

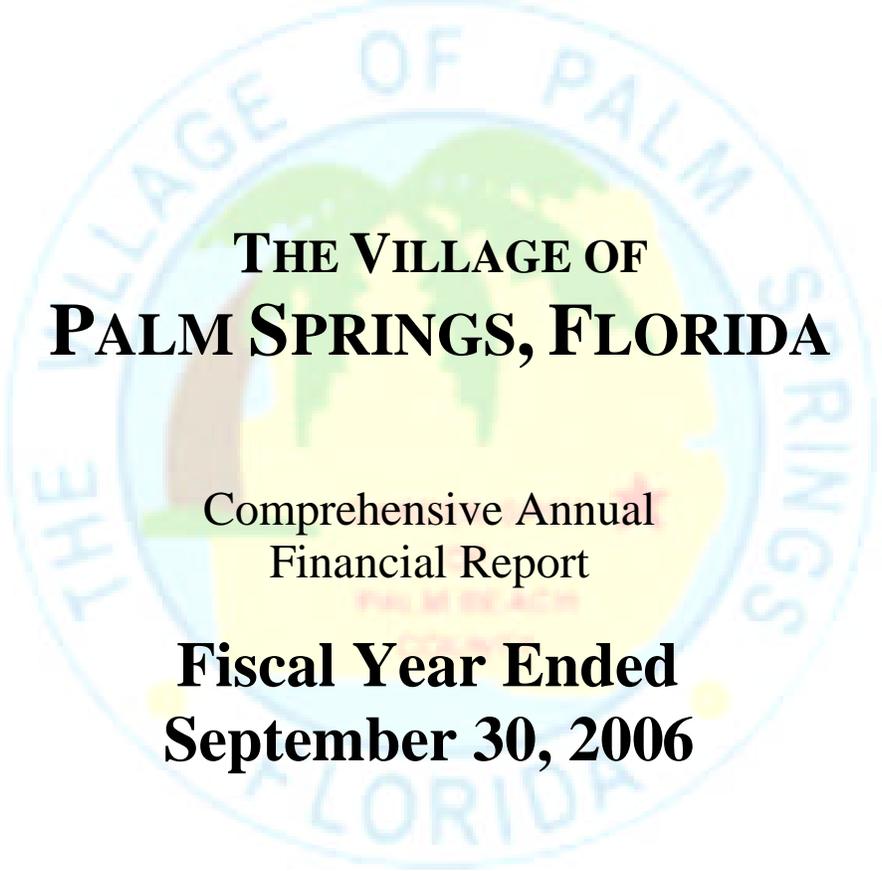


# **THE VILLAGE OF PALM SPRINGS, FLORIDA**



## **Comprehensive Annual Financial Report**

**Fiscal Year Ended September 30, 2006**

The seal of The Village of Palm Springs, Florida, is a circular emblem. It features a central illustration of a palm tree on a sandy beach, with a blue sky and green hills in the 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 VILLAGE OF  
PALM SPRINGS, FLORIDA**

Comprehensive Annual  
Financial Report

**Fiscal Year Ended  
September 30, 2006**

**Prepared by:  
Finance Department**

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

# VILLAGE OF PALM SPRINGS, FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2006

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# VILLAGE OF PALM SPRINGS, FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2006

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**VILLAGE OF PALM SPRINGS, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

SEPTEMBER 30, 2006

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# **INTRODUCTORY SECTION**

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# *Village of Palm Springs*

## *Department of Finance*

*226 Cypress Lane,*

*Palm Springs, Fl. 33461-1699*

*(561) 965-4013..Fax (561) 304-4615*

December 29, 2006

***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, 2006, 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.

Management's Discussion and Analysis (MD&A) follows the independent auditor's 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 population as estimated by the University of Florida, Bureau of Economic Business Administration is 13,890. Over the last ten years our population has increased by over 3,700 residents due to our annexation initiative.

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 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 are under the direction of the Village Manager who is appointed by the Village Council.

### ENTERPRISE OPERATIONS

The Village's water and sewer 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.

At September 30, 2006, our utility system had 20,180 water customers and 15,743 sewer customers. Approximately 49% of total connections serve our residents; the other 51% of our connections are in the unincorporated area.

### ECONOMIC OUTLOOK

The Village's taxable property value has increased from \$176.2 million in 1997 to \$562.9 million, an increase of over 219% in the last ten years. This is due to the Village's annexation initiative that increased the Village by approximately 978 acres since 1997. Annexation has 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 is prudently managed and we continue to deliver a high level of services to our residents both new and old at very reasonable costs. As of September 30, 2006 the General Fund had a total fund balance of \$5,334,383. The components of fund balance are detailed in the following table.

Total fund balance	\$ 5,334,383
Less reserves and designations:	
Reserved for inventory	16,822
Designated for subsequent year's budget	59,725
Designated for disaster recovery	1,000,000
Designated for future capital projects	<u>1,500,000</u>
Total unreserved, undesignated fund balance	<u>\$ 2,757,836</u>

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.

This fiscal year the Village Council prudently decided to designate funds for disaster recovery to insure that money is available to prepare for natural disasters and jump start the restoration.

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 the unreserved, undesignated fund balance in the 20-25% range.

## **BUDGETARY CONTROLS**

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 a total fund.

A schedule comparing the original budget, revised budget and actual revenues and expenditures is located on pages 51 – 54 of this report.

## **MAJOR INITIATIVES**

The Village is continuing to focus our annexation initiative along Congress Avenue from Summit Boulevard to Lake Worth Road. The annexation effort is approaching full compliance with the property owners and most, if not all, are very enthusiastic about the redevelopment existing, underway and proposed along the corridor. The completed redevelopment plan will strengthen the ratio of commercial to residential property and the new business opportunities created in our centralized location will attract new residents and visitors to the area to take advantage of the revitalization.

## **INDEPENDENT AUDIT**

Florida Statutes require an annual audit by independent certified public accountants. The Village Council selected the accounting firm of Caler, Donten, Levine, Druker, Porter & Veil, CPA's. The auditor's report on the basic financial statements and combining fund statements and schedules is included in the financial section of this report.

## **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, 2005.

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 eighteen consecutive years (fiscal years ended 1988-2005). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## **ACKNOWLEDGMENTS**

Each year as I review the quantitative and qualitative results of our operations I am so pleased to be able to report good news. It is a pleasure each year to see how the Village has addressed the needs of our growing and diverse community and how we work together so the residents can enjoy their lives in a healthy safe environment.

The Mayor and Council observe, listen, evaluate and then legislate policies to direct our operations. The Village Manager executes that direction to provide quality services to our residents for the most reasonable

cost. Our success at providing desired services and facilities has sparked the interest of developers, unincorporated residents and other area governments. Our voluntary annexation initiative has been greatly successful because we have created an attractive, desirable, affordable and safe community that we are proud to call “A Great Place to Call Home.”

The Village is also very fortunate to have a team of dedicated individuals who each and every day give their best to each task and I am blessed to work with them. I want to recognize Mariana Ortega-Sanchez, Nancie Rathbun, Alicia Rueff, and Janeth Caban for their hard work and commitment to excellence. Their dedication to quality makes my job a pleasure. Thank you!

Respectfully submitted,

A handwritten signature in cursive script that reads "Rebecca L. Morse". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Rebecca L. Morse, CGFO, CPFO  
Chief Financial Officer

# VILLAGE OF PALM SPRINGS, FLORIDA

## LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2006

<u>Title</u>	<u>Name</u>
Mayor	J. "Mike" Davis
Vice-Mayor	Patti Waller
Mayor Pro-Term	Bev Smith
Council Member	Chester D. Osborne
Council Member	Joni Brinkman
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, 2006**

**VILLAGE ATTORNEY**  
*Thomas J. Baird*

**VOTERS of PALM SPRINGS**

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

**CONSULTANTS**  
*Eckler Engineering*

**MAYOR AND VILLAGE COUNCIL**  
*J. "Mike" Davis - Mayor  
Patti Waller - Vice Mayor  
Bev Smith - Mayor Pro-Tem  
Chester D. Osborne - Council Member  
Joni Brinkman - 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, 2005

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



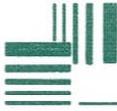
President

Executive Director

---

## **FINANCIAL SECTION**

---



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

WILLIAM K. CALER, JR., CPA  
LOUIS M. COHEN, CPA  
JOHN C. COURTNEY, CPA, JD  
DAVID S. DONTEN, CPA  
SCOTT D. DRUKER, CPA, JD  
JAMES B. HUTCHISON, CPA  
JOEL H. LEVINE, CPA  
JAMES F. MULLEN, IV, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2006, 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, 2006, 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 November 22, 2006 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 51 through 58, 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 and individual fund financial statements and 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 and individual fund financial statements and 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.*

November 22, 2006

# VILLAGE OF PALM SPRINGS, FLORIDA

## MANAGEMENT'S 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, 2006. 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, 2006 were \$45.3 million. Of this amount, \$10.4 million (unrestricted net assets) may be used to meet the Village's ongoing obligations to residents and creditors.
- Governmental net assets were \$12.3 million, an increase of \$1.4 million.
- Water and Sewer net assets were \$32.9 million, an increase of \$2.4 million.
- The total revenues from all sources were \$23.8 million, an increase of \$3.7 million.
- The total cost of all Village programs was \$19.9 million, an increase of \$2.1 million.
- During the year, the Village's governmental activity revenues exceeded expenses by \$1.4 million.
- Total revenues in the General Fund exceeded total expenditures by \$1.2 million including other financing sources and uses.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2,757,836 or 25% of total General Fund expenditures.
- The Village's total debt decreased by \$1.7 million during the current fiscal year. The Village governmental activities debt decreased by \$48,145 and the business activities debt decreased by \$1.7 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements the four components which are:

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'S 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 a 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 59-60 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'S 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 26-50 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 51-58.

The combining statements of the nonmajor governmental funds and the combining statements of the fiduciary funds are presented on pages 59-62 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 63-68 of this report.

The statistical section located on pages 69-97 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 \$45.3 million at the close of the most recent fiscal year, an increase of \$3.8 million over fiscal year 2005.

The largest portion of the Village's net assets (76.7%) 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'S DISCUSSION AND ANALYSIS**  
(Continued)

**Village of Palm Springs**  
**Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<b>Assets:</b>						
Current and other assets	\$ 6,232,194	\$ 4,848,098	\$ 10,692,788	\$ 12,444,806	\$ 16,924,982	\$ 17,292,904
Capital Assets	14,559,449	14,318,977	44,859,129	42,191,380	59,418,578	56,510,357
<b>Total assets</b>	<b>\$ 20,791,643</b>	<b>\$ 19,167,075</b>	<b>\$ 55,551,917</b>	<b>\$ 54,636,186</b>	<b>\$ 76,343,560</b>	<b>\$ 73,803,261</b>
<b>Liabilities:</b>						
Long-term debt outstanding	\$ 7,360,000	\$ 7,500,000	\$ 20,433,006	\$ 22,122,883	\$ 27,793,006	\$ 29,622,883
Other liabilities	1,081,751	688,283	2,119,398	1,967,303	3,201,149	2,655,586
<b>Total liabilities</b>	<b>\$ 8,441,751</b>	<b>\$ 8,188,283</b>	<b>\$ 22,552,404</b>	<b>\$ 24,090,186</b>	<b>\$ 30,994,155</b>	<b>\$ 32,278,469</b>
<b>Net Assets:</b>						
Invested in capital assets, net of debt	\$ 7,199,449	\$ 6,818,977	\$ 27,627,368	\$ 19,027,484	\$ 34,826,817	\$ 25,846,461
Restricted for Debt Service	-	-	118,999	2,307,654	118,999	2,307,654
Unrestricted	5,150,443	4,159,815	5,253,146	9,210,863	10,403,589	13,370,678
<b>Total net assets</b>	<b>\$ 12,349,892</b>	<b>\$ 10,978,792</b>	<b>\$ 32,999,513</b>	<b>\$ 30,546,001</b>	<b>\$ 45,349,405</b>	<b>\$ 41,524,793</b>

An additional portion of the Village's net assets (0.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10.4 million or 23.0%) 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	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,333,621	\$ 1,746,522	\$ 11,195,361	\$ 10,172,417	\$ 13,528,982	\$ 11,918,939
Operating grants and contributions	997,541	493,612	-	-	997,541	493,612
Capital grants and contributions	340,716	131,847	575,661	401,985	916,377	533,832
<b>General revenues:</b>						
Property taxes	3,125,706	2,616,249	-	-	3,125,706	2,616,249
Utility service taxes	1,661,837	1,492,779	-	-	1,661,837	1,492,779
Franchise fees	810,272	562,586	-	-	810,272	562,586
Sales and use taxes	1,453,700	1,346,148	-	-	1,453,700	1,349,148
Intergovernmental, unrestricted	521,390	505,715	-	-	521,390	505,715
Investment earnings	239,422	126,658	441,016	330,172	680,438	456,830
Miscellaneous	62,633	144,544	10,003	29,749	72,636	174,293
<b>Total revenues</b>	<b>\$ 11,546,838</b>	<b>\$ 9,166,660</b>	<b>\$ 12,222,041</b>	<b>\$ 10,934,323</b>	<b>\$ 23,768,879</b>	<b>\$ 20,100,983</b>
<b>Expenses:</b>						
<b>Program expenses:</b>						
General government	\$ 1,489,124	\$ 1,460,229	\$ -	\$ -	\$ 1,489,124	\$ 1,460,229
Public safety	6,013,883	5,047,665	-	-	6,013,883	5,047,665
Sanitation and Recycling	1,045,789	770,321	-	-	1,045,789	770,321
Transportation	941,378	1,018,045	-	-	941,378	1,018,045
Culture/Recreation	1,573,129	1,387,063	-	-	1,573,129	1,387,063
Interest on long-term debt	382,721	389,788	-	-	382,721	389,788
Water and Sewer Utility	-	-	8,498,243	7,751,695	8,498,243	7,751,695
<b>Total Expenses</b>	<b>\$ 11,446,024</b>	<b>\$ 10,073,111</b>	<b>\$ 8,498,243</b>	<b>\$ 7,751,695</b>	<b>\$ 19,944,267</b>	<b>\$ 17,824,806</b>
Increase (decrease) in net assets before transfers	\$ 100,814	\$ (906,451)	\$ 3,723,798	\$ 3,182,628	\$ 3,824,612	\$ 2,276,177
Transfers	1,270,286	1,200,265	(1,270,286)	(1,200,265)	-	-
Increase in net assets	\$ 1,371,100	\$ 293,814	\$ 2,453,512	\$ 1,982,363	\$ 3,824,612	\$ 2,276,177
Net Assets - October 1	10,978,792	10,684,978	30,546,001	28,563,638	41,524,793	39,248,616
<b>Net Assets - September 30</b>	<b>\$ 12,349,892</b>	<b>\$ 10,978,792</b>	<b>\$ 32,999,513</b>	<b>\$ 30,546,001</b>	<b>\$ 45,349,405</b>	<b>\$ 41,524,793</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Governmental Activities

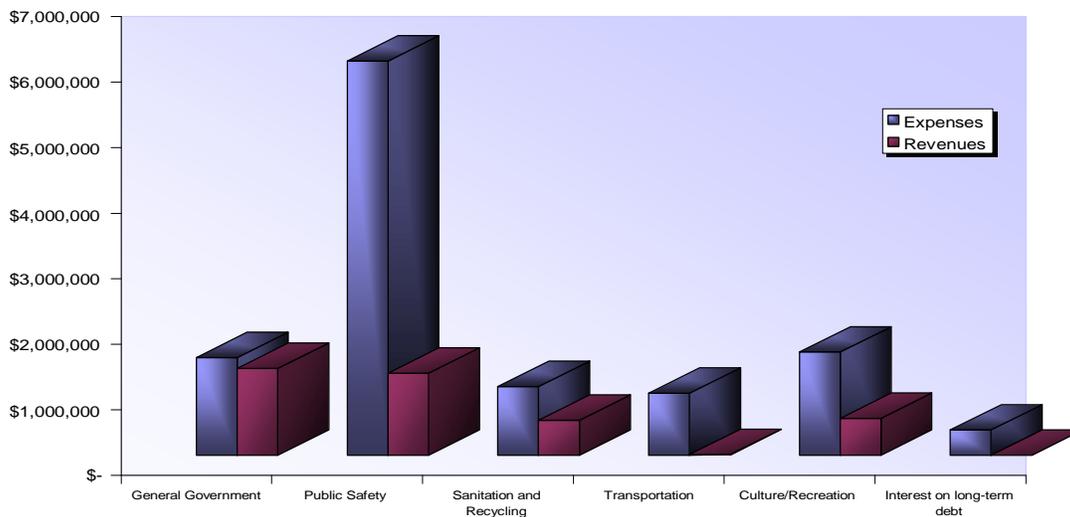
Governmental activities increased the Village's net assets by \$1,371,100, which represents 36% of the total increase in net assets for fiscal year 2006. Last fiscal year the governmental activities increased the Village's net assets by \$293,814 or 13% of the total increase for fiscal year 2005. The positive growth in net assets for fiscal year 2006 is primarily due to increased revenues generated by our annexation initiative.

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 and planning, building, zoning and licensing 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	
	2006	2005	2006	2005	2006	2005
General Government	\$ 1,489,124	\$ 1,460,229	\$ (1,324,991)	\$ (652,568)	\$ 164,133	\$ 807,661
Public Safety	6,013,883	5,047,665	(1,246,842)	(853,899)	4,767,041	4,193,766
Sanitation and Recycling	1,045,789	770,321	(532,932)	(414,375)	512,857	355,946
Transportation	941,378	1,018,045	(8,432)	(82,249)	932,946	935,796
Culture/Recreation	1,573,129	1,387,063	(558,681)	(368,890)	1,014,448	1,018,173
Interest on long-term debt	382,721	389,788	-	-	382,721	389,788
<b>Totals</b>	<b>\$ 11,446,024</b>	<b>\$ 10,073,111</b>	<b>\$ (3,671,878)</b>	<b>\$ (2,371,981)</b>	<b>\$ 7,774,146</b>	<b>\$ 7,701,130</b>

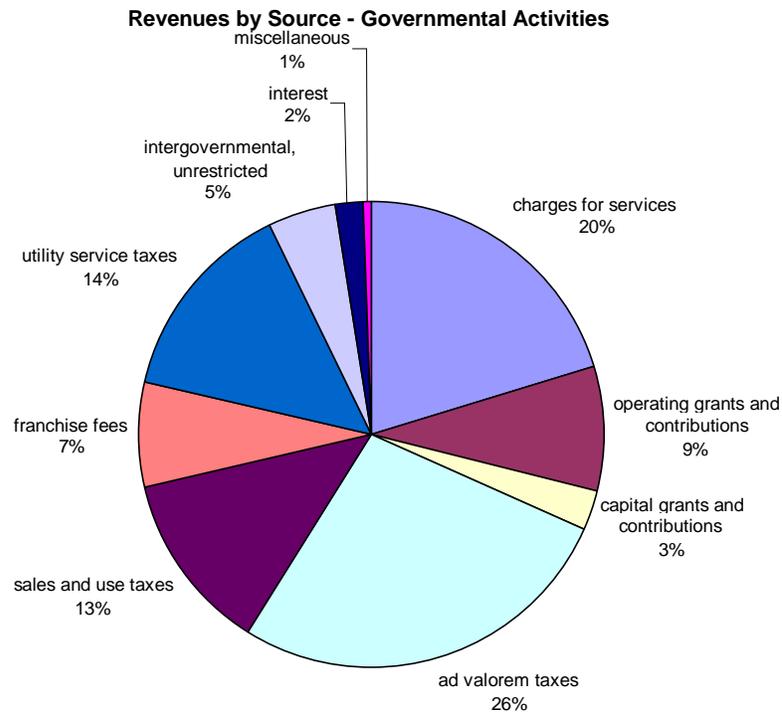
#### Expenses and Program Revenues - Governmental Activities



# VILLAGE OF PALM SPRINGS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of all governmental activities this year was \$11.4 million. The schedule above shows that \$3.7 million of the cost of services was paid by those who directly benefited from the programs and \$7.7 million was financed through general revenues.



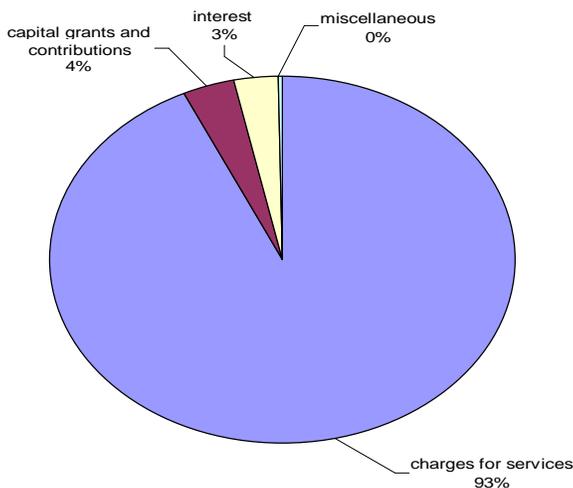
Capital Grant revenues increased by \$208,869 as compared to the previous fiscal year this is primarily due to the insurance recoveries related to hurricane damage. Property tax revenues increase by \$509,457 or 19.5% over the prior fiscal year. The ad valorem taxes increased due to the growth of our tax base through annexation and the voted debt service levy decreased from the prior year due to a decline in debt service requirement.

### Business Type Activities

Net assets of the proprietary fund (Water and Sewer Enterprise) at September 30, 2006, were \$32.9 million. The cost of providing proprietary (business-type) activities this year was \$8.5 million, as shown in the Statement of Activities. Net assets increased by \$2.4 million. The graph below shows the source of revenues for the Water and Sewer Utility. Revenues derived from charges for services increased by \$1.0 million or 10.0% over fiscal year 2005.

**VILLAGE OF PALM SPRINGS, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**Revenues by Source - Business-type Activities**



**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 \$5,449,005 an increase of \$1,024,219 in comparison with the prior year. The increase was generated by revenues in excess of expenditures in the General Fund of \$1,183,944, the Law Enforcement Special Revenue fund of \$13,385, the Debt Service fund of \$97 less the excess expenditures over revenues in the Library Special Revenue fund of \$1,344 and \$171,863 in the Capital Projects fund.

The unreserved fund balance is \$5,389,466, 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, \$59,725 is designated for the 2006-2007 budget and \$2,829,741 is undesignated.

The remainder of the fund balance (\$59,539) is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$20,793), reserved for law enforcement purposes (\$14,756), represents inventory of goods (\$16,822) and (\$7,168) for capital improvements.

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 \$5,317,561, while the total fund balance was \$5,334,383. As

## VILLAGE OF PALM SPRINGS, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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 48.0% of total general fund expenditures.

#### 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 \$5.2 million at fiscal year end. Unrestricted net assets decreased \$4.0 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 \$32.9 million at fiscal year end, an increase of \$2.4 million compared to the prior fiscal year. Operating revenue grew to \$11,195,361 an increase of \$1,022,944 or 10.0%. Operating expenses increased by \$805,038, or 11.3% over fiscal year 2004/05, for a total of \$7,879,966.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were \$838,923 and can be briefly summarized as follows:

- \$ 17,900 increase to recognize PAL donation for purchase of a passenger van in public safety.
- \$ 22,000 increase to recognize increased revenues and appropriate funds for leisure services.
- \$100,000 increase to recognize recreation grant from Palm Beach County and appropriate those funds for Summer Street Park.
- \$ 10,000 increase to recognize grant funds from FDLE and appropriate those funds for new public safety radios.
- \$609,633 increase to recognize revenues from FEMA and State disaster relief and appropriate those funds to numerous functions for their hurricane disaster recovery costs.
- \$ 27,900 increase to recognize State EMS grant and appropriate these funds in fire rescue for the purchase of advanced life support units.
- \$ 40,409 increase to recognize assistance to firefighters grant and appropriate these funds in fire rescue for the purchase of fire gear.
- \$ 2,000 increase to recognize donation to public safety and appropriate those funds to purchase tasers.
- \$ 9,081 increase to recognize increase in revenue from insurance proceeds and appropriate those funds to repair public safety vehicle.

Of this increase, \$787,942 was funded by grants, \$22,000 was paid by charges for the service, \$9,081 was paid from miscellaneous revenue, and \$19,900 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, 2006, amounts to \$59,418,580 (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 total increase in the Village's

# VILLAGE OF PALM SPRINGS, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

investment in capital assets for the current fiscal year was 5.8% (1.0% increase for governmental activities and 7.2% increase for business-type activities).

### Village of Palm Springs Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 170,036	\$ 170,036	\$ 364,217	\$ 364,217	\$ 534,253	\$ 534,253
Buildings	7,719,751	7,712,374	3,013,999	3,013,999	10,733,750	10,726,373
Improvements other than Buildings	1,611,996	1,432,989	56,168,693	41,517,145	57,780,689	42,950,134
Machinery & Equipment	3,713,703	3,369,536	2,791,620	2,633,244	6,505,323	6,002,780
Software & Library Materials	771,196	705,849	78,055	70,767	849,251	776,616
Infrastructure	4,121,761	4,048,431	-	-	4,121,761	4,048,431
Intangible Assets	-	-	7,183,533	7,183,533	7,183,533	7,183,533
Construction in Progress	139,541	-	3,072,370	13,024,027	3,211,911	13,024,027
<b>Total Assets</b>	<b>\$ 18,247,984</b>	<b>\$ 17,439,215</b>	<b>\$ 72,672,487</b>	<b>\$ 67,806,932</b>	<b>\$ 90,920,471</b>	<b>\$ 85,246,147</b>
Less Accumulated Depreciation	(3,688,534)	(3,120,238)	(27,813,357)	(25,966,943)	(31,501,891)	(29,087,181)
<b>Total</b>	<b>\$ 14,559,450</b>	<b>\$ 14,318,977</b>	<b>\$ 44,859,130</b>	<b>\$ 41,839,989</b>	<b>\$ 59,418,580</b>	<b>\$ 56,158,966</b>

The Village uses the modified approach for our infrastructure assets. Our analysis of the maintenance and condition of these assets can be found on page 56 of this report.

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

- Addition of a new generator to Village Hall.
- Completion of improvement to both water treatment plants totaling \$9,592,117.
- Completion of vacuum sewer projects totaling \$3,310,191.
- Construction in progress of \$3,072,370 represents water and sewer system improvement projects.

Further detail on the Village's capital assets can be found in Note 4 on page 39 of this report.

**Debt:** At fiscal year end, the Village had total debt outstanding of \$27,900,839. 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.

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.

### Village of Palm Springs Outstanding Debt

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 7,360,000	\$ 7,500,000	-	-	\$ 7,360,000	\$ 7,500,000
Revenue Bonds	-	-	15,345,043	15,850,837	15,345,043	15,850,837
Note Payable	-	-	4,533,236	5,177,435	4,533,236	5,177,435
Obligation under utility agreement	-	-	159,204	684,209	159,204	684,209
Compensated Absences	368,898	277,043	134,458	119,899	503,356	396,942
<b>Total</b>	<b>\$ 7,728,898</b>	<b>\$ 7,777,043</b>	<b>\$ 20,171,941</b>	<b>\$ 21,832,380</b>	<b>\$ 27,900,839</b>	<b>\$ 29,609,423</b>

Additional information on the Village's debt can be found in Note 5, beginning on page 40 of this report.

# **VILLAGE OF PALM SPRINGS, FLORIDA**

## **MANAGEMENT'S 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 26% 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 \$5.31 per \$1,000 of taxable value in 1997 to the present rate of \$4.77 per \$1,000 of taxable value for the current fiscal year, a decrease of over 10%.

The Village's taxable property values have increased 236% since 1997. This increase is primarily due to annexation, the Village has now annexed over 978 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 Village maintains an unreserved, undesignated fund balance in the general fund intended to provide funding for unforeseen events. This year the Village Council designated \$1 million of the general fund's fund balance for disaster recovery.

The Water and Sewer Utility operations are supported primarily by user fees and the Village periodically performs a rate study and adopts new rates as needed to support operations and address any new regulations. The Village will have a new 5-year rate study prepared in the coming fiscal year.

### **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](http://www.villageofpalm Springs.org)**

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# **BASIC FINANCIAL STATEMENTS**

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## VILLAGE OF PALM SPRINGS, FLORIDA

### Statement of Net Assets

September 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 5,614,522	\$ 5,390,465	\$ 11,004,987
Receivables:			
Accounts, net of allowance	44,046	1,604,117	1,648,163
Utility taxes	84,966	-	84,966
Franchise fees	134,950	-	134,950
Intergovernmental	196,572	-	196,572
Inventory	16,822	273,922	290,744
Net pension asset	140,316	-	140,316
Restricted assets:			
Cash and cash equivalents	-	2,755,232	2,755,232
Cash with fiscal agent	-	345,000	345,000
Capital assets:			
Capital assets, not being depreciated	4,431,338	3,436,587	7,867,925
Capital assets being depreciated	13,816,645	69,235,899	83,052,544
Accumulated depreciation	(3,688,534)	(27,813,357)	(31,501,891)
Unamortized bond issue costs	-	324,052	324,052
<b>Total assets</b>	<b>\$ 20,791,643</b>	<b>\$ 55,551,917</b>	<b>\$ 76,343,560</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 371,586	\$ 608,642	\$ 980,228
Contracts and retainage payable	-	156,302	156,302
Accrued interest payable	154,523	238,008	392,531
Deposits	151,750	981,988	1,133,738
Revenue collected in advance	119,537	-	119,537
Compensated absences-current portion	-	30,708	30,708
Compensated absences-noncurrent portion	284,355	103,750	388,105
Long-term liabilities due within one year	145,000	2,902,429	3,047,429
Long-term liabilities due in more than one year	7,215,000	17,530,577	24,745,577
<b>Total liabilities</b>	<b>\$ 8,441,751</b>	<b>\$ 22,552,404</b>	<b>\$ 30,994,155</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 7,199,449	\$ 27,627,368	\$ 34,826,817
Restricted for debt service	-	118,999	118,999
Unrestricted	5,150,443	5,253,146	10,403,589
<b>Total net assets</b>	<b>\$ 12,349,892</b>	<b>\$ 32,999,513</b>	<b>\$ 45,349,405</b>

See notes to financial statements.

# VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Activities

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,489,124	\$ 412,527	\$ 718,297	\$ 194,167
Public safety	6,013,883	994,345	242,497	10,000
Physical environment	1,045,789	532,932	-	-
Transportation	941,378	-	8,432	-
Culture/recreation	1,573,129	393,817	28,315	136,549
Interest on long-term debt	382,721	-	-	-
<b>Total governmental activities</b>	<b>11,446,024</b>	<b>2,333,621</b>	<b>997,541</b>	<b>340,716</b>
Business-type activities:				
Utility-water and sewer	8,498,243	11,195,361	-	575,661
<b>Total business-type activities</b>	<b>8,498,243</b>	<b>11,195,361</b>	<b>-</b>	<b>575,661</b>
<b>Total</b>	<b>\$ 19,944,267</b>	<b>\$ 13,528,982</b>	<b>\$ 997,541</b>	<b>\$ 916,377</b>

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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (164,133)	\$ -	\$ (164,133)
(4,767,041)	-	(4,767,041)
(512,857)	-	(512,857)
(932,946)	-	(932,946)
(1,014,448)	-	(1,014,448)
(382,721)	-	(382,721)
<b>(7,774,146)</b>	<b>-</b>	<b>(7,774,146)</b>
-	3,272,779	3,272,779
-	<b>3,272,779</b>	<b>3,272,779</b>
<b>(7,774,146)</b>	<b>3,272,779</b>	<b>(4,501,367)</b>
3,125,706	-	3,125,706
1,661,837	-	1,661,837
810,272	-	810,272
1,453,700	-	1,453,700
521,390	-	521,390
239,422	441,016	680,438
62,633	10,003	72,636
1,270,286	(1,270,286)	-
<b>9,145,246</b>	<b>(819,267)</b>	<b>8,325,979</b>
1,371,100	2,453,512	3,824,612
10,978,792	30,546,001	41,524,793
<b>\$ 12,349,892</b>	<b>\$ 32,999,513</b>	<b>\$ 45,349,405</b>

See notes to financial statements.

# VILLAGE OF PALM SPRINGS, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 5,497,400	\$ 117,122	\$ 5,614,522
Receivables:			
Accounts, net of allowance for uncollectibles	44,046	-	44,046
Utility taxes	84,966	-	84,966
Franchise fees	134,950	-	134,950
Intergovernmental	196,572	-	196,572
Inventory	16,822	-	16,822
<b>Total assets</b>	<b>\$ 5,974,756</b>	<b>\$ 117,122</b>	<b>\$ 6,091,878</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 369,086	\$ 2,500	\$ 371,586
Deposits	151,750	-	151,750
Revenue collected in advance	119,537	-	119,537
<b>Total liabilities</b>	<b>\$ 640,373</b>	<b>\$ 2,500</b>	<b>\$ 642,873</b>
Fund balances:			
Reserved for:			
Inventory	\$ 16,822	\$ -	\$ 16,822
Law enforcement	-	14,756	14,756
Capital projects	-	7,168	7,168
Debt service	-	20,793	20,793
Unreserved, designated for:			
Capital projects	1,500,000	-	1,500,000
Disaster recovery	1,000,000	-	1,000,000
Subsequent year's budget	59,725	-	59,725
Unreserved, undesignated	2,757,836	-	2,757,836
Unreserved, reported in nonmajor funds:			
Special revenue funds	-	71,905	71,905
<b>Total fund balances</b>	<b>\$ 5,334,383</b>	<b>\$ 114,622</b>	<b>\$ 5,449,005</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,974,756</b>	<b>\$ 117,122</b>	<b>\$ 6,091,878</b>

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, 2006*

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Total governmental fund balances (page 16) \$ 5,449,005

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	\$ 18,247,983	
Accumulated depreciation	<u>(3,688,534)</u>	
		14,559,449

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. 140,316

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	(7,360,000)	
Accrued interest payable on long-term debt	(154,523)	
Compensated absences, long-term portion	<u>(284,355)</u>	
		<u>(7,798,878)</u>

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**Total net assets (page 13) \$ 12,349,892**

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## VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 5,072,080	\$ 525,735	\$ 5,597,815
Licenses and permits	749,514	-	749,514
Intergovernmental	3,134,436	-	3,134,436
Confiscated property	-	25,924	25,924
Charges for services	1,166,898	-	1,166,898
Fines and forfeitures	182,734	-	182,734
Contributions	62,501	1,767	64,268
Interest	230,329	9,093	239,422
Miscellaneous	191,235	425	191,660
<b>Total revenues</b>	<b>10,789,727</b>	<b>562,944</b>	<b>11,352,671</b>
<b>Expenditures</b>			
Current:			
General government	1,279,797	3,903	1,283,700
Public safety	5,740,865	8,087	5,748,952
Physical environment	996,777	-	996,777
Transportation	917,523	-	917,523
Culture/recreation	1,405,466	3,000	1,408,466
Capital outlay	729,808	182,041	911,849
Debt service:			
Principal	-	140,000	140,000
Interest and other fiscal charges	-	385,638	385,638
<b>Total expenditures</b>	<b>11,070,236</b>	<b>722,669</b>	<b>11,792,905</b>
Excess (deficiency) of revenues over expenditures	(280,509)	(159,725)	(440,234)
<b>Other financing sources</b>			
Insurance recoveries	194,167	-	194,167
Transfers in	1,270,286	-	1,270,286
<b>Total other financing sources</b>	<b>1,464,453</b>	<b>-</b>	<b>1,464,453</b>
Change in fund balances	1,183,944	(159,725)	1,024,219
Fund balances, beginning of year	4,150,439	274,347	4,424,786
<b>Fund balances, end of year</b>	<b>\$ 5,334,383</b>	<b>\$ 114,622</b>	<b>\$ 5,449,005</b>

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, 2006*

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Net change in fund balances - total governmental funds (page 18) \$ 1,024,219

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	\$ 911,849	
Less current year depreciation expense	<u>(669,542)</u>	242,307

Losses on disposal of capital assets are reported in the statement of activities but not in the governmental funds. (1,835)

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	(55,641)	
Change in net pension asset	<u>19,133</u>	(36,508)

Net effect of accrued interest on long-term debt (difference between amount accrued in prior year and current year accrual) 2,917

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		140,000
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<b>Change in net assets of governmental activities (pages 14-15)</b>	<b>\$ 1,371,100</b>
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# VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

Proprietary Fund

September 30, 2006

	<b>Water and Sewer Utility</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 5,390,465
Accounts receivable, net	1,604,117
Inventory	273,922
Restricted assets:	
Cash and cash equivalents	2,755,232
Cash with fiscal agent	345,000
<b>Total current assets</b>	<b>10,368,736</b>
Noncurrent assets:	
Capital assets	
Capital assets not being depreciated	3,436,587
Capital assets being depreciated	69,235,899
Accumulated depreciation	(27,813,357)
Unamortized bond issue costs	324,052
<b>Total noncurrent assets</b>	<b>45,183,181</b>
<b>Total assets</b>	<b>\$ 55,551,917</b>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 608,642
Current portion of obligation under utility agreement	159,204
Current portion of compensated absences payable	30,708
Payable from restricted assets:	
Contracts and retainage payable	156,302
Accrued interest	238,008
Current portion of note payable	670,779
Current portion of revenue bonds payable	2,072,446
<b>Total current liabilities</b>	<b>3,936,089</b>
Noncurrent liabilities:	
Deposits	981,988
Compensated absences payable	103,750
Note payable	3,862,457
Revenue bonds payable, net of unamortized premium	13,668,120
<b>Total noncurrent liabilities</b>	<b>18,616,315</b>
<b>Total liabilities</b>	<b>\$ 22,552,404</b>
Net assets:	
Invested in capital assets, net of related debt	\$ 27,627,368
Restricted	118,999
Unrestricted	5,253,146
<b>Total net assets</b>	<b>\$ 32,999,513</b>

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, 2006

	<b>Water and Sewer Utility</b>
<b>Operating revenues</b>	
Charges for services	\$ 11,195,361
<b>Total operating revenues</b>	<b>11,195,361</b>
<b>Operating expenses:</b>	
Personal services	2,747,213
Operating expenses	3,189,735
Depreciation and amortization	1,943,018
<b>Total operating expenses</b>	<b>7,879,966</b>
Operating income	3,315,395
<b>Nonoperating revenues (expenses)</b>	
Investment income	441,016
Miscellaneous revenues	10,003
Interest expense	(618,277)
<b>Total nonoperating revenues (expenses)</b>	<b>(167,258)</b>
Income before contributions and transfers	<b>3,148,137</b>
Capital contributions	575,661
Transfers out	(1,270,286)
Change in net assets	2,453,512
Net assets, beginning of year	30,546,001
<b>Net assets, end of year</b>	<b>\$ 32,999,513</b>

See notes to financial statements.

## VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows

Proprietary Fund

Year Ended September 30, 2006

	<b>Water and Sewer Utility</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 11,021,940
Cash paid to suppliers for goods and services	(2,790,113)
Cash paid to employees for services	(2,707,255)
<b>Net cash provided by operating activities</b>	<b>5,524,572</b>
<b>Cash flows from noncapital financing activities</b>	
Transfers out	(1,270,286)
<b>Net cash used in noncapital financing activities</b>	<b>(1,270,286)</b>
<b>Cash flows from capital and related financing activities</b>	
Principal paid on promissory note	(644,199)
Principal paid on bonds	(885,000)
Principal paid on obligation under utility agreement	(525,005)
Interest paid on long-term debt	(780,519)
Acquisition and construction of capital assets	(4,630,280)
Capital contributions from customers	575,661
<b>Net cash used in capital and related financing activities</b>	<b>(6,889,342)</b>
<b>Cash flows from investing activities</b>	
Proceeds from investment maturity	1,220,000
Interest on investments	436,532
<b>Net cash provided by investing activities</b>	<b>1,656,532</b>
Net decrease in cash and cash equivalents	(978,524)
Cash and cash equivalents, beginning of year	9,469,221
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,490,697</b>
<b>Cash and cash equivalents per balance sheet</b>	
Unrestricted	\$ 5,390,465
Restricted	2,755,232
Cash with fiscal agent	345,000
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,490,697</b>

Continued

## VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows (Continued)

Proprietary Fund

Year Ended September 30, 2006

	<b>Water and Sewer Utility</b>
<b>Cash flows from operating activities</b>	
Operating income	\$ 3,315,395
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,943,018
Provision for uncollectible accounts	4,965
Loss on disposal of capital assets	8,355
Change in operating assets:	
Accounts receivable	(170,774)
Inventory	57,843
Accounts payable and accrued liabilities	358,823
Compensated absences payable	14,559
Deposits	(7,612)
Total adjustments	2,209,177
<b>Net cash provided by operating activities</b>	<b>\$ 5,524,572</b>
<b>Supplemental disclosure of noncash capital and related financing activities</b>	
Accrued interest on capital appreciation bonds	\$ 379,206
Book value of assets disposed	8,355
Realized appreciation on investments	14,487

See notes to financial statements.

## VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Fiduciary Net Assets

September 30, 2006

	<b>Employee Pension Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,621,124
Investments	
U.S. Government securities	1,239,224
U.S. Government agencies	914,751
Mortgage and asset-backed securities	196,218
Corporate bonds	1,515,200
Common stocks	8,500,480
Receivables:	
Interest and dividends	50,055
<b>Total assets</b>	<b>\$ 15,037,052</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 4,631
<b>Total Liabilities</b>	<b>\$ 4,631</b>
<b>Net Assets</b>	
Held in trust for pension benefits	\$ 15,032,421
<b>Total net assets</b>	<b>\$ 15,032,421</b>

See notes to financial statements.

## VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Changes in Fiduciary Net Assets  
Year Ended September 30, 2006

	<b>Employee Pension Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,307,111
Plan members	215,460
State of Florida	76,777
<b>Total contributions</b>	<b>1,599,348</b>
Investment income:	
Interest	292,902
Dividends	156,925
Net appreciation in fair value of investments	612,279
Investment expenses	(52,042)
Net investment income	1,010,064
<b>Total additions</b>	<b>2,609,412</b>
<b>Deductions</b>	
Administration	54,088
Benefits	443,443
<b>Total deductions</b>	<b>497,531</b>
Net increase in plan net assets	2,111,881
Net assets held in trust for pension benefits, beginning of year	12,920,540
<b>Net assts held in trust for pension benefits, end of year</b>	<b>\$ 15,032,421</b>

See notes to financial statements.

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### 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 combined 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, 2006

### 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, 2006

### 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, 2006

### 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, and investments with the Florida Municipal Investment Trust Fund, 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 Local

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### a. Deposits and Investments (Continued)

Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not 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 \$750 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, 2006

### 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 56.

##### f. Compensated Absences

The Village's employees earn vacation leave based on their years of continual service as follows: 80 hours after 1 year; 120 hours after 5 years; 160 hours after 10 years; 200 hours

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### f. Compensated Absences (Continued)

after 20 years. Employees may accumulate a maximum equivalent to two times the annual vacation time allowed. Upon termination, employees are compensated for accumulated vacation at their rate of pay at termination.

Employees earn personal leave time at the rate of 1.6923 days per work week or 88 hours per year, with no maximum on the number of days that can be accumulated. Accumulated personal leave time is not paid upon termination.

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. 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 capital projects - Restricted for the acquisition and construction of capital assets.
- ❖ 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, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### i. On-behalf Payments

On-behalf payments of \$76,777 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, 2005, upon which the 2005/06 levy was based, was approximately \$562 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, 2006, 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.

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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, 2006, unpaid delinquent taxes are not material and have not been recorded by the Village.

#### I. 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 effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

### 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;

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### Investments (Continued)

- 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 in state-certified qualified public depositories;
- e. Repurchase agreements;
- f. Savings accounts in state-certified qualified public depositories.

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:

- 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.

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### Investments (Continued)

- 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.

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	\$ 5,614,522	\$ -	\$ 5,614,522
Business-type activities	8,490,697	-	8,490,697
<b>Total statement of net assets</b>	<b>14,105,219</b>	<b>-</b>	<b>14,105,219</b>
Fiduciary net assets	2,621,124	12,365,873	14,986,997
<b>Total deposits and investments</b>	<b>\$ 16,726,343</b>	<b>\$ 12,365,873</b>	<b>\$ 29,092,216</b>

The following matrix presents the components of the Village's cash and cash equivalents and investments at September 30, 2006.

	Fair Value		
	Unrestricted	Restricted	Pension
Cash and cash equivalents:			
Petty cash	\$ 2,300	\$ -	\$ -
Deposits with financial institutions	-	345,000	-
Investment in State Treasurer's investment pool	3,549,443	2,754,472	-
Florida Municipal Investment Trust Enhanced Cash	432	760	-
Money market mutual funds	7,452,812	-	2,621,124
<b>Total cash and cash equivalents</b>	<b>\$ 11,004,987</b>	<b>\$ 3,100,232</b>	<b>\$ 2,621,124</b>
Pension fund investments:			
U.S. Government securities	\$ -	\$ -	\$ 1,239,224
U.S. Government agencies	-	-	914,751
Mortgage and asset-backed securities	-	-	196,218
Corporate bonds	-	-	1,515,200
Common stocks	-	-	8,500,480
<b>Total investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,365,873</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### Investments (Continued)

**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. The table below summarizes the scheduled maturities of investments at September 30, 2006.

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	\$ -	\$ 751,332	\$ 487,892	\$ -
U.S. Government agencies	59,700	364,495	490,556	-
Mortgage and asset-backed securities	-	7,108	36,316	152,794
Corporate bonds	9,984	854,249	650,967	-
<b>Total</b>	<b>\$ 69,684</b>	<b>\$ 1,977,184</b>	<b>\$ 1,665,731</b>	<b>\$ 152,794</b>

**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 Village utilizes ratings from Standard and Poor's and Moody's Investor Services for its investments. The State Treasurer's investment pool and Florida Municipal Investment Trust are not rated. The NRSRO ratings for the Village's investments at September 30, 2006 are summarized as follows:

Investment Type	NRSRO Rating	Fair Value
Pension fund investments:		
U.S. Government securities	AAA	\$ 1,239,224
U.S. Government agencies	AAA	914,751
Mortgage and asset-backed securities	AAA	6,826
Mortgage and asset-backed securities	Not Rated	189,392
Corporate bonds	AAA	166,171
Corporate bonds	AA	290,897
Corporate bonds	A	1,058,132
<b>Total</b>		<b>\$ 3,865,393</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### Investments (Continued)

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, 2006 all investments were insured or collateralized, except the State Treasurer's investment pool and money market mutual funds which are considered *unclassified* pursuant to GASB Statement No. 3.

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, 2006.

### NOTE 3. RECEIVABLES

Receivables at September 30, 2006 are summarized as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Receivables:</b>			
Accounts	\$ 263,962	\$ 1,645,742	\$ 1,909,704
Intergovernmental	196,572	-	196,572
	460,534	1,645,742	2,106,276
Less: allowable for uncollectibles	-	(41,625)	(41,625)
<b>Net receivables</b>	<b>\$ 460,534</b>	<b>\$ 1,604,117</b>	<b>\$ 2,064,651</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 170,036	\$ -	\$ -	\$ 170,036
Infrastructure	4,048,431	73,330	-	4,121,761
Construction in progress	-	139,541	-	139,541
<b>Total capital assets not being depreciated</b>	<b>4,218,467</b>	<b>212,871</b>	<b>-</b>	<b>4,431,338</b>
Capital assets being depreciated:				
Buildings	7,712,374	7,377	-	7,719,751
Improvements other than buildings	1,432,989	179,007	-	1,611,996
Machinery and equipment	3,369,536	447,247	(103,081)	3,713,702
Library materials and software	705,849	65,347	-	771,196
<b>Total capital assets being depreciated</b>	<b>13,220,748</b>	<b>698,978</b>	<b>(103,081)</b>	<b>13,816,645</b>
Less accumulated depreciation for:				
Buildings	(523,673)	(204,238)	-	(727,911)
Improvements other than buildings	(134,118)	(67,372)	-	(201,490)
Machinery and equipment	(1,954,047)	(341,953)	101,246	(2,194,754)
Library materials and software	(508,400)	(55,979)	-	(564,379)
<b>Accumulated depreciation</b>	<b>(3,120,238)</b>	<b>(669,542)</b>	<b>101,246</b>	<b>(3,688,534)</b>
<b>Governmental activities</b>				
<b>Capital assets, net</b>	<b>\$ 14,318,977</b>	<b>\$ 242,307</b>	<b>\$ (1,835)</b>	<b>\$ 14,559,449</b>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 364,217	\$ -	\$ -	\$ 364,217
Construction in progress	13,024,027	3,148,097	(13,099,754)	3,072,370
<b>Total capital assets not being depreciated</b>	<b>13,388,244</b>	<b>3,148,097</b>	<b>(13,099,754)</b>	<b>3,436,587</b>
Capital assets being depreciated:				
Buildings	3,013,999	-	-	3,013,999
Improvements other than buildings	41,517,145	14,651,547	-	56,168,692
Intangible assets	7,183,533	-	-	7,183,533
Equipment and software	2,704,011	243,284	(77,620)	2,869,675
<b>Total capital assets being depreciated</b>	<b>54,418,688</b>	<b>14,894,831</b>	<b>(77,620)</b>	<b>69,235,899</b>
Less accumulated depreciation for:				
Buildings	(1,773,071)	(71,211)	-	(1,844,282)
Improvements other than buildings	(18,147,700)	(1,363,210)	-	(19,510,910)
Intangible assets	(4,530,971)	(212,344)	-	(4,743,315)
Equipment and software	(1,515,201)	(268,914)	69,265	(1,714,850)
<b>Accumulated depreciation</b>	<b>(25,966,943)</b>	<b>(1,915,679)</b>	<b>69,265</b>	<b>(27,813,357)</b>
<b>Business-type activities</b>				
<b>Capital assets, net</b>	<b>\$ 41,839,989</b>	<b>\$ 16,127,249</b>	<b>\$(13,108,109)</b>	<b>\$ 44,859,129</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended September 30, 2006 was charged to functions as follows:

<b>Governmental Activities:</b>	
General government	\$ 202,739
Public safety	241,400
Physical environment	50,783
Transportation	16,331
Culture and recreation	158,289
<hr/>	
<b>Total depreciation expense- Governmental activities</b>	<b>\$ 669,542</b>
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<b>Business-type activities: Water &amp; Sewer</b>	<b>\$ 1,915,679</b>
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### NOTE 5. LONG-TERM DEBT

#### Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended September 30, 2006:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 7,500,000	\$ -	\$ 140,000	\$ 7,360,000	\$ 145,000
Compensated absences	277,043	477,627	385,772	368,898	84,543
<b>Total</b>	<b>\$ 7,777,043</b>	<b>\$ 477,627</b>	<b>\$ 525,772</b>	<b>\$ 7,728,898</b>	<b>\$ 229,543</b>
<hr/>					
<b>Business-type activities:</b>					
Promissory note	\$ 5,177,435	\$ -	\$ 644,199	\$ 4,533,236	\$ 670,779
Capital appreciation bonds	4,690,837	379,206	685,000	4,385,043	1,862,446
Revenue bonds, series 2003	11,160,000	-	200,000	10,960,000	210,000
Obligation under utility agreements	684,209	-	525,005	159,204	159,204
Compensated absences	119,899	204,993	190,434	134,458	30,708
<b>Total</b>	<b>\$ 21,832,380</b>	<b>\$ 584,199</b>	<b>\$ 2,244,638</b>	<b>20,171,941</b>	<b>\$ 2,933,137</b>
<hr/>					
Unamortized premium on revenue bonds				395,523	
<b>Total</b>				<b>\$20,567,464</b>	
<hr/>					

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### 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
2007	\$ 145,000	\$ 370,856	\$ 515,856
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
2012-2016	995,000	1,595,143	2,590,143
2017-2021	1,295,000	1,292,719	2,587,719
2022-2026	1,660,000	926,220	2,586,220
2027-2031	2,130,000	463,332	2,593,332
2032	490,000	25,112	515,112
<b>Total</b>	<b>\$ 7,360,000</b>	<b>\$ 6,096,206</b>	<b>\$13,456,206</b>

#### 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
2007	\$ 670,779	\$ 171,193	\$ 841,972
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
2012-2013	890,960	21,177	912,137
<b>Total</b>	<b>\$ 4,533,236</b>	<b>\$ 588,761</b>	<b>\$ 5,121,997</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### 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 priority: operation and maintenance, debt service, reserves, renewal and replacement, and any other lawful purpose.

At September 30, 2006, the Village was in compliance with such 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.

<b>Year Ending September 30,</b>	<b>Principal</b>
2007	\$ 660,000
2008	580,000
2009	575,000
2010	570,000
2011	570,000
2012-2013	1,055,000
<b>Total</b>	<b>\$ 4,010,000</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 5. LONG-TERM DEBT (Continued)

#### Revenue Bonds (Continued)

\$122,983 Capital Appreciation Bonds, Series 1984, due April 1, 2007, in the amount of \$1,265,000, with interest at 10.40% accrued semi-annually on April 1 and October 1 of each year.

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>
2007	\$ 1,265,000

\$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:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 210,000	\$ 535,000	\$ 745,000
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
2012-2016	1,405,000	2,319,750	3,724,750
2017-2021	1,810,000	1,911,410	3,721,410
2022-2026	2,310,000	1,415,000	3,725,000
2027-2031	2,930,000	800,250	3,730,250
2032-2033	1,385,000	104,750	1,489,750
<b>Total</b>	<b>\$10,960,000</b>	<b>\$ 9,154,512</b>	<b>\$20,114,512</b>

#### Interest Expense

Total interest costs incurred on all Village debt for the year ended September 30, 2006 was \$382,721 for governmental activities and \$888,855 for business-type activities, of which \$270,578 was capitalized on construction in progress in the Water and Sewer Enterprise Fund and \$618,277 was expensed.

#### Federal Arbitrage Regulations

The Village is subject to the arbitrage restrictions that have been 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.

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 6. OBLIGATION UNDER UTILITY AGREEMENTS

The obligation under utility agreements includes 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 is 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 the loans are paid in full.

The Series E Loan was originally issued October 1, 1976, at a face value of \$7,585,000. The loan matures in varying amounts through June 30, 2006. The Village's pro rata share of the loan is 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 matures in varying amounts through July 1, 2006. The Village's pro rata share of the loan is 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 requires 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, 2006, the combined intangible rights had a net book value of \$2,440,218 and were recorded with capital assets.

### NOTE 7. INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2006:

	Transfers in	Transfers out
<b>Governmental Activities:</b>		
Major Fund - General Fund	\$ 1,270,286	\$ -
<b>Business-type Activities:</b>		
Enterprise Fund	-	1,270,286
<b>Total interfund transfers</b>	<b>\$ 1,270,286</b>	<b>\$ 1,270,286</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 7. INTERFUND TRANSFERS (Continued)

Transfers include payments in lieu of taxes that are not payments for services.

### NOTE 8. ENTERPRISE FUND RESTRICTED ASSETS AND RESERVES

Restricted assets of the enterprise fund at September 30, 2006, 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, 2006:

	<b>Restricted Assets</b>
Utility Debt Service	\$ 2,654,472
Renewal and Replacement	100,000
Cash with fiscal agent	345,000
Unused proceeds from 2003 bonds	760
	<hr/> \$ 3,100,232 <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, 2006, and the reserve requirements have been met for the water and sewer bonds. In addition, the Village was required to purchase certain U.S. Treasury obligations at predetermined intervals from funds it was required to deposit into a bond amortization account on a monthly basis. A portion of the Utility Debt Service is restricted to meet the principal payment of \$1,265,000 of capital appreciation bonds maturing on April 1, 2007.

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, 2006.

### 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.

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 9. PENSION PLANS (Continued)

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 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	
<b>Accounting Policies and Plan Assets:</b>			
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	
<b>Membership and Plan Provisions:</b>			
<b>Members:</b>			
Active Participants	113	45	
Retirees and Beneficiaries	29	8	
Terminated Vested	26	15	
<b>Normal Retirement Benefits:</b>			
Retirement Age	62	<b>Option 1</b>	<b>Option 2</b>
Years of Service (minimum)	10	50	55
Accrual	2.25%	15	10
Maximum	50%	3.0%	3.0%
Years to Vest	10	None	None
		10	10

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 9. PENSION PLANS (Continued)

	General Employees	Hazardous Employees
<b>Contributions:</b>		
Actuarial Rate		
Village	17.50%	28.25%
State	-	4.02%
Participants	1.00%	6.60%
Annual Pension Cost	\$745,116	\$553,371
Contribution Made	\$757,477	\$549,634
<b>Actuarial Valuation:</b>		
Frequency	Annual	Annual
Latest Valuation	9/30/05	9/30/05
Basis for Contribution	9/30/04	9/30/04
Cost Method	Entry age	Entry age
<b>Amortization:</b>		
Method	Level percent	Level percent
Period	15-25 years	3-23 years
Open/Closed	Closed	Closed
<b>Assumptions:</b>		
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
<b>Hazardous Employees:</b>	9/30/04	\$ 374,514	106%	\$ 46,323
	9/30/05	419,195	118%	121,183
	9/30/06	553,371	104%	140,316
<b>General Employees:</b>	9/30/04	\$ 428,696	100%	-
	9/30/05	498,271	100%	-
	9/30/06	745,116	100%	-

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### 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)	\$	548,908
Interest on net pension asset		(9,695)
Adjustment to ARC		14,158
<hr/>		
Annual pension cost (APC)		553,371
Village and state contributions		572,504
<hr/>		
Increase in net pension asset		19,133
Net pension asset, beginning of year		121,183
<hr/>		
Net pension asset, end of year	\$	140,316

### 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, 2006 are as follows:

<b>Statements of Plan Net Assets</b>		
	General Employees Pension Fund	Hazardous Employees Pension Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 1,265,302	\$ 1,355,822
Investments:		
U.S. Government securities	546,148	693,076
U.S. Government agencies	489,422	425,329
Mortgage-backed securities	56,661	139,557
Corporate bonds	865,527	649,673
Common stocks	4,597,887	3,902,593
Receivables:		
Interest and dividends	28,002	22,053
<b>Total assets</b>	<b>7,848,949</b>	<b>7,188,103</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,544	1,087
<b>Total liabilities</b>	<b>3,544</b>	<b>1,087</b>
<b>Net assets held in trust for pension benefits</b>	<b>\$ 7,845,405</b>	<b>\$ 7,187,016</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 9. PENSION PLANS (Continued)

Statements of Changes in Plan Net Assets		
	General Employees Pension Fund	Hazardous Employees Pension Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 757,477	\$ 549,634
Plan members	42,629	172,831
State of Florida	-	76,777
<b>Total contributions</b>	<b>800,106</b>	<b>799,242</b>
Investment income:		
Interest	149,726	143,176
Dividends	95,001	61,924
Net appreciation in fair value of investments	160,146	452,133
Investment expenses	(29,740)	(22,302)
Net investment income	375,133	634,931
<b>Total additions</b>	<b>1,175,239</b>	<b>1,434,173</b>
<b>Deductions</b>		
Administration	32,109	21,979
Benefits	277,913	165,530
<b>Total deductions</b>	<b>310,022</b>	<b>187,509</b>
Change in plan net assets	865,217	1,246,664
Net Assets - October 1, 2005	6,980,188	5,940,352
<b>Net Assets - September 30, 2006</b>	<b>\$ 7,845,405</b>	<b>\$ 7,187,016</b>

### NOTE 10. COMMITMENTS AND CONTINGENCIES

#### Commitments

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

	Total Project Authorization	Expended September 30, 2006	Retainage Payable September 30, 2006	Balance to Complete
Task #90 - Wells 18 and 19	\$ 271,600	\$ 164,942	\$ -	\$ 106,658
Task #92 - Water & sewer improvements	3,486,857	2,294,912	156,302	1,035,643
Intersection improvements – Forest Hill and Haverhill Roads	40,744	17,304	-	23,440
	<b>\$ 3,799,201</b>	<b>\$ 2,477,158</b>	<b>\$ 156,302</b>	<b>\$ 1,165,741</b>

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### 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, 2006, 2005 and 2004. Insurance recoveries of \$194,167 for property damage from hurricanes in the prior year are included in governmental activities program revenues in the government-wide financial statements and other financing sources of the General Fund in the fund financial statements for the year ended September 30, 2006.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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# VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes:				
Ad valorem taxes	\$ 2,592,204	\$ 2,592,204	\$ 2,599,971	\$ 7,767
Franchise fees	601,000	601,000	810,272	209,272
Utility service taxes	1,384,802	1,384,802	1,661,837	277,035
<b>Total taxes</b>	<b>4,578,006</b>	<b>4,578,006</b>	<b>5,072,080</b>	<b>494,074</b>
Licenses and permits:				
Occupational licenses	160,000	160,000	185,693	25,693
Building permits	534,000	534,000	562,930	28,930
Other permits and licenses	275	275	891	616
<b>Total licenses and permits</b>	<b>694,275</b>	<b>694,275</b>	<b>749,514</b>	<b>55,239</b>
Intergovernmental:				
State revenue sharing	550,000	550,000	521,390	(28,610)
Alcoholic beverage licenses	6,500	6,500	11,892	5,392
Municipal fuel tax refund	3,500	3,500	3,764	264
Local option gas tax	325,000	325,000	335,602	10,602
County occupational licenses	35,000	35,000	35,408	408
Half-cent sales tax	1,175,000	1,175,000	1,102,442	(72,558)
Grant revenue	278,623	1,066,565	1,020,476	(46,089)
Other intergovernmental revenue	30,932	30,932	26,685	(4,247)
<b>Total intergovernmental</b>	<b>2,404,555</b>	<b>3,192,497</b>	<b>3,057,659</b>	<b>(134,838)</b>
Charges for services:				
General government	60,830	60,830	61,445	615
Public safety	564,630	564,630	229,335	(335,295)
Sanitation	513,000	513,000	532,932	19,932
Leisure services	319,850	341,850	334,436	(7,414)
Nonresident fees	10,000	10,000	8,750	(1,250)
<b>Total charges for services</b>	<b>1,468,310</b>	<b>1,490,310</b>	<b>1,166,898</b>	<b>(323,412)</b>
Fines and forfeitures:				
Judgements and fines	130,500	130,500	74,410	(56,090)
Other	108,100	108,100	108,324	224
<b>Total fines and forfeitures</b>	<b>238,600</b>	<b>238,600</b>	<b>182,734</b>	<b>(55,866)</b>
<b>Contributions</b>	<b>7,200</b>	<b>27,100</b>	<b>62,501</b>	<b>35,401</b>

Continued

# VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Miscellaneous:				
Interest earnings	\$ 144,000	\$ 144,000	\$ 230,329	\$ 86,329
Insurance recoveries	10,000	19,081	194,167	175,086
Miscellaneous revenue	11,500	11,500	119,397	107,897
Facility rental	70,880	70,880	71,838	958
<b>Total miscellaneous</b>	<b>236,380</b>	<b>245,461</b>	<b>615,731</b>	<b>370,270</b>
<b>Total revenues</b>	<b>9,627,326</b>	<b>10,466,249</b>	<b>10,907,117</b>	<b>440,868</b>
<b>Other financing sources</b>				
Appropriated fund balance	255,000	255,000	-	(255,000)
Transfer in	1,270,286	1,270,286	1,270,286	-
<b>Total revenues and other financing sources</b>	<b>\$ 11,152,612</b>	<b>\$ 11,991,535</b>	<b>\$ 12,177,403</b>	<b>\$ 185,868</b>
<b>Expenditures</b>				
<b>General government:</b>				
Legislative:				
Personal services	\$ 46,390	\$ 46,390	\$ 46,272	\$ 118
Operating	49,278	55,978	36,618	19,360
Nonoperating	102,600	120,523	2,000	118,523
Total legislative	198,268	222,891	84,890	138,001
Executive:				
Personal services	454,502	454,702	444,589	10,113
Operating	27,586	28,405	16,538	11,867
Capital outlay	4,200	3,181	3,180	1
Total executive	486,288	486,288	464,307	21,981
Financial Administration:				
Personal services	326,503	334,353	333,517	836
Operating	22,869	18,519	16,675	1,844
Capital outlay	9,200	8,700	8,237	463
Total financial administration	358,572	361,572	358,429	3,143
Legal:				
Operating	75,000	115,000	99,747	15,253
Other general government:				
Personal services	3,000	3,000	161	2,839
Operating	290,195	307,095	283,680	23,415
Capital outlay	10,000	14,400	14,089	311
Total other general government	303,195	324,495	297,930	26,565
<b>Total general government</b>	<b>1,421,323</b>	<b>1,510,246</b>	<b>1,305,303</b>	<b>204,943</b>

Continued

# VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Public safety:</b>				
Land development:				
Personal services	\$ 449,188	\$ 435,088	\$ 372,087	\$ 63,001
Operating	162,221	173,806	155,096	18,710
Capital outlay	67,900	71,900	57,292	14,608
Total land development	679,309	680,794	584,475	96,319
Fire Rescue:				
Personal services	955,646	922,996	806,898	116,098
Operating	77,000	140,859	114,785	26,074
Capital outlay	33,500	61,400	55,332	6,068
Total fire rescue	1,066,146	1,125,255	977,015	148,240
Law enforcement:				
Personal services	3,904,480	3,767,764	3,763,356	4,408
Operating	284,413	457,799	451,866	5,933
Capital outlay	79,500	116,781	116,194	587
Total law enforcement	4,268,393	4,342,344	4,331,416	10,928
<b>Total public safety</b>	<b>6,013,848</b>	<b>6,148,393</b>	<b>5,892,906</b>	<b>255,487</b>
<b>Physical environment:</b>				
Sanitation services:				
Personal services	470,430	473,336	399,071	74,265
Operating	395,060	672,028	597,706	74,322
Capital outlay	255,000	219,670	2,080	217,590
<b>Total physical environment</b>	<b>1,120,490</b>	<b>1,365,034</b>	<b>998,857</b>	<b>366,177</b>
<b>Transportation:</b>				
Personal services	611,800	610,620	541,473	69,147
Operating	429,802	446,282	376,050	70,232
Capital outlay	55,000	77,500	75,370	2,130
<b>Total transportation</b>	<b>1,096,602</b>	<b>1,134,402</b>	<b>992,893</b>	<b>141,509</b>
<b>Culture/recreation:</b>				
Library:				
Personal services	407,908	408,767	407,613	1,154
Operating	87,183	101,661	100,564	1,097
Capital outlay	54,150	50,800	50,103	697
Total library	549,241	561,228	558,280	2,948
Leisure services:				
Personal services	428,147	428,047	425,951	2,096
Operating	321,261	417,460	416,782	678
Capital outlay	146,700	371,725	347,931	23,794
Total leisure services	896,108	1,217,232	1,190,664	26,568

Continued

**VILLAGE OF PALM SPRINGS, FLORIDA**

*Budgetary Comparison Schedule*

*General Fund (Continued)*

*Year Ended September 30, 2006*

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Special events:				
Operating	\$ 55,000	\$ 55,000	\$ 54,556	\$ 444
<b>Total culture/recreation</b>	<b>1,500,349</b>	<b>1,833,460</b>	<b>1,803,500</b>	<b>29,960</b>
<b>Total expenditures</b>	<b>4 11,152,612</b>	<b>\$ 11,991,535</b>	<b>10,993,459</b>	<b>\$ 998,076</b>
Net change in fund balance			\$ 1,183,944	
Fund balance, beginning of year			4,150,439	
<b>Fund balance, end of year</b>			<b>\$ 5,334,383</b>	

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2006

### NOTE 1. BUDGETARY ACCOUNTING

State of Florida Statutes requires 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 and insurance recoveries are budgeted as miscellaneous revenue. 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
<b>Budgetary Basis</b>	\$ 10,907,117	\$ 10,993,459
State on-behalf payments for hazardous employees pension contributions	76,777	76,777
Insurance recoveries	(194,167)	-
<b>GAAP Basis</b>	<b>\$ 10,789,727</b>	<b>\$ 11,070,236</b>

The reported budgetary data represents the final appropriated budget after amendments adopted by the Council. Supplemental appropriations of \$838,923 were needed for costs incurred for hurricane related expenses for the year ended September 30, 2006, increasing the original general fund budget from \$11,152,612 to \$11,991,535. 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, 2006.

## VILLAGE OF PALM SPRINGS, FLORIDA

### CONDITION RATING OF THE VILLAGE'S STREET SYSTEM

SEPTEMBER 30, 2006

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:

	<b>Needed</b>	<b>Actual</b>	<b>Difference</b>
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
<b>Total</b>	<b>\$ 418,600</b>	<b>\$ 318,098</b>	<b>\$ 100,502</b>

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. 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)
<b><u>Hazardous Employees</u></b>						
2000	\$ 4,344,465	\$ 4,761,603	\$ 417,138	91.2%	\$ 1,311,765	31.8%
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%
<b><u>General Employees</u></b>						
2000	\$ 5,953,335	\$ 4,546,142	\$ (1,407,193)	131.0%	\$ 2,724,184	-
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%

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:

	<b>General Employees</b>	<b>Hazardous Employees</b>
Valuation date	9/30/2005	9/30/2005
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*

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<b>Year Ended September 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
<b>Hazardous Employees Pension Fund</b>		
2001	\$ 324,423	100%
2002	286,675	109%
2003	397,241	106%
2004	417,489	118%
2005	548,908	104%
2006	626,200	100%
<b>General Employees Pension Fund</b>		
2001	\$ 154,786	100%
2002	131,309	100%
2003	399,459	100%
2004	428,696	100%
2005	498,271	100%
2006	745,116	100%

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**COMBINING FUND STATEMENTS AND  
OTHER INFORMATION**

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## **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, 2006*

	<b>Special Revenue Funds</b>		<b>Capital</b>	<b>Debt</b>	<b>Total</b>
	<b>Library</b>	<b>Law</b>	<b>Projects</b>	<b>Service</b>	<b>Nonmajor</b>
	<b>Fund</b>	<b>Enforcement</b>	<b>Fund</b>	<b>Fund</b>	<b>Governmental</b>
		<b>Fund</b>			<b>Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 71,905	\$ 17,256	\$ 7,168	\$ 20,793	\$ 117,122
<b>Total assets</b>	<b>\$ 71,905</b>	<b>\$ 17,256</b>	<b>\$ 7,168</b>	<b>\$ 20,793</b>	<b>\$ 117,122</b>
<b>Liabilities and Fund Balances:</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 2,500	\$ -	\$ -	\$ 2,500
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 2,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,500</b>
Fund balances:					
Reserved for:					
Law enforcement	\$ -	\$ 14,756	\$ -	\$ -	\$ 14,756
Capital projects	-	-	7,168	-	7,168
Debt service	-	-	-	20,793	20,793
Unreserved:					
Special revenue funds	71,905	-	-	-	71,905
<b>Total fund balances</b>	<b>\$ 71,905</b>	<b>\$ 14,756</b>	<b>\$ 7,168</b>	<b>\$ 20,793</b>	<b>\$ 114,622</b>
<b>Total liabilities and fund balances</b>	<b>\$ 71,905</b>	<b>\$ 17,256</b>	<b>\$ 7,168</b>	<b>\$ 20,793</b>	<b>\$ 117,122</b>

**VILLAGE OF PALM SPRINGS, FLORIDA**

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

*Nonmajor Governmental Funds*

*Year Ended September 30, 2006*

	<b>Special Revenue Funds</b>		<b>Capital</b>	<b>Debt</b>	<b>Total</b>
	<b>Library</b>	<b>Law</b>	<b>Projects</b>	<b>Service</b>	<b>Nonmajor</b>
	<b>Fund</b>	<b>Enforcement</b>	<b>Fund</b>	<b>Fund</b>	<b>Governmental</b>
		<b>Fund</b>			<b>Funds</b>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 525,735	\$ 525,735
Confiscated property	-	25,924	-	-	25,924
Contributions	1,277	-	490	-	1,767
Interest	3,087	548	5,458	-	9,093
Miscellaneous	425	-	-	-	425
<b>Total revenues</b>	<b>4,789</b>	<b>26,472</b>	<b>5,948</b>	<b>525,735</b>	<b>562,944</b>
<b>Expenditures</b>					
Current:					
General government	-	-	3,903	-	3,903
Public safety	-	8,087	-	-	8,087
Culture/recreation	3,000	-	-	-	3,000
Capital outlay	3,133	5,000	173,908	-	182,041
Debt service:					
Principal	-	-	-	140,000	140,000
Interest and other fiscal charges	-	-	-	385,638	385,638
<b>Total expenditures</b>	<b>6,133</b>	<b>13,087</b>	<b>177,811</b>	<b>525,638</b>	<b>722,669</b>
Excess (deficiency) of revenues over expenditures	(1,344)	13,385	(171,863)	97	(159,725)
Fund balances, beginning of year	73,249	1,371	179,031	20,696	274,347
<b>Fund balances, end of year</b>	<b>\$ 71,905</b>	<b>\$ 14,756</b>	<b>\$ 7,168</b>	<b>\$ 20,793</b>	<b>\$ 114,622</b>

**COMBINING FIDUCIARY FUND STATEMENTS**

# VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Fiduciary Net Assets

September 30, 2006

	<b>General Employees Pension Fund</b>	<b>Hazardous Employees Pension Fund</b>	<b>Total Pension Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,265,302	\$ 1,355,822	\$ 2,621,124
Investments:			
U.S. Government securities	546,148	693,076	1,239,224
U.S. Government agencies	489,422	425,329	914,751
Mortgage and asset-backed securities	56,661	139,557	196,218
Corporate bonds	865,527	649,673	1,515,200
Common stocks	4,597,887	3,902,593	8,500,480
Receivables:			
Interest and dividends	28,002	22,053	50,055
<b>Total assets</b>	<b>\$ 7,848,949</b>	<b>\$ 7,188,103</b>	<b>\$ 15,037,052</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 3,544	\$ 1,087	\$ 4,631
<b>Total liabilities</b>	<b>\$ 3,544</b>	<b>\$ 1,087</b>	<b>\$ 4,631</b>
<b>Net Assets</b>			
Net assets held in trust for pension benefits	\$ 7,845,405	\$ 7,187,016	\$ 15,032,421
<b>Total net assets</b>	<b>\$ 7,845,405</b>	<b>\$ 7,187,016</b>	<b>\$ 15,032,421</b>

## VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets  
Year Ended September 30, 2006

	General Employees Pension Fund	Hazardous Employees Pension Fund	Total Pension Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 757,477	\$ 549,634	\$ 1,307,111
Plan members	42,629	172,831	215,460
State of Florida	-	76,777	76,777
<b>Total contributions</b>	<b>800,106</b>	<b>799,242</b>	<b>1,599,348</b>
Investment income:			
Interest	149,726	143,176	292,902
Dividends	95,001	61,924	156,925
Net appreciation in fair value of investments	160,146	452,133	612,279
Investment expenses	(29,740)	(22,302)	(52,042)
Net investment income	375,133	634,931	1,010,064
<b>Total additions</b>	<b>1,175,239</b>	<b>1,434,173</b>	<b>2,609,412</b>
<b>Deductions</b>			
Administration	32,109	21,979	54,088
Benefits	277,913	165,530	443,443
<b>Total deductions</b>	<b>310,022</b>	<b>187,509</b>	<b>497,531</b>
Net increase in plan net assets	865,217	1,246,664	2,111,881
Net assts held in trust for pension benefits, beginning of year	6,980,188	5,940,352	12,920,540
<b>Net assets held in trust for pension benefits, end of year</b>	<b>\$ 7,845,405</b>	<b>\$ 7,187,016</b>	<b>\$ 15,032,421</b>

**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, 2006

Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities			
	Bond Payable	Note Payable	Revenue Bonds Payable			Total
			Series 1988	Series 1984	Series 2003A	
2007	\$ 515,856	\$ 841,972	\$ 660,000	\$ 1,265,000	\$ 745,000	\$ 4,027,828
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
<b>Total</b>	<b>\$ 13,456,206</b>	<b>\$ 5,121,997</b>	<b>\$ 4,010,000</b>	<b>\$ 1,265,000</b>	<b>\$ 20,114,512</b>	<b>\$ 43,967,715</b>

**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				
2007	\$	145,000	\$	185,428	\$	185,428	\$	515,856	4.000%
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%
<b>Total</b>	<b>\$</b>	<b>7,360,000</b>	<b>\$</b>	<b>3,048,103</b>	<b>\$</b>	<b>3,048,103</b>	<b>\$</b>	<b>13,456,206</b>	

**VILLAGE OF PALM SPRINGS, FLORIDA**

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

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<b>Fiscal Year</b>				
<b>Ending</b>				
<b>September 30,</b>	<b>Principal</b>		<b>Interest</b>	<b>Total</b>
2007	\$ 670,779		\$ 171,193	\$ 841,972
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
<b>Total</b>	<b>\$ 4,533,236</b>		<b>\$ 588,761</b>	<b>\$ 5,121,997</b>

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**VILLAGE OF PALM SPRINGS, FLORIDA**

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

Fiscal Year Ending September 30,	Principal		Interest		Total
	October 1	April 1	October 1	April 1	
2007	\$ 82,600	\$ 71,883	\$ 262,400	\$ 243,117	\$ 660,000
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
<b>Total</b>	<b>\$ 416,209</b>	<b>\$ 323,753</b>	<b>\$ 1,848,791</b>	<b>\$ 1,421,247</b>	<b>\$ 4,010,000</b>

**VILLAGE OF PALM SPRINGS, FLORIDA**

*\$122,983 Water and Sewer Capital Appreciation Bonds, Series 1984*

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<b>Fiscal Year</b>				
<b>Ending</b>				
<b>September 30,</b>	<b>Principal</b>		<b>Interest</b>	<b>Total</b>
2007	\$ 122,983		\$ 1,142,017	\$ 1,265,000
<b>Total</b>	<b>\$ 122,983</b>		<b>\$ 1,142,017</b>	<b>\$ 1,265,000</b>

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**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				
2007	\$	210,000	\$	267,500	\$	267,500	\$	745,000	3.250%
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%
<b>Total</b>	<b>\$</b>	<b>10,960,000</b>	<b>\$</b>	<b>4,577,256</b>	<b>\$</b>	<b>4,577,256</b>	<b>\$</b>	<b>20,114,512</b>	

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**STATISTICAL SECTION**

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# 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.

<b>Contents</b>	<b>Page</b>
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.....	82
<i>These schedules contain information to help the reader assess the Village of Palm Springs' most significant local revenue source, the property tax.</i>	
Debt Capacity.....	86
<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.....	90
<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.....	92
<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 Four Fiscal Years*

*Accrual Basis of Accounting*

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	Fiscal Year	
	2003	2004
<b>Governmental activities</b>		
Invested in capital assets, net of related debt	\$ 4,441,217	\$ 6,584,386
Restricted	2,764,453	-
Unrestricted	3,212,820	4,100,592
<b>Total governmental activities net assets</b>	<b>\$ 10,418,490</b>	<b>\$ 10,684,978</b>
<b>Business-type activities</b>		
Invested in capital assets, net of related debt	\$ 16,776,279	\$ 19,234,374
Restricted	4,363,132	2,336,464
Unrestricted	5,960,324	6,992,800
<b>Total business-type activities net assets</b>	<b>\$ 27,099,735</b>	<b>\$ 28,563,638</b>
<b>Primary government</b>		
Invested in capital assets, net of related debt	\$ 21,217,496	\$ 25,818,760
Restricted	7,127,585	2,336,464
Unrestricted	9,173,144	11,093,392
<b>Total primary government net assets</b>	<b>\$ 37,518,225</b>	<b>\$ 39,248,616</b>

Information prior to fiscal year 2003 is not available.

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Fiscal Year	
2005	2006
\$ 6,818,977	\$ 7,199,449
-	-
4,159,815	5,150,443
<b>\$ 10,978,792</b>	<b>\$ 12,349,892</b>

\$ 19,027,484	\$ 27,627,368
2,307,654	118,999
9,210,863	5,253,146
<b>\$ 30,546,001</b>	<b>\$ 32,999,513</b>

\$ 25,846,461	\$ 34,826,817
2,307,654	118,999
13,370,678	10,403,589
<b>\$ 41,524,793</b>	<b>\$ 45,349,405</b>

## VILLAGE OF PALM SPRINGS, FLORIDA

*Changes in Net Assets*

*Last Four Fiscal Years*

*Accrual Basis of Accounting*

	Fiscal Year	
	2003	2004
<b>Expenses</b>		
Governmental activities:		
General government	\$ 1,758,726	\$ 1,246,098
Public safety	3,655,456	4,306,625
Physical environment	440,529	809,087
Transportation	720,492	938,374
Culture/recreation	469,983	1,331,518
Interest on long-term debt	482,553	426,357
<b>Total governmental activities expenses</b>	<b>7,527,739</b>	<b>9,058,059</b>
Business-type activities:		
Water/Sewer Utility	7,404,500	8,006,446
<b>Total business-type activities expenses</b>	<b>7,404,500</b>	<b>8,006,446</b>
<b>Total primary government expenses</b>	<b>\$ 14,932,239</b>	<b>\$ 17,064,505</b>
<b>Program Revenues</b>		
Governmental activities:		
Charges for services:		
General government	\$ 221,343	\$ 318,035
Public safety	785,366	838,765
Physical environment	350,120	398,628
Culture/recreation	236,772	357,950
Operating grants and contributions:		
General government	25,468	-
Public safety	82,189	76,566
Transportation	-	-
Culture/recreation	74,439	29,745
Capital grants and contributions:		
General government	10,000	-
Public safety	-	44,204
Transportation	-	-
Culture/recreation	581,141	176,238
<b>Total governmental activities program revenues</b>	<b>2,366,838</b>	<b>2,240,131</b>
Business-type activities:		
Charges for services:		
Water/Sewer	8,618,975	9,637,956
Capital grants and contributions	1,125,555	715,077
<b>Total business-type activities program revenues</b>	<b>9,744,530</b>	<b>10,353,033</b>
<b>Total primary government program revenues</b>	<b>\$ 12,111,368</b>	<b>\$ 12,593,164</b>
<b>Net (expense)/revenue</b>		
Governmental activities	\$ (5,160,901)	\$ (6,817,928)
Business-type activities	2,340,030	2,346,587
<b>Total primary government net expense</b>	<b>\$ (2,820,871)</b>	<b>\$ (4,471,341)</b>

Fiscal Year	
2005	2006
\$ 1,460,229	\$ 1,489,124
5,047,665	6,013,883
770,321	1,045,789
1,018,045	941,378
1,387,063	1,573,129
389,788	382,721
<b>10,073,111</b>	<b>11,446,024</b>
\$ 7,751,695	8,498,243
<b>7,751,695</b>	<b>8,498,243</b>
<b>\$ 17,824,806</b>	<b>\$ 19,944,267</b>
\$ 321,004	\$ 412,527
675,994	994,345
414,375	532,932
335,149	393,817
331,564	718,297
120,352	242,497
7,955	8,432
33,741	28,315
-	194,167
57,553	10,000
74,294	-
-	136,549
<b>2,371,981</b>	<b>3,671,878</b>
10,172,417	11,195,361
401,985	575,661
<b>10,574,402</b>	<b>11,771,022</b>
<b>\$ 12,946,383</b>	<b>\$ 15,442,900</b>
\$ (7,701,130)	\$ (7,774,146)
2,822,707	3,272,779
<b>\$ (4,878,423)</b>	<b>\$ (4,501,367)</b>

## VILLAGE OF PALM SPRINGS, FLORIDA

*Changes in Net Assets (Continued)*

*Last Four Fiscal Years*

*Accrual Basis of Accounting*

	Fiscal Year	
	2003	2004
<b>General Revenues and Other Changes in Net Assets</b>		
Governmental activities:		
Taxes:		
Property taxes	\$ 2,138,258	\$ 2,317,271
Utility service taxes	1,241,306	1,285,916
Franchise fees	526,320	552,295
Sales and use taxes	1,197,671	1,290,027
Intergovernmental, unrestricted	363,681	421,513
Investment earnings	133,061	70,684
Miscellaneous	86,129	31,340
Transfers	990,172	1,115,370
<b>Total governmental activities</b>	<b>6,676,598</b>	<b>7,084,416</b>
Business-type activities		
Investment earnings	238,020	219,955
Miscellaneous	19,657	12,731
Transfers	(990,172)	(1,115,370)
<b>Total business-type activities</b>	<b>(732,495)</b>	<b>(882,684)</b>
<b>Total primary government</b>	<b>\$ 5,944,103</b>	<b>\$ 6,201,732</b>
<b>Changes in Net Assets</b>		
Governmental activities	\$ 1,515,697	\$ 266,488
Business-type activities	1,607,535	1,463,903
<b>Total primary government</b>	<b>\$ 3,123,232</b>	<b>\$ 1,730,391</b>

<b>Fiscal Year</b>	
<b>2005</b>	<b>2006</b>
\$ 2,616,249	\$ 3,125,706
1,492,779	1,661,837
562,586	810,272
1,346,148	1,453,700
505,715	521,390
126,658	239,422
144,544	62,633
1,200,265	1,270,286
<b>7,994,944</b>	<b>9,145,246</b>
330,172	441,016
29,749	10,003
(1,200,265)	(1,270,286)
<b>(840,344)</b>	<b>(819,267)</b>
<b>\$ 7,154,600</b>	<b>\$ 8,325,979</b>
\$ 293,814	\$ 1,371,100
1,982,363	2,453,512
<b>\$ 2,276,177</b>	<b>\$ 3,824,612</b>

**VILLAGE OF PALM SPRINGS, FLORIDA**

*Governmental Activities Tax Revenues by Source*

*Last Four Fiscal Years*

*Accrual Basis of Accounting*

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Utility Service Tax</b>	<b>Franchise Fees</b>	<b>Sales and Use Tax</b>	<b>Total</b>
<b>2003</b>	\$ 2,138,258	\$ 1,241,306	\$ 526,320	\$ 1,197,671	\$ 5,103,555
<b>2004</b>	2,317,271	1,285,916	552,295	1,290,027	5,445,509
<b>2005</b>	2,616,249	1,492,779	562,586	1,346,148	6,017,762
<b>2006</b>	3,125,706	1,661,837	810,272	1,453,700	7,051,515

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## VILLAGE OF PALM SPRINGS, FLORIDA

*Fund Balances of Governmental Funds*

*Last Ten Fiscal Years*

*Modified Accrual Basis of Accounting*

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	Fiscal Year			
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>General fund</b>				
Reserved	\$ 15,201	\$ 15,479	\$ 16,319	\$ 17,776
Unreserved	<u>1,550,149</u>	<u>1,346,286</u>	<u>1,596,734</u>	<u>2,099,882</u>
Total General Fund	<u>\$ 1,565,350</u>	<u>\$ 1,361,765</u>	<u>\$ 1,613,053</u>	<u>\$ 2,117,658</u>
<b>All other governmental funds</b>				
Reserved	\$ 14,530	\$ 14,128	\$ 14,499	\$ 14,050
Unreserved, reported in:				
Special revenue funds	<u>158,187</u>	<u>168,563</u>	<u>151,037</u>	<u>115,518</u>
Total all other governmental funds	<u>\$ 172,717</u>	<u>\$ 182,691</u>	<u>\$ 165,536</u>	<u>\$ 129,568</u>

<b>Fiscal Year</b>					
<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$ 10,604	\$ 6,259	\$ 9,703	\$ 11,692	\$ 22,622	\$ 16,822
<u>2,785,703</u>	<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><u>\$ 2,796,307</u></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>
\$ 12,614	\$ 6,167,601	\$ 2,369,958	\$ 249,050	\$ 201,098	\$ 42,717
<u>17,786</u>	<u>19,092</u>	<u>50,076</u>	<u>70,382</u>	<u>73,249</u>	<u>71,905</u>
<u><u>\$ 30,400</u></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>

## VILLAGE OF PALM SPRINGS, FLORIDA

*Changes in Fund Balances of Governmental Funds*

*Last Ten Fiscal Years*

*Modified Accrual Basis of Accounting*

	Fiscal Year			
	1997	1998	1999	2000
<b>Revenues</b>				
Taxes	\$ 2,159,182	\$ 2,196,096	\$ 2,266,955	\$ 2,538,952
Licenses and permits	135,986	176,861	231,549	218,904
Intergovernmental	1,200,367	1,308,837	1,356,469	1,534,183
Confiscated property	-	-	-	-
Grants	-	-	-	-
Charges for services	485,899	521,063	569,928	616,163
Fines and forfeitures	128,775	145,240	165,491	149,962
Contributions	48,877	37,603	34,261	43,703
Investment earnings	139,881	153,873	106,772	148,555
Miscellaneous	137,526	151,815	185,394	136,263
<b>Total revenues</b>	<b>4,436,493</b>	<b>4,691,388</b>	<b>4,916,819</b>	<b>5,386,685</b>
<b>Expenditures</b>				
General government	768,554	804,182	800,880	794,282
Public safety	2,272,811	2,418,895	2,470,929	2,555,442
Physical environment	292,310	302,388	323,778	321,411
Transportation	471,235	527,672	514,062	487,655
Culture/Recreation	944,755	1,001,217	1,070,289	1,095,784
Capital Outlay	385,651	420,605	178,681	563,481
Debt service				
Principal	41,164	43,428	45,816	48,336
Interest and other fiscal charges	39,414	25,669	23,200	20,887
<b>Total expenditures</b>	<b>5,215,894</b>	<b>5,544,056</b>	<b>5,427,635</b>	<b>5,887,278</b>
Excess of revenues over (under) expenditures	(779,401)	(852,668)	(510,816)	(500,593)
<b>Other financing sources (uses)</b>				
Insurance recoveries	-	-	-	-
Transfers in	633,841	659,057	744,949	1,058,584
Transfers out	-	-	-	(89,353)
Bonds issued	-	-	-	-
Proceeds of refunding note	530,000	-	-	-
Redemption of bonds	(520,000)	-	-	-
<b>Total other financing sources (uses)</b>	<b>643,841</b>	<b>659,057</b>	<b>744,949</b>	<b>969,231</b>
Net change in fund balances	<u>\$ (135,560)</u>	<u>\$ (193,611)</u>	<u>\$ 234,133</u>	<u>\$ 468,638</u>
Debt service as a percentage of non-capital expenditures	1.70%	1.37%	1.33%	1.47%

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 2,817,347	\$ 3,272,134	\$ 3,905,884	\$ 4,155,482	\$ 4,671,614	\$ 5,597,815
175,713	258,364	620,841	711,795	446,473	749,514
1,493,623	1,566,010	1,749,953	1,955,300	2,426,341	3,134,436
-	-	15,515	29,578	13,167	25,924
-	-	591,141	154,859	-	-
643,125	653,923	723,730	845,962	1,025,234	1,166,898
162,697	179,059	170,629	140,670	162,527	182,734
33,596	24,635	49,311	33,434	18,311	64,268
144,638	164,983	133,061	70,684	126,658	239,422
188,154	51,488	93,200	111,413	202,041	191,660
<b>5,658,893</b>	<b>6,170,596</b>	<b>8,053,265</b>	<b>8,209,177</b>	<b>9,092,366</b>	<b>11,352,671</b>
819,386	906,582	988,770	1,050,402	1,247,293	1,283,700
2,871,557	3,117,272	3,552,982	4,005,927	4,845,761	5,748,952
327,565	385,569	406,397	752,528	723,124	996,777
552,555	584,258	699,430	912,573	1,007,187	917,523
1,018,519	923,166	1,029,230	1,193,457	1,238,815	1,408,466
507,050	2,161,371	5,045,584	2,707,162	681,664	911,849
50,995	53,800	371,461	130,000	135,000	140,000
17,898	15,022	409,092	397,285	392,601	385,638
<b>6,165,525</b>	<b>8,147,040</b>	<b>12,502,946</b>	<b>11,149,334</b>	<b>10,271,445</b>	<b>11,792,905</b>
(506,632)	(1,976,444)	(4,449,681)	(2,940,157)	(1,179,079)	(440,234)
-	-	-	-	-	194,167
1,169,944	970,424	1,183,220	1,115,370	1,200,265	1,270,286
(216,292)	-	(193,048)	-	-	-
-	7,829,925	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>953,652</b>	<b>8,800,349</b>	<b>990,172</b>	<b>1,115,370</b>	<b>1,200,265</b>	<b>1,464,453</b>
\$ 447,020	\$ 6,823,905	\$ (3,459,509)	\$ (1,824,787)	\$ 21,186	\$ 1,024,219
1.23%	1.16%	11.69%	6.66%	5.82%	5.08%

## VILLAGE OF PALM SPRINGS, FLORIDA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

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<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Utility Service Tax</b>	<b>Franchise Fees</b>	<b>Sales Tax</b>	<b>Total</b>
<b>1997</b>	\$ 975,774	\$ 724,577	\$ 458,831	\$ 607,396	\$ <b>2,766,578</b>
<b>1998</b>	972,713	760,390	462,993	646,918	<b>2,843,014</b>
<b>1999</b>	1,012,090	802,028	452,837	686,254	<b>2,953,209</b>
<b>2000</b>	1,132,703	931,995	474,254	760,263	<b>3,299,215</b>
<b>2001</b>	1,272,374	952,623	592,350	784,982	<b>3,602,329</b>
<b>2002</b>	1,489,071	1,262,933	520,130	878,129	<b>4,150,263</b>
<b>2003</b>	2,138,258	1,241,306	526,320	900,323	<b>4,806,207</b>
<b>2004</b>	2,317,271	1,285,916	552,295	979,566	<b>5,135,048</b>
<b>2005</b>	2,616,249	1,492,779	562,586	1,038,093	<b>5,709,707</b>
<b>2006</b>	3,125,706	1,661,837	810,272	1,102,442	<b>6,700,257</b>

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## 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 <sup>(1)</sup>	Total Direct Tax Rate	Estimated Actual Taxable Value <sup>(1)</sup>
	Real Property	Personal Property			
1997	\$ 164,977,593	\$ 11,222,725	\$ 176,200,318	22.3302	\$ 185,474,019
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

<sup>(1)</sup> 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*

<b>Fiscal Year Ending September 30,</b>	<b>General Fund</b>	<b>Debt Service</b>	<b>Total Village of Palm Springs</b>	<b>School District</b>	<b>Palm Beach County</b>	<b>Special Taxing Districts</b>	<b>Total All</b>
1997	5.3114	0.4261	5.7375	9.7880	4.5191	2.2856	22.3302
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

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

September 30, 2006

	2006			Percentage of Total Taxes Levied
	Taxable Assessed Valuation	Taxes	Rank	
Phillips Lake Worth	\$ 13,500,000	\$ 77,498	1	2.87%
IRT Property Co.	13,500,000	77,498	2	2.87%
CSC Village Club Apts LTD	12,538,815	71,980	3	2.67%
Palm Springs Development LLC	11,500,000	66,017	4	2.45%
Portofino Associates Ltd	11,190,000	64,237	5	2.38%
Advenir at Pines LLC	8,735,982	46,499	6	1.72%
Four FLA Shopping Center Prop Ltd	8,100,000	50,150	7	1.86%
Woodhaven LTD Partnership	7,092,347	40,714	8	1.51%
Cornerstone Palm Springs LLC	5,707,767	32,766	9	1.22%
Jerjo Inc.	5,604,994	32,176	10	1.19%
Reef MidAmerica/East IV, Inc.				
Palm Springs Associates				
EQR - Village Green Vistas, Inc.				
Boville Assoc. Ltd.				
Manors Apartments Ltd.				
Carrander Corp. Inc.				
South Florida Centers, Ltd.				
Rex Terrace Apartments, Ltd.				
Lake Worth Shopping Associates				
Totals	<u>\$ 97,469,905</u>	<u>\$ 559,535</u>		<u>20.74%</u>

<b>1997</b>			
<b>Taxable Assessed Valuation</b>	<b>Taxes</b>	<b>Rank</b>	<b>Percentage of Total Taxes Levied</b>
\$ 7,600,000	\$ 43,605	3	4.30%
9,000,000	51,638	1	5.10%
7,977,691	45,772	2	4.50%
5,289,000	30,346	4	3.00%
4,474,000	25,670	5	2.50%
2,200,000	12,623	6	1.20%
1,349,500	7,743	7	0.80%
1,139,432	6,537	8	0.60%
1,130,000	6,483	9	0.60%
900,000	5,164	10	0.50%
<u>\$ 41,059,623</u>	<u>\$ 235,581</u>		<u>23.10%</u>

## VILLAGE OF PALM SPRINGS, FLORIDA

### Property Tax Levies and Collections

#### Last Ten Fiscal Years

<b>Fiscal Year Ending September 30,</b>	<b>Net Tax Levy <sup>(1)</sup></b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Property Tax Collections</b>	<b>Collections as a Percent of Current Levy</b>
1997	\$ 951,358	\$ 902,582	94.87%	\$ 761	\$ 903,343	94.95%
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%

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

<sup>(1)</sup> Tax levy, net of allowance for discounts.

## VILLAGE OF PALM SPRINGS, FLORIDA

*Ratios of Outstanding Debt by Type*

*Last Four Fiscal Years*

Fiscal Year	Governmental Activities		Business-type Activities		Total <sup>(1)</sup> Primary Government	Population <sup>(2)</sup>	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	2,138.37
2006	7,360,000	15,740,566	4,533,236	159,204	27,793,006	13,890	2,000.94

**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.

<sup>(1)</sup> The Village does not have a legal debt margin.

<sup>(2)</sup> 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*

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Assessed Value of Taxable Property</b>	<b>Percentage of Assessed Value of Taxable Property</b>	<b>Population</b>	<b>Per Capita</b>
<b>1997</b>	\$ 488,826	\$ 12,767	\$ 476,059	\$ 176,200,318	0.27%	10,146	\$ 46.92
<b>1998</b>	445,408	12,793	432,615	177,676,316	0.24%	10,146	42.64
<b>1999</b>	399,592	12,833	386,759	186,950,924	0.21%	10,146	38.12
<b>2000</b>	351,256	12,595	338,661	210,169,977	0.16%	10,220	33.14
<b>2001</b>	300,261	12,614	287,647	238,855,055	0.12%	12,351	23.29
<b>2002</b>	8,136,461	12,627	8,123,834	293,510,488	2.77%	12,351	657.75
<b>2003</b>	7,765,000	20,337	7,744,663	324,408,525	2.39%	12,944	598.32
<b>2004</b>	7,635,000	20,677	7,614,323	379,187,543	2.01%	13,363	569.81
<b>2005</b>	7,500,000	20,696	7,479,304	453,232,893	1.65%	13,853	539.91
<b>2006</b>	7,360,000	20,793	7,339,207	562,968,596	1.30%	13,890	528.38

**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, 2006*

	<b>Total Outstanding</b>	<b>Percentage Applicable to Village of Palm Springs<sup>(1)</sup></b>	<b>Amount Applicable to Village of Palm Springs</b>
Direct:			
Village of Palm Springs	\$ 7,360,000	100.00%	\$ 7,360,000
Overlapping:			
Palm Beach County	336,020,000	0.57%	1,915,314
Palm Beach County School District	97,990,000	0.57%	558,543
Total overlapping debt	434,010,000		2,473,857
<b>Total direct and overlapping debt payable from ad valorem taxes</b>			<b>\$ 9,833,857</b>
Estimated population			13,890
Total direct and overlapping debt per capita			\$ 707.98

<sup>(1)</sup> 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*

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<b>Fiscal Year Ended September 30,</b>	<b>Gross Revenue*</b>	<b>Operating Expenses**</b>	<b>Revenue Available for Debt Coverage</b>	<b>Current Debt Service</b>	<b>Current Coverage</b>
1997	7,449,493	3,444,292	4,005,201	1,692,198	2.37
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	5,792,506	2,273,972	2.55
2006	12,222,041	5,936,948	6,285,093	2,269,972	2.77

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\* Includes interest income and capital contributions.

\*\* Excludes depreciation and amortization expense.

## VILLAGE OF PALM SPRINGS, FLORIDA

*Demographic and Economic Statistics*

*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income<sup>(2)</sup></b>	<b>Median Age<sup>(2)</sup></b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment<sup>(2)</sup></b>	<b>Unemployment Rate<sup>(2)</sup></b>
1997	10,146	N/A	\$ 33,852	N/A	N/A	N/A	6.4%
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	13,853	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%

### Data Sources:

- (1) The population for 1997 through 2000 and 2003 through 2006 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*

*September 30, 2006*

	2006 <sup>(1)</sup>			1997		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
<b>Employer</b>						
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>

<sup>(1)</sup> 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 1997 is not available.

## VILLAGE OF PALM SPRINGS, FLORIDA

*Full-time Equivalent Village Government Employees by Function*

*Last Ten Fiscal Years*

	<u>1997</u>	<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>
General government	10.5	11.5	11.5	11.5	11.5	11.5	11.5	12.5	13.5	13.5
Public Safety										
Building official	1	1	1	1	1	1	1	1	1	1
Land Development	2	3	3	3	3.5	3.5	4.5	6.5	8	6.5
Police officers	28	28	28	32	32	32	33	34	38	38
Firefighters	3	3	4	4	4	4	4	4	8	9
Civilian Police/Fire	10	12.5	12	8	9	15	16.5	16.5	18	16.5
Sanitation	6	6	6	6	6	7	7	10	11	9
Transportation	13	13	13	13	15	15	17	18	19	12
Culture/Recreation										
Library	7.5	7.5	8.5	8.5	9	9	8.5	9	9	9
Leisure Services	8.5	9	9	9	10	7.5	11	10.5	11.5	11.5
Water & Sewer Utility	<u>32</u>	<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>
<b>Total</b>	<b>121.5</b>	<b>126.5</b>	<b>128.5</b>	<b>129.5</b>	<b>142</b>	<b>146.5</b>	<b>155</b>	<b>167</b>	<b>183</b>	<b>174</b>

## VILLAGE OF PALM SPRINGS, FLORIDA

*Operating Indicators by Function*

*Last Six Fiscal Years*

Function	Fiscal Year		
	2001	2002	2003
<b>Public Safety</b>			
<b>Police</b>			
Physical arrests	786	679	906
Parking violations	N/A	N/A	375
Traffic violations	9,383	11,280	9,257
<b>Fire</b>			
Number of calls	1,017	1,300	1,475
<b>Sanitation</b>			
Refuse collected (tons)	3,887	4,239	4,491
Recyclables collected (tons)	656	626	602
<b>Roads and Streets</b>			
Street resurfacing (miles)	N/A	N/A	N/A
Pot holes repaired	162	173	194
<b>Culture/recreation</b>			
<b>Library</b>			
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
<b>Leisure Services</b>			
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
Youth athletic participants	975	950	900
Camp program participants	425	425	450
Class participants	75	75	150
<b>Water/Sewer Utility</b>			
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.

<b>Fiscal Year</b>		
<b>2004</b>	<b>2005</b>	<b>2006</b>
896	1,049	1,166
349	534	682
7,077	6,488	10,284
1,966	2,193	2,237
6,589	6,900	5,805
715	360	446
2.23	2.40	5.82
205	225	520
63,305	69,572	82,286
N/A	N/A	3,738
N/A	N/A	8,958
279	356	334
3,052	4,030	3,522
N/A	N/A	286
N/A	N/A	222
N/A	N/A	273
N/A	N/A	24
950	930	N/A
425	335	545
600	675	796
11,634	11,924	13,640
N/A	N/A	20,180
5	2	2
9,405	9,593	11,018
N/A	N/A	15,743
4,076	4,360	4,379

# VILLAGE OF PALM SPRINGS, FLORIDA

## Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year				
	1997	1998	1999	2000	2001
<b>Public Safety</b>					
<b>Police</b>					
Stations	1	1	1	1	1
Patrol Units	24	24	26	26	26
<b>Fire</b>					
Fire Stations	1	1	1	1	1
Fire trucks	3	3	3	3	3
ALS Rescue Vehicles	4	4	3	3	3
<b>Sanitation</b>					
Garbage Trucks	3	3	3	3	3
Trash Trucks	2	2	2	2	2
<b>Roads and Streets</b>					
Street lights	6	6	6	6	6
Lane miles	31	31	33	43	47
<b>Culture/recreation</b>					
<b>Library</b>					
Books	38,652	38,851	37,868	32,440	34,924
<b>Leisure Services</b>					
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	4
Mini-golf course	0	0	0	0	0
Parks	1	1	1	1	1
<b>Water/Sewer Utility</b>					
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				
2002	2003	2004	2005	2006
1	1	1	1	1
30	30	32	29	23
1	1	1	1	1
3	4	3	3	3
3	4	4	5	3
3	3	3	3	3
2	2	3	3	3
6	13	13	29	29
58	58	59	60	70
34,614	41,795	42,324	46,311	48,969
4	4	4	4	4
2	2	2	2	2
3	3	3	3	3
0	2	4	4	4
0	0	0	1	1
1	2	2	2	3
N/A	N/A	126	124	124
N/A	N/A	83	89	89
N/A	N/A	4	4	4
N/A	N/A	863	863	863
8,000	8,000	10,000	10,000	10,000

## VILLAGE OF PALM SPRINGS, FLORIDA

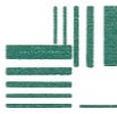
*Schedule of Insurance in Force  
September 30, 2006*

<b>Company</b>	<b>Policy Number</b>	<b>Type of Coverage</b>	<b>Property Covered</b>	<b>Amount of Coverage</b>
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

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## **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, 2006, which collectively comprise the basic financial statements of the Village of Palm Springs, Florida, and have issued our report thereon dated November 22, 2006. 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, in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### ***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.

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

November 22, 2006

**VILLAGE OF PALM SPRINGS, FLORIDA**

*Schedule of Expenditures of Federal Awards*

*Year Ended September 30, 2006*

	CFDA Number	Contract/Grantor Number	2006 Program Expenditures	Transfers to Subrecipients
<b>U.S. Department of Justice</b>				
Direct Award				
Bullet Proof Vest Partnership Program	16.607	2005-LEBG-PALM-12L4-113	\$ 3,742	\$ 0
Pass-through award from the State of Florida				
Department of Law Enforcement	16.738	2006-JAGD-PALM-9-M9-139	<u>10,000</u>	<u>0</u>
Total U.S. Department of Justice			<u>13,742</u>	<u>0</u>
<b>U.S. Department of Homeland Security</b>				
Federal Emergency Management Agency				
Direct Award				
Assistance to Firefighters Grant Program	97.044	EMW-2005-FG-18213	40,409	0
Pass-through award from the State of Florida				
Department of Community Affairs				
Public Assistance Grant	97.036	06-WL-&K-10-60-02-605	<u>613,537</u>	<u>0</u>
Total U.S. Department of Homeland Security			<u>653,946</u>	<u>0</u>
			<u>\$ 667,688</u>	<u>\$ 0</u>

*See notes to schedule of expenditures of federal awards.*

# VILLAGE OF PALM SPRINGS, FLORIDA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards of the Village of Palm Springs, Florida, for the year ended September 30, 2006 and is presented in accordance with the requirements of the provisions of OMB Circular A-133 and the requirements of the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General. The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting.

### NOTE 2. SCOPE OF SINGLE AUDIT

The federal programs and state financial assistance projects have been audited in accordance with the provisions of OMB Circular A-133, the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General, for program transactions occurring during the year ended September 30, 2006. The Village had one federal program meeting the definition of a Type A program under the provisions of OMB Circular A-133. The following Type A program was audited as a major federal program:

	<u>CFDA Number</u>
U.S. Department of Homeland Security Passed through the Florida Department of Community Affairs Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

### NOTE 3. CONTINGENCY

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. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.



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## Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance

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

### ***Compliance***

We have audited the compliance of the Village of Palm Springs, Florida, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. The major federal program of the Village of Palm Springs, Florida, is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the management of the Village of Palm Springs, Florida. Our responsibility is to express an opinion on compliance by the Village of Palm Springs, Florida, based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance by the Village of Palm Springs, Florida, with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on compliance by the Village of Palm Springs, Florida, with those requirements.

In our opinion, the Village of Palm Springs, Florida, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

### ***Internal Control Over Compliance***

The management of the Village of Palm Springs, Florida, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council and management of the Village of Palm Springs, Florida, federal awarding and pass-through agencies, 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.

*Caler, Donten, Levine,  
Dunker, Porter & Veil, P.A.*

November 22, 2006

**VILLAGE OF PALM SPRINGS, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2006**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Village of Palm Springs, Florida.
2. There were no reportable conditions disclosed during the audit of the financial statements of the Village of Palm Springs, Florida.
3. No instances of noncompliance material to the financial statements of the Village of Palm Springs, Florida, were disclosed during the audit.
4. There were no reportable conditions relating to the audit of the major federal program.
5. The auditor's report on compliance for the major federal award program for the Village of Palm Springs, Florida, expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award program for the Village of Palm Springs, Florida.
7. The program tested as a major program was as follows:

<b>FEDERAL PROGRAMS</b>	<b><u>CFDA Number</u></b>
U.S. Department of Homeland Security Passed through the Florida Department of Community Affairs Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

8. The threshold for distinguishing Type A and B programs was \$300,000 for major Federal programs.
9. The Village of Palm Springs, Florida, is not a low-risk auditee.

**B. FINDINGS - BASIC FINANCIAL STATEMENTS**

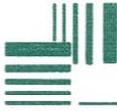
None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM**

None

**D. OTHER MATTERS**

1. A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to Federal programs.
2. A Corrective Action Plan is not required because there were no findings required to be reported under the Single Audit Act.



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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, 2006, and have issued our report thereon dated November 22, 2006.

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 November 22, 2006, 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 require that we address certain compliance and other matters in the management letter, if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters. In planning and performing our audit of the financial statements of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2006, we considered the Village's internal control over financial reporting in order to determine the scope of our audit procedures for the purpose of expressing opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

### **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 auditor's report on internal control over financial reporting and on compliance and other matters: (1) violations of laws, rules, regulations, and contractual provisions 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 as of and for the year ended September 30, 2006 disclosed none of the foregoing matters that are required to be reported.

### **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 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 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 recommendations in the management letter for the prior year.

## **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, 2006 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, 2006. 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, 2006. 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, 2006.

### 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.

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

November 22, 2006