



THE VILLAGE OF PALM SPRINGS, FLORIDA



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2005

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 a yellow sun. 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 text "PALM BEACH" is visible in small red letters at the base of the palm tree.

**THE VILLAGE OF
PALM SPRINGS, FLORIDA**

Comprehensive Annual
Financial Report

**Fiscal Year Ended
September 30, 2005**

**Prepared by:
Finance Department**

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

VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2005

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VILLAGE OF PALM SPRINGS, FLORIDA

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INTRODUCTORY SECTION



Village of Palm Springs

Department of Finance

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February 13, 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, 2005. 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 audit report in the financial section of this report. The MD&A provides a narrative analysis of the basic financial statements. The MD&A and this letter both contain information valuable to the user of the financial statements and should be read in conjunction with them.

FINANCIAL STATEMENT FORMAT

The Governmental Accounting Standards Board (GASB) is the primary standard setting authority issuing generally accepted accounting principles for government. The Village implemented GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* in the fiscal year ended September 30, 2003, and this is our third year applying the new financial reporting standards.

The presentation of the Village's financial information includes two financial statements that provide a government-wide perspective using the accrual basis of accounting. The two government-wide statements present governmental activities separately from business-type activities. The government-wide statements are intended to enable the reader to gain a more thorough understanding of the financial operations and financial condition of the Village as a whole.

The CAFR also includes fund financial statements. Long-term liabilities and capital assets of the governmental funds that had been previously reported in account groups are excluded from the fund statements and are now presented in the government-wide statement of net assets.

The capital assets that were previously recorded in the general fixed asset account group are now subject to depreciation with the exception of land and the Village's street network (pavement, drainage, sidewalks, curbs and bridges) which is not depreciated. For additional information regarding capital assets and the accounting for the street network refer to Note 1(e) and Note 4 of the notes to the financial statements.

This CAFR is organized in four sections: introductory, financial, statistical, and compliance.

- ❖ The **introductory section** includes this letter of transmittal, the Government Finance Officers Association (GFOA) Certificate of Achievement, the Village organizational chart and a list of principal officials.
- ❖ The **financial section** includes the independent auditor's report on the basic financial statements followed by Management's Discussion and Analysis (MD&A), basic financial statements including the notes to the financial statements, required supplementary information and the combining fund statements.
- ❖ The **statistical section** presents tables and additional data that provide financial trends, revenue capacity, debt capacity, demographic and economic trend information, and operating information for an overall view of the fiscal capacity of the Village.
- ❖ The **compliance section** includes the report of the independent auditors on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, the management letter and required reports.

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 13,853. Over the last ten years our population has increased by over 3,500 residents due primarily 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 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, 2005, our utility system had 11,924 connections. Approximately 49% of total connections serve Village residents while the other 51% of our connections are in the unincorporated area.

ECONOMIC OUTLOOK

The Village's taxable property value has increased from \$174.7 million in 1996 to \$453.2 million, an increase of over 159% in the last ten years. This is due to the Village's annexation initiative that increased the Village by approximately 1,000 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.

FUND BALANCE

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, 2005 the General Fund had a total fund balance of \$4,150,439. The components of fund balance are detailed in the table following.

Total fund balance	\$ 4,150,439
Less non-expendable assets:	
Reserved for inventories	22,622
Designated for subsequent year's budget	255,000
Designated for future capital projects	<u>1,245,000</u>
Total unreserved, undesignated fund balance	<u>\$ 2,627,817</u>

The General Fund's unreserved, undesignated fund balance represents 24% of the General Fund budget for the next fiscal year. Our goal is to maintain this unreserved, undesignated fund balance in the 20-25% range.

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 \$2,000 or more require the Village Manager's authorization, and expenditures over \$5,000 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

We began our fiscal year focused on hurricane cleanup and restoration after Hurricane Frances and Jeanne hit in September 2004. Our community united together to put our lives back on track. The Village studied the impact these hurricanes had on the Village governmental operations as well as our community so we can look for ways to prepare for the impact of future storms or other disasters.

Despite the hurricanes the Village continued our annexation initiative annexing approximately 70 acres during the fiscal year. Public Safety and Leisure Services have successfully acquired grants that help the Village serve our growing community and provide the services that make Palm Springs desirable to the unincorporated residents outside our borders.

Leisure Services added a new after school program to give the children a supervised place to come do their homework, play games, do arts and crafts and use the outdoor recreational facilities. They also added “Teen Corner” which is a supervised program on Tuesday nights for teens to come together to play games, arts and crafts and plan special events.

The Library continued to expand its services to the Hispanic community with Spanish story-time and by increasing the materials offered in Spanish. The Library together with the Kirklane Elementary School offered the first Family Literacy Night at the Library.

In fiscal year 2006, the Village will continue to offer our services to new residents and seek ways to provide the services they desire to enhance the quality of their lives. Quality drinking water, great recreational and sports facilities, safe roads and sidewalks, visible police and fire rescue, affordable housing, fireworks and Santa – however our residents describe quality of life, the Village will continue to look for ways to provide it at a reasonable cost.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets received and held by the Village, acting as custodian or trustee of such funds or as agent for other individuals.

Pension Trust Funds

There are two self-administered pension plans: the General Employees Pension Fund and the Hazardous Employees Pension Fund. The total assets of pension trust funds on a current market basis aggregated \$12,920,540 on September 30, 2005. This is an increase of \$1,991,206 or 18 % since September 30, 2004.

Actuarial valuations are performed on both pension plans every year. The Village is required by Florida law to annually contribute the actuarial required contribution to each plan. In fiscal year 2005, the Village's required contributions expressed as a percentage of covered payroll were 13.4% for the General Employees Pension and 24.9% for the Hazardous Employees Pension. The employer contributions during fiscal year 2005 totaled \$1,034,896 (\$553,388 General Employees Pension Fund and \$481,508 for the Hazardous Employees Pension Fund).

The General employees contribute 1% of pay to their pension plan. Beginning in fiscal year 2005, the Hazardous employee contribution rate increased from 1% to 6.6% to help fund the cost of enhanced benefits. The total employee contributions for the fiscal year were \$193,138 (\$39,804 to the General Employees Pension Fund and \$153,334 to the Hazardous Employees Pension Fund).

The Hazardous Employees Pension Fund also receives contributions from the State of Florida representing casualty insurance premium tax monies (Chapter 185 Police) and fire insurance premiums (Chapter 175 Fire) pursuant to the Florida Statutes. The Chapter 185 contribution totaled \$39,365 and the Chapter 175 contribution totaled \$54,654 for the current year.

Additional information on both pension plans can be found in Note 9, in the notes to the financial statements.

DEBT ADMINISTRATION

On September 30, 2005, the Village had a number of debt issues outstanding. These issues include a general obligation debt for \$7,500,000 and \$22,028,272 of water and sewer enterprise revenue bonds and notes payable. The Village's net general obligation debt per capita equaled \$539.91. The debt service coverage on the Village's Water and Sewer Revenue Bonds was 2.55, which met all legal requirements.

RISK MANAGEMENT

The Village purchases insurance to provide a risk management program. The program is designed to protect Village property and personnel, and to promote safety through preventative programs and education. The program administers insurance coverage and provides safety training and monitoring. Included in this program are general liability, automotive liability, and worker's compensation and property. A detailed schedule of insurance coverage is included in the statistical section of this report.

CASH MANAGEMENT AND INVESTMENTS

The Village maintains a pooled cash account, known as the Treasurer's Fund, for all funds. The equity of each individual fund is maintained at all times. A target balance of \$400,000 is maintained in this fund to cover current cash needs. Any additional funds are "swept" out daily into a business investment account. This account pays interest daily. The average return on this investment for the year was 2.71%.

In addition to the interest-bearing sweep, the Village maintains an account with the State Board of Administration. On September 30, 2005, the Village had \$4,087,838 invested in this account. The State Board account had an average rate of return of 2.74 %.

The Village's investment policy is designed to maintain safety and security of Village assets and within that guideline maximize investment yield.

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, 2004.

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 seventeen consecutive years (fiscal years ended 1988-2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

I am pleased with the financial picture this report paints of Palm Springs, but the numbers can't express the heart and soul of the community they represent. After more than 18 years living and working in the Village I continue to be impressed by our community. Palm Beach County has 37 municipalities, but very few "communities." Palm Springs is unique; although we have grown over the years through annexation we haven't lost our sense of community.

Palm Springs is still the place our children kicked their first soccer ball, marched in the baseball parade and swung a bat at t-ball. You can invite your family and friends over for barbeque and have great seats for the fireworks show on the 4th of July then cool off in the water park. Our population expands every Halloween because this is a neighborhood where residents and non-residents feel safe bringing their children to trick or treat.

Story-time, homework help, term-paper research, or just a good adventure can be found at our library together with our large collection of books, DVD's, magazines, and Internet ready computers.

Every year on one special Saturday morning a fire engine siren alerts all residents that Santa is on his sleigh making his ride through every street in the Village and tossing candy to all the children.

During the hurricanes we were one of the very few municipalities that had safe drinking water and a working sanitary sewer system. Our public works employees worked non-stop clearing the roads and drainage to restore our community and enable us to resume our normal day to day lives.

Our safety is maintained by police and fire rescue with the one of the fastest response times in Palm Beach County. Feeling safe and knowing that if you need help, it will arrive in time to make a difference, is a quality that can't be quantified.

What I continue to find amazing does involve numbers. This exceptional level of community service is delivered throughout the year to a growing population of over 13,800 residents, by just over 150 full-time employees.

The Village Council sets the policies that make Palm Springs unique. We focus on serving our neighbors and meeting their diverse needs at a reasonable cost. That can only be accomplished by a team of dedicated individuals directed by our Village Manager who keeps the team focused on keeping our community "A Great Place to Call Home."

Retired NBC news anchor, Tom Brokaw was quoted as saying "It's easy to make a buck. It's a lot tougher to make a difference." Palm Springs is a community that makes a difference.

I wish to personally thank my exceptional finance staff members (Jane Worth, Alicia Rueff, Mariana Ortega-Sanchez, and Nancie Rathbun) who make a difference every day in everything they do. Thanks!

Respectfully submitted,



Rebecca L. Morse, CGFO, CPFO
Chief Financial Officer

VILLAGE OF PALM SPRINGS, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2005

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

**VILLAGE OF PALM SPRINGS, FLORIDA
ORGANIZATIONAL CHART
SEPTEMBER 30, 2005**

VOTERS of PALM SPRINGS

VILLAGE ATTORNEY
Paul J. Nicoletti

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

CONSULTANTS
Eckler Engineering

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

BOARD & COMMITTEES
Code Enforcement Board
Land Development Board
Beautification 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
Irene Burroughs

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, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS

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WEST PALM BEACH, FL 33401-5948

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA

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, 2005, 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, 2005, 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, 2005 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, 2005

VILLAGE OF PALM SPRINGS, FLORIDA
MANAGEMENT AND 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, 2005. 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, 2005 were \$41.5 million. Of this amount, \$13.4 million (unrestricted net assets) may be used to meet the Village's ongoing obligations to residents and creditors.
- Governmental net assets were \$11.0 million, an increase of \$0.3 million.
- Water and Sewer net assets were \$30.5 million, an increase of \$1.9 million.
- The total revenues from all sources were \$20.1 million, an increase of \$1.3 million.
- The total cost of all Village programs was \$17.8 million, an increase of \$0.7 million.
- During the year, the Village's governmental activity revenues exceeded expenses by \$294 thousand.
- Total revenues in the General Fund exceeded total expenditures by \$66,271 including other financing sources and uses.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$2,627,817 or 27% of total General Fund expenditures.
- The Village's total debt decreased by \$1.9 million during the current fiscal year. The Village governmental activities debt decreased by \$72,203 and the business activities debt decreased by \$1.9 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 AND DISCUSSION AND ANALYSIS

(Continued)

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

- **Governmental funds** - Most of the Village's basic services are reported in the governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general governmental operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The Village of Palm Springs has five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is the 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.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT AND DISCUSSION AND ANALYSIS

(Continued)

- **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 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 non-major 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 69-93 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 \$41.5 million at the close of the most recent fiscal year, an increase of \$2.3 million over fiscal year 2004.

The largest portion of the Village's net assets (62.2%) 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

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

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
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and other assets	\$ 4,848,098	\$ 5,145,783	\$ 12,444,806	\$ 19,527,745	\$ 17,292,904	\$ 24,673,528
Capital assets	14,318,977	14,219,386	42,191,380	35,830,364	56,510,357	50,049,750
Total assets	\$ 19,167,075	\$ 19,487,202	\$ 54,636,187	\$ 55,358,109	\$ 73,803,262	\$ 74,723,278
Liabilities:						
Long-term debt outstanding	\$ 7,500,000	\$ 7,635,000	\$ 22,122,883	\$ 24,025,724	\$ 29,622,883	\$ 31,660,724
Other liabilities	688,283	1,045,191	1,967,303	2,768,747	2,655,586	3,813,938
Total liabilities	\$ 8,188,283	\$ 8,680,191	\$ 24,090,186	\$ 26,794,471	\$ 32,278,469	\$ 35,474,662
Net Assets:						
Invested in capital assets, net of debt	\$ 6,818,977	\$ 6,584,386	\$ 19,027,484	\$ 19,234,374	\$ 25,846,461	\$ 25,818,760
Restricted for Debt Service	-	-	2,307,654	2,336,464	2,307,654	2,336,464
Restricted for Capital Projects	-	-	-	-	-	-
Unrestricted	4,159,815	4,100,592	9,210,863	6,992,800	13,370,678	11,093,392
Total net assets	\$ 10,978,792	\$ 10,684,978	\$ 30,546,001	\$ 28,563,638	\$ 41,524,793	\$ 39,248,616

An additional portion of the Village's net assets (5.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$13.4 million or 32.2%) 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	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 1,746,522	\$ 1,913,378	\$ 10,172,417	\$ 9,637,956	\$ 11,918,939	\$ 11,551,334
Operating grants and contributions	493,612	106,311	-	-	493,612	106,311
Capital grants and contributions	131,848	220,442	401,985	715,077	533,833	935,519
General revenues:						
Property taxes	2,616,249	2,317,271	-	-	2,616,249	2,317,271
Utility service taxes	1,492,779	1,285,916	-	-	1,492,779	1,285,916
Franchise fees	562,586	552,295	-	-	562,586	552,295
Sales and use taxes	1,346,148	1,290,027	-	-	1,346,148	1,290,027
Intergovernmental, unrestricted	505,715	421,513	-	-	505,715	421,513
Investment earnings	126,657	70,684	330,172	219,955	456,829	290,639
Miscellaneous	144,544	31,340	29,749	12,731	174,293	44,071
Total revenues	\$ 9,166,659	\$ 8,209,177	\$ 10,934,323	\$ 10,585,719	\$ 20,100,982	\$ 18,794,896
Expenses:						
Program expenses:						
General government	1,460,228	1,246,098	-	-	1,460,228	1,246,098
Public Safety	5,047,665	4,306,625	-	-	5,047,665	4,306,625
Sanitation and Recycling	770,321	809,087	-	-	770,321	809,087
Transportation	1,018,045	938,374	-	-	1,018,045	938,374
Culture/Recreation	1,387,063	1,331,518	-	-	1,387,063	1,331,518
Interest on long-term debt	389,788	426,357	-	-	389,788	426,357
Water and Sewer Utility	-	-	\$ 7,751,695	\$ 8,006,446	7,751,695	8,006,446
Total Expenses	\$ 10,073,111	\$ 9,058,059	\$ 7,751,695	\$ 8,006,446	\$ 17,824,806	\$ 17,064,505
Increase in net assets before transfers	\$ (906,451)	\$ (848,882)	\$ 3,182,628	\$ 2,579,273	\$ 2,276,177	\$ 1,730,391
Transfers	1,200,265	1,115,370	(1,200,265)	(1,115,370)	-	-
Increase in net assets	\$ 293,814	\$ 266,488	\$ 1,982,363	\$ 1,463,903	\$ 2,276,177	\$ 1,730,391
Net Assets - October 1	10,684,978	10,418,490	28,563,638	27,099,735	39,248,616	37,518,225
Net assets - September 30	\$ 10,978,792	\$ 10,684,978	\$ 30,546,001	\$ 28,563,638	\$ 41,524,793	\$ 39,248,616

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT AND DISCUSSION AND ANALYSIS (Continued)

Governmental Activities

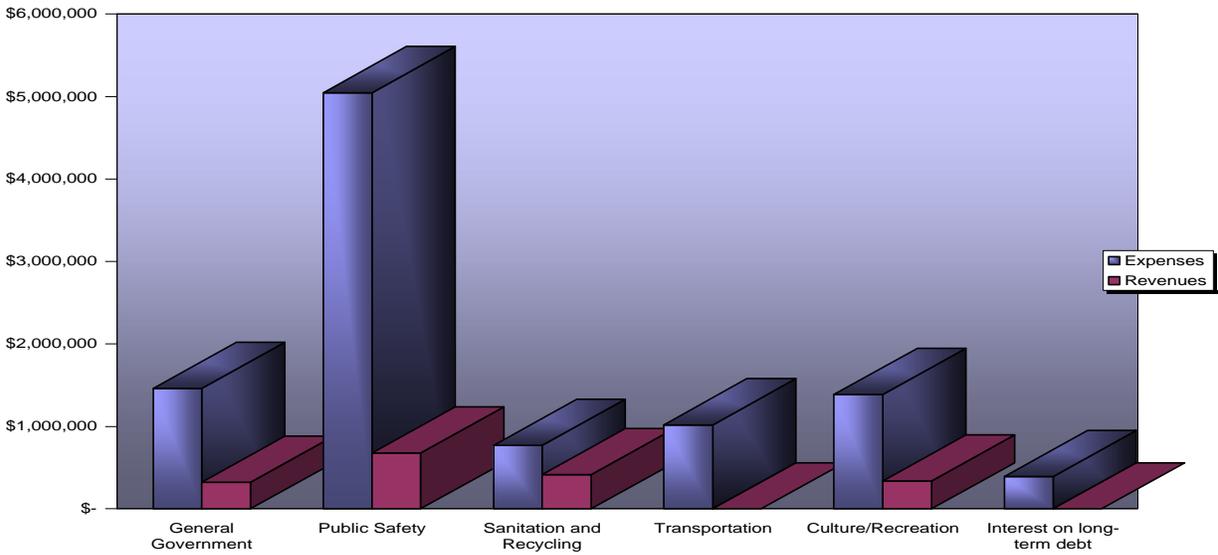
Governmental activities increased the Village's net assets by \$293,814, which represents 13% of the total increase in net assets for fiscal year 2005. Last fiscal year the governmental activities increased the Village's net assets by \$266,488 or 15% of the total increase for fiscal year 2004. The growth in net assets for 2005 was negatively impacted by the costs incurred from the cleanup and restoration after hurricanes Frances and Jeanne as well as increased fuel costs.

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.

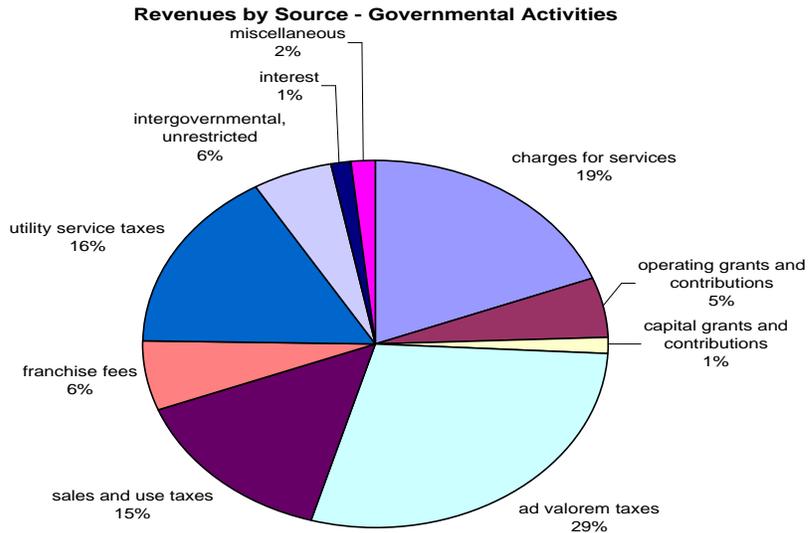
**Village of Palm Springs
Governmental Activities
Net Cost of Services**

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2005	2004	2005	2004	2005	2004
General Government	\$ 1,460,229	\$ 1,246,097	(652,568)	\$ (318,035)	\$ 807,661	\$ 928,062
Public Safety	\$ 5,047,665	4,306,627	(853,899)	(959,535)	\$ 4,193,766	3,347,092
Sanitation and Recycling	\$ 770,321	809,087	(414,375)	(398,628)	\$ 355,946	410,459
Transportation	\$ 1,018,045	938,374	(82,249)	-	\$ 935,796	938,374
Culture/Recreation	\$ 1,387,063	1,331,520	(368,890)	(563,933)	\$ 1,018,173	767,587
Interest on long-term debt	\$ 389,788	426,357	-	-	\$ 389,788	426,357
Totals	\$ 10,073,111	\$ 9,058,062	(2,371,981)	\$ (2,240,131)	\$ 7,701,130	\$ 6,817,931

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



The total cost of all governmental activities this year was \$10.1 million. The schedule above shows that \$2.4 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.



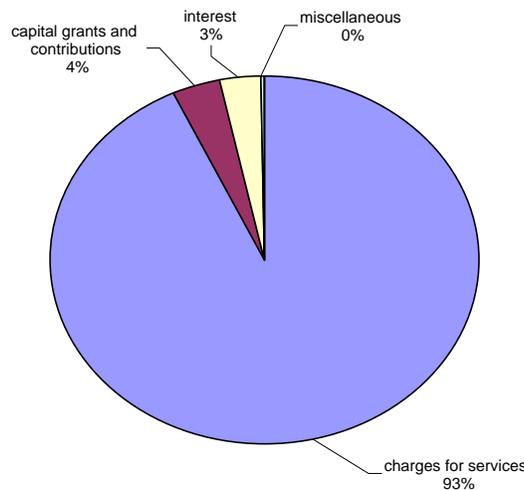
Capital Grant revenues decreased by \$88,595 as compared to the previous fiscal year. Property tax revenues increase by \$298,983 or 16.7% over the prior fiscal year. The ad valorem taxes increased due to the growth of our tax base through annexation and the voted debt service levy decreased from the prior year due to a decline in debt service requirement.

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

Business Type Activities

Net assets of the proprietary fund (Water and Sewer Enterprise) at September 30, 2005, were \$30.5 million. The cost of providing proprietary (business-type) activities this year was \$7.7 million, as shown in the Statement of Activities. Net assets increased by \$2.0 million. The graph below shows the source of revenues for the Water and Sewer Utility. Revenues derived from charges for services increased by \$0.5 million or 5.5% over fiscal year 2004.

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 \$4,424,786 an increase of \$21,186 in comparison with the prior year. The increase was generated by revenues in excess of expenditures in the General Fund of \$66,271, the Library Special Revenue fund of \$2,867, the Debt Service fund of \$19 net the excess expenditures over revenues in the Law Enforcement Special Revenue fund of \$4,929 and \$43,042 in the Capital Projects fund.

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

The unreserved fund balance is \$4,201,066, which is available for spending at the Village's discretion. Of this amount, \$1,245,000 is designated for future capital improvements, \$255,000 is designated for the 2005-2006 budget and \$2,701,066 is undesignated.

The remainder of the fund balance (\$223,720) is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$20,696), reserved for law enforcement purposes (\$1,371) represents inventory of goods (\$22,622) and (\$179,031) 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 \$4,127,817, while the total fund balance was \$4,150,439. As a measure of the general fund's liquidity, it is useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 42.7% 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 \$9.2 million at fiscal year end. Unrestricted net assets increased \$2.2 million compared to the prior fiscal year. Total net assets for the Water and Sewer Enterprise Fund were \$30.5 million at fiscal year end an increase of \$2.0 million compared to the prior fiscal year. Operating revenue grew to \$10,172,417 an increase of \$534,461 or 5.5%. Operating expenses increased by \$431,566, or 6.5% over fiscal year 2003/04, for a total of \$7,704,928.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were \$548,018 and can be briefly summarized as follows:

- \$ 63,822 increase in to recognize additional revenue and expenditures in public safety for outside details.
- \$ 50,000 increase in public safety to refurbish an ambulance.
- \$ 7,553 increase in public safety to purchase tasers.
- \$ 2,543 increase to recognize donation revenue and expenditures in public safety for fire equipment.
- \$111,600 increase to recognize revenues from FEMA and expenditures in sanitation for hurricane disaster recovery costs.
- \$241,000 increase in revenues (appropriated fund balance) and expenditures in transportation for road improvements.
- \$ 64,500 increase to appropriate revenues from insurance reimbursements and expenditures in culture/recreation to repair ball field fencing damaged by the hurricanes.
- \$ 7,000 increase to recognize additional revenue and expenditures in culture/recreation for increased travel club trips.

Of this increase, \$169,153 was funded by grants, \$70,822 was paid by charges for the service, \$64,500 was paid from miscellaneous revenue, \$2,543 was paid by donations and \$241,000 was appropriated from fund balance.

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

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, 2005, amounts to \$53,506,404 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, library books, software, roads, sidewalks, bridges and drainage. The total increase in the Village's investment in capital assets for the current fiscal year was 6.9% (0.7% increase for governmental activities and 9.4% increase for business-type activities).

Village of Palm Springs
Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 170,036	\$ 170,036	\$ 364,217	\$ 364,217	\$ 534,253	\$ 534,253
Buildings	7,712,374	7,392,841	3,013,999	3,013,999	10,726,373	10,406,840
Improvements other than buildings	1,432,989	1,317,022	41,517,145	40,602,275	42,950,134	41,919,297
Machinery & Equipment	3,369,535	3,209,809	2,633,244	2,436,499	6,002,779	5,646,308
Software & Library Materials	705,851	666,177	70,767	60,787	776,618	726,964
Infrastructure	4,048,431	3,733,588	-	-	4,048,431	3,733,588
Construction in Progress	-	335,232	13,024,027	9,226,567	13,024,027	9,561,799
Total Assets	17,439,216	16,824,705	60,623,399	55,704,344	78,062,615	72,529,049
Less Accumulated Depreciation	(3,120,239)	(2,605,319)	(21,435,972)	(19,873,980)	(24,556,211)	(22,479,299)
Total	14,318,977	14,219,386	39,187,427	35,830,364	53,506,404	50,049,750

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

- Completion of the Library expansion and improvements.
- Completion of a new 9-hole handicap accessible mini-golf course.
- Added annexed infrastructure and constructed new roads totaling \$314,843.
- Continued construction on the improvements to both water treatment plants and additional utility system improvements. Construction in process at fiscal year end was \$13,024,027.

Debt: At fiscal year end, the Village had a total debt outstanding of \$29,629,423. 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	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 7,500,000	\$ 7,635,000	\$ -	\$ -	\$ 7,500,000	\$ 7,635,000
Revenue Bonds			15,850,837	16,580,197	15,850,837	16,580,197
Note Payable			5,177,435	5,796,318	5,177,435	5,796,318
Obligation under utility agreement			684,209	1,223,927	684,209	1,223,927
Compensated Absences	277,043	214,246	119,899	104,826	396,942	319,072
Total	\$ 7,777,043	\$ 7,849,246	\$ 21,832,380	\$ 23,705,268	\$ 29,609,423	\$ 31,554,514

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

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

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 29% 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 \$5.45 per \$1,000 of taxable value in 1996 to the present rate of \$4.77 per \$1,000 of taxable value for the current fiscal year, a decrease of over 12%.

The Village's taxable property values have increased 159% since 1996. This increase is primarily due to annexation, the Village has now annexed over 1,000 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.

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. This year the Village is in the second year of a new rate structure with increasing block rates based on consumption to encourage conservation of our water resources.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

Village of Palm Springs
Finance Department
226 Cypress Lane
Palm Springs, FL 33461
561-965-4013
www.villageofpalm Springs.org

BASIC FINANCIAL STATEMENTS

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

September 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,186,966	\$ 6,186,456	\$ 10,373,422
Receivables:			
Accounts, net of allowance	69,192	1,438,308	1,507,500
Utility taxes	135,529	-	135,529
Franchise fees	128,710	-	128,710
Intergovernmental	183,896	-	183,896
Inventory	22,622	331,765	354,387
Net pension asset	121,183	-	121,183
Restricted assets:			
Cash and cash equivalents	-	2,942,765	2,942,765
Cash with fiscal agent	-	340,000	340,000
Investments	-	1,205,513	1,205,513
Capital assets:			
Capital assets, not being depreciated	4,218,467	13,388,244	17,606,711
Capital assets being depreciated	13,220,748	47,235,155	60,455,903
Accumulated depreciation	(3,120,238)	(21,435,972)	(24,556,210)
Intangible assets	-	2,652,562	2,652,562
Unamortized bond issue costs	-	351,391	351,391
Total assets	\$ 19,167,075	\$ 54,636,187	\$ 73,803,262
Liabilities			
Accounts payable and accrued liabilities	\$ 127,982	\$ 249,819	\$ 377,801
Contracts and retainage payable	-	113,986	113,986
Accrued interest payable	157,440	493,999	651,439
Deposits	1,250	989,600	990,850
Revenue collected in advance	124,568	-	124,568
Compensated absences-current portion	48,329	26,451	74,780
Compensated absences-noncurrent portion	228,714	93,448	322,162
Long-term liabilities due within one year	140,000	2,213,408	2,353,408
Long-term liabilities due in more than one year	7,360,000	19,909,475	27,269,475
Total liabilities	\$ 8,188,283	\$ 24,090,186	\$ 32,278,469
Net assets			
Invested in capital assets, net of related debt	\$ 6,818,977	\$ 19,027,484	\$ 25,846,461
Restricted for debt service	-	2,307,654	2,307,654
Unrestricted	4,159,815	9,210,863	13,370,678
Total net assets	\$ 10,978,792	\$ 30,546,001	\$ 41,524,793

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Activities

Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,460,229	\$ 321,004	\$ 331,564	\$ -
Public safety	5,047,665	675,994	120,352	57,553
Physical environment	770,321	414,375	-	-
Transportation	1,018,045	-	7,955	74,294
Culture/recreation	1,387,063	335,149	33,741	-
Interest on long-term debt	389,788	-	-	-
Total governmental activities	10,073,111	1,746,522	493,612	131,847
Business-type activities:				
Utility-water and sewer	7,751,695	10,172,417	-	401,985
Total business-type activities	7,751,695	10,172,417	-	401,985
Total	\$ 17,824,806	\$ 11,918,939	\$ 493,612	\$ 533,832

General revenues:

Taxes:

Property taxes

Utility service taxes

Franchise fees

Sales taxes

Intergovernmental, unrestricted

Investment earnings

Miscellaneous

Transfers

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

Governmental Activities	Business-Type Activities	Total
\$ (807,661)	\$ -	\$ (807,661)
(4,193,766)	-	(4,193,766)
(355,946)	-	(355,946)
(935,796)	-	(935,796)
(1,018,173)	-	(1,018,173)
(389,788)	-	(389,788)
(7,701,130)	-	(7,701,130)
-	2,822,707	2,822,707
-	2,822,707	2,822,707
(7,701,130)	2,822,707	(4,878,423)
2,616,249	-	2,616,249
1,492,779	-	1,492,779
562,586	-	562,586
1,346,148	-	1,346,148
505,715	-	505,715
126,658	330,172	456,830
144,544	29,749	174,293
1,200,265	(1,200,265)	-
7,994,944	(840,344)	7,154,600
293,814	1,982,363	2,276,177
10,684,978	28,563,638	39,248,616
\$ 10,978,792	\$ 30,546,001	\$ 41,524,793

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,912,619	\$ 274,347	\$ 4,186,966
Receivables:			
Accounts, net of allowance for uncollectibles	69,192	-	69,192
Utility taxes	135,529	-	135,529
Franchise fees	128,710	-	128,710
Intergovernmental	183,896	-	183,896
Inventory	22,622	-	22,622
Total assets	\$ 4,452,568	\$ 274,347	\$ 4,726,915
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 127,982	\$ -	\$ 127,982
Deposits	1,250	-	1,250
Revenue collected in advance	124,568	-	124,568
Compensated absences payable	48,329	-	48,329
Total liabilities	\$ 302,129	\$ -	\$ 302,129
Fund balances:			
Reserved for:			
Inventory	\$ 22,622	\$ -	\$ 22,622
Law enforcement	-	1,371	1,371
Capital projects	-	179,031	179,031
Debt service	-	20,696	20,696
Unreserved, designated for:			
Capital projects	1,245,000	-	1,245,000
Subsequent year's budget	255,000	-	255,000
Unreserved, undesignated	2,627,817	-	2,627,817
Unreserved, reported in nonmajor funds:			
Special revenue funds	-	73,249	73,249
Total fund balances	\$ 4,150,439	\$ 274,347	\$ 4,424,786
Total liabilities and fund balances	\$ 4,452,568	\$ 274,347	\$ 4,726,915

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, 2005*

Total governmental fund balances (page 16) \$ 4,424,786

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	\$ 17,439,215	
Accumulated depreciation	<u>(3,120,238)</u>	
		14,318,977

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. 121,183

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	(7,500,000)	
Accrued interest payable on long-term debt	(157,440)	
Compensated absences, long-term portion	<u>(228,714)</u>	
		(7,886,154)

Total net assets (page 13) \$ 10,978,792

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 4,143,994	\$ 527,620	\$ 4,671,614
Licenses and permits	446,473	-	446,473
Intergovernmental	2,426,341	-	2,426,341
Confiscated property	-	13,167	13,167
Charges for services	1,025,234	-	1,025,234
Fines and forfeitures	162,527	-	162,527
Contributions	11,675	6,636	18,311
Interest	120,781	5,877	126,658
Miscellaneous	201,791	250	202,041
Total revenues	8,538,816	553,550	9,092,366
Expenditures			
Current:			
General government	1,247,293	-	1,247,293
Public safety	4,835,556	10,205	4,845,761
Physical environment	723,124	-	723,124
Transportation	1,007,187	-	1,007,187
Culture/recreation	1,235,315	3,500	1,238,815
Capital outlay	624,335	57,329	681,664
Debt service:			
Principal	-	135,000	135,000
Interest and other fiscal charges	-	392,601	392,601
Total expenditures	9,672,810	598,635	10,271,445
Excess (deficiency) of revenues over expenditures	(1,133,994)	(45,085)	(1,179,079)
Other financing sources			
Transfers in	1,200,265	-	1,200,265
Total other financing sources	1,200,265	-	1,200,265
Change in fund balances	66,271	(45,085)	21,186
Fund balances, beginning of year	4,084,168	319,432	4,403,600
Fund balances, end of year	\$ 4,150,439	\$ 274,347	\$ 4,424,786

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

*Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Year Ended September 30, 2005*

Net change in fund balances - total governmental funds (page 17) \$ 21,186

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	\$ 681,664	
Less current year depreciation expense	<u>(652,085)</u>	29,579

Losses on disposal of capital assets are reported in the statement of activities but not in the governmental funds. (4,282)

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:

Contributed infrastructure assets	74,294	
Change in compensated absences	(39,636)	
Change in net pension asset	<u>74,860</u>	109,518

Net effect of accrued interest on long-term debt (difference between amount accrued in prior year and current year accrual) 2,813

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		135,000
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Change in net assets of governmental activities (pages 14-15)	\$	293,814
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See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

Proprietary Fund

September 30, 2005

	Water and Sewer Utility
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,186,456
Accounts receivable, net	1,438,308
Inventory	331,765
Restricted assets:	
Cash and cash equivalents	2,942,765
Cash with fiscal agent	340,000
Investments	1,205,513
Total current assets	12,444,807
Noncurrent assets:	
Capital assets	
Capital assets not being depreciated	13,388,244
Capital assets being depreciated	47,235,155
Accumulated depreciation	(21,435,972)
Intangible assets	2,652,562
Unamortized bond issue costs	351,391
Total noncurrent assets	42,191,380
Total assets	\$ 54,636,187
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 249,819
Current portion of obligation under utility agreement	684,209
Current portion of compensated absences payable	26,451
Payable from restricted assets:	
Contracts and retainage payable	113,986
Accrued interest	493,999
Current portion of note payable	644,199
Current portion of revenue bonds payable	885,000
Total current liabilities	3,097,663
Noncurrent liabilities:	
Deposits	989,600
Compensated absences payable	93,448
Note payable	4,533,236
Revenue bonds payable, net of unamortized premium	15,376,239
Total noncurrent liabilities	20,992,523
Total liabilities	\$ 24,090,186
Net assets:	
Invested in capital assets, net of related debt	\$ 19,027,484
Restricted	2,307,654
Unrestricted	9,210,863
Total net assets	\$ 30,546,001

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, 2005

	Water and Sewer Utility
Operating revenues	
Charges for services	\$ 10,172,417
Total operating revenues	10,172,417
Operating expenses:	
Personal services	2,341,264
Operating expenses	2,800,553
Depreciation	1,693,429
Amortization	239,682
Total operating expenses	7,074,928
Operating income	3,097,489
Nonoperating revenues (expenses)	
Investment income	330,172
Miscellaneous revenues	29,749
Interest expense	(676,767)
Total nonoperating revenues (expenses)	(316,846)
Income before contributions and transfers	2,780,643
Capital contributions	401,985
Transfers out	(1,200,265)
Change in net assets	1,982,363
Net assets, beginning of year	28,563,638
Net assets, end of year	\$ 30,546,001

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows

Proprietary Fund

Year Ended September 30, 2005

	Water and Sewer Utility
Cash flows from operating activities	
Cash received from customers	\$ 10,735,857
Cash paid to suppliers for goods and services	(3,197,046)
Cash paid to employees for services	(2,300,792)
Net cash provided by operating activities	5,238,019
Cash flows from noncapital financing activities	
Transfers out	(1,200,265)
Net cash used in noncapital financing activities	(1,200,265)
Cash flows from capital and related financing activities	
Principal paid on promissory note	(618,883)
Principal paid on bonds	(1,123,016)
Principal paid on obligation under utility agreement	(539,718)
Interest paid on long-term debt	(770,179)
Acquisition and construction of capital assets	(5,203,161)
Capital contributions from customers	401,985
Net cash used in capital and related financing activities	(7,852,972)
Cash flows from investing activity	
Interest on investments	358,396
Net cash provided by investing activity	358,396
Net decrease in cash and cash equivalents	(3,456,822)
Cash and cash equivalents, beginning of year	12,926,043
Cash and cash equivalents, end of year	\$ 9,469,221
Cash and cash equivalents per balance sheet	
Unrestricted	\$ 6,186,456
Restricted	2,942,765
Cash with fiscal agent	340,000
Cash and cash equivalents, end of year	\$ 9,469,221

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows (Continued)

Proprietary Fund

Year Ended September 30, 2005

	Water and Sewer Utility
Cash flows from operating activities	
Operating income	\$ 3,097,489
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,693,429
Amortization	239,682
Provision for uncollectible accounts	(15,690)
Loss on disposal of capital assets	24,805
Change in operating assets:	
Accounts receivable	549,623
Inventory	(149,928)
Accounts payable and accrued liabilities	(245,971)
Compensated absences payable	15,073
Deposits	29,507
Total adjustments	2,140,530
Net cash provided by operating activities	\$ 5,238,019
Supplemental disclosure of noncash capital and related financing activities	
Accrued interest on capital appreciation bonds	\$ 393,656
Book value of assets disposed	39,654
Capital assets contributed by governmental activities	15,114
Unrealized appreciation on investments	1,525

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Fiduciary Net Assets

September 30, 2005

	Employee Pension Funds
Assets	
Cash and cash equivalents	\$ 2,054,878
Investments	
U.S. Government securities	862,994
U.S. Government agencies	1,063,996
Mortgage-backed securities	140,304
Corporate bonds	1,119,763
Common stock	7,660,331
Receivables:	
Contributions	20,009
Interest and dividends	19,261
Total assets	\$ 12,941,536
Liabilities	
Accounts payable and accrued liabilities	\$ 20,996
Total Liabilities	\$ 20,996
Net Assets	
Held in trust for pension benefits	\$ 12,920,540
Total net assets	\$ 12,920,540

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Changes in Fiduciary Net Assets

Year Ended September 30, 2005

	Employee Pension Funds
Additions	
Contributions:	
Employer	\$ 1,034,896
Plan members	193,138
State of Florida	94,019
Total contributions	1,322,053
Investment income:	
Interest	151,177
Dividends	124,439
Net appreciation in fair value of investments	919,572
Investment expenses	(97,256)
Net investment income	1,097,932
Total additions	2,419,985
Deductions	
Administration	65,720
Benefits	363,059
Total deductions	428,779
Net increase in plan net assets	1,991,206
Net assets held in trust for pension benefits, beginning of year	10,929,334
Net assts held in trust for pension benefits, end of year	\$ 12,920,540

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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. For the fiscal year ended September 30, 2003, the Village implemented the new financial reporting requirements of GASB Statements No. 34, 37, and 38. As a result, an entirely new financial presentation format has been implemented. 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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

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. 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.

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.

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, 2005

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, 2005

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, 2005

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, 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, 2005

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.

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, 2005

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 sick leave at the rate of .0463 hours per hour of regular, vacation, sick, or comp time hours paid, with no maximum on the number of days that can be accumulated. Accumulated sick leave 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, the amount of compensated absences recorded as a liability is the amount that is expected to be liquidated with available, spendable financial resources. 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 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.
- ❖ Reserved for law enforcement - Resources restricted to expenditures on behalf of the Village's public safety department.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

i. On-behalf Payments

On-behalf payments of \$94,019 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, 2004, upon which the 2004/05 levy was based, was approximately \$453 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, 2005, 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, 2005

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, 2005, 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, 2005

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, 2005

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	\$ 4,186,966	\$ -	\$ 4,186,966
Business-type activities	9,469,221	1,205,513	10,674,734
Total statement of net assets	13,656,187	1,205,513	14,861,700
Fiduciary net assets	2,054,878	10,847,388	12,902,266
Total deposits and investments	\$ 15,711,065	\$ 12,052,901	\$ 27,763,966

The following matrix presents the components of the Village's cash and cash equivalents and investments at September 30, 2005.

	Fair Value		
	Unrestricted	Restricted	Pension
Cash and cash equivalents:			
Petty cash	\$ 2,100	\$ -	\$ -
Deposits with financial institutions	-	340,000	-
Investment in State Treasurer's investment pool	1,887,559	2,200,279	-
Florida Municipal Investment Trust Enhanced Cash	111	128,616	-
Money market mutual funds	8,483,652	613,870	2,054,878
Total cash and cash equivalents	\$ 10,373,422	\$ 3,282,765	\$ 2,054,878
Investments:			
U.S. government securities	\$ -	\$ 1,205,513	\$ -
Pension fund investments:			
U.S. Government securities	-	-	862,994
U.S. Government agencies	-	-	1,063,996
Mortgage-backed securities	-	-	140,304
Corporate bonds	-	-	1,119,763
Common stocks	-	-	7,660,331
Total investments	\$ -	\$ 1,205,513	\$ 10,847,388

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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, 2005.

Investment Type	Fair Value of Investment Maturities			
	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
U.S. Government securities	\$ -	\$ 1,205,513	\$ -	\$ -
Pension fund investments:				
U.S. Government securities	105,213	63,313	595,493	98,975
U.S. Government agencies	509,279	129,950	424,768	-
Mortgage-backed securities	-	8,974	6,754	124,576
Corporate bonds	40,330	499,605	531,972	47,855
Total	\$ 654,822	\$ 1,907,355	\$ 1,558,987	\$ 271,406

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, 2005 are summarized as follows:

Investment Type	NRSRO Rating	Fair Value
U.S. Government securities	AAA	\$ 1,205,513
Pension fund investments:		
U.S. Government securities	AAA	862,994
U.S. Government agencies	AAA	1,063,997
Mortgage-backed securities	Not Rated	140,304
Corporate bonds	AAA	47,575
Corporate bonds	AA	98,544
Corporate bonds	A	968,744
Corporate bonds	BBB	4,899
Total		\$ 4,392,570

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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, 2005 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, 2005.

NOTE 3. RECEIVABLES

Receivables at September 30, 2005 are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts	\$ 333,431	\$ 1,474,968	\$ 1,808,399
Intergovernmental	183,896	-	183,896
	517,327	1,474,968	1,992,295
Less: allowable for uncollectibles	-	(36,660)	(36,660)
Net receivables	\$ 517,327	\$ 1,438,308	\$ 1,955,635

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 170,036	\$ -	\$ -	\$ 170,036
Infrastructure	3,733,588	400,095	(85,252)	4,048,431
Construction in progress	335,232	-	(335,232)	-
Total capital assets not being depreciated	4,238,856	400,095	(420,484)	4,218,467
Capital assets being depreciated:				
Buildings	7,392,841	319,533	-	7,712,374
Improvements other than buildings	1,317,022	115,967	-	1,432,989
Machinery and equipment	3,209,809	301,175	(141,448)	3,369,536
Library materials and software	666,177	39,672	-	705,849
Total capital assets being depreciated	12,585,849	776,347	(141,448)	13,220,748
Less accumulated depreciation for:				
Buildings	(327,372)	(196,301)	-	(523,673)
Improvements other than buildings	(74,448)	(59,670)	-	(134,118)
Machinery and equipment	(1,753,964)	(337,249)	137,166	(1,954,047)
Library materials and software	(449,535)	(58,865)	-	(508,400)
Accumulated depreciation	(2,605,319)	(652,085)	137,166	(3,120,238)
Governmental activities				
Capital assets, net	\$ 14,219,386	\$ 524,357	\$ (424,766)	\$ 14,318,977
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 364,217	\$ -	\$ -	\$ 364,217
Construction in progress	9,226,567	4,230,515	(433,055)	13,024,027
Total capital assets not being depreciated	9,590,784	4,230,515	(433,055)	13,388,244
Capital assets being depreciated:				
Buildings	3,013,999	-	-	3,013,999
Improvements other than buildings	40,602,275	914,870	-	41,517,145
Equipment	2,436,499	365,041	(168,296)	2,633,244
Software	60,787	12,775	(2,795)	70,767
Total capital assets being depreciated	46,113,560	1,292,686	(171,091)	47,235,155
Less accumulated depreciation for:				
Buildings	(1,701,860)	(71,211)	-	(1,773,071)
Improvements other than buildings	(16,777,495)	(1,370,205)	-	(18,147,700)
Equipment	(1,359,160)	(240,620)	128,642	(1,471,138)
Library materials and software	(35,465)	(11,393)	2,795	(44,063)
Accumulated depreciation	(19,873,980)	(1,693,429)	131,437	(21,435,972)
Business-type activities				
Capital assets, net	\$ 35,830,364	\$ 3,829,772	\$ (472,709)	\$ 39,187,427

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended September 30, 2005 was charged to functions as follows:

Governmental Activities:	
General government	\$ 201,488
Public safety	227,567
Physical environment	51,030
Transportation	20,498
Culture and recreation	151,502
<hr/>	
Total depreciation expense- Governmental activities	\$ 652,085
<hr/>	
Business-type activities: Water & Sewer	\$ 1,693,429
<hr/>	

NOTE 5. LONG-TERM DEBT

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended September 30, 2005:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,635,000	\$ -	\$ 135,000	\$ 7,500,000	\$ 140,000
Compensated absences	214,246	573,104	510,307	277,043	48,329
Total	\$ 7,849,246	\$ 573,104	\$ 645,307	\$ 7,777,043	\$ 188,329
<hr/>					
Business-type activities:					
Promissory note	\$ 5,796,318	\$ -	\$ 618,883	\$ 5,177,435	\$ 644,199
Capital appreciation bonds	5,220,197	393,656	923,016	4,690,837	685,000
Revenue bonds, series 2003	11,360,000	-	200,000	11,160,000	200,000
Obligation under utility agreements	1,223,927	-	539,718	684,209	684,209
Compensated absences	104,826	217,431	202,359	119,899	26,451
Total	\$23,705,268	\$ 611,088	\$ 2,483,976	21,832,380	\$ 2,239,859
<hr/>					
Unamortized premium on revenue bonds				410,402	
Total				\$22,242,782	
<hr/>					

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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
2006	\$ 140,000	\$ 377,856	\$ 517,856
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
2011-2015	945,000	1,643,880	2,588,880
2016-2020	1,230,000	1,358,994	2,588,994
2021-2025	1,580,000	1,005,220	2,585,220
2026-2030	2,025,000	566,176	2,591,176
2031-2032	960,000	74,312	1,034,312
Total	\$ 7,500,000	\$ 6,474,062	\$ 13,974,062

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
2006	\$ 644,199	\$ 197,773	\$ 841,972
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
2011-2013	1,679,485	74,624	1,754,109
Total	\$ 5,177,435	\$ 786,534	\$ 5,963,969

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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, 2005, 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.

Year Ending September 30,	Principal
2006	\$ 685,000
2007	660,000
2008	580,000
2009	575,000
2010	570,000
2011-2013	1,625,000
Total	\$ 4,695,000

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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.

Year Ending September 30,	Principal
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:

Year Ending September 30,	Principal	Interest	Total
2006	\$ 200,000	\$ 543,000	\$ 743,000
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
2011-2015	1,335,000	2,388,600	3,723,600
2016-2020	1,720,000	2,001,712	3,721,712
2021-2025	2,205,000	1,518,324	3,723,324
2026-2030	2,790,000	939,750	3,729,750
2031-2033	2,030,000	206,250	2,236,250
Total	\$11,160,000	\$ 9,697,512	\$20,857,512

Interest Expense

Total interest costs incurred on all Village debt for the year ended September 30, 2005 was \$389,788 for governmental activities and \$1,646,343 for business-type activities, of which \$305,851 was capitalized on construction in progress in the Water and Sewer Enterprise Fund and \$676,767 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, 2005

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, 2005, the combined intangible rights had a book value of \$2,652,562 (net of accumulated amortization of \$4,530,971).

NOTE 7. INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2005:

	Transfers in	Transfers out
Governmental Activities:		
Major Fund - General Fund	\$ 1,200,265	\$ -
Business-type Activities:		
Enterprise Fund	-	1,200,265
Total interfund transfers	\$ 1,200,265	\$ 1,200,265

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 8. ENTERPRISE FUND RESTRICTED ASSETS, LIABILITIES AND RESERVES

Restricted assets of the enterprise fund at September 30, 2005, 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, 2005:

	Restricted Assets
Utility Debt Service	\$ 3,919,662
Renewal and Replacement	100,000
Cash with fiscal agent	340,000
Unused proceeds from 2003 bonds	128,616
	<hr/> \$ 4,488,278 <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, 2005, 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. The investments are restricted to meet the principal payment of \$1,265,000 of capital appreciation bonds maturing on April 1, 2007. As of September 30, 2005, the Village had purchased all Treasury Bonds required by the Bond Covenant. These investments will yield \$1,220,000 in principal upon maturity which, in addition to the final interest payment, will be sufficient to fully fund this obligation. Accordingly, no future purchases of U.S. Treasury Bonds are required.

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, 2005.

NOTE 9. PENSION PLANS

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

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 9. PENSION PLANS (Continued)

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 appropriated 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 and 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, 2004 (the latest actuarial valuation date):

	General Employees	Hazardous Employees	
Accounting Policies and Plan Assets:			
Authority	Village Ordinance	Village Ordinance/State Statute	
Basis of Accounting	Accrual	Accrual	
Asset Valuation			
Reporting	Fair Value	Fair Value	
Actuarial Valuation	5-year smoothed market	4-year smoothed market	
Legal Reserves	None	None	
Long- Term Receivable	None	None	
Internal/Participant Loans	None	None	
Membership and Plan Provisions:			
Members:			
Active Participants	115	38	
Retirees and Beneficiaries	25	7	
Terminated Vested	23	15	
Normal Retirement Benefits:			
Retirement Age	62	Option 1	Option 2
Years of Service (minimum)	10	50	55
Accrual	2.0%	15	10
Maximum	50%	2.5%	2.5%
Years to Vest	10	None	None
		10	10

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 9. PENSION PLANS (Continued)

	General Employees	Hazardous Employees
Contributions:		
Actuarial Rate		
Village	13.40%	28.25%
State	-	4.28%
Participants	1.00%	6.60%
Annual Pension Cost	\$498,271	\$419,195
Contribution Made	\$553,388	\$481,508
Actuarial Valuation:		
Frequency	Annual	Annual
Latest Valuation	9/30/04	9/30/04
Basis for Contribution	9/30/03	9/30/03
Cost Method	Entry age	Entry age
Amortization:		
Method	Level percent	Level percent
Period	15-25 years	4-24 years
Open/Closed	Closed	Closed
Assumptions:		
Investment Earnings (including inflation)	8.0% / year	8.0% / year
Salary Increases (including inflation)	4.7%-8.3% / year	5.0%-8.0% / year
Inflation	4.5% / year	5.0% / year
Cost of living adjustments	3.0%	3.0%
Mortality Rates	1983 Group Annuity Mortality Table	1983 Group Annuity Mortality Table

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
Hazardous Employees:	9/30/03	\$ 263,079	109%	\$ 23,596
	9/30/04	374,514	106%	46,323
	9/30/05	419,195	118%	121,183
General Employees:	9/30/03	\$ 308,056	100%	-
	9/30/04	428,696	100%	-
	9/30/05	498,271	100%	-

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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)	\$	417,489
Interest on net pension asset		(3,706)
Adjustment to ARC		5,412
<hr/>		
Annual pension cost (APC)		419,195
Village/state contributions		494,055
<hr/>		
Increase in net pension asset		74,860
Net pension asset, beginning of year		46,323
<hr/>		
Net pension asset, end of year	\$	121,183

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, 2005 are as follows:

Statements of Plan Net Assets		
	General Employees Pension Fund	Hazardous Employees Pension Fund
Assets		
Cash and cash equivalents	\$ 876,781	\$ 1,178,097
Investments:		
U.S. Government securities	556,233	306,761
U.S. Government agencies	852,281	211,715
Mortgage-backed securities	68,202	72,102
Corporate bonds	493,367	626,396
Common stock	4,130,040	3,530,291
Receivables:		
Contributions	-	20,009
Interest and dividends	11,866	7,395
<hr/>		
Total assets	6,988,770	5,952,766
<hr/>		
Liabilities		
Accounts payable and accrued liabilities	8,582	12,414
<hr/>		
Total liabilities	8,582	12,414
<hr/>		
Net assets held in trust for pension benefits	\$ 6,980,188	\$ 5,940,352

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTE 9. PENSION PLANS (Continued)

Statements of Changes in Plan Net Assets		
	General Employees Pension Fund	Hazardous Employees Pension Fund
Additions		
Contributions:		
Employer	\$ 553,388	\$ 481,508
Plan members	39,804	153,334
State of Florida	-	94,019
Total contributions	593,192	728,861
Investment income:		
Interest	92,171	59,006
Dividends	65,788	58,651
Net appreciation in fair value of investments	602,703	316,869
Investment expenses	(51,672)	(45,584)
Net investment income	708,990	388,942
Total additions	1,302,182	1,117,803
Deductions		
Administration	28,712	37,008
Benefits	225,841	137,218
Total deductions	254,553	174,226
Change in plan net assets	1,047,629	943,577
Net Assets - October 1, 2004	5,932,559	4,996,775
Net Assets - September 30, 2005	\$ 6,980,188	\$ 5,940,352

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

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

	Total Project Authorization	Expended September 30, 2005	Retainage Payable September 30, 2005	Balance to Complete
Task #74 - Vacuum Sewer 10 th Ave./Kirk	\$ 3,377,649	\$ 2,914,310	\$ 95,270	\$ 368,069
Task #78 - Main WTP Improvements	4,094,773	4,057,611	-	37,162
Task #79 - RLP WTP Improvements	4,767,412	4,704,298	-	63,114
Task #87 - Sewer Impr. Davis/Waterview	418,239	375,556	18,716	23,967
Task #90 - Wells 18 and 19	92,000	8,422	-	83,578
Task #91 - Rehab 3 lift stations	51,104	47,106	-	3,998
Task #92 - Water & sewer improvements	196,629	125,429	-	71,200
Task #93 - Cresthaven pump station	25,000	1,242	-	23,758
	\$ 13,022,806	\$ 12,233,974	\$ 113,986	\$ 674,846

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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, 2005, 2004 and 2003. Insurance recoveries of \$98,951 and \$20,750 for property damage from hurricanes in September 2004 are included in miscellaneous revenues of the General Fund and proprietary fund, respectively, for the year ended September 30, 2005.

**REQUIRED SUPPLEMENTARY
INFORMATION**

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
Ad valorem taxes	\$ 2,101,217	\$ 2,101,217	\$ 2,088,629	\$ (12,588)
Franchise fees	556,000	556,000	562,586	6,586
Utility service taxes	1,452,000	1,452,000	1,492,779	40,779
Total taxes	4,109,217	4,109,217	4,143,994	34,777
Licenses and permits:				
Occupational licenses	150,000	150,000	121,915	(28,085)
Building permits	400,000	400,000	324,319	(75,681)
Other permits and licenses	2,275	2,275	239	(2,036)
Total licenses and permits	552,275	552,275	446,473	(105,802)
Intergovernmental:				
State revenue sharing	459,114	459,114	502,620	43,506
Alcoholic beverage licenses	5,000	5,000	6,823	1,823
Municipal fuel tax refund	3,500	3,500	3,279	(221)
Local option gas tax	315,000	315,000	297,953	(17,047)
County occupational licenses	38,000	38,000	31,892	(6,108)
Half-cent sales tax	1,179,467	1,179,467	1,038,093	(141,374)
Grant revenue	189,950	359,103	448,567	89,464
Other intergovernmental revenue	20,000	20,000	3,095	(16,905)
Total intergovernmental	2,210,031	2,379,184	2,332,322	(46,862)
Charges for services:				
General government	38,600	38,600	67,929	29,329
Public safety	118,050	181,872	214,386	32,514
Sanitation	431,500	431,500	414,375	(17,125)
Leisure services	323,500	330,500	319,043	(11,457)
Nonresident fees	9,000	9,000	9,501	501
Total charges for services	920,650	991,472	1,025,234	33,762
Fines and forfeitures:				
Judgements and fines	182,000	182,000	76,029	(105,971)
Other	30,000	30,000	86,498	56,498
Total fines and forfeitures	212,000	212,000	162,527	(49,473)
Contributions	15,000	17,543	11,675	(5,868)

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Miscellaneous:				
Miscellaneous revenue	\$ 23,000	\$ 87,500	\$ 147,281	\$ 59,781
Interest earnings	58,500	58,500	120,781	62,281
Facility rental	54,880	54,880	54,510	(370)
Total miscellaneous	136,380	200,880	322,572	121,692
Total revenues	8,155,553	8,462,571	8,444,797	(17,774)
Other financing sources				
Appropriated fund balance	-	241,000	-	(241,000)
Transfer in	1,200,265	1,200,265	1,200,265	-
Total revenues and other financing sources	\$ 9,355,818	\$ 9,903,836	\$ 9,645,062	\$ (258,774)
Expenditures				
General government:				
Legislative:				
Personal services	\$ 37,726	\$ 44,186	\$ 44,131	\$ 55
Operating	53,215	52,755	33,281	19,474
Nonoperating	102,600	2,600	2,000	600
Total legislative	193,541	99,541	79,412	20,129
Executive:				
Personal services	443,425	447,155	446,374	781
Operating	23,084	19,884	17,159	2,725
Capital outlay	4,200	3,670	3,670	-
Total executive	470,709	470,709	467,203	3,506
Financial Administration:				
Personal services	283,552	282,017	278,893	3,124
Operating	18,019	20,054	15,979	4,075
Capital outlay	4,200	3,700	3,670	30
Total financial administration	305,771	305,771	298,542	7,229
Legal:				
Operating	75,000	125,000	123,462	1,538
Other general government:				
Personal services	3,000	3,000	1,348	1,652
Operating	248,603	307,103	284,666	22,437
Capital outlay	6,000	3,500	3,462	38
Total other general government	257,603	313,603	289,476	24,127
Total general government	1,302,624	1,314,624	1,258,095	56,529

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public safety:				
Land development:				
Personal services	\$ 403,425	\$ 358,041	\$ 345,561	\$ 12,480
Operating	90,981	150,365	135,820	14,545
Capital outlay	32,200	6,200	6,126	74
Total protective inspections	526,606	514,606	487,507	27,099
Law enforcement:				
Personal services	3,982,622	3,933,844	3,900,321	33,523
Operating	277,560	398,603	359,835	38,768
Capital outlay	174,800	226,453	225,790	663
Total law enforcement	4,434,982	4,558,900	4,485,946	72,954
Total public safety	4,961,588	5,073,506	4,973,453	100,053
Physical environment:				
Sanitation services:				
Personal services	454,967	399,967	357,014	42,953
Operating	212,584	379,184	366,110	13,074
Total physical environment	667,551	779,151	723,124	56,027
Transportation:				
Personal services	792,113	707,163	686,398	20,765
Operating	250,900	344,050	320,789	23,261
Capital outlay	55,000	287,800	264,044	23,756
Total transportation	1,098,013	1,339,013	1,271,231	67,782
Culture/recreation:				
Library:				
Personal services	383,673	382,373	365,949	16,424
Operating	90,233	91,453	90,558	895
Capital outlay	45,700	45,780	43,446	2,334
Total library	519,606	519,606	499,953	19,653
Leisure services:				
Personal services	394,161	385,661	380,931	4,730
Operating	325,075	343,575	341,553	2,022
Capital outlay	30,700	92,200	74,127	18,073
Total leisure services	749,936	821,436	796,611	24,825
Special events:				
Operating	56,500	56,500	56,324	176
Total culture/recreation	1,326,042	1,397,542	1,352,888	44,654
Total expenditures	\$ 9,355,818	\$ 9,903,836	\$ 9,578,791	\$ 325,045

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Net change in fund balance			\$ 66,271	
Fund balance, beginning of year			4,084,168	
Fund balance, end of year			\$ 4,150,439	

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2005

NOTE 1. BUDGETARY ACCOUNTING

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

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

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

	Revenues	Expenditures
Budgetary basis	\$ 8,444,797	\$ 9,578,791
State on-behalf payments for hazardous employees pension contributions	94,019	94,019
GAAP Basis	\$ 8,538,816	\$ 9,672,810

The reported budgetary data represents the final appropriated budget after amendments adopted by the Council. Supplemental appropriations of \$548,018 were needed for costs incurred for hurricane related expenses for the year ended September 30, 2005, increasing the original general fund budget from \$9,355,818 to \$9,903,836. Unexpended appropriations lapse at year end. The Village also adopts a nonappropriated operating budget for the enterprise fund substantially on a consistent with U.S. generally accepted accounting principles.

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, 2005.

VILLAGE OF PALM SPRINGS, FLORIDA

CONDITION RATING OF THE VILLAGE'S STREET SYSTEM

SEPTEMBER 30, 2005

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

Percentage of lane miles in substandard condition: 0%

Comparison of needed- to-actual maintenance/preservation:

	Needed	Actual	Difference
2000	\$ 11,000	\$ 4,178	\$ 6,822
2001	20,000	5,740	14,260
2002	40,000	3,287	36,713
2003	41,400	6,361	35,039
2004	90,000	83,184	6,816
2005	91,200	90,644	556
Total	\$ 293,600	\$ 193,394	\$ 100,206

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 2005 one-third of the streets in the network were evaluated. Future assessments will be completed on a cyclical basis.

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

VILLAGE OF PALM SPRINGS, FLORIDA

Required Supplementary Information

Pension Trust Funds - Schedule of Funding Progress

Actuarial Valuation Date September 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
<u>Hazardous Employees</u>						
1999	\$ 3,852,743	\$ 4,355,683	\$ 502,940	88.5%	\$ 1,317,285	38.2%
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%
<u>General Employees</u>						
1999	\$ 5,246,459	\$ 4,083,770	\$ (1,162,689)	128.5%	\$ 2,341,018	-
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%

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

	General Employees	Hazardous Employees
Valuation date	9/30/2004	9/30/2004
Actuarial cost method	Entry age	Entry age
Asset valuation method	5-Year Smoothed Market	4-Year Smoothed Market
Actuarial assumptions:		
Investment rate of return (including inflation)	8.0% / year	8.0% / year
Salary increases (including inflation)	4.7% - 8.3% / year	5.0% - 8.0% / year
Inflation	4.5% / year	5.0% / year
Cost of living adjustments	3.0%	3.0%

VILLAGE OF PALM SPRINGS, FLORIDA

Required Supplementary Information

Pension Trust Funds - Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
Hazardous Employees Pension Fund		
2000	\$ 292,851	100%
2001	324,423	100%
2002	286,675	109%
2003	397,241	106%
2004	494,055	118%
2005	575,527	120%
General Employees Pension Fund		
2000	\$ 197,915	100%
2001	154,786	100%
2002	131,309	100%
2003	399,459	100%
2004	428,696	100%
2005	498,271	100%

**COMBINING FUND STATEMENTS AND
OTHER INFORMATION**

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, 2005

	<u>Special Revenue Funds</u>		Capital	Debt	Total
	Library	Law	Projects	Service	Nonmajor
	Fund	Enforcement	Fund	Fund	Governmental
		Fund			Funds
Assets:					
Cash and cash equivalents	\$ 73,249	\$ 1,371	\$ 179,031	\$ 20,696	\$ 274,347
Total assets	\$ 73,249	\$ 1,371	\$ 179,031	\$ 20,696	\$ 274,347
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:					
Reserved for:					
Law enforcement	\$ -	\$ 1,371	\$ -	\$ -	\$ 1,371
Capital projects	-	-	179,031	-	179,031
Debt service	-	-	-	20,696	20,696
Unreserved:					
Special revenue funds	73,249	-	-	-	73,249
Total fund balances	\$ 73,249	\$ 1,371	\$ 179,031	\$ 20,696	\$ 274,347
Total liabilities and fund balances	\$ 73,249	\$ 1,371	\$ 179,031	\$ 20,696	\$ 274,347

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2005

	Special Revenue Funds		Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	Library Fund	Law Enforcement Fund			
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 527,620	\$ 527,620
Confiscated property	-	13,167	-	-	13,167
Contributions	4,291	-	2,345	-	6,636
Interest	1,826	198	3,853	-	5,877
Miscellaneous	250	-	-	-	250
Total revenues	6,367	13,365	6,198	527,620	553,550
Expenditures					
Current:					
Public safety	-	10,205	-	-	10,205
Culture/recreation	3,500	-	-	-	3,500
Capital outlay	-	8,089	49,240	-	57,329
Debt service:					
Principal	-	-	-	135,000	135,000
Interest and other fiscal charges	-	-	-	392,601	392,601
Total expenditures	3,500	18,294	49,240	527,601	598,635
Excess (deficiency) of revenues over expenditures	2,867	(4,929)	(43,042)	19	(45,085)
Fund balances, beginning of year	70,382	6,300	222,073	20,677	319,432
Fund balances, end of year	\$ 73,249	\$ 1,371	\$ 179,031	\$ 20,696	\$ 274,347

COMBINING FIDUCIARY FUND STATEMENTS

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Fiduciary Net Assets

September 30, 2005

	General Employees Pension Fund	Hazardous Employees Pension Fund	Total Pension Funds
Assets			
Cash and cash equivalents	\$ 876,781	\$ 1,178,097	\$ 2,054,878
Investments:			
U.S. Government securities	556,233	306,761	862,994
U.S. Government agencies	852,281	211,715	1,063,996
Mortgage-backed securities	68,202	72,102	140,304
Corporate bonds	493,367	626,396	1,119,763
Common stock	4,130,040	3,530,291	7,660,331
Receivables:			
Contributions	-	20,009	20,009
Interest and dividends	11,866	7,395	19,261
Total assets	\$ 6,988,770	\$ 5,952,766	\$ 12,941,536
Liabilities			
Accounts payable and accrued liabilities	\$ 8,582	\$ 12,414	\$ 20,996
Total liabilities	\$ 8,582	\$ 12,414	\$ 20,996
Net Assets			
Net assets held in trust for pension benefits	\$ 6,980,188	\$ 5,940,352	\$ 12,920,540
Total net assets	\$ 6,980,188	\$ 5,940,352	\$ 12,920,540

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2005

	General Employees Pension Fund	Hazardous Employees Pension Fund	Total Pension Funds
Additions			
Contributions:			
Employer	\$ 553,388	\$ 481,508	\$ 1,034,896
Plan members	39,804	153,334	193,138
State of Florida	-	94,019	94,019
Total contributions	593,192	728,861	1,322,053
Investment income:			
Interest	92,171	59,006	151,177
Dividends	65,788	58,651	124,439
Net appreciation in fair value of investments	602,703	316,869	919,572
Investment expenses	(51,672)	(45,584)	(97,256)
Net investment income	708,990	388,942	1,097,932
Total additions	1,302,182	1,117,803	2,419,985
Deductions			
Administration	28,712	37,008	65,720
Benefits	225,841	137,218	363,059
Total deductions	254,553	174,226	428,779
Net increase in plan net assets	1,047,629	943,577	1,991,206
Net assts held in trust for pension benefits, beginning of year	5,932,559	4,996,775	10,929,334
Net assets held in trust for pension benefits, end of year	\$ 6,980,188	\$ 5,940,352	\$ 12,920,540

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, 2005

Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities				Total
	Bond Payable	Note Payable	Revenue Bonds Payable				
			Series 1988	Series 1984	Series 2003		
2006	\$ 517,856	\$ 841,972	\$ 685,000	\$ -	\$ 743,000	\$ 2,787,828	
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	
Total	\$ 13,974,062	\$ 5,963,969	\$ 4,695,000	\$ 1,265,000	\$ 20,857,512	\$ 46,755,543	

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		
2006	\$ 140,000	\$ 188,928	\$ 188,928	\$ 517,856	5.000%	
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%	
Total	\$ 7,500,000	\$ 3,237,031	\$ 3,237,031	\$ 13,974,062		

VILLAGE OF PALM SPRINGS, FLORIDA

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

Fiscal Year				
Ending				
September 30,	Principal		Interest	Total
2006	\$ 644,199		\$ 197,773	\$ 841,972
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
Total	\$ 5,177,435		\$ 786,534	\$ 5,963,969

VILLAGE OF PALM SPRINGS, FLORIDA*\$1,209,857 Water and Sewer Capital Appreciation Bonds, Series 1988*

Fiscal Year	Ending	Principal		Interest		Total				
		September 30,	October 1	April 1	October 1		April 1			
2006	\$	89,485	\$	85,884	\$	250,515	\$	259,116	\$	685,000
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
Total	\$	505,694	\$	409,637	\$	2,099,306	\$	1,680,363	\$	4,695,000

VILLAGE OF PALM SPRINGS, FLORIDA

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

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

Note: The Village has purchased U.S. Treasury obligations which are restricted to meet the principal payment of \$1,265,000 due April 1, 2007.

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		
2006	\$ 200,000	\$ 271,500	\$ 271,500	\$ 743,000	4.000%	
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%	
Total	\$ 11,160,000	\$ 4,848,756	\$ 4,848,756	\$ 20,857,512		

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends	69
<i>These schedules contain trend information to help the reader understand how the Village of Palm Spring's financial performance and well-being have changed over time.</i>	
Revenue Capacity	79
<i>These schedules contain information to help the reader assess the Village of Palm Spring's most significant local revenue source, the property tax.</i>	
Debt Capacity	83
<i>These schedules present information to help the reader assess the affordability of the Village of Palm Spring's current levels of outstanding debt and the Village of Palm Spring's ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	87
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village of Palm Spring's financial activities take place.</i>	
Operating Information	89
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village of Palm Spring's 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 Three Fiscal Years

Accrual Basis of Accounting

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

Information prior to fiscal year 2003 is not available.

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Net Assets

Last Three Fiscal Years

Accrual Basis of Accounting

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

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

Information prior to fiscal year 2003 is not available.

VILLAGE OF PALM SPRINGS, FLORIDA

Governmental Activities Tax Revenues by Source

Last Three Fiscal Years

Accrual Basis of Accounting

Fiscal Year	Property Tax	Utility Service Tax	Franchise Fees	Sales and Use Tax	Total
2003	\$ 2,138,258	\$ 1,241,306	\$ 526,320	\$ 1,197,671	\$ 5,103,555
2004	2,317,271	1,285,916	552,295	1,290,027	5,445,509
2005	2,616,249	1,492,779	562,586	1,346,148	6,017,762

Information prior to fiscal year 2003 is not available.

VILLAGE OF PALM SPRINGS, FLORIDA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year			
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
General fund				
Reserved	\$ 19,274	\$ 15,201	\$ 15,479	\$ 16,319
Unreserved	<u>1,686,536</u>	<u>1,550,149</u>	<u>1,346,286</u>	<u>1,596,734</u>
Total General Fund	<u>\$ 1,705,810</u>	<u>\$1,565,350</u>	<u>\$ 1,361,765</u>	<u>\$ 1,613,053</u>
All other governmental funds				
Reserved	\$ 11,720	\$ 14,530	\$ 14,128	\$ 14,499
Unreserved, reported in:				
Special revenue funds	<u>156,097</u>	<u>158,187</u>	<u>168,563</u>	<u>151,037</u>
Total all other governmental funds	<u>\$ 167,817</u>	<u>\$ 172,717</u>	<u>\$ 182,691</u>	<u>\$ 165,536</u>

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 17,776	\$ 10,604	\$ 6,259	\$ 9,703	\$ 11,692	\$ 22,622
<u>2,099,882</u>	<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><u>\$ 2,117,658</u></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>
\$ 14,050	\$ 12,614	\$ 6,167,601	\$ 2,369,958	\$ 249,050	\$ 201,098
<u>115,518</u>	<u>17,786</u>	<u>19,092</u>	<u>50,076</u>	<u>70,382</u>	<u>73,249</u>
<u><u>\$ 129,568</u></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>

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year			
	1996	1997	1998	1999
Revenues				
Taxes	\$ 2,112,906	\$ 2,159,182	\$ 2,196,096	\$ 2,266,955
Licenses and permits	111,761	135,986	176,861	231,549
Intergovernmental	1,090,222	1,200,367	1,308,837	1,356,469
Confiscated property	-	-	-	-
Grants	-	-	-	-
Charges for services	443,158	485,899	521,063	569,928
Fines and forfeits	94,083	128,775	145,240	165,491
Contributions	32,356	48,877	37,603	34,261
Investment earnings	138,282	139,881	153,873	106,772
Miscellaneous	100,661	137,526	151,815	185,394
Total revenues	4,123,429	4,436,493	4,691,388	4,916,819
Expenditures				
General government	699,027	768,554	804,182	800,880
Public safety	2,006,287	2,272,811	2,418,895	2,470,929
Physical environment	292,636	292,310	302,388	323,778
Transportation	478,402	471,235	527,672	514,062
Culture/Recreation	923,876	944,755	1,001,217	1,070,289
Capital Outlay	304,864	385,651	420,605	178,681
Debt service				
Principal	35,000	41,164	43,428	45,816
Interest and other fiscal charges	39,700	39,414	25,669	23,200
Total expenditures	4,779,792	5,215,894	5,544,056	5,427,635
Excess of revenues over (under) expenditures	(656,363)	(779,401)	(852,668)	(510,816)
Other financing sources (uses)				
Transfers in	636,070	633,841	659,057	744,949
Transfers out	-	-	-	-
Bonds issued	-	-	-	-
Proceeds of refunding note	-	530,000	-	-
Redemption of bonds	-	(520,000)	-	-
Total other financing sources (uses)	636,070	643,841	659,057	744,949
Net change in fund balances	<u>\$ (20,293)</u>	<u>\$ (135,560)</u>	<u>\$ (193,611)</u>	<u>\$ 234,133</u>
Debt service as a percentage of non-capital expenditures	1.70%	1.70%	1.37%	1.33%

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ 2,538,952	\$ 2,817,347	\$ 3,272,134	\$ 3,905,884	\$ 4,155,482	\$ 4,671,614
218,904	175,713	258,364	620,841	711,795	446,473
1,534,183	1,493,623	1,566,010	1,749,953	1,955,300	2,426,341
-	-	-	15,515	29,578	13,167
-	-	-	591,141	154,859	-
616,163	643,125	653,923	723,730	845,962	1,025,234
149,962	162,697	179,059	170,629	140,670	162,527
43,703	33,596	24,635	49,311	33,434	18,311
148,555	144,638	164,983	133,061	70,684	126,658
136,263	188,154	51,488	93,200	111,413	202,041
5,386,685	5,658,893	6,170,596	8,053,265	8,209,177	9,092,366
794,282	819,386	906,582	988,770	1,050,402	1,247,293
2,555,442	2,871,557	3,117,272	3,552,982	4,005,927	4,845,761
321,411	327,565	385,569	406,397	752,528	723,124
487,655	552,555	584,258	699,430	912,573	1,007,187
1,095,784	1,018,519	923,166	1,029,230	1,193,457	1,238,815
563,481	507,050	2,161,371	5,045,584	2,707,162	681,664
48,336	50,995	53,800	371,461	130,000	135,000
20,887	17,898	15,022	409,092	397,285	392,601
5,887,278	6,165,525	8,147,040	12,502,946	11,149,334	10,271,445
(500,593)	(506,632)	(1,976,444)	(4,449,681)	(2,940,157)	(1,179,079)
1,058,584	1,169,944	970,424	1,183,220	1,115,370	1,200,265
(89,353)	(216,292)	-	(193,048)	-	-
-	-	7,829,925	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
969,231	953,652	8,800,349	990,172	1,115,370	1,200,265
\$ 468,638	\$ 447,020	\$ 6,823,905	\$(3,459,509)	\$(1,824,787)	\$ 21,186
1.47%	1.23%	1.16%	11.69%	6.66%	5.82%

VILLAGE OF PALM SPRINGS, FLORIDA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

Fiscal Year	Property Tax	Utility Service Tax	Franchise Fees	Sales Tax	Total
1996	\$ 1,002,400	\$ 687,983	\$ 422,523	\$ 589,825	\$ 2,702,731
1997	975,774	724,577	458,831	607,396	2,766,578
1998	972,713	760,390	462,993	646,918	2,843,014
1999	1,012,090	802,028	452,837	686,254	2,953,209
2000	1,132,703	931,995	474,254	760,263	3,299,215
2001	1,272,374	952,623	592,350	784,982	3,602,329
2002	1,489,071	1,262,933	520,130	878,129	4,150,263
2003	2,138,258	1,241,306	526,320	900,323	4,806,207
2004	2,317,271	1,285,916	552,295	979,566	5,135,048
2005	2,616,249	1,492,779	562,586	1,038,093	5,709,707

VILLAGE OF PALM SPRINGS, FLORIDA

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Assessed Values		
	Real Property	Personal Property	Total
Ending September 30,			
1996	\$ 163,872,781	\$ 10,865,921	\$ 174,738,702
1997	164,977,593	11,222,725	176,200,318
1998	166,359,756	11,316,560	177,676,316
1999	176,287,521	10,663,403	186,950,924
2000	198,824,997	11,344,980	210,169,977
2001	225,302,844	13,552,211	238,855,055
2002	275,502,947	18,007,541	293,510,488
2003	304,931,917	19,476,608	324,408,525
2004	357,940,185	21,247,358	379,187,543
2005	427,173,602	26,059,291	453,232,893

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.

Source: Palm Beach County Property Appraiser's Office.

VILLAGE OF PALM SPRINGS, FLORIDA

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

Fiscal Year Ending September 30,	General Fund	Debt Service	Total Village of Palm Springs	School District	Palm Beach County	Special Taxing Districts	Total All
1996	5.4510	0.4450	5.8960	9.7970	4.5193	2.9690	23.1813
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

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, 2005*

	2005			
	Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
IRT Property Co.	\$ 13,500,000	\$ 80,626	1	3.73%
Portofino Associates Ltd	11,300,000	67,487	2	3.12%
CSC Village Club Apts LTD	10,500,000	62,709	3	2.90%
Four FLA Shopping Center Prop Ltd	8,730,000	52,138	4	2.41%
Advenir at Pines LLC	8,162,584	48,749	5	2.25%
City National Bank of FL TR	7,314,411	43,684	6	2.02%
Woodhaven LTD Partnership	5,521,217	32,974	7	1.52%
Jerjo Inc.	5,128,879	30,631	8	1.42%
Cornerstone Palm Springs LLC	4,846,529	28,945	9	1.34%
Phillips Lake Worth	4,800,000	28,667	10	1.33%
Barr Condo Manors Apartments, Ltd.	-	-	-	-
Boville Assoc. Ltd.	-	-	-	-
Carrander Corp. Inc.	-	-	-	-
Lake Worth Shopping Associates	-	-	-	-
Palm Springs Associates	-	-	-	-
Reef MidAmerica/East IV, Inc.	-	-	-	-
Rex Terrace Apartments, Ltd.	-	-	-	-
South Florida Centers, Ltd.	-	-	-	-
Totals	<u>\$ 79,803,620</u>	<u>\$ 476,611</u>		<u>22.04%</u>

1996			
Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
\$ -	\$ -	-	-
-	-	-	-
7,600,000.00	41,428	3	4.30%
5,289,000	28,830	4	3.00%
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,200,000	11,992	6	1.30%
4,474,000	24,388	5	2.60%
1,349,500	7,356	7	0.80%
900,000	4,906	10	0.50%
7,977,691	43,486	2	4.60%
9,000,000	49,059	1	5.10%
1,130,000	6,160	9	0.60%
1,139,432	6,211	8	0.70%
<u>\$ 41,059,623</u>	<u>\$ 223,816</u>		<u>23.50%</u>

VILLAGE OF PALM SPRINGS, FLORIDA

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ending September 30,	Net Tax Levy*	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Property Tax Collections	Collections as a Percent of Current Levy
1996	\$ 952,501	\$ 919,594	96.55%	\$ 7,881	\$ 927,475	97.37%
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%

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

* Tax levy, net of allowance for discounts.

VILLAGE OF PALM SPRINGS, FLORIDA

Ratios of Outstanding Debt by Type

Last Three Fiscal Years

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>			<u>Total Primary Government</u>	<u>Population</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Water & Sewer Revenue Bonds</u>	<u>Notes Payable</u>	<u>Obligation Under Agreement</u>			
2003	\$ 7,765,000	16,794,468	6,390,232	1,733,326	32,683,026	12,944	\$2,524.96
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

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.

Information prior to fiscal year 2003 is not available.

VILLAGE OF PALM SPRINGS, FLORIDA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Assessed Value of Taxable Property	Percentage of Assessed Value of Taxable Property	Population	Per Capita
1996	\$ 520,000	\$ 10,914	\$ 509,086	\$ 174,738,702	0.29%	9,763	\$ 52.14
1997	488,826	12,767	476,059	176,200,318	0.27%	10,146	46.92
1998	445,408	12,793	432,615	177,676,316	0.24%	10,146	42.64
1999	399,592	12,833	386,759	186,950,924	0.21%	10,146	38.12
2000	351,256	12,595	338,661	210,169,977	0.16%	10,220	33.14
2001	300,261	12,614	287,647	238,855,055	0.12%	12,351	23.29
2002	8,136,461	12,627	8,123,834	293,510,488	2.77%	12,351	657.75
2003	7,765,000	20,337	7,744,663	324,408,525	2.39%	12,944	598.32
2004	7,635,000	20,677	7,614,323	379,187,543	2.01%	13,363	569.81
2005	7,500,000	20,696	7,479,304	453,232,893	1.65%	13,853	539.91

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, 2005*

	Total Outstanding	Percentage Applicable to Village of Palm Springs⁽¹⁾	Amount Applicable to Village of Palm Springs
Direct:			
Village of Palm Springs	\$ 7,500,000	100.00%	\$ 7,500,000
Overlapping:			
Palm Beach County	283,885,000	0.57%	1,618,145
Palm Beach County School District	126,875,000	0.57%	723,188
Total overlapping debt	410,760,000		2,341,333
Total direct and overlapping debt payable from ad valorem taxes	\$ 418,260,000		\$ 9,841,333
Estimated population			13,853
Total direct and overlapping debt per capita			\$ 710.41

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

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

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

VILLAGE OF PALM SPRINGS, FLORIDA

Water and Sewer Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Gross Revenue*	Operating Expenses**	Revenue Available for Debt Coverage	Current Debt Service	Current Coverage
1996	\$ 6,590,574	\$ 3,189,506	\$ 3,401,068	\$ 1,368,682	2.48
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

* Includes interest income and capital contributions.

** Excludes depreciation and amortization expense.

VILLAGE OF PALM SPRINGS, FLORIDA

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Personal Income	Per Capita Personal Income⁽²⁾	Median Age⁽²⁾	Education Level in Years of Formal Schooling	School Enrollment⁽²⁾	Unemployment Rate⁽²⁾
1996	9,763	N/A	\$ 33,518	N/A	N/A	N/A	7.0%
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%

Data Sources:

⁽¹⁾ The population for the year 1996 is the same data as the 1990 U.S. Census Bureau count. The population for 1997 through 2000 and 2003 through 2005 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 West Palm Beach to Boca Raton.

N/A - Not Available

VILLAGE OF PALM SPRINGS, FLORIDA

Principal Employers

September 30, 2005

	2005 ⁽¹⁾			1996 ⁽¹⁾		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Employment</u>
Employer						
Palm Beach County School District	18,677	1	N/A	N/A	N/A	N/A
Palm Beach County	9,000	2	N/A	N/A	N/A	N/A
Columbia PB Healthcare System, Inc.	4,000	3	N/A	N/A	N/A	N/A
Tenet Healthcare Corp.	3,040	4	N/A	N/A	N/A	N/A
Florida Power & Light (Headquarters)	2,800	5	N/A	N/A	N/A	N/A
Boca Raton Resort & Club	2,380	6	N/A	N/A	N/A	N/A
U. S. Sugar Corp	2,200	7	N/A	N/A	N/A	N/A
Florida Crystals	2,000	8	N/A	N/A	N/A	N/A
Bethesda Memorial Hospital	1,800	9	N/A	N/A	N/A	N/A
The Breakers	1,800	10	N/A	N/A	N/A	N/A
Totals	<u>47,697</u>		<u>N/A</u>	<u>N/A</u>		<u>N/A</u>

⁽¹⁾ Source: Business Development Board of Palm Beach County. Data is for West Palm Beach to Boca Raton.

N/A - Not Available

VILLAGE OF PALM SPRINGS, FLORIDA

Full-time Equivalent Village Government Employees by Function

Last Ten Fiscal Years

	<u>1996</u>	<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>
General government	10.5	10.5	11.5	11.5	11.5	11.5	11.5	11.5	12.5	13.5
Public Safety										
Building official	1	1	1	1	1	1	1	1	1	1
Land Development	2	2	3	3	3	3.5	3.5	4.5	6.5	8
Police officers	27	28	28	28	32	32	32	33	34	38
Firefighters	4	3	3	4	4	4	4	4	4	8
Civilian Police/Fire	10	10	12.5	12	8	9	15	16.5	16.5	18
Sanitation	6	6	6	6	6	6	7	7	10	11
Transportation	13	13	13	13	13	15	15	17	18	19
Culture/Recreation										
Library	7.5	7.5	7.5	8.5	8.5	9	9	8.5	9	9
Leisure Services	8.5	8.5	9	9	9	10	7.5	11	10.5	11.5
Water & Sewer Utility	<u>32</u>	<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>
Total	121.5	121.5	126.5	128.5	129.5	142	146.5	155	167	183

VILLAGE OF PALM SPRINGS, FLORIDA

Operating Indicators by Function

Last Five Fiscal Years

Function	Fiscal Year				
	2001	2002	2003	2004	2005
Public Safety					
Police					
Physical arrests	786	679	906	896	1,049
Parking violations	N/A	N/A	375	349	534
Traffic violations	9,383	11,280	9,257	7,077	6,488
Fire					
Number of calls	1,017	1,300	1,475	1,966	2,193
Sanitation					
Refuse collected (tons)	3,887	4,239	4,491	6,589	6,900
Recyclables collected (tons)	656	626	602	715	360
Roads and Streets					
Street resurfacing (miles)	N/A	N/A	N/A	2.23	2.40
Pot holes repaired	162	173	194	205	225
Culture/recreation					
Library					
Circulation	59,277	62,219	62,317	63,305	69,572
Programs offered	364	291	403	279	356
Program attendance	5,436	2,992	3,096	3,052	4,030
Leisure Services					
Youth athletic participants	975	950	900	950	930
Camp program participants	425	425	450	425	335
Class participants	75	75	150	600	675
Water/Sewer Utility					
Water customers	11,672	11,931	11,531	11,634	11,924
Water main breaks	3	2	2	5	2
Sewer customers	9,018	9,018	9,151	9,405	9,593
Avg daily water consumption (thousand of gallons)	4,071	4,175	4,335	4,076	4,360

Sources: Village departments

Note: Data is not available for fiscal years prior to 2001.

N/A: Not available.

VILLAGE OF PALM SPRINGS, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year				
	1996	1997	1998	1999	2000
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol Units	23	24	24	26	26
Fire					
Fire Stations	1	1	1	1	1
Fire trucks	3	3	3	3	3
ALS Rescue Vehicles	3	4	4	3	3
Sanitation					
Garbage Trucks	3	3	3	3	3
Trash Trucks	2	2	2	2	2
Roads and Streets					
Street lights	6	6	6	6	6
Lane miles	26	31	31	33	43
Culture/recreation					
Library					
Books	37,717	38,652	38,851	37,868	32,440
Leisure Services					
Ballfields - lighted	4	4	4	4	4
Basketball courts	2	2	2	2	2
Soccer fields	3	3	3	3	3
Tennis courts	4	4	4	4	4
Mini-golf course	0	0	0	0	0
Parks	1	1	1	1	1
Water/Sewer Utility					
Water mains (miles)	N/A	N/A	N/A	N/A	N/A
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	N/A
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A
Fire hydrants	N/A	N/A	N/A	N/A	N/A
Maximum daily water treatment capacity (thousands of gallons)	8,000	8,000	8,000	8,000	8,000

Sources: Village departments

N/A: Not available.

Fiscal Year				
2001	2002	2003	2004	2005
1	1	1	1	1
26	30	30	32	29
1	1	1	1	1
3	3	4	3	3
3	3	4	4	5
3	3	3	3	3
2	2	2	3	3
6	6	13	13	29
47	58	58	59	60
34,924	34,614	41,795	42,324	46,311
4	4	4	4	4
2	2	2	2	2
3	3	3	3	3
4	0	2	4	4
0	0	0	0	1
1	1	2	2	2
N/A	N/A	N/A	126	124
N/A	N/A	N/A	83	89
N/A	N/A	N/A	4	4
N/A	N/A	N/A	863	863
8,000	8,000	8,000	10,000	10,000

VILLAGE OF PALM SPRINGS, FLORIDA

Schedule of Insurance in Force

September 30, 2005

Company	Policy Number	Type of Coverage	Property Covered	Amount of Coverage
The Travelers	Haz #103019447	Fiduciary liability	Pension trustees	\$500,000
The Travelers	Gen #103019435	Fiduciary liability	Pension trustees	\$1,000,000
Travelers Casualty & Surety Company	206024582	Public official bond	Village Finance	\$25,000
Preferred Government	0502504-02-01	Property inland marine	Village Property	\$11,003,577
Preferred Government Insurance Trust	0502504-02-01	General liability	Village property	\$1,000,000 \$2,000,000
Preferred Government Insurance Trust	0502504-02-01	Automobile liability/ physical damage	Any auto Owned vehicles	\$1,000,000 actual cash value
Preferred Government Insurance Trust	0502504-02-01	Crime	Employees	\$100,000
Preferred Government Insurance Trust	0502504-02-01	Professional liability	Public officials law enforcement	\$1,000,000
AIG Life Insurance	SRG0008047915	Accidental Death and Dismemberment	Village employees	\$50,000 \$150,000
Preferred Government Insurance Trust	1000000130102	Workers Compensation	Village employees	\$50,000 \$150,000
Gulf Underwriters	GU2826426	Pollution liability	Village Property	\$1,000,000 per claim
Travelers Casualty & Surety Company	206705220	Public Official Bond	Village Manager	\$25,000

COMPLIANCE SECTION



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FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2005, which collectively comprise the basic financial statements of the Village of Palm Springs, Florida, and have issued our report thereon dated November 22, 2005. 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.

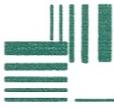
Compliance and Other Matters

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, 2005



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

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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, 2005, and have issued our report thereon dated November 22, 2005.

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, 2005, 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, 2005, 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, 2005 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 criteria for a financial emergency during the fiscal year ended September 30, 2005 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, 2005. 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, 2005. 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, 2005.

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, 2005