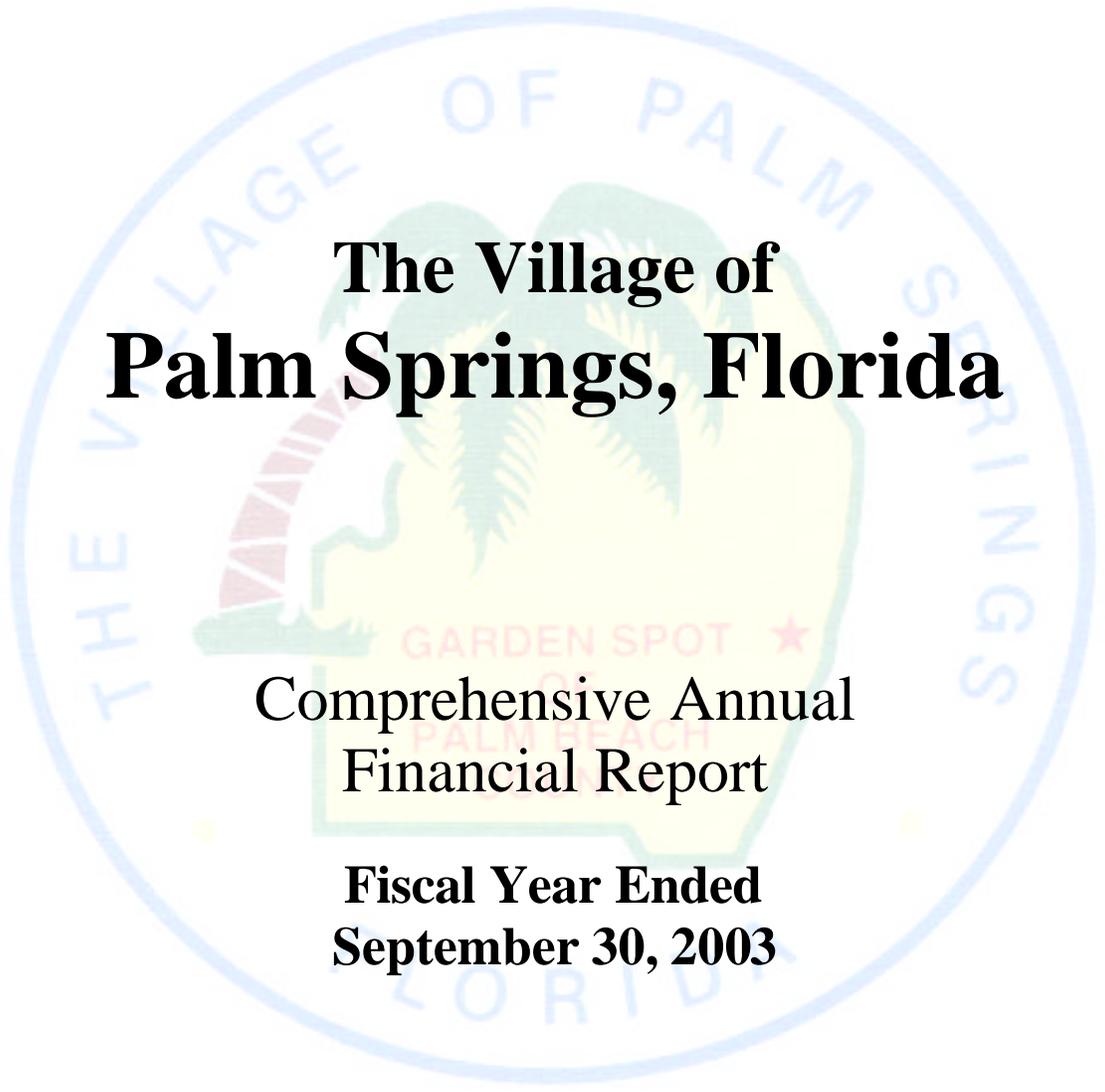




THE VILLAGE OF PALM SPRINGS, FLORIDA



**Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2003**

The seal of The Village of Palm Springs, Florida, is a circular emblem. It features a central shield with a palm tree, a white dog, and a red star. The text "THE VILLAGE OF PALM SPRINGS" is written around the top half of the circle, and "FLORIDA" is at the bottom. The words "GARDEN SPOT" and "PALM BEACH" are also visible within the seal's design.

The Village of Palm Springs, Florida

Comprehensive Annual Financial Report

**Fiscal Year Ended
September 30, 2003**

**Prepared by:
Finance Department**

**Rebecca L. Morse
Chief Financial Officer**

VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2003

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VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2003

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INTRODUCTORY SECTION



Village of Palm Springs

226 CYPRESS LANE .. PALM SPRINGS, FLORIDA 33461-1699 .. (561) 965-4010 .. FAX (561) 965-0899

April 30, 2004

***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, 2003. 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. 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.

FINANCIAL STATEMENT FORMAT

The Governmental Accounting Standards Board (GASB) is the primary standard setting authority issuing generally accepted accounting principles for government. This year the Village implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* which is a significant change in financial reporting requirements as compared to the prior fiscal year.

The presentation of the Village's financial information includes two new 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 still includes fund financial statements but the presentation has changed. 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 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 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 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, as well as the independent auditors’ report on the basic financial statements. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Village of Palm Springs’ MD&A can be found immediately following the report of the independent auditors.
- ❖ The **statistical section** presents tables and additional data that provide financial, social, demographic and historical trend information for an overall view of the fiscal capacity of the Village. This year two new tables have been added to reflect government-wide statistics.
- ❖ 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 unequalled 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 12,944. Over the last ten years our population has increased by over 3,000 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, 2003, our utility system had 11,512 connections. Connections outside the Village limits represent approximately 50% of total connections.

ECONOMIC OUTLOOK

The Village's taxable property value has increased from \$173.9 million in 1994 to \$324.4 million, an increase of over 86.4% in the last ten years. This is due to the Village's annexation initiative that increased the Village by approximately 775 acres since 1997. Annexation has added new commercial businesses as well as residential and vacant property to the Village. Prior to the annexation initiative the Village's taxable value had been stagnant for years and the Village was primarily a built-out residential community. Village annexation is attractive to the unincorporated surrounding area because of the increased level of service and protection the Village provides. Also, the majority of the annexations involve property currently served by our water and/or wastewater utility, once they become residents they no longer pay the higher "outside" rates and thereby reduce their water and sewer utility bill.

MAJOR INITIATIVES

In November 2001, construction began on phase I of the new Village Municipal Complex which includes a two story Village Administrative Building with a 5,000 square foot community multi-purpose room. Phase I was successfully completed in July 2003. During phase I the Village also constructed two new basketball courts, two new tennis courts, playground, picnic area and a water playground.

Phase II includes a new Public Safety facility and is well underway with completion expected in April 2004. Numerous other improvements are already underway including two more tennis courts, a sand volleyball court and expansion and renovations of the existing Library. After the new Public Safety building is complete the final phase will begin which includes the demolition of the existing Public Safety facility to be replaced by a new parking lot for the Library.

FINANCIAL REPORTING SYSTEM

Internal Controls

The Village's financial operations are designed with a system of checks and balances 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.

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, 2003 the General Fund had a total fund balance of \$3,808,353. The components of fund balance are detailed in the table below.

Total fund balance	\$ 3,808,353
Less non-expendable assets:	
Reserved for inventories	9,703
Designated for subsequent year	345,839
Designated for future capital projects	<u>1,500,000</u>
Total unreserved, undesignated fund balance	<u>\$ 1,952,811</u>

This year the Village Council increased the designation for future capital projects by \$400,000 to provide sufficient funding for our capital needs and enable the Village to appropriate those funds for large capital purchases without impacting the operating millage rate.

The General Fund's unreserved, undesignated fund balance represents 23% 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 by department. All expenditures 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 in the financial section of this report.

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 \$9,731,242 on September 30, 2003. This is an increase of \$1,501,710 or 18.2% since September 30, 2002.

Actuarial valuations are performed on both pension plans every year. The Village is required by Florida law to contribute annually the actuarial required contribution to each plan. In fiscal year 2003, the Village's required contributions expressed as a percentage of covered payroll were 9.85% for the General Employees Pension and 20.84% for the Hazardous Employees Pension. The employer contributions during fiscal year 2003 totaled \$773,104 (\$399,459 General Employees Pension Fund and \$373,645 for the Hazardous Employees Pension Fund).

The employees contribute 1% of pay to their respective pension plans. The total employee contributions for the fiscal year were \$51,648 (\$33,977 to the General Employees Pension Fund and \$17,671 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 \$28,913 and the Chapter 175 contribution totaled \$26,366 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, 2003, the Village had a number of debt issues outstanding. These issues include a general obligation debt for \$7,765,000 and \$24,961,371 of water and sewer enterprise revenue bonds and notes payable. The Village's net general obligation debt per capita equaled \$599.89. The debt service coverage on the Village's Water and Sewer Revenue Bonds was 2.67, 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 an over-night repurchase agreement. This repurchase agreement pays interest daily. The average return on this investment for the year was 1.15%.

In addition to the interest-bearing sweep, the Village maintains an account with the State Board of Administration. On September 30, 2003, the Village had \$3,925,355 invested in this account. The State Board account had an average rate of return of 1.52 %.

In March, the Village invested \$3 million, (\$1 million from the General Fund and \$2 million from the Water and Sewer Enterprise Fund) in the Florida Municipal Investment Trust (FMIT) 1-3 year high yield bond fund. On, September 30, 2003 the Village had \$3,033,045 invested in this account. The Village's average rate of return on this investment for the fiscal year was 2%.

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 Rachlin Cohen & Holtz, 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.

This year the auditors also performed a single audit on state financial assistance in accordance with Chapter 10.550, Rules of the Auditor General. The schedule of expenditures of state financial assistance and related reports and schedules begin on page 91.

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, 2002.

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 fifteen consecutive years (fiscal years ended 1988-2002). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The Village is very fortunate to be a thriving community with a bright future. As a resident of the Village for over 18 years and serving as finance officer for over 16 years I am proud of the positive changes the Village has made, especially over the last five years. "A Great Place to Call Home" is more than slogan; it is expressed in the day to day dedication to doing our best to serve our residents.

The Village Council, Village Manager and dedicated employees have contributed significantly to the community we have today and the future we will leave for those who follow. I want to thank the Village Council and Village Manager for their bold leadership and their support of prudent financial policies.

I personally would like to thank the Finance staff for their dedication, hard work and sense of humor which makes my job a joy.

Respectfully submitted,



Rebecca L. Morse, CGFO, CPFO
Chief Financial Officer

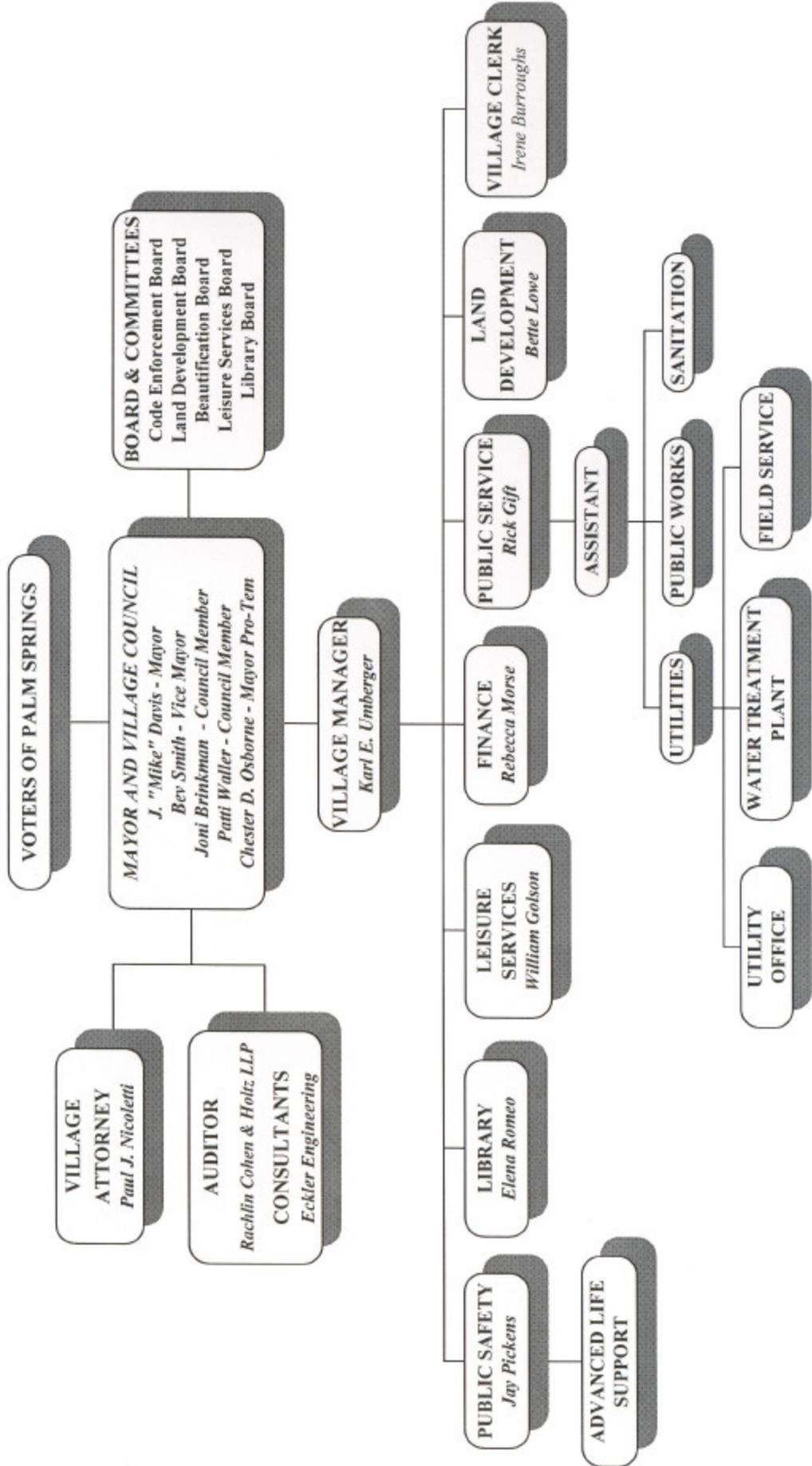
VILLAGE OF PALM SPRINGS, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2003

<u>Title</u>	<u>Name</u>
Mayor	J. "Mike" Davis
Vice-Mayor	Bev Smith
Mayor Pro-Tem	Chester D. Osborne
Council Member	Joni Brinkman
Council Member	Patti Waller
Village Manager	Karl E. Umberger
Public Service Director	Rick Gift
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, 2003**



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, 2002

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



President

Executive Director



FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Palm Springs, Florida, (the Village) as of and for the year ended September 30, 2003, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Palm Springs' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 1 to the financial statements, the Village adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2004, on our consideration of the Village of Palm Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Management's Discussion and Analysis and the Required Supplementary Information on pages 3 – 11 and 48-55, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the Village of Palm Springs' basic financial statements. The accompanying information identified in the table of contents as combining fund statements and other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.



West Palm Beach, Florida

February 13, 2004

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2003

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, 2003. 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, 2003 were \$37.5 million. Of this amount, \$9.2 million (unrestricted net assets) may be used to meet the Village's ongoing obligations to residents and creditors.
- Governmental net assets were \$10.4 million.
- Water and Sewer net assets were \$ 27.0 million an increase of \$ 1.6 million.
- The total revenues from all sources were \$18.0 million.
- The total cost of all Village programs was \$14.9 million.
- During the year, the Village's governmental activity revenues exceeded expenses by \$1.5 million.
- Total revenues in the General Fund exceeded total expenditures by \$344,434 including other financing sources and uses.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$1,952,811 or 27% of total General Fund expenditures.
- The Village's total debt increased by \$10.0 million during the current fiscal year. The increase represents debt for the improvements to our water and wastewater plant and infrastructure. The Village general obligation debt decreased by \$371,461, while the water and sewer enterprise debt increased by \$10.4 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. In this first year of implementation of GASB 34, no comparative financial information is required, as that would have meant converting the previous fiscal year to the GASB 34 model; consequently for fiscal year 2002-2003, only current year information is provided. The three components of the financial statements 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.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

REPORTING THE VILLAGE AS A WHOLE

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.

REPORTING THE VILLAGE'S MOST SIGNIFICANT FUNDS

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 and capital projects fund, both of which are considered to be major funds. Data from

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

the other three 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* elsewhere in this report. The basic governmental fund financial statements can be found on pages 15-18 of this report.

- **Proprietary funds** – The Village’s only proprietary fund is the Water and Sewer Enterprise fund. The Water and Sewer Enterprise fund accounts for the operations of the water and wastewater utility and 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 19-22 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 23-24 of this report.

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 \$37.5 million at the close of the most recent fiscal year.

The largest portion of the Village’s net assets (56.6%) reflects its investment in capital assets (land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the Village’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Palm Springs Net Assets

	Governmental Activities 2003	Business Activities 2003	Total Activities 2003
Assets:			
Current and other assets	\$ 7,137,238	\$ 25,542,175	\$ 32,679,413
Capital assets	12,206,217	28,802,847	41,009,064
Total assets	\$ 19,343,455	\$ 54,345,022	\$ 73,688,477
Liabilities:			
Long-term debt outstanding	\$ 7,765,000	\$ 25,358,186	\$ 33,123,186
Other liabilities	1,159,965	1,887,101	3,047,066
Total liabilities	\$ 8,924,965	\$ 27,245,287	\$ 36,170,252
Net Assets:			
Invested in capital assets, net of debt	\$ 4,441,217	\$ 16,776,279	\$ 21,217,496
Restricted for Debt Service	-	4,363,132	4,363,132
Restricted for Capital Projects	2,764,453	-	2,764,453
Unrestricted	3,212,820	5,960,324	9,173,144
Total net assets	\$ 10,418,490	\$ 27,099,735	\$ 37,518,225

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

An additional portion of the Village's net assets (19.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$9.2 million) 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.

There was an increase of \$3.1 million in the government's net assets during the current fiscal year.

Governmental Activities

Governmental activities increased the Village's net assets by \$1.5 million, which accounts for 48.5% of the total increase/decrease in the net assets of the Village. Key elements of this increase are as follows:

Village of Palm Springs			
Changes in Net Assets			
	Governmental Activities 2003	Business Activities 2003	Total Activities 2003
Revenues:			
Program revenues:			
Charges for services	\$ 1,593,601	\$ 8,618,975	\$ 10,212,576
Operating grants and contributions	182,096	-	182,096
Capital grants and contributions	591,141	1,125,555	1,716,696
General revenues:			
Property taxes	2,138,258	-	2,138,258
Utility service taxes	1,241,306	-	1,241,306
Franchise fees	526,320	-	526,320
Sales and use taxes	1,197,671	-	1,197,671
State revenue sharing	363,681	-	363,681
Investment earnings	133,061	238,020	371,081
Miscellaneous	86,129	19,657	105,786
Total revenues	8,053,264	10,002,207	18,055,471
Expenses:			
Program expenses:			
General government	1,758,726	-	1,758,726
Public Safety	3,655,456	-	3,655,456
Sanitation and Recycling	440,529	-	440,529
Transportation	720,492	-	720,492
Culture/Recreation	469,983	-	469,983
Interest on long-term debt	482,553	967,915	1,450,468
Water and Sewer Utility	-	6,436,585	6,436,585
Total Expenses	7,527,739	7,404,500	14,932,239
Increase in net assets before transfers	525,525	2,597,707	3,123,232
Transfers	990,172	(990,172)	-
Increase in net assets	1,515,697	1,607,535	3,123,232
Net Assets - October 1, 2002	8,902,793	25,492,200	34,394,993
Net assets - September 30, 2003	\$ 10,418,490	\$ 27,099,735	\$ 37,518,225

VILLAGE OF PALM SPRINGS, FLORIDA

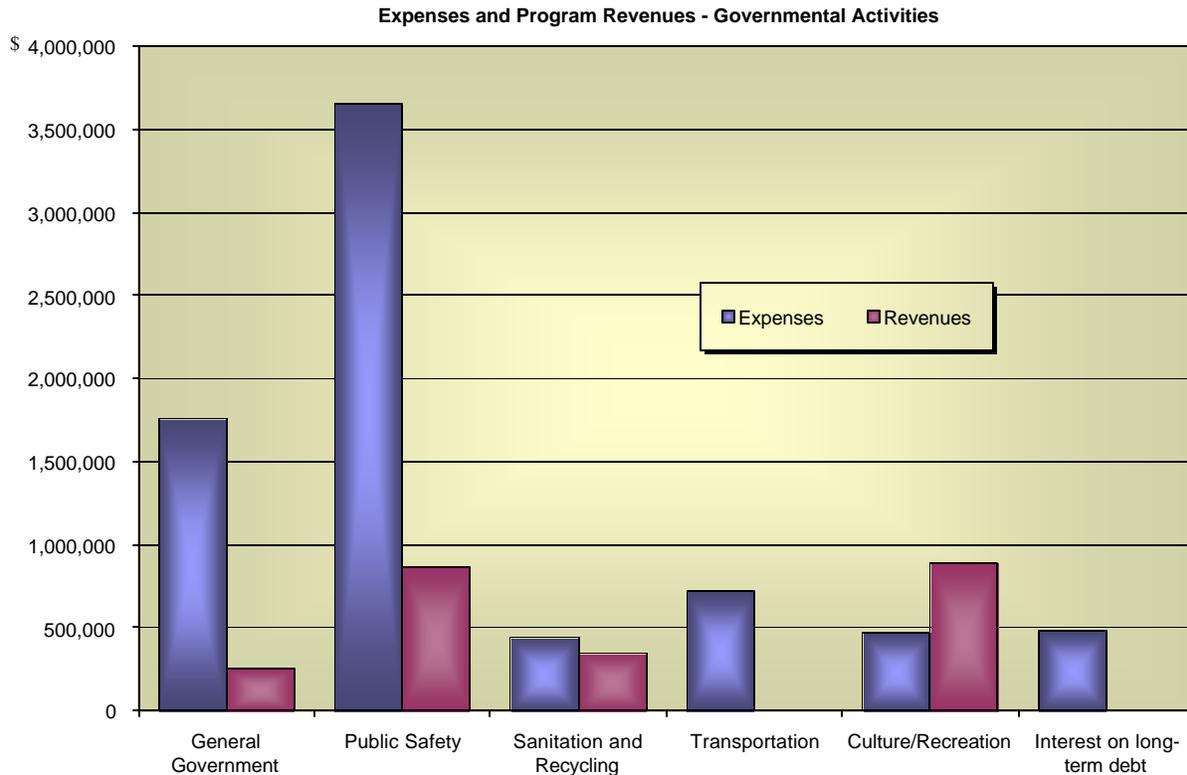
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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
General Government	\$ 1,758,726	\$ (256,811)	\$ 1,501,915
Public Safety	3,655,456	(867,555)	2,787,901
Sanitation and Recycling	440,529	(350,120)	90,409
Transportation	720,492	-	720,492
Culture/Recreation	469,983	(892,352)	(422,369)
Interest on long-term debt	482,553	-	482,553
	\$ 7,527,739	\$ (2,366,838)	\$ 5,160,901

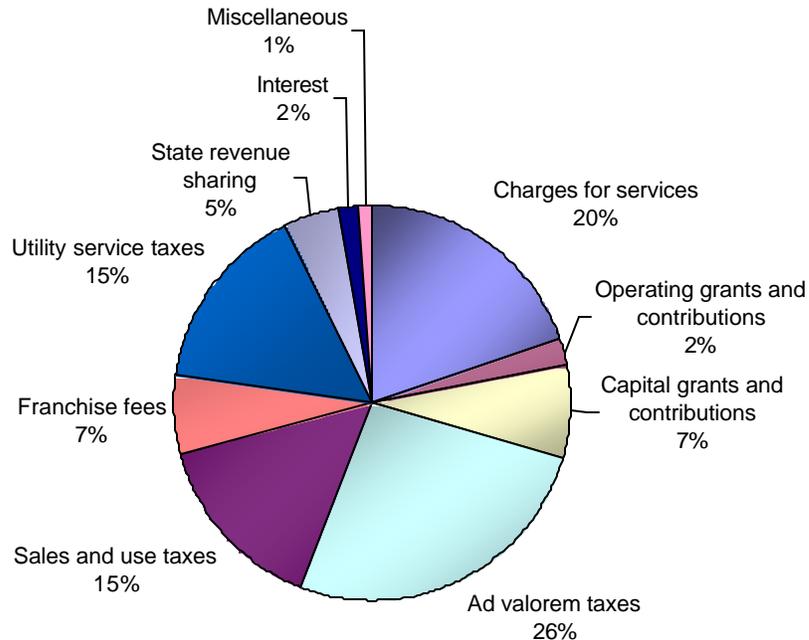
The total cost of all governmental activities this year was \$7.5 million. The schedule above shows that \$2.4 million of the cost of services was paid by those who directly benefited from the programs and \$5.1 million was financed through general revenues. Program revenues for culture/recreation exceeded program expenses due to the receipt of \$581,141 in capital grants and contributions used for the construction of the new leisure service facilities.



VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Revenues by Source - Governmental Activities



Business Type Activities

Net assets of the proprietary fund (Water and Sewer Enterprise) at September 30, 2003, were \$27.1 million. The cost of providing proprietary (business-type) activities this year was \$7.4 million, as shown in the Statement of Activities. Net assets increased by \$1.6 million.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$6,228,387 a decrease of \$3,459,509 in comparison with the prior year. The decrease is due to the consumption of bond proceeds for the construction of the new Village complex.

The unreserved fund balance is \$3,848,726, which is available for spending at the Village's discretion. Of this amount, \$1,500,000 is designated for capital improvements and \$345,839 is designated for subsequent year expenditures and \$2,002,887 is undesignated.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The remainder of the fund balance (\$2,379,661) is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$20,337), reserved for law enforcement purposes (\$10,147), represents inventory of goods (\$9,703) and (\$2,339,474) 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 \$3,798,650, while the total fund balance was \$3,808,353. 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 52.6% of total general fund expenditures.

Proprietary Funds

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

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

Unrestricted net assets for the Water and Sewer Enterprise Fund were \$5.96 million at fiscal year end. Net assets increased \$1.6 million compared to the prior fiscal year.

Operating revenue grew to \$8,618,975 an increase of \$141,116 or 1.7%. Operating expenses increased by \$146,392 or 2.3% over fiscal year 2001/02 for a total of \$6,436,585.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were \$259,343 and can be briefly summarized as follows:

- \$172,175 increase in general government transfers to the Debt Service fund to pay off the old general obligation note payable.
- \$1,959 increase in general government for the purchase of a photo-id system
- \$51,728 increase to recognize additional revenue and expenditures for public safety outside details.
- \$4,495 increase to public safety to purchase two automatic external defibrulators.
- \$25,000 increase to culture/recreation to purchase two used school buses for the leisure service programs.
- \$3,986 increase in culture/recreation for library programs.

Of this increase, \$35,440 was funded by grants and donations, \$51,728 was paid by charges for the service and \$172,175 was to be funded from available fund balance, however general fund revenues actually exceeded the general fund expenditures therefore the \$172,175 was covered by current year revenues and fund balance was not used.

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, 2003, amounts to \$41,009,064 (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

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

for the current fiscal year was 10% (24% increase for governmental activities and 3% increase for business-type activities).

Village of Palm Springs Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 170,036	\$ 313,217	\$ 483,253
Buildings	5,585,752	3,013,999	8,599,751
Improvements other than buildings	1,134,884	40,062,920	41,197,804
Machinery & Equipment	2,850,226	2,234,746	5,084,972
Software & Library Materials	619,735	39,867	659,602
Infrastructure	3,733,588	-	3,733,588
Construction in progress	373,744	1,346,490	1,720,234
Total Assets	14,467,965	47,011,239	61,479,204
Less Accumulated Depreciation	(2,261,748)	(18,208,392)	(20,470,140)
Total	\$ 12,206,217	\$ 28,802,847	\$ 41,009,064

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

- Completion of the new Village Administration building, two new tennis courts, water playground, tot lot, basketball courts, picnic pavilion and surrounding site improvements.
- The demolition of the old Village Hall, old maintenance garage and the conversion of the former Utility storage building into the new Leisure Activities Building (LAB).
- Construction began on the new Public Safety Building, water utility improvements, and library expansion and renovation. Construction in process at the fiscal year end was \$1,720,234.

Debt: At fiscal year end, the Village had a total debt outstanding of \$32,926,371. 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 are financing 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 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
General Obligation Bonds	\$ 7,765,000	\$ -	\$ 7,765,000
Revenue Bonds	-	16,794,468	16,794,468
Note Payable	-	6,390,232	6,390,232
Obligation under utility agreement	-	1,733,326	1,733,326
Compensated Absences	162,750	80,595	243,345
Total	\$ 7,927,750	\$ 24,998,621	\$ 32,926,371

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Additional information on the Village's debt can be found in Note 5 on page 38 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 26% of total governmental revenues. These revenues are generated by a millage rate set annually by the Village Council with a legal limit of 10 mills or \$10.00 per \$1,000 of taxable property value. The Village has reduced the operating millage rate over the past ten years from approximately \$5.45 per \$1,000 of taxable value in 1994 to the present rate of \$4.87 per \$1,000 of taxable value for the current fiscal year, a decrease of over 10%.

The Village's taxable property values have increased 86.4% since 1994. This increase is primarily due to annexation, the Village has now annexed over 775 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.

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 contact:

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



VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

September 30, 2003

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,749,205	\$ 5,033,574	\$ 7,782,779
Investments	1,011,012	-	1,011,012
Receivables:			
Accounts, net of allowance	8,524	1,389,732	1,398,256
Grants	181,999	-	181,999
Utility taxes	86,868	-	86,868
Franchise fees	164,379	-	164,379
Intergovernmental	137,499	-	137,499
Inventory	9,703	114,108	123,811
Net pension asset	23,596	-	23,596
Restricted assets:			
Cash and cash equivalents	2,764,453	11,920,820	14,685,273
Cash with fiscal agent	-	342,975	342,975
Investments	-	3,257,649	3,257,649
Capital assets:			
Capital assets, not being depreciated	4,277,368	1,659,707	5,937,075
Capital assets being depreciated	10,190,597	45,351,532	55,542,129
Accumulated depreciation	(2,261,748)	(18,208,392)	(20,470,140)
Intangible assets	-	3,077,250	3,077,250
Unamortized bond issue costs	-	406,067	406,067
Total assets	\$ 19,343,455	\$ 54,345,022	\$ 73,688,477
Liabilities			
Accounts payable and accrued liabilities	\$ 204,320	\$ 324,015	\$ 528,335
Contracts and retainage payable	583,313	360,807	944,120
Accrued interest payable	131,181	235,503	366,684
Deposits	300	886,181	886,481
Revenue collected in advance	78,101	-	78,101
Compensated absences - current portion	19,221	11,320	30,541
Compensated absences - noncurrent portion	143,529	69,275	212,804
Long-term liabilities due within one year	130,000	1,966,110	2,096,110
Long-term liabilities due in more than one year	7,635,000	23,392,076	31,027,076
Total liabilities	\$ 8,924,965	\$ 27,245,287	\$ 36,170,252
Net assets			
Invested in capital assets, net of related debt	\$ 4,441,217	\$ 16,776,279	\$ 21,217,496
Restricted for:			
Debt service	-	4,363,132	4,363,132
Capital projects	2,764,453	-	2,764,453
Unrestricted	3,212,820	5,960,324	9,173,144
Total net assets	\$ 10,418,490	\$ 27,099,735	\$ 37,518,225

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Activities

Year Ended September 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,758,726	\$ 221,343	\$ 25,468	\$ 10,000
Public safety	3,655,456	785,366	82,189	-
Physical environment	440,529	350,120	-	-
Transportation	720,492	-	-	-
Culture/recreation	469,983	236,772	74,439	581,141
Interest on long term debt	482,553	-	-	-
Total governmental activities	7,527,739	1,593,601	182,096	591,141
Business-type activities:				
Utility - water & sewer	7,404,500	8,618,975	-	1,125,555
Total business-type activities	7,404,500	8,618,975	-	1,125,555
Total	\$ 14,932,239	\$ 10,212,576	\$ 182,096	\$ 1,716,696
General revenues:				
Taxes:				
Property taxes				
Utility service taxes				
Franchise fees				
Sales taxes				
State revenue sharing				
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
\$ (1,501,915)	\$ -	\$ (1,501,915)
(2,787,901)	-	(2,787,901)
(90,409)	-	(90,409)
(720,492)	-	(720,492)
422,369	-	422,369
(482,553)	-	(482,553)
(5,160,901)	-	(5,160,901)
-	2,340,030	2,340,030
-	2,340,030	2,340,030
(5,160,901)	2,340,030	(2,820,871)
2,138,258	-	2,138,258
1,241,306	-	1,241,306
526,320	-	526,320
1,197,671	-	1,197,671
363,681	-	363,681
133,061	238,020	371,081
86,129	19,657	105,786
990,172	(990,172)	-
6,676,598	(732,495)	5,944,103
1,515,697	1,607,535	3,123,232
8,902,793	25,492,200	34,394,993
\$ 10,418,490	\$ 27,099,735	\$ 37,518,225

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2003

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,668,645	\$ -	\$ 80,560	\$ 2,749,205
Investments	1,011,012	-	-	1,011,012
Receivables:				
Accounts, net of allowance for uncollectibles	8,524	-	-	8,524
Grants	23,665	158,334	-	181,999
Utility taxes	86,868	-	-	86,868
Franchise fees	164,379	-	-	164,379
Intergovernmental	137,499	-	-	137,499
Inventory	9,703	-	-	9,703
Restricted assets:				
Cash and cash equivalents	-	2,764,453	-	2,764,453
Total assets	\$ 4,110,295	\$ 2,922,787	\$ 80,560	\$ 7,113,642
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 204,320	\$ -	\$ -	\$ 204,320
Contracts and retainage payable	-	583,313	-	583,313
Deposits	300	-	-	300
Revenue collected in advance	78,101	-	-	78,101
Compensated absences payable	19,221	-	-	19,221
Total liabilities	301,942	583,313	-	885,255
Fund balances:				
Reserved for:				
Inventory	9,703	-	-	9,703
Capital projects	-	2,339,474	-	2,339,474
Law enforcement	-	-	10,147	10,147
Debt service	-	-	20,337	20,337
Unreserved, undesignated	1,952,811	-	-	1,952,811
Unreserved, designated for:				
Capital projects	1,500,000	-	-	1,500,000
Subsequent years' expenditures	345,839	-	-	345,839
Unreserved, reported in nonmajor funds:				
Special revenue funds	-	-	50,076	50,076
Total fund balances	3,808,353	2,339,474	80,560	6,228,387
Total liabilities and fund balances	\$ 4,110,295	\$ 2,922,787	\$ 80,560	\$ 7,113,642

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA
*Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2003*

Total governmental fund balances (page 15) \$ 6,228,387

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	\$ 14,467,965	
Accumulated depreciation	(2,261,748)	
		12,206,217

Net pension assets of defined benefit pension plans are reported in the statement of net assets. Because they do not represent available, spendable resources, they are not reported in governmental funds. 23,596

Long-term liabilities, including notes and 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 and notes payable	(7,765,000)	
Accrued interest payable on long-term debt	(131,181)	
Compensated absences	(143,529)	
		(8,039,710)

Total net assets (page 12) \$ 10,418,490

VILLAGE OF PALM SPRINGS, FLORIDA*Statement of Revenues, Expenditures and Changes in Fund Balances**Governmental Funds**Year Ended September 30, 2003*

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,310,669	\$ -	\$ 595,215	\$ 3,905,884
Licenses and permits	620,841	-	-	620,841
Intergovernmental	1,749,953	-	-	1,749,953
Confiscated property	-	-	15,515	15,515
Grants	-	591,141	-	591,141
Charges for services	723,730	-	-	723,730
Fines and forfeitures	170,629	-	-	170,629
Contributions	20,851	25,468	2,992	49,311
Interest	57,680	74,683	698	133,061
Miscellaneous	92,699	-	501	93,200
Total revenues	6,747,052	691,292	614,921	8,053,265
Expenditures				
Current:				
General government	1,020,665	4,485,919	-	5,506,584
Public safety	3,800,755	-	14,354	3,815,109
Physical environment	514,107	-	-	514,107
Transportation	758,811	-	-	758,811
Culture/recreation	1,126,277	-	1,505	1,127,782
Debt service:				
Principal	-	-	371,461	371,461
Interest and other fiscal charges	-	-	409,092	409,092
Total expenditures	7,220,615	4,485,919	796,412	12,502,946
Deficiency of revenues over expenditures	(473,563)	(3,794,627)	(181,491)	(4,449,681)
Other financing sources (uses)				
Transfers in	990,172	-	193,048	1,183,220
Transfers out	(172,175)	(20,873)	-	(193,048)
Total other financing sources (uses)	817,997	(20,873)	193,048	990,172
Change in fund balances	344,434	(3,815,500)	11,557	(3,459,509)
Fund balances, beginning of year	3,463,919	6,154,974	69,003	9,687,896
Fund balances, end of year	\$ 3,808,353	\$ 2,339,474	\$ 80,560	\$ 6,228,387

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2003*

Net change in fund balances - total governmental funds (page 17) \$ (3,459,509)

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	\$ 5,053,179	
Less current year depreciation expense	<u>(382,663)</u>	4,670,516

Losses on disposal of capital assets are reported in the statement of activities but not in the governmental funds. (16,547)

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

Change in compensated absences	(358)	
Change in net pension asset	<u>23,596</u>	23,238

Net effect of accrued interest on long-term debt (difference between amount that would have been accrued in prior year and current year accrual) (73,462)

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	<u>371,461</u>
--------------------------------------	----------------

Change in net assets of governmental activities (page 14) \$ 1,515,697

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

Proprietary Fund

September 30, 2003

	Water and Sewer Utility
Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,033,574
Accounts receivable, net	1,389,732
Inventory	114,108
Restricted assets:	
Cash and cash equivalents	11,920,820
Cash with fiscal agent	342,975
Investments	3,257,649
Noncurrent assets:	
Capital assets	
Capital assets not being depreciated	1,659,707
Capital assets being depreciated	45,351,532
Accumulated depreciation	(18,208,392)
Intangible assets	3,077,250
Unamortized bond issue costs	406,067
Total assets	\$ 54,345,022
Liabilities and Net Assets:	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 324,015
Contracts and retainage payable	360,807
Current portion of obligation under utility agreement	512,196
Current portion of compensated absences	11,320
Payable from restricted assets:	
Accrued interest	235,503
Current portion of note payable	593,914
Current portion of revenue bonds payable	860,000
Noncurrent liabilities:	
Deposits	886,181
Compensated absences payable	69,275
Notes payable	5,796,318
Revenue bonds payable, net of discounts	16,374,628
Obligation under utility agreement	1,221,130
Total liabilities	\$ 27,245,287
Net assets:	
Invested in capital assets, net of related debt	\$ 16,776,279
Restricted	4,363,132
Unrestricted	5,960,324
Total net assets	\$ 27,099,735

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
Year Ended September 30, 2003

	Water and Sewer Utility
Operating revenues	
Charges for services	\$ 8,618,975
Total operating revenues	8,618,975
Operating expenses	
Personal services	2,061,479
Operating expenses	2,409,171
Depreciation	1,707,977
Amortization	257,958
Total operating expenses	6,436,585
Operating income	2,182,390
Nonoperating revenues (expenses)	
Interest and dividends on investments	238,020
Customer contributions	1,125,555
Miscellaneous revenues	19,657
Interest expense	(967,915)
Total nonoperating revenues (expenses)	415,317
Income before transfers	2,597,707
Transfer out	(990,172)
Change in net assets	1,607,535
Net assets, beginning of year	25,492,200
Net assets, end of year	\$ 27,099,735

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA*Statement of Cash Flows**Proprietary Fund**Year Ended September 30, 2003*

Cash flows from operating activities	
Cash received from customers	\$ 8,865,586
Cash paid to suppliers for goods and services	(2,232,981)
Cash paid to employees for services	(2,047,965)
Net cash provided by operating activities	4,584,640
<hr/>	
Cash flows from noncapital financing activities	
Transfers out	(990,172)
<hr/>	
Cash flows from capital and related financing activities	
Principal paid on long-term debt	(1,195,616)
Interest paid on long-term debt	(297,926)
Acquisition and construction of capital assets	(2,647,493)
Payment on utility agreement obligation	(477,168)
Proceeds from debt issuance	11,763,000
Capital contributions from customers	1,125,555
Proceeds from sale of fixed assets	31,078
Net cash provided by capital and related financing activities	8,301,430
<hr/>	
Cash flows from investing activities	
Purchase of investments	(2,000,000)
Reinvested dividends	(22,033)
Interest and dividends on investments	257,677
Net cash used in investing activities	(1,764,356)
<hr/>	
Net increase in cash and cash equivalents	10,131,542
Cash and cash equivalents, beginning of year	7,165,827
Cash and cash equivalents, end of year	\$ 17,297,369

Continued on the following page.

VILLAGE OF PALM SPRINGS, FLORIDA*Statement of Cash Flows (Continued)**Proprietary Fund**Year Ended September 30, 2003***Cash flows from operating activities**

Operating income	\$ 2,182,390
<hr/>	
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,707,977
Amortization	257,958
Decrease in:	
Accounts and other receivables	203,360
Inventory	46,185
Increase in:	
Accounts payable and accrued liabilities	130,005
Compensated absences payable	13,514
Deposits	43,251
<hr/>	
Total adjustments	2,402,250
<hr/>	
Net cash provided by operating activities	\$ 4,584,640

Supplemental disclosure of noncash capital and related financing activities

Accrued interest on capital appreciation bonds	\$ 391,135
Book value of assets disposed	376,887

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA
Statement of Fiduciary Net Assets
September 30, 2003

	Employee Retirement Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 722,143
Investments	
U. S. obligations	1,275,950
Federal agencies	908,673
Mortgage-backed securities	154,639
Corporate bonds	1,012,423
Common stock	5,643,173
Receivables:	
Accounts	9,434
Interest	33,678
Total assets	\$ 9,760,113
<hr/>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 28,871
Total liabilities	\$ 28,871
<hr/>	
Net Assets:	
Held in trust for pension benefits	\$ 9,731,242
Total net assets	\$ 9,731,242

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA
Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2003

	Employee Retirement Funds
Additions:	
Contributions:	
Employer	\$ 773,104
Plan members	55,279
State of Florida	51,648
Total contributions	880,031
Investment income:	
Interest	198,753
Dividends	70,905
Net appreciation in fair value of investments	788,697
Investment expense	(65,141)
Net investment income	993,214
Total additions	1,873,245
Deductions:	
Administration	74,607
Benefits	296,928
Total deductions	371,535
Net increase in plan net assets	1,501,710
Net assets held in trust for pension benefits, beginning of year	8,229,532
Net assets held in trust for pension benefits, end of year	\$ 9,731,242

See notes to basic financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

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 accounting principles generally accepted in the United States ("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 accounting principles generally accepted in the United States, 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 BASIC FINANCIAL STATEMENTS (Continued)

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 funds 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 funds:

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 BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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:

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or 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.

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.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an 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 non-operating 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, FSA. 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 Governments 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 Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Deposits and Investments (Continued)

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 fund.

Cash and cash equivalents, for purposes of the statement of cash flows, includes 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.

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

e. Capital Assets (Continued)

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 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 services as follows: 80 hours after 1 year; 120 hours after 5 years; 160 hours after 10 years; 200 hours after 20 years. Employees may accumulate a maximum equivalent to the annual vacation time allowed. Upon termination, employees are compensated for accumulated vacation at their rate of pay at termination.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

f. Compensated Absences (Continued)

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 absence 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 in the 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 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 BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

i. 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."

j. 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, 2002, upon which the 2002/03 levy was based, was approximately \$324 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 millage rate assessed by the Village for the year ended September 30, 2003, was 4.8740 (\$4.87 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. 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, 2003, unpaid delinquent taxes are not material and have not been recorded by the Village.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

k. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. 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. The Village's deposits at year end are 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 Trust Fund;
- c. Securities of, or other interests in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio of such investment company or investment trust is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations, and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian;

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

- 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;
- 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.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Village's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the entity's name.

Investments in the State Treasurer's Investment Pool, Florida Municipal Investment Trust, and mutual funds are not required to be categorized, since the investments are not evidenced by securities that exist in physical or book entry form. The Village's investment is not directly subject to custodial credit risk.

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

By category:

Cash and cash equivalents	\$23,533,170
Investments	<u>13,263,519</u>
Total deposits and investments	<u>\$36,796,689</u>

Presented in the statement of net assets:

Governmental activities:

Cash and cash equivalents	\$ 5,513,658
Investments	<u>1,011,012</u>
Total governmental activities	<u>6,524,670</u>

Business-type activities:

Cash and cash equivalents	17,297,369
Investments	<u>3,257,649</u>
Total business-type activities	<u>20,555,018</u>
Total statement of net assets	<u>\$27,079,688</u>

Presented in the statement of fiduciary net assets:

Cash and cash equivalents	\$ 722,143
Investments	<u>8,994,858</u>
Total statement of fiduciary net assets	<u>\$ 9,717,001</u>
Total deposits and investments	<u>\$36,796,689</u>

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The following matrix presents the components of the Village's cash and cash equivalents and investments at September 30, 2003. The investment risk categories are indicated in the last column. Deposit risks are not included in the table.

	Unrestricted	Restricted	Fair Value	Category
Cash and cash equivalents:				
Deposits	\$ 3,847,969	\$ 1,891,360	\$ 5,739,329	-
Investment in State Treasurer's investment pool	3,162,667	762,688	3,925,355	-
Florida Municipal Investment Trust Enhanced Cash	-	11,158,312	11,158,312	-
Money market mutual funds	-	2,710,174	2,710,174	-
Total cash and cash equivalents	\$ 7,010,636	\$ 16,522,534	\$ 23,533,170	
Investments:				
U.S. government securities	\$ -	\$ 1,235,616	\$ 1,235,616	1
Florida Municipal Investment Trust	1,011,012	2,022,033	3,033,045	-
Pension trust investments:				
U.S obligations and federal agencies	-	2,184,623	2,184,623	2
Mortgage-backed securities	-	154,639	154,639	2
Corporate bonds	-	1,012,423	1,012,423	2
Common stocks	-	5,643,173	5,643,173	2
Total investments	\$ 1,011,012	\$ 12,252,507	\$ 13,263,519	

NOTE 3. RECEIVABLES

Receivables as of year end for the Village's governmental activities and business-type activities are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts	\$ 8,524	\$ 1,443,086	\$ 1,451,610
Intergovernmental	570,745	-	570,745
	579,269	1,443,086	2,022,355
Less: allowable for uncollectibles	-	(53,354)	(53,354)
Net receivables	\$ 579,269	\$ 1,389,732	\$ 1,969,001

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2003, was as follows:

	Beginning Balance	Additions	Deletions	Balance September 30, 2003
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 170,036	\$ -	\$ -	\$ 170,036
Infrastructure	3,685,104	48,484	-	3,733,588
Construction in progress	2,033,112	4,485,919	(6,145,287)	373,744
Total capital assets not being depreciated	5,888,252	4,534,403	(6,145,287)	4,277,368
Capital assets being depreciated:				
Buildings	1,645,180	4,793,089	(852,517)	5,585,752
Improvements other than buildings	1,792,813	1,073,609	(1,731,538)	1,134,884
Machinery and equipment	2,353,527	753,085	(256,386)	2,850,226
Library materials and software	547,820	71,915	-	619,735
Total capital assets being depreciated	6,339,340	6,691,698	(2,840,441)	10,190,597
Less accumulated depreciation for:				
Buildings	(1,076,257)	(45,641)	850,350	(271,548)
Improvements other than buildings	(15,973)	(12,996)	5,366	(23,603)
Machinery and equipment	(1,551,365)	(252,613)	244,173	(1,559,805)
Library materials and software	(335,379)	(71,413)	-	(406,792)
Accumulated depreciation	(2,978,974)	(382,663)	1,099,889	(2,261,748)
Governmental activities				
Capital assets, net	\$ 9,248,618	\$10,843,438	\$(7,885,839)	\$ 12,206,217
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 341,215	\$ -	\$ (27,998)	\$ 313,217
Construction in progress	761,885	2,245,081	(1,660,476)	1,346,490
Total capital assets not being depreciated	1,103,100	2,245,081	(1,688,474)	1,659,707
Capital assets being depreciated:				
Buildings	3,087,393	-	(73,394)	3,013,999
Improvements other than buildings	38,237,276	1,825,644	-	40,062,920
Equipment	2,263,614	273,830	(302,698)	2,234,746
Library materials and software	30,560	10,102	(795)	39,867
Total capital assets being depreciated	43,618,843	2,109,576	(376,887)	45,351,532
Less accumulated depreciation for:				
Buildings	(1,569,104)	(100,279)	38,734	(1,630,649)
Improvements other than buildings	(14,031,300)	(1,370,019)	-	(15,401,319)
Equipment	(1,110,826)	(235,286)	199,951	(1,146,161)
Library materials and software	(28,665)	(2,393)	795	(30,263)
Accumulated depreciation	(16,739,895)	(1,707,977)	239,480	(18,208,392)
Business-type activities				
Capital assets, net	\$ 27,982,048	\$ 2,646,680	\$(1,825,881)	\$ 28,802,847

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 47,663
Public safety	150,745
Physical environment	34,132
Transportation	24,361
Culture and recreation	125,762
<hr/>	
Total depreciation expense –	
Governmental activities	\$ 382,663
<hr/>	
Business-type activities:	
Water & Sewer	\$ 1,707,977

NOTE 5. LONG-TERM DEBT

Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year ended September 30, 2003:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation note	\$ 246,461	\$ -	\$ 246,461	\$ -	\$ -
General obligation bonds	7,890,000	-	125,000	7,765,000	130,000
Compensated absences	169,608	240,564	247,422	162,750	19,221
Total	\$ 8,306,069	\$ 240,564	\$ 618,883	\$ 7,927,750	\$ 149,221
<hr/>					
Business-type activities:					
Promissory note	\$ 6,960,847	\$ -	\$ 570,615	\$ 6,390,232	\$ 593,914
Revenue bonds, series 1988	955,000	-	625,000	330,000	330,000
Capital appreciation bonds	4,523,333	391,135	-	4,914,468	340,000
Revenue bonds, series 2003	-	11,550,000	-	11,550,000	190,000
Obligation under utility agreement	2,210,494	-	477,168	1,733,326	512,196
Compensated absences	67,081	110,373	96,859	80,595	11,320
Total	\$ 14,716,755	\$ 12,051,508	\$ 1,769,642	\$ 24,998,621	\$ 1,977,430

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.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. LONG-TERM DEBT (Continued)

Governmental Activities: (Continued)

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
2004	\$ 130,000	\$ 389,482	\$ 519,482
2005	135,000	384,606	519,606
2006	140,000	377,856	517,856
2007	145,000	370,856	515,856
2008	150,000	365,056	515,056
2009-2013	860,000	1,726,856	2,586,856
2014-2018	1,105,000	1,483,844	2,588,844
2019-2023	1,435,000	1,153,522	2,588,522
2024-2028	1,835,000	755,969	2,590,969
2029-2032	1,830,000	240,103	2,070,103
Total	\$ 7,765,000	\$ 7,248,150	\$ 15,013,150

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. 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
2004	\$ 593,914	\$ 248,058	\$ 841,972
2005	618,882	223,090	841,972
2006	644,199	197,773	841,972
2007	670,779	171,193	841,972
2008	698,307	143,665	841,972
2009-2013	3,164,151	273,902	3,438,053
Total	\$ 6,390,232	\$ 1,257,681	\$ 7,647,913

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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, 2003, the Village was in compliance with such bond covenants.

Revenue bonds currently outstanding are as follows:

\$6,280,000 Water and Sewer Revenue Refunding Bonds, Series 1988, October 1, 2003.

Annual debt service requirements to maturity are as follows:

Year Ending			
September 30,	Principal	Interest	Total
2004	\$ 330,000	\$ 12,375	\$ 342,375
Total	\$ 330,000	\$ 12,375	\$ 342,375

\$1,209,857 Capital Appreciation Bonds, Series 1988, due in annual installments of \$340,000 to \$685,000 from April 1, 2004, through October 1, 2012, with interest at 7.75% - 8.25% accrued semi-annually on April 1 and October 1 of each year.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

Year Ending September 30,	Principal
2004	\$ 340,000
2005	685,000
2006	685,000
2007	605,000
2008	580,000
2009-2013	2,480,000
Total	\$ 5,375,000

\$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
2004	\$ 190,000	\$ 552,700	\$ 742,700
2005	200,000	547,000	747,000
2006	200,000	543,000	743,000
2007	210,000	535,000	745,000
2008	215,000	528,176	743,176
2009-2013	1,215,000	2,510,376	3,725,376
2014-2018	1,555,000	2,169,188	3,724,188
2019-2023	2,000,000	1,719,422	3,719,422
2024-2028	2,535,000	1,192,350	3,727,350
2029-2033	3,230,000	500,000	3,730,000
Total	\$ 11,550,000	\$10,797,212	\$ 22,347,212

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 BASIC FINANCIAL STATEMENTS (Continued)

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, at issuance, was \$2,089,437. Intangible water and sewer usage rights were recorded at the same amount. The rights 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, at issuance, was \$4,245,610. 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. 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, 2003, the combined intangible rights had a book value of \$3,077,250 (net of amortization of \$4,106,283).

NOTE 7. INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended September 30, 2003:

	Transfers In	Transfers Out
Governmental Activities:		
Major Fund – General Fund	\$ 990,172	\$ 172,175
Non-major funds in the aggregate	172,175	-
Business-type Activities:		
Enterprise Fund	-	990,172
Total interfund transfers	\$1,162,347	\$1,162,347

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. ENTERPRISE FUND RESTRICTED ASSETS, LIABILITIES AND RESERVES

Restricted assets of the enterprise fund at September 30, 2003, include amounts restricted for debt service, and plant renewal and replacement under the terms of the outstanding revenue bonds, and unused bond proceeds. The following is a summary of the restricted assets at September 30, 2003.

	Restricted Assets
Utility Debt Service	\$ 3,920,157
Renewal and Replacement	100,000
Cash with fiscal agent	342,975
Unused proceeds from 2003 bonds	11,158,312
	<u>\$ 15,521,444</u>

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, 2003, 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, 2003, 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, 2003.

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. Neither plan issues a stand-alone financial report. Additional information on these plans can be found on pages 54-55.

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 Village Council. Contribution requirements are determined by the actuary.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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 October 1, 2002 (the latest actuarial valuation date):

	Hazardous Employees	General Employees	
Accounting Policies and Plan Assets:			
Authority	Village Ordinance/State Statute	Village Ordinance	
Basis of Accounting	Accrual	Accrual	
Asset Valuation:			
Reporting	Fair Value	Fair Value	
Actuarial Valuation	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	35	93	
Retirees and Beneficiaries	6	22	
Terminated Vested	14	23	
Normal Retirement Benefits:			
	Option 1	Option 2	
Retirement Age	50	55	62
Years of Service (minimum)	15	10	10
Accrual	2.5%	2.5%	2.0%
Maximum	None	None	50%
Years to Vest	10	10	10

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. PENSION PLANS (Continued)

	Hazardous Employees	General Employees
Contributions:		
Actuarial Rate:		
Village	20.84%	9.85%
State	1.38%	-
Participants	1.00%	1.00%
Annual Pension Cost	\$ 239,483	\$ 308,056
Contributions Made	\$ 263,079	\$ 399,459
Actuarial Valuation:		
Frequency	Annual	Annual
Latest Valuation	9/30/02	9/30/02
Basis for Contribution	9/30/01	9/30/01
Cost Method	Entry age	Entry age
Amortization:		
Method	Level percent	Level percent
Period	6-23 years	4-18 years
Open/Closed	Closed	Closed
Assumptions:		
Investment Earnings (including inflation)	8.0% / year	8.0% / year
Salary Increases (including inflation)	5.0% -8.0% / year	4.7% -8.3% / year
Inflation	5.0% / year	4.5% / 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:	9/30/01	\$ 264,073	100%	\$ -
	9/30/02	304,012	100%	-
	9/30/03	263,079	109%	23,596
General Employees:	9/30/01	108,535	100%	-
	9/30/02	351,834	100%	-
	9/30/03	308,056	100%	-

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. PENSION PLANS (Continued)

Annual required contribution (ARC)	\$ 239,483
Interest on net pension asset	-
Adjustment to ARC	-
Annual pension cost (APC)	239,483
Village/state contributions	263,079
Increase in net pension asset	23,596
Net pension asset, beginning of year	-
Net pension asset, end of year	\$ 23,596

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

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

Project	Total Project Authorization	Expended September 30, 2003	Contracts Payable September 30, 2003	Balance to Complete
Task #79 – RLP WTP Improvements	\$ 4,670,341	\$ 265,514	\$ 135,840	\$ 4,268,987
Task #78 – Main WTP Improvements	4,075,504	239,665	159,504	3,676,335
Task #76 – Cresthaven Force Main	185,370	113,860	-	71,510
Task #74 – Vacuum Sewer 10th Ave. - Kirk	358,562	189,059	61,663	107,840
Task #54 – 10 th Avenue Relocation	322,154	222,475	-	99,679
Task #82 – Purdy Lane Water Main	20,774	16,974	3,800	-
	\$ 9,632,705	\$ 1,047,547	\$ 360,807	\$ 8,224,351

Construction contracts of the governmental activities consist of the following:

Project	Total Project Authorization	Expended September 30, 2003	Contracts Payable September 30, 2003	Balance to Complete
Master plan project – Municipal Complex:				
Engineering fees – Architects				
Design Group	\$ 585,819	\$ 569,694	\$ 6,025	\$ 10,100
Other professional fees	6,619,878	5,366,024	577,288	676,566
	\$ 7,205,697	\$ 5,935,718	\$ 583,313	\$ 686,666

Contingencies

The Village is a defendant in multiple lawsuits, the outcome of which is not presently determinable. In the opinion of counsel, the resolution of the matters will not have a significant impact on the financial condition of the Village, except as stated below:

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. COMMITMENTS AND CONTINGENCIES

Contingencies (Continued)

During 2002, a lawsuit was filed against the Village by the Government Risk Insurance Trust (“GRIT”). GRIT is asking for back premiums allegedly owed to them by the Village from 1997, 1998, and 2000 Workers Compensation insurance. In the opinion of counsel, an unfavorable outcome is possible. The range of potential loss on this lawsuit is between \$50,000 and \$100,000.

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. Settled claims exceeded insurance coverage for the year ended September 30, 2002, in the amount of \$75,000. There were no settlements in excess of coverage in the year ended September 30, 2003.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PALM SPRINGS, FLORIDA*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2003*

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes:				
Ad valorem taxes	\$ 1,519,965	1,519,965	\$ 1,543,043	\$ 23,078
Franchise fees	481,200	481,200	526,320	45,120
Utility service taxes	1,145,500	1,145,500	1,241,306	95,806
Total taxes	3,146,665	3,146,665	3,310,669	164,004
Licenses and permits:				
Occupational licenses	122,500	122,500	115,565	(6,935)
Building permits	350,000	350,000	505,019	155,019
Other permits & licenses	200	200	257	57
Total licenses and permits	472,700	472,700	620,841	148,141
Intergovernmental:				
State revenue sharing	377,000	377,000	388,215	11,215
Alcoholic beverage licenses	5,000	5,000	4,088	(912)
Municipal fuel tax refund	3,400	3,400	3,451	51
Local option gas tax	165,000	165,000	289,810	124,810
Palm Beach County occupational licenses	39,000	39,000	31,180	(7,820)
Half-cent sales tax	898,086	898,086	900,323	2,237
Grant revenue	203,900	232,886	132,886	(100,000)
Total intergovernmental	1,691,386	1,720,372	1,749,953	29,581
Charges for services:				
General government	10,450	10,450	17,193	6,743
Public safety	56,850	108,578	117,864	9,286
Sanitation	355,500	355,500	350,120	(5,380)
Leisure services	224,550	224,550	229,963	5,413
Nonresident fees	15,000	15,000	8,590	(6,410)
Total charges for services	662,350	714,078	723,730	9,652
Fines and forfeitures:				
Judgments and fines	181,500	181,500	146,711	(34,789)
Other	21,500	21,500	23,918	2,418
Total fines and forfeitures	203,000	203,000	170,629	(32,371)
Contributions	20,000	26,454	20,851	(5,603)

Continued on the following page.

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Miscellaneous:				
Miscellaneous revenue	\$ 18,000	\$ 18,000	\$ 66,789	\$ 48,789
Interest earnings	78,000	78,000	57,680	(20,320)
Facility rental	24,000	24,000	25,910	1,910
Total miscellaneous	120,000	120,000	150,379	30,379
Total revenues	6,316,101	6,403,269	6,747,052	343,783
Other financing sources				
Transfer in	990,172	990,172	990,172	-
Total revenues and other financing sources	7,306,273	7,393,441	7,737,224	343,783
Expenditures				
General government:				
Legislative:				
Personal services	36,731	91,647	91,531	116
Operating	80,199	79,723	55,211	24,512
Nonoperating	102,100	47,660	2,560	45,100
Total legislative	219,030	219,030	149,302	69,728
Executive:				
Personal services	346,929	349,185	338,748	10,437
Operating	25,128	20,853	14,217	6,636
Capital outlay	4,000	7,978	7,560	418
Total executive	376,057	378,016	360,525	17,491
Financial administration:				
Personal services	226,794	223,194	199,715	23,479
Operating	16,778	15,378	12,007	3,371
Capital outlay	4,000	9,000	8,438	562
Total financial administration	247,572	247,572	220,160	27,412
Legal:				
Operating	75,000	75,000	71,871	3,129
Other general government:				
Personal	2,000	2,000	1,156	844
Operating	230,435	229,485	201,754	27,731
Capital outlay	15,000	15,950	15,897	53
Total other general government	247,435	247,435	218,807	28,628
Total general government	1,165,094	1,167,053	1,020,665	146,388

Continued on the following page.

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public safety:				
Protective inspections:				
Personal services	315,462	291,611	231,025	60,586
Operating	43,374	68,106	63,710	4,396
Capital outlay	19,500	18,619	16,611	2,008
Total protective inspections	378,336	378,336	311,346	66,990
Law enforcement:				
Personal services	3,099,404	3,114,957	2,991,885	123,072
Operating	247,021	271,650	252,008	19,642
Capital outlay	230,200	246,241	245,516	725
Total law enforcement	3,576,625	3,632,848	3,489,409	143,439
Total public safety	3,954,961	4,011,184	3,800,755	210,429
Physical environment:				
Sanitation services:				
Personal services	261,131	261,231	234,961	26,270
Operating	234,634	235,534	171,436	64,098
Capital outlay	110,000	109,000	107,710	1,290
Total physical environment	605,765	605,765	514,107	91,658
Transportation:				
Personal services	638,494	641,794	606,330	35,464
Operating	138,750	149,650	93,100	56,550
Capital outlay	142,000	127,800	59,381	68,419
Total transportation	919,244	919,244	758,811	160,433
Culture/recreation:				
Library:				
Personal services	347,063	346,673	341,473	5,200
Operating	94,297	94,616	87,149	7,467
Capital outlay	48,600	52,657	52,335	322
Total library	489,960	493,946	480,957	12,989
Leisure services:				
Personal services	291,844	298,194	296,005	2,189
Operating	286,816	280,466	255,973	24,493
Capital outlay	26,000	51,000	46,217	4,783
Total leisure services	604,660	629,660	598,195	31,465
Special events:				
Operating	47,600	47,600	47,125	475
Total culture/recreation	1,142,220	1,171,206	1,126,277	44,929
Total expenditures	7,787,284	7,874,452	7,220,615	653,837

Continued on the following page.

VILLAGE OF PALM SPRINGS, FLORIDA*Budgetary Comparison Schedule**General Fund (Continued)**Year Ended September 30, 2003*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other financing uses				
Transfer out	\$ -	\$ 172,175	\$ 172,175	\$ -
Total expenditures and financing uses	\$ 7,787,284	\$ 8,046,627	7,392,790	\$ 653,837
Net change in fund balance			344,434	
Fund balance, beginning of year			3,463,919	
Fund balance, end of year			\$ 3,808,353	

See accompanying notes to budgetary comparison schedule.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2003

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 budgetary data 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 in accordance with generally accepted accounting principles. The Village also adopts a nonappropriated operating budget for the enterprise fund substantially on a basis consistent with generally accepted accounting principles.

The reported budgetary data represents the final appropriated budgets after amendments adopted by the Council. Supplemental appropriations of \$259,343 were needed for the year ended September 30, 2003, increasing the original general fund budget from \$7,787,284 to \$8,046,627. Unexpended appropriations lapse at year end.

NOTE 2. ENCUMBRANCES

Encumbrance accounting, in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized by the Village during the year. However, all encumbrances outstanding at year end lapse and, accordingly, there is no reservation of fund balance for encumbrances at September 30, 2003.

VILLAGE OF PALM SPRINGS, FLORIDA

CONDITION RATING OF THE VILLAGE'S STREET SYSTEM

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
1999	\$ 10,500	\$ 5,815	\$ 4,685
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
Total	\$ 122,900	\$ 25,381	\$ 97,519

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 and documented that eligible infrastructure assets are being preserved at or above the condition level established by the Village. Future assessments will be completed on a cyclical basis (one-third of all the streets in the network every year for three years).

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

Schedule of Funding Progress

Actuarial Valuation Date	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)
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Hazardous Employees

1997	\$ 3,226,512	\$ 3,322,508	\$ 95,996	97.1%	\$ 1,173,649	8.2%
1998	3,491,887	3,963,192	471,305	88.1%	1,243,980	37.9%
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%

General Employees

1997	\$ 3,888,036	\$ 3,644,842	\$ (243,194)	106.7%	\$ 2,422,649	-
1998	4,543,647	3,776,955	(766,692)	120.3%	2,300,472	-
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%

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:

	Hazardous Employees	General Employees
Valuation date	9/30/2002	9/30/2002
Actuarial cost method	Entry age	Entry age
Asset valuation method	Market	4-year smoothed market
Actuarial assumptions:		
Investment rate of return (including inflation)	8% / year	8% / year
Salary increases (including inflation)	5.0% - 8.0% / year	4.7% - 8.3% / year
Inflation	5% / year	4.5% / year
Cost of living adjustments	3.00%	3.00%

VILLAGE OF PALM SPRINGS, FLORIDA*Required Supplementary Information**Schedule of Employer Contributions*

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
Hazardous Employees Pension Fund		
1998	\$ 292,851	100%
1999	324,423	100%
2000	286,675	109%
2001	n/a	n/a
2002	n/a	n/a
2003	n/a	n/a
General Employees Pension Fund		
1998	\$ 197,915	100%
1999	154,786	100%
2000	131,309	100%
2001	n/a	n/a
2002	n/a	n/a
2003	n/a	n/a

n/a: Information is not available.

**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 purchase of books and equipment for the library.

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

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

VILLAGE OF PALM SPRINGS, FLORIDA*Combining Balance Sheet-Nonmajor funds**September 30, 2003*

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Library Fund	Law Enforcement	Debt Service Fund	
Assets:				
Cash and cash equivalents	\$ 50,076	\$ 10,147	\$ 20,337	\$ 80,560
Total assets	\$ 50,076	\$ 10,147	\$ 20,337	\$ 80,560
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balances:				
Reserved for:				
Law enforcement	-	10,147	-	10,147
Debt service	-	-	20,337	20,337
Unreserved, reported in nonmajor funds:				
Special revenue funds	50,076	-	-	50,076
Total fund balances	50,076	10,147	20,337	80,560
Total liabilities and fund balances	\$ 50,076	\$ 10,147	\$ 20,337	\$ 80,560

VILLAGE OF PALM SPRINGS, FLORIDA*Combined Statement of Revenues, Expenditures and Changes in Fund Balances**Nonmajor Governmental Funds**Year Ended September 30, 2003*

	<u>Special Revenue Funds</u>			Total Nonmajor
	Library	Law	Debt	Governmental
	Fund	Enforcement	Service Fund	Funds
Revenues				
Taxes	\$ -	\$ -	\$ 595,215	\$ 595,215
Confiscated property	-	15,515	-	15,515
Contributions	2,992	-	-	2,992
Interest	556	142	-	698
Miscellaneous	501	-	-	501
Total revenues	4,049	15,657	595,215	614,921
Expenditures				
Current:				
Public safety	-	14,354	-	14,354
Culture/recreation	1,505	-	-	1,505
Debt service:				
Principal	-	-	371,461	371,461
Interest and other fiscal charges	-	-	409,092	409,092
Total expenditures	1,505	14,354	780,553	796,412
Excess (deficiency) of revenues over (under) expenditures	2,544	1,303	(185,338)	(181,491)
Other financing sources (uses)				
Transfers in	-	-	193,048	193,048
Total other financing sources (uses)	-	-	193,048	193,048
Excess of revenues and other financing sources over expenditures	2,544	1,303	7,710	11,557
Fund balances, beginning of year	47,532	8,844	12,627	69,003
Fund balances, end of year	\$ 50,076	\$ 10,147	\$ 20,337	\$ 80,560

COMBINING FIDUCIARY FUND STATEMENTS

VILLAGE OF PALM SPRINGS, FLORIDA
Combining Statement of Fiduciary Net Assets
 September 30, 2003

	General Employees Pension Fund	Hazardous Employees Pension Fund	Total Pension Funds
Assets			
Cash and cash equivalents	\$ 436,335	\$ 285,808	\$ 722,143
Investments:			
U. S. obligations	648,243	627,707	1,275,950
Federal agencies	455,207	453,466	908,673
Mortgage-backed securities	107,354	47,285	154,639
Corporate bonds	570,086	442,337	1,012,423
Common stock	3,085,016	2,558,157	5,643,173
Receivables:			
Accounts	-	9,434	9,434
Interest	19,218	14,460	33,678
Total assets	\$ 5,321,459	\$ 4,438,654	\$ 9,760,113
Liabilities and Net Assets:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 14,595	\$ 14,276	\$ 28,871
Total liabilities	\$ 14,595	\$ 14,276	\$ 28,871
Net Assets:			
Net assets held in trust for employee benefits	\$ 5,306,864	\$ 4,424,378	\$ 9,731,242
Total net assets	\$ 5,306,864	\$ 4,424,378	\$ 9,731,242

VILLAGE OF PALM SPRINGS, FLORIDA
Combining Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2003

	General Employees Pension Fund	Hazardous Employees Pension Fund	Total
Additions			
Contributions:			
Employer	\$ 399,459	\$ 373,645	\$ 773,104
State of Florida	-	55,279	55,279
Plan member	33,977	17,671	51,648
Total contributions	433,436	446,595	880,031
Investment income:			
Interest	114,289	84,464	198,753
Dividends	39,887	31,018	70,905
Net appreciation in fair value of investments	436,806	351,891	788,697
Investment expenses	(36,223)	(28,918)	(65,141)
Net investment income	554,759	438,455	993,214
Total additions	988,195	885,050	1,873,245
Deductions			
Administration	40,532	34,075	74,607
Benefits	164,452	132,476	296,928
Total deductions	204,984	166,551	371,535
Increase in net assets	783,211	718,499	1,501,710
Net assets held in trust for pension benefits, beginning of year	4,523,653	3,705,879	8,229,532
Net assets held in trust for pension benefits, end of year	\$ 5,306,864	\$ 4,424,378	\$ 9,731,242

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, 2003*

Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities		
	Bond Payable	Note Payable	Series 1988	Series 1984	Series 2003
2004	\$ 519,482	\$ 841,972	\$ 682,375	\$ -	\$ 742,700
2005	519,606	841,972	685,000	-	747,000
2006	517,856	841,972	685,000	-	743,000
2007	515,856	841,972	660,000	1,265,000	745,000
2008	515,056	841,972	580,000	-	743,176
2009	519,056	841,972	575,000	-	746,726
2010	517,656	841,972	570,000	-	744,974
2011	516,056	841,972	570,000	-	743,476
2012	519,044	841,972	570,000	-	746,476
2013	515,044	70,165	485,000	-	743,724
2014	519,868	-	-	-	744,812
2015	518,868	-	-	-	745,112
2016	517,319	-	-	-	744,626
2017	515,218	-	-	-	743,350
2018	517,569	-	-	-	746,288
2019	519,094	-	-	-	743,174
2020	519,794	-	-	-	744,274
2021	516,044	-	-	-	744,324
2022	516,794	-	-	-	744,324
2023	516,794	-	-	-	743,326
2024	516,044	-	-	-	743,526
2025	519,544	-	-	-	747,824
2026	517,044	-	-	-	746,000
2027	518,794	-	-	-	745,750
2028	519,544	-	-	-	744,250
2029	518,788	-	-	-	746,500
2030	517,006	-	-	-	747,250
2031	519,200	-	-	-	746,500
2032	515,112	-	-	-	744,250
2033	-	-	-	-	745,500
Total	\$ 15,013,150	\$ 7,647,913	\$ 6,062,375	\$ 1,265,000	\$ 22,347,212

Total

\$ 2,786,529
2,793,578
2,787,828
4,027,828
2,680,204
2,682,754
2,674,602
2,671,504
2,677,492
1,813,933
1,264,680
1,263,980
1,261,945
1,258,568
1,263,857
1,262,268
1,264,068
1,260,368
1,261,118
1,260,120
1,259,570
1,267,368
1,263,044
1,264,544
1,263,794
1,265,288
1,264,256
1,265,700
1,259,362
745,500

\$ 52,335,650

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			
2004	\$ 130,000	\$ 194,741	\$ 194,741	\$ 519,482	3.750%	
2005	135,000	192,303	192,303	519,606	5.000%	
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	\$ 7,765,000	\$ 3,624,075	\$ 3,624,075	\$ 15,013,150		

VILLAGE OF PALM SPRINGS, FLORIDA
\$7,244,700 Promissory Note, dated December 14, 2001

Fiscal Year Ending September 30,	Principal	Interest	Total
2004	\$ 593,914	\$ 248,058	\$ 841,972
2005	618,882	223,090	841,972
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	69,935	230	70,165
Total	\$ 6,390,232	\$ 1,257,681	\$ 7,647,913

VILLAGE OF PALM SPRINGS, FLORIDA*\$7,489,857 Water and Sewer Revenue Refunding Bonds, Series 1988*

Fiscal Year Ending September 30,	Principal		Interest		Total
	October 1	April 1	October 1	April 1	
2004	\$ 330,000	\$ 101,983	\$ 12,375	\$ 238,017	\$ 682,375
2005	98,178	94,364	241,822	250,636	685,000
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	\$ 933,872	\$ 605,984	\$ 2,353,503	\$ 2,169,016	\$ 6,062,375

VILLAGE OF PALM SPRINGS, FLORIDA*\$8,643,751 Water and Sewer Revenue Refunding Bonds, Series 1984*

Fiscal Year			
Ending	Principal	Interest	Total
September 30,			
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 Bond Series 2003

Fiscal Year Ending September 30,	Principal		Interest		Total	Interest Rate
	May 1	May 1	November 1			
2004	\$ 190,000	\$ 276,350	\$ 276,350	\$ 742,700	3.000%	
2005	200,000	273,500	273,500	747,000	2.000%	
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	\$ 11,550,000	\$ 5,398,606	\$ 5,398,606	\$ 22,347,212		

STATISTICAL SECTION



VILLAGE OF PALM SPRINGS, FLORIDA

Government-Wide Expenses by Function

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Total Expenses	Governmental Activities		
		General Government	Public Safety	Physical Environment
2003	\$ 14,932,239	\$ 1,758,726	\$ 3,655,456	\$ 440,529

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* effective for the fiscal year ended September 30, 2003. Information before 2003 is unavailable.

Table I

Governmental Activities			Business-type
Transportation	Culture/ Recreation	Interest on Long-term Debt	Activities Water & Sewer
\$ 720,492	\$ 469,983	\$ 482,553	\$ 7,404,500

VILLAGE OF PALM SPRINGS, FLORIDA

Government-Wide Revenues

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Total Revenue	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2003	\$ 18,055,471	\$ 10,212,576	\$ 182,096	\$ 1,716,696

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* effective for the fiscal year ended September 30, 2003. Information before 2003 is unavailable.

Table II

General Revenues			
Taxes	Unrestricted Grants and Contributions	Unrestricted Investment Earnings	Miscellaneous
\$ 5,103,555	\$ 363,681	\$ 371,081	\$ 105,786

VILLAGE OF PALM SPRINGS, FLORIDA

General Fund Revenue by Source

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Taxes	Licenses and Permits	Intergovern- mental	Charges for Services
1994	\$ 2,006,958	\$ 105,251	\$ 1,014,624	\$ 255,712
1995	1,982,048	109,921	1,081,841	254,332
1996	2,037,981	111,761	1,090,222	256,285
1997	2,086,751	135,986	1,140,160	315,043
1998	2,126,973	176,861	1,286,684	321,108
1999	2,197,899	231,549	1,349,647	336,810
2000	2,469,967	218,904	1,458,312	352,125
2001	2,748,435	175,713	1,489,623	388,708
2002	3,203,299	258,364	1,566,010	653,923
2003	3,310,669	620,841	1,749,953	723,730

Table III

Fines and Forfeitures	Contributions	Interest on Investments	Miscellaneous	Total	Annual Percentage Increase (Decrease)
\$ 103,618	\$ -	\$ 62,083	\$ 60,193	\$ 3,608,439	6.58 %
94,627	-	103,201	62,637	3,688,607	2.22 %
94,083	-	108,282	73,483	3,772,097	2.26 %
128,775	13,610	99,532	125,521	4,045,378	7.24 %
145,240	3,420	99,424	151,446	4,311,156	6.57 %
165,491	1,977	98,646	137,446	4,519,465	4.83 %
149,962	7,755	140,932	91,230	4,889,187	8.18 %
162,697	1,412	138,715	151,484	5,256,787	7.52 %
179,059	22,728	62,830	50,647	5,996,860	14.08 %
170,629	20,851	57,680	92,699	6,747,052	12.52 %

VILLAGE OF PALM SPRINGS, FLORIDA
General Fund Expenditures by Function
Last Ten Fiscal Years

Fiscal Year Ended September 30,	General Government	Public Safety	Physical Environment	Transportation
1994	\$ 627,144	\$ 1,739,437	\$ 294,520	\$ 417,193
1995	620,166	1,904,265	280,692	416,316
1996	699,027	2,005,478	292,636	478,402
1997	768,554	2,272,811	292,310	471,235
1998	804,182	2,418,895	302,388	527,672
1999	804,546	2,470,866	323,777	514,062
2000	790,012	2,555,442	321,411	487,655
2001	819,386	2,871,557	327,565	552,555
2002	906,582	3,117,272	385,569	584,258
2003	988,770	3,538,628	406,397	699,430

Table IV

Culture/ Recreation	Capital Outlay	Total	Annual Percentage Increase (Decrease)
\$ 598,509	\$ 333,806	\$ 4,010,609	1.99 %
645,670	350,161	4,217,270	5.15 %
677,564	278,473	4,431,580	5.08 %
692,863	322,968	4,820,741	8.78 %
747,766	372,894	5,173,797	7.32 %
746,052	153,823	5,013,126	(3.11) %
736,746	373,193	5,264,459	5.01 %
656,960	277,259	5,505,282	4.57 %
921,412	384,579	6,299,672	14.43 %
1,027,725	559,665	7,220,615	14.62 %

VILLAGE OF PALM SPRINGS, FLORIDA
Computation of Direct and Overlapping General Obligation Debt
September 30, 2003

Table V

	Total Outstanding	Percentage Applicable to Village of Palm Springs⁽¹⁾	Amount Applicable to Village of Palm Springs
Direct:			
Village of Palm Springs	\$ 7,765,000	100.00%	\$ 7,765,000
Overlapping:			
Palm Beach County	292,745,000	0.57%	1,668,647
Palm Beach County School District	174,635,000	0.57%	995,420
Total overlapping debt	467,380,000		2,664,067
Total direct and overlapping debt payable from ad valorem taxes	\$ 475,145,000		\$ 10,429,067
Estimated population			12,944
Total direct and overlapping debt per capita			\$ 805.71

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

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

VILLAGE OF PALM SPRINGS, FLORIDA
Property Tax Levies and Collections
Last Ten Fiscal Years

Table VI

Fiscal Year Ended 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
1994	\$ 948,274	\$ 917,045	96.71%	\$2,391	\$ 919,436	96.96 %
1995	922,805	897,204	97.23%	6,489	903,693	97.93 %
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 %

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

* Tax levy, net of allowable discounts.

VILLAGE OF PALM SPRINGS, FLORIDA
Assessed Value of Taxable Property
Last Ten Fiscal Years

Table VII

Fiscal Year Ended September 30,	Assessed Values		Total
	Real Property	Personal Property	
1994	\$ 164,425,427	\$ 9,537,861	\$ 173,963,288
1995	159,616,742	9,674,200	169,290,942
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

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

Table VIII

Fiscal Year Ended September 30,	General Fund	Debt Service	Total Village of Palm Springs	School District	Palm Beach County	Special Taxing Districts	Total All
1994	5.4510	0.4510	5.9020	10.0630	4.5499	2.5541	23.0690
1995	5.4510	0.4570	5.9080	10.1850	4.5193	2.5496	23.1619
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	9.6820	4.8582	2.2343	22.4061
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

- Tax rate limits - Ten mills per Florida Statute 200.081 (one mill equals \$1 per \$1,000 of assessed valuation).
- Scope of tax rate li - 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 delinc - 2.5% after April 1, increase .5% each ten days; maximum 5%
- Tax collector - Palm Beach County
- Tax collector's con - None

VILLAGE OF PALM SPRINGS, FLORIDA
Principal Taxpayers
January 1, 2002

Table IX

Taxpayers	Assessed Valuation	Taxes	Percentage of Total Taxes Levied
IRT Property Co.	\$ 12,300,000	\$ 83,703	5.29%
CSC - Village Club Apartments, Ltd.	8,838,103	60,144	3.80%
Woodhaven Ltd Partnership	6,481,870	44,110	2.79%
EQR - Village Green Vistas, Inc.	5,797,405	39,452	2.50%
Aurora Homes, Inc.	5,333,419	36,294	2.30%
Waterton Eastwood	5,049,234	34,361	2.17%
Phillips Lake Worth	4,660,374	31,714	2.01%
Jerjo Inc.	4,000,000	27,220	1.72%
Acquiport Amsdell IV	3,236,653	22,036	1.39%
Rex Prop Palm Springs Ltd Co.	3,190,856	21,714	1.37%

Source: Palm Beach County Tax Collector's Office.

VILLAGE OF PALM SPRINGS, FLORIDA
*Ratio of Net General Obligation Debt to Assessed Value and
 Net Bonded Debt Per Capita
 Last Ten Fiscal Years*

Table X

Fiscal Year Ended September 30,	Population	Total Assessed Value	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1994	9,763 ⁽¹⁾	\$ 173,963,288	\$ 590,000	0.34%	\$ 60.43
1995	9,763 ⁽¹⁾	169,290,942	555,000	0.33%	56.85
1996	9,763 ⁽¹⁾	174,738,702	520,000	0.30%	53.26
1997	10,146 ⁽²⁾	176,200,318	488,836	0.28%	48.18
1998	10,146 ⁽²⁾	177,676,316	445,408	0.25%	43.90
1999	10,146 ⁽²⁾	186,950,924	399,592	0.21%	39.38
2000	10,220 ⁽²⁾	210,169,977	351,256	0.17%	34.37
2001	12,351 ⁽⁴⁾	238,855,055	300,261	0.13%	24.31
2002	12,351 ⁽⁴⁾	293,510,488	8,136,461 ⁽³⁾	2.77%	658.77
2003	12,944 ⁽²⁾	324,408,525	7,765,000 ⁽³⁾	2.39%	599.89

⁽¹⁾ U.S. Department of Commerce, Bureau of Census, 1990 Census.

⁽²⁾ University of Florida, Bureau of Economic Business Research.

⁽³⁾ The Village borrowed \$7,890,000 in 2002 to finance the construction of a municipal complex. The bond is secured by the full faith, credit and taxing power of the Village.

⁽⁴⁾ U.S. Department of Commerce, Bureau of Census, 2000 Census.

VILLAGE OF PALM SPRINGS, FLORIDA

Table XI

*Ratio of Net Annual Debt Service Requirements for General Bonded Debt to Total
General Fund Expenditures
Last Ten Fiscal Years*

Fiscal Year Ended September 30,	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Fund Expenditures
1994	\$ 30,000	\$ 43,585	\$ 73,585	\$ 4,010,609	1.83%
1995	35,000	42,132	77,132	4,217,270	1.83%
1996	35,000	38,925	73,925	4,431,580	1.67%
1997	41,164	29,414	70,578	4,820,741	1.46%
1998	43,428	25,669	69,097	5,173,797	1.34%
1999	45,816	23,200	69,016	5,013,126	1.38%
2000	48,336	20,887	69,223	5,264,459	1.31%
2001	50,995	17,898	68,893	5,505,282	1.25%
2002	53,800	15,022	68,822	6,299,672	1.09%
2003	371,461	403,966	775,427	7,220,615	10.74%

VILLAGE OF PALM SPRINGS, FLORIDA
Schedule of Water and Sewer Revenue Bond Coverage
Last Ten Fiscal Years

Table XII

Fiscal Year Ended September 30,	Gross Revenue*	Operating Expenses**	Revenue Available for Debt Coverage	Current Debt Service	Current Coverage
1994	\$ 6,360,692	\$ 3,478,161	\$ 2,882,531	\$ 1,101,750	2.62
1995	6,338,409	3,057,479	3,280,930	1,054,620	3.11
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

* Includes interest income and customer contributions.

** Excludes depreciation and amortization expense.

VILLAGE OF PALM SPRINGS, FLORIDA
Demographic Statistics
Last Ten Fiscal Years

Table XIII

Fiscal Year Ended September 30,	Population⁽¹⁾	Per Capita Income⁽²⁾	Median Age⁽²⁾	Unemployment
1994	9,763	\$ 28,097	N/A	8.3%
1995	9,763	30,901	N/A	N/A
1996	9,763	33,518	N/A	7.0%
1997	10,146	33,852	N/A	6.4%
1998	10,146	36,057	N/A	5.8%
1999	10,146	36,057	N/A	5.7%
2000	10,220	40,044	N/A	4.7%
2001	12,351	41,907	N/A	6.0%
2002	12,351	42,430	N/A	6.4%
2003	12,944	43,626	41.8	5.8%

⁽¹⁾ The population for the years 1992 through 1996 is the same data as the 1990 U.S. Census Bureau count. The population for 1997 through 2000 and 2003 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 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
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Table XIV

Fiscal Year Ended September 30,	Property Value ⁽¹⁾	Building Permits ⁽²⁾		Bank ⁽³⁾
		Number Issued	Value of Permits	Deposits (in thousands)
1994	\$ 173,963,288	587	\$ 47,514	\$ 8,196,595
1995	169,290,942	558	47,589	9,055,476
1996	174,738,702	588	50,822	9,545,424
1997	176,200,318	940	71,555	9,911,930
1998	177,676,316	1,090	107,453	10,715,610
1999	186,950,924	1,074	153,275	13,283,898
2000	210,169,977	1,209	131,206	12,711,003
2001	238,855,055	1,112	82,550	12,927,182
2002	293,510,488	1,283	148,909	14,045,676
2003	324,408,525	1,574	505,019	15,716,778

⁽¹⁾ Based on assessed value.

⁽²⁾ Source: Building Department.

⁽³⁾ Florida Bankers Association (deposits for Palm Beach County) as of September 30 of the preceding year.

VILLAGE OF PALM SPRINGS, FLORIDA
Schedule of Insurance in Force
 September 30, 2003

Table XV

Company	Policy Number	Type of Coverage	Property Covered	Amount of Coverage
The Travelers	Haz #103019447 Gen #103019435	Fiduciary liability Fiduciary liability	Pension trustees Pension trustees	\$500,000 \$1,000,000
Travelers Casualty & Surety Company	206024582	Public official bond	Village Finance Director	\$25,000
Preferred Government Insurance Trust (PGIT)	0502504-02-01	Property inland marine	Village Property	\$11,003,577
PGIT	0502504-02-01	General liability	Village property	\$1,000,000/2,000,000
PGIT	0502504-02-01	Automobile liability/ physical damage	Any auto Owned vehicles	\$100,000/200,000 actual cash value
PGIT	0502504-02-01	Crime	Employees	\$100,000
PGIT	0502504-02-01	Professional liability	Public officials law enforcement	\$1,000,000
AIG Life Insurance Company	SRG0008047915	AD&D	Village employees	\$50,000/150,000
Preferred Government Insurance Trust	001000000130102	Workers Compensation	Village employees	Florida Statutory
Gulf Underwriters Insurance Company	GU2826426	Pollution liability	Village property	\$1,000,000 ea. cond.
Travelers Casualty & Surety Company	206705220	Public Official Bond	Village Manager	\$25,000

Date of Incorporation:	1957
Form of Government:	Village Council – Manager, with a mayor and four council members elected for two-year overlapping terms. The Village Manager is appointed by the council.
Location and Area:	The Village of Palm Springs encompasses 2.0 square miles and is located six miles west of the Atlantic Ocean and five miles south of West Palm Beach, which is the county seat of Palm Beach County.
Public Safety:	Public Safety employs 33 full time dual certified Public Safety Officers, 4 Fire-Medics, 15 part-time and reserve personnel, 10 full time civilian employees, and 5 school crossing guards. Public Safety personnel maintain certification as Police/Fire and EMT/Paramedics. The Department has a fleet consisting of 30 patrol vehicles, two 1500 GPM pumpers, a mini-attack pumper, an 80 ft. aerial truck, and four advanced life support ambulances. All Public Safety activities are conducted from a central Village location.
Recreation Facilities:	Ballfields – four lighted Basketball courts – two lighted Soccer fields – three lighted Tennis courts – two lighted Community centers – two with meeting rooms and kitchen Parks – two with various recreational facilities, including playgrounds and one water playground
Library:	<p>The collection includes 41,795 books (13,235 for children), 2,560 video cassettes, 777 audio cassettes, 355 DVDs, and subscriptions to 141 periodicals and newspapers.</p> <p>Circulation for fiscal year 2002-03 was 62,317. The library offered 403 programs, attended by 3,096 people. The library has 2,765 cardholders (490 children), including 620 nonresidents.</p>
Water System:	As of September 30, 2003, the number of metered water customers was 11,512. For the fiscal year ended September 30, 2003, the number of gallons (in thousands) that passed through the master meter was 1,582,230.

Continued on the following page...

Water Rates: The schedules of rates and charges imposed for water service during the fiscal year were as follows:

	Inside Village	Outside Village
Customer service charge/month (based on meter size):		
5/8 inch meter	\$ 4.70	\$ 5.88
1 inch meter	11.75	14.69
1½ inch meter	23.50	29.38
2 inch meter	47.00	58.75
3 inch meter	94.00	117.50
4 inch meter	141.00	176.25
6 inch meter	282.00	352.50
8 inch meter	423.00	568.75
Consumption charge (per 1,000 gallons):		
Residential	1.57	1.96
Commercial	1.63	2.04
Multifamily	1.31	1.64
Large user	-	1.89

Sewer System: As of September 30, 2003, the number of properties connected to the sewer system and/or being billed for sewer services was 9,151. As it is the responsibility of the property owner to connect to the sewer lines, charges by the Village begin during the month following the availability of this system.

Sewer Rates: The monthly rates and charges imposed for sewer service during the fiscal year were as follows:

	Inside Village	Outside Village
Customer service charge/month (based on meter size):		
5/8 inch meter	\$ 3.09	\$ 3.86
1 inch meter	7.72	9.65
1 ½ inch meter	15.45	19.31
2 inch meter	30.89	38.62
3 inch meter	61.79	77.23
4 inch meter	92.68	115.85
6 inch meter	185.36	231.70
8 inch meter	278.04	347.55
Volume charge (per 1,000 gallons)	3.33	4.16

COMPLIANCE SECTION

**Report of Independent Certified Public Accountants
on Compliance and on Internal Control Over Financial
Reporting 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 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, 2003, which collectively comprise the Village of Palm Springs' basic financial statements, and have issued our report thereon dated February 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Palm Springs, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Palm Springs, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

This report is intended solely for the information and use of the Village Council, management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.



West Palm Beach, Florida
February 13, 2004

**Management Letter in Accordance with the Rules
of the Auditor General of the State of Florida**

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

We have audited the 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, 2003, which collectively comprise the Village of Palm Springs' basic financial statements, and have issued our report thereon dated February 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated February 13, 2004, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Village for the year ended September 30, 2003, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, *Local Governmental Entity Audits* which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554(1)(g):

1. No inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. The Village, during fiscal year 2003, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1).
3. The Village has complied with Section 218.415, Florida Statutes regarding the investment of public funds.
4. We have not provided recommendations to improve the Village's present financial management and accounting procedures.
5. There were no recommendations made in the preceding financial audit.
6. During the course of our audit, nothing came to our attention that caused us to believe that the Village:
 - a. Was in violation of any laws, rules, regulations or contractual provisions.
 - b. Made any illegal or improper expenditures that may or may not materially affect the financial statements.
 - c. Had improper or inadequate accounting procedures.

- d. Failed to properly record financial transactions, which could have a material effect on the Town's basic financial statements.
 - e. Had other inaccuracies, shortages, defalcations or instances of fraud and fraud related matters.
7. The annual financial report for the year ended September 30, 2003, has been filed with the State of Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and was in agreement with the audited financial statements of the same period.
 8. The Village of Palm Springs, Florida, was incorporated by Chapter 165, Florida Statutes.
 9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment, which was performed as of the Village's fiscal year end, was based on representations made by management and the review of financial information provided by the Village. There were no findings regarding deteriorating financial conditions.

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



West Palm Beach, Florida
February 13, 2004

STATE FINANCIAL ASSISTANCE

**Report of Independent Certified Public Accountants on
Compliance with Requirements Applicable to each Major State Project
and on Internal Control Over Compliance in Accordance with
Chapter 10.550, Rules of the Auditor General**

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

Compliance

We have audited the compliance of the Village of Palm Springs, Florida with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to its major state project for the year ended September 30, 2003. The Village of Palm Springs, Florida's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the Village of Palm Springs, Florida's management. Our responsibility is to express an opinion on the Village of Palm Springs, Florida's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state project occurred. An audit includes examining, on a test basis, evidence about the Village of Palm Springs, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Palm Springs, Florida's compliance with those requirements.

In our opinion, the Village of Palm Springs, Florida complied, in all material respects with the requirements referred to above that are applicable to its major state project for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the Village of Palm Springs, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the Village of Palm Springs, Florida's internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General.

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

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

This report is intended solely for the information and use of the Village Council, management, state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



West Palm Beach, Florida
February 13, 2004

VILLAGE OF PALM SPRINGS, FLORIDA*Schedule of Expenditures of State Financial Assistance**September 30, 2003*

	Contract No.	Catalog No.	Expenditures Incurred
<hr/>			
Department of Environmental Protection/ Florida Recreation Development Assistance Program			
Village Centre Phase I	F01067	37.017	\$ 146,216
Village Centre Phase II	F02360	37.017	183,540
 Department of Law Enforcement/ Office of Criminal Justice			
Municipal Complex CCTV Project	03-CJ-2Q-10-60-02-105	N/A	10,000
 Department of State/ Division of Library and Information Services			
Palm Springs Public Library (addition)	02-PLC-12	45.02	81,600
<hr/>			
Total State Financial Assistance			\$ 421,356

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State Financial Assistance includes expenditures related to all state grants to the Village of Palm Springs, Florida for the fiscal year ended September 30, 2003. This schedule has been prepared on the modified accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States.

NOTE 2. SCOPE OF AUDIT PURSUANT TO CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

All state grant operations of the Village of Palm Springs, Florida are included in the scope of the Single Audit. The Single Audit was performed in accordance with the provisions of the Executive Office of the Governor's State Projects Compliance Supplement. Compliance testing of requirements, as described in the Compliance Supplement, was performed for the Department of Environmental Protection, Florida Recreation Development Assistance Program. This program represents state financial assistance with fiscal year 2003 expenditures totaling \$329,756. Programs tested ensure coverage of at least 50 percent of state financial assistance.

VILLAGE OF PALM SPRINGS, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Village of Palm Springs, Florida.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report of Independent Certified Public Accountants on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Village of Palm Springs, Florida were disclosed during the audit.
4. No reportable conditions relating to the audit of the major state project are reported in the Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General.
5. The auditors' report on compliance for the major state project for the Village of Palm Springs, Florida expresses an unqualified opinion.
6. Audit findings relative to the major state project are reported in Part C of this Schedule.
7. The project tested as a major project was: Florida Recreation Development Assistance Program, CSFA 37.017.
8. The threshold for distinguishing Types A and B programs was \$300,000.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT

No matters were reported.

VILLAGE OF PALM SPRINGS, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2003

There were no prior year audit findings.