality shall levy ad valorem taxes for real and tangible personal property in excess of ten mills of the assessed value, except for special benefits and debt service on obligations issued with the approval of those taxpayers subject to ad valorem taxes.
Taxes assessed	- January 1
Taxes due	- March 31
Taxes delinquent	- April 1
Discount allowed	- 4% November; 3% December, 2% January; 1% February
Penalties for delinquent	- 2.5% after April 1, increase .5% each ten days; maximum 5%
Tax collector	- Palm Beach County
Tax collector's commission	- None

VILLAGE OF PALM SPRINGS, FLORIDA

Principal Property Taxpayers

Current Year and Nine Years Ago

	2007			
	Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
Phillips Lake Worth	\$ 16,000,000	\$ 76,342	1	1.98%
IRT Property Co.	14,230,874	67,901	2	1.76%
Palm Springs Townhomes LLC	13,372,086	63,804	3	1.65%
CSC Village Club Apts LTD	12,826,235	61,199	4	1.58%
Palm Springs Development LLC	12,617,000	60,201	5	1.56%
Portofino Associates Ltd	11,190,000	53,392	6	1.38%
Four FLA Shopping Center Prop Ltd	9,500,000	45,328	7	1.17%
Advenir at Pines LLC	9,007,522	42,978	8	1.11%
Woodhaven LTD Partnership	7,301,891	34,840	9	0.90%
Cornerstone Palm Springs LLC	5,709,327	27,241	10	0.71%
EQR - Village Green Vistas, Inc.	-	-	-	-
Boville Assoc. Ltd.	-	-	-	-
Palm Springs Associates	-	-	-	-
Forest Hill Blvd Associates Ltd.	-	-	-	-
Manors Apartments Ltd.	-	-	-	-
Walgreen Co.	-	-	-	-
DIB Investments, Inc.	-	-	-	-
RHG Properties, Inc.	-	-	-	-
Totals	<u>\$111,754,935</u>	<u>\$ 533,226</u>		<u>13.80%</u>

1998			
Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
\$ -	\$ -	-	-
11,500,000	66,242	1	6.79%
-	-	-	-
7,600,000	43,778	2	4.49%
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,289,000	30,466	3	3.12%
4,971,891	28,640	4	2.93%
3,880,700	22,355	5	2.29%
3,157,759	18,191	6	1.86%
2,466,839	14,210	7	1.45%
2,437,624	14,043	8	1.44%
1,850,480	10,656	9	1.09%
1,349,500	7,776	10	0.79%
<u>\$ 44,503,793</u>	<u>\$ 256,357</u>		<u>26.25%</u>

VILLAGE OF PALM SPRINGS, FLORIDA

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ending September 30,	Net Tax Levy ⁽¹⁾	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Property Tax Collections	Collections as a Percent of Current Levy
1998	\$ 942,114	\$ 902,975	95.85%	\$ 615	\$ 903,590	95.91%
1999	986,517	941,800	95.47%	1,234	943,034	95.59%
2000	1,113,261	1,060,942	95.30%	2,776	1,063,718	95.55%
2001	1,236,451	1,189,979	96.24%	13,483	1,203,462	97.33%
2002	1,458,570	1,416,420	97.11%	3,817	1,420,237	97.37%
2003	1,581,167	1,538,115	97.28%	4,928	1,543,043	97.59%
2004	1,848,160	1,786,544	96.67%	3,102	1,789,646	96.83%
2005	2,162,555	2,085,476	96.44%	3,153	2,088,629	96.58%
2006	2,696,045	2,593,077	96.18%	6,894	2,599,971	96.44%
2007	3,863,517	3,736,576	96.71%	8,119	3,744,695	96.92%

Note: All property taxes are assessed and collected by Palm Beach County without charge to the Village. Collections are distributed in full as collected.

⁽¹⁾ Tax levy, net of allowance for discounts.

VILLAGE OF PALM SPRINGS, FLORIDA

Water and Sewer Revenue Base

Last Ten Fiscal Years

Fiscal Year Ending September 30,	Water		Number of Water Customer Accounts	Wastewater		Number of Wastewater Customer Accounts
	Gallons Consumed ⁽¹⁾	Base Rate ⁽²⁾		Gallons Treated ⁽¹⁾	Base Rate ⁽³⁾	
1998	1,246,128	\$ 10.18	N/A	N/A	\$ 14.66	N/A
1999	1,194,538	10.48	N/A	N/A	14.72	N/A
2000	1,262,578	10.60	11,486	N/A	15.25	8,106
2001	1,378,785	10.64	11,672	N/A	15.74	9,018
2002	1,402,811	10.98	11,931	1,089,058	16.41	9,018
2003	1,441,724	10.98	11,531	888,876	16.41	9,151
2004	1,487,806	12.23	11,634	821,183	18.21	9,405
2005	1,591,546	13.79	11,924	825,679	19.82	9,593
2006	1,598,240	14.63	11,450	730,531	21.78	9,381
2007	1,525,899	15.08	11,537	794,865	23.61	9,417

⁽¹⁾ Gallons are in thousands.

⁽²⁾ The base water rate is for a residential customer located inside the Village incorporated area consuming 4,000 gallons a month.

⁽³⁾ The base wastewater rate is for a residential customer located inside the Village incorporated area using 4,000 gallons a month.

N/A - Not available.

Source: Village of Palm Springs Utility Department..

VILLAGE OF PALM SPRINGS, FLORIDA

Ratios of Outstanding Debt by Type

Last Five Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Total ⁽¹⁾ Primary Government	Population ⁽²⁾	Per Capita
	General Obligation Bonds	Water & Sewer Revenue Bonds	Notes Payable	Obligation Under Agreement			
2003	\$ 7,765,000	\$16,794,468	\$6,390,232	\$1,733,326	\$32,683,026	12,944	\$2,445.79
2004	7,635,000	16,854,899	5,796,318	1,223,927	31,510,144	13,363	2,358.01
2005	7,500,000	16,261,239	5,177,435	684,209	29,622,883	13,853	2,216.78
2006	7,360,000	15,740,566	4,533,236	159,204	27,793,006	13,890	2,000.94
2007	7,215,000	13,874,827	3,862,457	-	24,952,284	14,363	1,737.26

Note: Details about the Village's outstanding debt can be found in the notes to the financial statements. The debt for the business-type activities represents debt for our water treatment plants and wastewater collection and transmission system. These facilities serve our residents as well as non-residents on our water and sewer utility system.

⁽¹⁾ The Village does not have a legal debt margin.

⁽²⁾ Personal income information is not available for the population of the Village.

Information prior to fiscal year 2003 is not available.

VILLAGE OF PALM SPRINGS, FLORIDA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Assessed Value of Taxable Property	Percentage of Assessed Value of Taxable Property	Population	Per Capita
1998	\$ 445,408	\$ 12,793	\$ 432,615	\$ 177,676,316	0.24%	10,146	\$ 42.64
1999	399,592	12,833	386,759	186,950,924	0.21%	10,146	38.12
2000	351,256	12,595	338,661	210,169,977	0.16%	10,220	33.14
2001	300,261	12,614	287,647	238,855,055	0.12%	12,351	23.29
2002	8,136,461	12,627	8,123,834	293,510,488	2.77%	12,351	657.75
2003	7,765,000	20,337	7,744,663	324,408,525	2.39%	12,944	598.32
2004	7,635,000	20,677	7,614,323	379,187,543	2.01%	13,363	569.81
2005	7,500,000	20,696	7,479,304	453,232,893	1.65%	13,853	539.91
2006	7,360,000	20,793	7,339,207	562,968,596	1.30%	13,890	528.38
2007	7,215,000	15,275	7,199,725	809,724,061	0.89%	14,363	501.27

Note: The basis of assessed value is approximately one hundred percent (100%) of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

VILLAGE OF PALM SPRINGS, FLORIDA

*Direct and Overlapping Governmental Activities Debt
September 30, 2007*

	Total Outstanding	Percentage Applicable to Village of Palm Springs⁽¹⁾	Amount Applicable to Village of Palm Springs
Direct:			
Village of Palm Springs	\$ 7,215,000	100.00%	\$ 7,215,000
Overlapping:			
Palm Beach County	313,515,000	0.57%	1,787,036
Palm Beach County School District	66,345,000	0.57%	378,167
Total overlapping debt	379,860,000		2,165,203
Total direct and overlapping debt payable from ad valorem taxes			\$ 9,380,203
Estimated population			14,363
Total direct and overlapping debt per capita			\$ 653.08

⁽¹⁾ Estimates based on 2000 ratio of assessed taxable values.

Note: The Village of Palm Springs has no legal debt margin.

Source: Finance Department, Village of Palm Springs, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

VILLAGE OF PALM SPRINGS, FLORIDA

Water and Sewer Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Gross Revenue*	Operating Expenses**	Revenue Available for Debt Coverage	Current Debt Service	Current Coverage
1998	\$ 8,731,807	\$ 3,721,686	\$ 5,010,121	\$1,828,105	2.74
1999	7,947,103	3,801,185	4,145,918	1,826,773	2.27
2000	8,086,875	3,908,250	4,178,625	1,831,678	2.28
2001	9,210,914	4,124,621	5,086,293	1,827,741	2.78
2002	9,294,750	4,350,714	4,944,036	1,728,272	2.86
2003	10,002,207	4,470,650	5,531,557	2,071,785	2.67
2004	10,585,719	4,738,093	5,847,626	2,267,047	2.58
2005	10,934,323	5,141,817	5,847,626	2,273,972	2.57
2006	10,934,323	5,141,817	5,792,506	2,269,972	2.55
2007	12,629,558	6,820,199	5,809,359	2,246,972	2.59

* Includes interest income and capital contributions.

** Excludes depreciation and amortization expense.

VILLAGE OF PALM SPRINGS, FLORIDA

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Personal Income	Per Capita Personal Income⁽²⁾	Median Age⁽²⁾	Education Level in Years of Formal Schooling	School Enrollment⁽²⁾	Unemployment Rate⁽²⁾
1998	10,146	N/A	\$ 36,057	N/A	N/A	N/A	5.8%
1999	10,146	N/A	36,057	N/A	N/A	N/A	5.7%
2000	10,220	N/A	40,044	N/A	N/A	N/A	4.7%
2001	12,351	N/A	41,907	N/A	N/A	N/A	6.0%
2002	12,351	N/A	42,430	N/A	N/A	N/A	6.4%
2003	12,944	N/A	43,626	41.8	N/A	161,600	5.8%
2004	13,363	N/A	43,830	41.8	N/A	170,949	5.8%
2005	13,363	N/A	44,050	41.8	N/A	172,532	4.6%
2006	13,890	N/A	44,518	41.7	N/A	170,582	5.1%
2007	14,363	N/A	46,630	38.1	N/A	168,546	5.3%

Data Sources:

- ⁽¹⁾ The population for 1998 through 2000 and 2003 through 2007 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2001 and 2002 was obtained from the 2000 U.S. Census Bureau count.
- ⁽²⁾ Source: Business Development Board of Palm Beach County. Data is for Palm Beach County, Florida. Information is not available for the Village.

N/A - Not Available

VILLAGE OF PALM SPRINGS, FLORIDA

Principal Employers

Current Year and Nine Years Ago

	2007 ⁽¹⁾			1998		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Employment</u>
Employer						
Palm Beach County School District	21,616	1	N/A	N/A	N/A	N/A
Palm Beach County	6,594	2	N/A	N/A	N/A	N/A
Columbia PB Healthcare System, Inc.	5,200	3	N/A	N/A	N/A	N/A
Tenet Healthcare Corp.	4,794	4	N/A	N/A	N/A	N/A
Florida Power & Light (Headquarters)	2,850	5	N/A	N/A	N/A	N/A
Florida Atlantic University	2,825	6	N/A	N/A	N/A	N/A
Boca Raton Resort & Club	2,200	7	N/A	N/A	N/A	N/A
U. S. Sugar Corp	2,100	8	N/A	N/A	N/A	N/A
Florida Crystals	2,000	9	N/A	N/A	N/A	N/A
The Breakers	1,800	10	N/A	N/A	N/A	N/A
Totals	<u>51,979</u>		<u>N/A</u>	<u>N/A</u>		<u>N/A</u>

⁽¹⁾ Source: Business Development Board of Palm Beach County. Data is for Palm Beach County, Florida. Employment information for the Village is not available.

N/A – Data for 1998 is not available.

VILLAGE OF PALM SPRINGS, FLORIDA

Full-time Equivalent Village Government Employees by Function

Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	11.5	11.5	11.5	11.5	11.5	11.5	12.5	13.5	13.5	15
Public Safety										
Building official	1	1	1	1	1	1	1	1	1	1
Land development	3	3	3	3.5	3.5	4.5	6.5	8	6.5	6.5
Police officers	28	28	32	32	32	33	34	38	38	38.5
Firefighters	3	4	4	4	4	4	4	8	9	12
Civilian police/fire	12.5	12	8	9	15	16.5	16.5	18	16.5	15
Sanitation	6	6	6	6	7	7	10	11	9	11
Transportation	13	13	13	15	15	17	18	19	12	9
Culture/Recreation										
Library	7.5	8.5	8.5	9	9	8.5	9	9	9	9.5
Leisure services	9	9	9	10	7.5	11	10.5	11.5	11.5	11.5
Water & Sewer Utility	<u>32</u>	<u>32.5</u>	<u>33.5</u>	<u>41</u>	<u>41</u>	<u>41</u>	<u>45</u>	<u>46</u>	<u>48</u>	<u>53</u>
Total	126.5	128.5	129.5	142	146.5	155	167	183	174	182

VILLAGE OF PALM SPRINGS, FLORIDA

Operating Indicators by Function

Last Seven Fiscal Years

Function	Fiscal Year		
	2001	2002	2003
Public Safety			
Police			
Physical arrests	786	679	906
Parking violations	N/A	N/A	375
Traffic violations	9,383	11,280	9,257
Fire			
Number of calls	1,017	1,300	1,475
Sanitation			
Refuse collected (tons)	3,887	4,239	4,491
Recyclables collected (tons)	656	626	602
Roads and Streets			
Street resurfacing (miles)	N/A	N/A	N/A
Pot holes repaired	162	173	194
Culture/recreation			
Library			
Circulation	59,277	62,219	62,317
Active cardholders	N/A	N/A	N/A
Reference questions	N/A	N/A	N/A
Programs offered	364	291	403
Program attendance	5,436	2,992	3,096
Leisure Services			
Baseball participants	N/A	N/A	N/A
Soccer participants	N/A	N/A	N/A
Flag football participants	N/A	N/A	N/A
Cheerleading participants	N/A	N/A	N/A
Basketball participants	N/A	N/A	N/A
Youth athletic participants	975	950	900
Camp program participants	425	425	450
Class participants	75	75	150
Water/Sewer Utility			
Water accounts	11,672	11,931	11,531
Water customers	N/A	N/A	N/A
Water main breaks	3	2	2
Sewer accounts	9,018	9,018	9,151
Sewer customers	N/A	N/A	N/A
Avg daily water consumption (thousand of gallons)	4,071	4,175	4,335

Sources: Village departments

N/A: Not available.

Fiscal Year			
2004	2005	2006	2007
896	1,049	1,166	1,316
349	534	682	540
7,077	6,488	10,284	12,008
1,966	2,193	2,237	2,639
6,589	6,900	5,805	9,030
715	360	446	452
2	2	5.82	4
205	225	520	752
63,305	69,572	82,286	75,545
N/A	N/A	3,738	3,989
N/A	N/A	8,958	10,820
279	356	334	339
3,052	4,030	3,522	4,313
N/A	N/A	286	279
N/A	N/A	222	221
N/A	N/A	273	294
N/A	N/A	24	49
80	120	0	100
950	930	805	943
325	335	545	375
600	675	796	716
11,634	11,924	11,450	11,537
N/A	N/A	19,732	19,825
5	2	2	12
9,405	9,593	9,381	9,417
N/A	N/A	17,172	17,180
4,076	4,360	4,379	4,182

VILLAGE OF PALM SPRINGS, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year				
	1998	1999	2000	2001	2002
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol Units	24	26	26	26	30
Fire					
Fire Stations	1	1	1	1	1
Fire trucks	3	3	3	3	3
ALS Rescue Vehicles	4	3	3	3	3
Sanitation					
Garbage Trucks	3	3	3	3	3
Trash Trucks	2	2	2	2	2
Roads and Streets					
Street lights	6	6	6	6	6
Lane miles	31.00	33.00	42.90	46.90	58.10
Culture/recreation					
Library					
Books	38,851	37,868	32,440	34,924	34,614
Leisure Services					
Ballfields - lighted	4	4	4	4	4
Basketball courts	2	2	2	2	2
Soccer fields	3	3	3	3	3
Tennis courts	4	4	4	4	0
Mini-golf course	0	0	0	0	0
Parks	1	1	1	1	1
Water/Sewer Utility					
Water mains (miles)	N/A	N/A	N/A	N/A	N/A
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	N/A
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A
Fire hydrants	N/A	N/A	N/A	N/A	N/A
Maximum daily water treatment capacity (thousands of gallons)	8,000	8,000	8,000	8,000	8,000

Sources: Village departments

N/A: Not available.

Fiscal Year				
2003	2004	2005	2006	2007
1	1	1	1	1
30	32	29	23	26
1	1	1	1	1
4	3	3	3	3
4	4	5	3	3
3	3	3	3	3
2	3	3	3	3
13	13	29	29	29
58.10	58.99	60.00	70.00	71.86
41,795	42,324	46,311	48,969	46,500
4	4	4	4	4
2	2	2	2	2
3	3	3	3	3
2	4	4	4	4
0	0	1	1	1
2	2	2	3	3
N/A	126.00	124.00	124.00	124.70
N/A	83	89	89	89
N/A	3.75	4.00	4.00	3.96
N/A	863	863	863	872
8,000	10,000	10,000	10,000	10,000

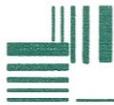
VILLAGE OF PALM SPRINGS, FLORIDA

Schedule of Insurance in Force

September 30, 2007

Company	Policy Number	Type of Coverage	Property Covered	Amount of Coverage
The Travelers	Haz #103019447	Fiduciary liability	Pension trustees	\$500,000
The Travelers	Gen #103019435	Fiduciary liability	Pension trustees	\$1,000,000
Travelers Casualty & Surety Company	206024582	Public official bond	Village CFO	\$25,000
Travelers Casualty & Surety Company	206705220	Public official bond	Village Manager	\$25,000
Preferred Government Insurance Trust	0502504-05-04	Property inland marine	Village property	\$14,642,979
Preferred Government Insurance Trust	0502504-05-04	General liability	Village property	\$1,000,000 \$2,000,000
Preferred Government Insurance Trust	0502504-05-04	Automobile liability/ physical damage	Any auto Owned vehicles	\$1,000,000 actual cash value
Preferred Government Insurance Trust	0502504-05-04	Crime	Employees	\$100,000
Preferred Government Insurance Trust	0502504-05-04	Professional liability	Public officials law enforcement	\$1,000,000
AIG Life Insurance	SRG0008047915	Accidental Death and Dismemberment	Village employees	\$54,000 \$162,000
Preferred Government Insurance Trust	1000000130102	Workers Compensation	Village employees	\$50,000 \$150,000
Illinois Union Insurance Company	PPL G22084392	Pollution liability	Village property	\$1,000,000 per claim

COMPLIANCE SECTION



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Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Mayor and
Village Council
Village of Palm Springs, Florida

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the Village of Palm Springs, Florida, and have issued our report thereon dated January 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting of the Village of Palm Springs, Florida, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting of the Village of Palm Springs, Florida. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting of the Village of Palm Springs, Florida.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

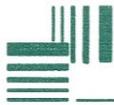
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Village of Palm Springs, Florida, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Village Council and management of the Village of Palm Springs, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Calder, Dauter, Levine,
Dunker, Porter & Veil, P.A.*

January 18, 2008



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Management Letter

The Honorable Mayor and
Village Council
Village of Palm Springs, Florida

We have audited the financial statements of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated January 18, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated January 18, 2008, should be considered in assessing the results of our audit. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in the management letter.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

The Rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, unless clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures; (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit for the year ended September 30, 2007 disclosed no such matters that are required to be disclosed. The Rules of the Auditor General also require that we address in the management letter any other findings or recommendations noted during our audit. Our audit as of and for the year ended September 30, 2007 disclosed no other findings or recommendations.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. Additionally, the Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not recommendations made in the preceding management letter have been followed or otherwise no longer apply. There were no prior year management letter comments.

OTHER MATTERS

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Village of Palm Springs, Florida, did not meet any of the criteria for a financial emergency during the fiscal year ended September 30, 2007 as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment Procedures

In connection with our audit of the Village of Palm Springs, Florida, we applied financial condition assessment procedures, pursuant to Rule 10.556(8), Rules of the Auditor General, for the year ended September 30, 2007. The results of our procedures disclosed no matters that are required to be reported.

Annual Financial Report

In connection with our audit, we reviewed the Annual Financial Report of Units of Local Government filed by the Village of Palm Springs, Florida, with the Florida Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, for the year ended September 30, 2007. We noted that the amounts reported in the Annual Financial Report were in substantial agreement with the audited financial statements for the year ended September 30, 2007.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village of Palm Springs, Florida, complied with Section 218.415, Florida Statutes.

This report is intended solely for the information and use of the Village Council and management of the Village of Palm Springs, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Calder, Dauter, Levine,
Dunker, Porter & Veil, P.A.*

January 18, 2008