



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



Comprehensive Annual Financial Report

**Fiscal Year Ended
September 30, 2012**

The CAFR photo taken by our Leisure Services Director, Bill Golson, shows our sports complex with the concession stand in the center-left of the four multi-purpose fields where many enthusiastic baseball, soccer, and flag football games are played each year. Barely visible in the right side of the photo is the north end of our Leisure Services Activity building (LAB) where our campers play, create, and expend their youthful energy during our day camp programs. In front of the LAB are basketball courts where pickup games take place daily, and just out of the photo are the tennis courts, water splash park, and playground. This recreational area is located just behind Village Hall and is a gathering place for our residents for all of these sporting activities as well as our Independence Day fireworks celebration and Easter Egg hunt.

Thank you, Bill!

Rebecca L. Morse
Chief Financial Officer

The seal of The Village of Palm Springs, Florida, is a circular emblem. It features a central shield with a palm tree and a sun. The shield is surrounded by a blue ring containing the text "THE VILLAGE OF PALM SPRINGS" at the top and "FLORIDA" at the bottom. The seal is semi-transparent and serves as a background for the title text.

**THE VILLAGE OF
PALM SPRINGS, FLORIDA**

Comprehensive Annual
Financial Report

**Fiscal Year Ended
September 30, 2012**

**Prepared by:
Finance Department**

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

VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2012

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VILLAGE OF PALM SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION



Village of Palm Springs

Department of Finance

226 Cypress Lane,

Palm Springs, Fl. 33461-1699

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

January 3, 2013

***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, 2012. The CAFR has been prepared in accordance with the Village Charter, Florida State Statutes and U.S. generally accepted accounting principles (GAAP) for governments. This report provides full financial disclosure to assist users of this report in evaluating the financial condition and activities of the Village government.

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

Florida Statutes require an annual audit by independent certified public accountants. Caler, Donten, Levine, Cohen, Porter & Veil, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Village of Palm Springs' financial statements for the year ended September 30, 2012. The independent auditor's report on the basic financial statements and combining fund statements and debt schedules is located at the front of the financial section of this report.

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

Village profile

The Village of Palm Springs was incorporated in 1957 and is centrally located in Palm Beach County. As part of South Florida's Gold Coast, Palm Beach County is well recognized for its unique lifestyle with a comfortable average year-around temperature of 76 degrees, 45 miles of beaches, over 150 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.

Palm Springs is an attractive, affordable community offering a mix of single family homes, townhomes and condominiums combined with all the services working families and retirees look for. As a full-service municipality, the Village strives to meet the needs and desires of the entire spectrum of residents by providing law enforcement, a public library, parks and recreation facilities and activities, sanitation and recycling services, water and sewer services, road and street maintenance and beautification as well as general government support services.

The Village's enterprise operation consists of two water treatment plants. The first plant, located within the Village, is a 6 million gallon per day 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 per day treatment facility with expansion capabilities to 4 million gallons.

The Village's sewer treatment is handled through two connections to the East Central Regional Wastewater Treatment Facilities. The Village has agreements with Palm Beach County for one connection and with the City of Lake Worth for the second. As of September 30, 2012, our utility system had 19,952 water customers and 17,812 sewer customers. Approximately 53% of total connections serve our residents; the other 47% of our connections are in the unincorporated area.

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

Economic outlook and financial planning

Fortunately, the Village has been very conservatively managed and has accumulated a fund balance to help carry us through natural disasters, such as the hurricane seasons of 2004 and 2005. Just as we worked through these natural disasters, we will prudently work to serve our residents and lead this community beyond this very tough economic downturn by maximizing the resources we have.

The Village’s population has increased 53%, from 12,944 in 2003 to the current estimate of 19,769. Over the same ten year period the Village’s assessed taxable value grew from \$324 million in 2003 to a high of \$946 million in 2008 (an increase of 292%), then due to the economic downturn, it has declined to \$599 million in 2012, a decline of 37% in four years.

The Village chose to early implement the Governmental Accounting Standards Board (GASB) Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions” in fiscal year 2010. As of September 30, 2012 the General Fund had a total fund balance of \$6,514,827. The components of General Fund fund balance in accordance with GASB 54 are detailed as follows:

Total Fund Balance	\$ 6,514,827
Nonspendable:	
Inventory	28,984
Noncurrent interfund receivable	<u>1,230,561</u>
	<u>1,259,545</u>
Assigned:	
For subsequent year’s budget	702,241
For library operations	46,778
For disaster recovery	1,500,000
For utility capital improvements	269,439
For future capital projects	<u>1,500,000</u>
	<u>4,018,458</u>
Total Unassigned Fund Balance	<u>\$ 1,236,824</u>

The General Fund's unassigned fund balance represents 9.1% of the General Fund budget for fiscal year 2013. Our goal is to maintain an unassigned fund balance in the 20-25% range. The sole purpose for building the fund balance to this level is to provide assistance during the “rainy days” without the need to borrow funds or raise taxes. Last fiscal year the Village Council agreed to provide funding to the Water and Sewer Enterprise Fund for the expansion of our wastewater utility system at an estimated total cost of \$1,500,000 and so those

funds were reclassified from General Fund unassigned fund balance to assigned for utility capital improvements. As of September 30, 2012, the Water and Sewer Enterprise Fund had borrowed \$1,230,561 to begin construction of those projects, which is reflected as nonspendable fund balance until the advance is repaid by the Water and Sewer Enterprise Fund. The balance (\$269,439) of the original financing commitment remains as assigned fund balance. The Village will as always seek to balance the budget with current resources, but we have prudently provided funds for the economic impacts we are facing.

The five year capital plan has been sidelined by the economy but the Village is focusing resources on maintaining our facilities. Fortunately, Village Hall, the Police/Fire station and the Leisure Services Activity Building are all less than 10 years old. The Library was renovated when the new Village complex was built approximately 8 years ago and in fiscal year 2010 we completed a new Maintenance Facility. The Village maintains the roads and street network by evaluating road conditions and prioritizing the maintenance based on this data.

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

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

A schedule comparing the original budget, revised budget and actual revenues and expenditures is located on pages 59 – 62 of this report.

Major initiatives

Leisure Services, together with our Public Works employees, completed a new passive park on the northwest corner of Greenbrier Drive and Congress Avenue. This year the Village also resurfaced 4 tennis courts and the water playground, upgraded the outfield fences on the senior field and repaired backstops on both the minor and senior fields.

The Library was able to double the number of public access computers and a new 16 unit computer workstation built by the talented Public Works employees was installed. Also, the Library added eBooks to our collection for Library patrons, addressing the increased demand from patrons with electronic book readers.

Our Police were busy acquiring grant funds to assist with traffic related enforcement; specifically, they received funding to address speed and aggressive driving as well as impaired driving enforcement. They were also awarded grant funds to acquire a self-contained mobile message board that will be used for warning motorists of road issues or advertising special events throughout the Village.

In December the Police department held its first Stuff-A-Cruiser event. The event was designed to collect new, unused and unwrapped toys to benefit local needy families during the holidays. The department collected approximately \$6,000 in toys and cash donations and plans to make it an annual event.

In 2012 the Village hired the first full time IT Operations Manager as our technology demands have grown. He was able to assist with the migration of our MUNIS software from being hosted by us locally to a cloud application hosted by Tyler Technologies. This change has allowed our utility customers to access their utility bills online with the added option to pay online with credit cards. We also renegotiated an agreement with AT&T for our police to PBC Sheriff's office link, saving the Village over \$11,000 a year.

In May, the Village refinanced our 2002 General Obligation (GO) Bonds that had interest rates ranging from 5.00% to 5.50% with a new GO Bank Note negotiated with a local bank at 2.39% interest for the remaining twenty year term, thereby saving the Village taxpayers approximately \$109,000 a year for the next 20 years.

At the direction of Village Council, we switched our credit card processing from the customer paying the merchant fee to the Village paying the merchant fee, which is a savings for customers that pay their utility bills, leisure program fees, building permit fees, and business license taxes with a credit card.

Utilities completed a service area exchange with Palm Beach County Water Utilities. The Village transferred the service area west of Military Trail in exchange for areas on Lake Worth Road east of Military Trail. This makes providing the services to these customers and future customers more efficient for both utilities.

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, 2011.

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 U.S. 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 twenty-four consecutive years (fiscal years ended 1988-2011). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The Village has successfully managed to continue to provide our residents with quality services through a very rough economic time. This takes a team effort and our team is led by Village Manager Karl E. Umberger under the policy direction of the Village Council. Like any team, players come and go, but the team continues to strive towards the goal and our goal is to keep Palm Springs “A Great Place to Call Home.”

I want to personally thank Mariana Ortega-Sanchez, Assistant Finance Director, and Nancie Rathbun, Accounting Technician. These two women work hard every day regardless of the task, giving their best to the Finance office and the Village – I thank you sincerely for your dedication and loyalty. I also want to thank Anthony Parsells for joining the team as our IT Operations Manager and making my job easier knowing he is handling our technology operations.

Respectfully submitted,

A handwritten signature in cursive script that reads "Rebecca L. Morse". The signature is written in black ink and is positioned above the printed name and title.

Rebecca L. Morse, CGFO, CPFO
Chief Financial Officer

VILLAGE OF PALM SPRINGS, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2012

<u>Title</u>	<u>Name</u>
Mayor	Bev Smith
Vice Mayor	Joni Brinkman
Mayor Pro-Tem	Patti Waller
Council Member	Doug Gunther
Council Member	Sergio Escalada
Village Manager	Karl E. Umberger
Chief Financial Officer	Rebecca L. Morse
Public Service Director	William F. Davis
Public Safety Director	Tom Ceccarelli
Village Clerk	Virginia M. Walton
Library Director	Elena Romeo
Leisure Services Director	William Golson
Land Development Director	Bette J. Lowe
Village Attorney	Glen J. Torcivia

**VILLAGE OF PALM SPRINGS, FLORIDA
ORGANIZATIONAL CHART
SEPTEMBER 30, 2012**

VOTERS of PALM SPRINGS

VILLAGE ATTORNEY
Glen J. Torcivia

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

CONSULTANTS
Eckler Engineering

MAYOR AND VILLAGE COUNCIL
*Bev Smith - Mayor
Joni Brinkman - Vice Mayor
Patti Waller - Mayor Pro-Tem
Doug Gunther - Council Member
Sergio Escalada - Council Member*

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

VILLAGE MANAGER
Karl E. Umberger

PUBLIC SAFETY
Tom Ceccarelli

LIBRARY
Elena Romeo

LEISURE SERVICES
William Golson

FINANCE
Rebecca Morse

PUBLIC SERVICES
William F. Davis

LAND DEVELOPMENT
Bette Lowe

VILLAGE CLERK
Virginia Walton

UTILITIES

PUBLIC WORKS

SANITATION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Palm Springs
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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.



Christopher P. Moirill

President

Jeffrey R. Enow

Executive Director

FINANCIAL SECTION



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K CALER, JR, CPA
LOUIS M COHEN, CPA
JOHN C COURTNEY, CPA, JD
DAVID S DONTEN, CPA
JAMES B HUTCHISON, CPA
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MEMBERS
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CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Palm Springs, Florida. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Palm Springs, Florida, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the internal control over financial reporting of the Village of Palm Springs, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 13 and the budgetary comparison information, condition rating of streets and historical pension information on pages 59 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Village of Palm Springs, Florida. The introductory section, the combining fund financial statements and debt schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and debt schedules are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Cale, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

December 31, 2012

VILLAGE OF PALM SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Palm Springs, we are presenting this discussion and analysis (MD&A) to provide a narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2012. 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, 2012 were \$54.9 million. Of this amount, \$9.6 million (unrestricted net assets) may be used to meet the Village's ongoing obligations to residents and creditors.
- Governmental net assets were \$14.0 million, an increase of \$114,477.
- Water and Sewer net assets were \$40.9 million, an increase of \$2,492,266.
- The total revenues from all sources were \$27.1 million, an increase of \$969,119.
- The total cost of all Village programs was \$24.5 million, an increase of \$1,513,379.
- During the year, the Village's governmental activity revenues and transfers exceeded expenditures by \$114,477.
- Total expenditures in the General Fund exceeded total revenues by \$116,349 including other financing sources and uses.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,236,824, or 10.0% of total General Fund expenditures.
- The Village's total debt decreased by \$1.8 million during the current fiscal year. The Village governmental activities debt decreased by \$201,955 and the business activities debt decreased by \$1,592,875.
- The Village recorded a liability at fiscal year-end representing the implicit rate subsidiary for other post-employment benefits in the amount of \$88,226 in the governmental activities and \$68,774 in the business-type activities for a total of \$157,000. This represents an increase of \$20,000 in the OPEB liability compared to fiscal year 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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), Police, Sanitation and Recycling, Public Works (road and street maintenance), Library and Leisure Services. The Village's general obligation debt is also included in the governmental activities.
- **Proprietary activities/Business type activities** - The Village charges a fee to customers to cover all of the cost of the services provided. The Village's Water and Sewer Utility system is reported in this category.

Fund Financial Statements

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

- **Governmental funds** - Most of the Village's basic services are reported in the governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general governmental operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The Village of Palm Springs has three 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. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 67-68 of this report. The basic governmental fund financial statements can be found on pages 17-20 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 on the full accrual basis of accounting 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 21-24 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 Police Employees' Pension Trust

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 25-26 of this report.

Notes to the Financial Statements

The notes to the financial statements are provided to communicate additional information that is essential to obtaining a comprehensive understanding of the data contained in the government-wide and fund financial statements. The notes to the financial statements are located on pages 27-58 of this report.

Other Information

In addition to the basic financial statements and notes, this annual report also presents certain required supplementary information which includes a budgetary comparison schedule for the General Fund together with notes pertaining to the budget schedule. The Village also presents information concerning the Village's progress in funding its obligation to provide pension benefits to its employees in this section. Required supplementary information can be found on pages 59-66.

The combining statements of the nonmajor governmental funds and the combining statements of the fiduciary funds are presented on pages 67-70 of this report. Immediately following the combining statements the Village includes schedules of long-term debt. These schedules detail the principal and interest payments due by issue and fiscal year through maturity. These schedules are located on pages 71-75 of this report.

The statistical section located on pages 76-106 of this report presents schedules providing details about the financial trends, revenue capacity, debt capacity, demographic, economic and operating information to assist the user in understanding the Village's financial statements and overall financial health.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net assets of the Village are summarized as follows:

Village of Palm Springs Net Assets Summary						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 7,331,669	\$ 7,217,696	\$ 8,303,434	\$ 8,576,473	\$ 15,635,103	\$ 15,794,169
Capital assets	14,154,754	14,456,263	45,870,714	44,698,706	60,025,468	59,154,969
Total assets	\$ 21,486,423	\$ 21,673,959	\$ 54,174,148	\$ 53,275,179	\$ 75,660,571	\$ 74,949,138
Liabilities:						
Long-term debt outstanding	\$ 6,340,486	\$ 6,570,000	\$ 10,446,185	\$ 12,053,132	\$ 16,786,671	\$ 18,623,132
Other liabilities	1,145,235	1,217,734	2,852,368	2,838,718	3,997,603	4,056,452
Total liabilities	\$ 7,485,721	\$ 7,787,734	\$ 13,298,553	\$ 14,891,850	\$ 20,784,274	\$ 22,679,584
Net Assets:						
Invested in capital assets, net of debt	\$ 7,814,268	\$ 7,886,263	\$ 36,404,485	\$ 34,478,958	\$ 44,218,753	\$ 42,365,221
Restricted for law enforcement	32,875	30,045	-	-	32,875	30,045
Restricted for debt service	3,668	44,546	968,872	1,085,083	972,540	1,129,629
Restricted for capital assets	-	-	100,000	100,000	100,000	100,000
Unrestricted	6,149,891	5,925,371	3,402,238	2,719,288	9,552,129	8,644,659
Total net assets	\$ 14,000,702	\$ 13,886,225	\$ 40,875,595	\$ 38,383,329	\$ 54,876,297	\$ 52,269,554

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Village's assets exceeded liabilities by \$54.9 million, approximately \$2.6 million more than fiscal year 2011. The largest portion of the Village's net assets (80.6%) 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

VILLAGE OF PALM SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

An additional portion of the Village's net assets (2.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$9.6 million or 17.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Village has 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.

The changes in net assets of the Village are summarized as follows:

Village of Palm Springs Changes in Net Assets							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program revenues:							
Charges for services	\$ 2,915,895	\$ 3,049,912	\$ 14,510,608	\$ 13,871,774	\$ 17,426,503	\$ 16,921,686	
Operating grants and contributions	436,999	434,107	-	-	436,999	434,107	
Capital grants and contributions	120,771	73,944	979,989	871,217	1,100,760	945,161	
General revenues:							
Property taxes	2,560,178	2,647,462	-	-	2,560,178	2,647,462	
Utility service taxes	2,060,461	1,992,185	-	-	2,060,461	1,992,185	
Franchise fees	991,051	983,164	-	-	991,051	983,164	
Sales and use taxes	1,595,146	1,353,681	-	-	1,595,146	1,353,681	
Business taxes	273,306	246,354	-	-	273,306	246,354	
Intergovernmental, unrestricted	496,719	452,923	-	-	496,719	452,923	
Investment earnings	25,979	17,131	94,951	73,861	120,930	90,992	
Miscellaneous	20,045	67,780	52,273	29,755	72,318	97,535	
Total revenues	\$ 11,496,550	\$ 11,318,643	\$ 15,637,821	\$ 14,846,607	\$ 27,134,371	\$ 26,165,250	
Expenses:							
Program expenses:							
General government	\$ 1,732,639	\$ 1,667,207	\$ -	\$ -	\$ 1,732,639	\$ 1,667,207	
Public safety	7,271,962	6,433,149	-	-	7,271,962	6,433,149	
Sanitation and recycling	891,160	856,370	-	-	891,160	856,370	
Transportation	927,758	1,026,758	-	-	927,758	1,026,758	
Culture/Recreation	1,864,706	1,684,424	-	-	1,864,706	1,684,424	
Interest on long-term debt	369,276	350,260	-	-	369,276	350,260	
Water and Sewer Utility	-	-	11,470,127	10,996,082	11,470,127	10,996,082	
Total expenses	\$ 13,057,501	\$ 12,018,168	\$ 11,470,127	\$ 10,996,082	\$ 24,527,628	\$ 23,014,250	
Change in net assets before transfers	(1,560,951)	(699,525)	4,167,694	3,850,525	2,606,743	3,151,000	
Transfers	1,675,428	1,541,902	(1,675,428)	(1,541,902)	-	-	
Increase in net assets	114,477	842,377	2,492,266	2,308,623	2,606,743	3,151,000	
Net Assets - October 1	13,886,225	13,043,846	38,383,329	36,074,705	52,269,554	49,118,551	
Net assets - September 30	\$ 14,000,702	\$ 13,886,223	\$ 40,875,595	\$ 38,383,328	\$ 54,876,297	\$ 52,269,551	

Governmental Activities

Revenues: Governmental activities increased the Village's net assets by \$114,477. Charges for services decreased by \$134,017 or 4.4%. This decrease is primarily due to decline in building permit revenues that were \$546,824 or 76.6% less than fiscal year 2011 when the Village had both Walmart and Oxygen manufacturing under development. Also this fiscal year we saw a small decline in Leisure Service program participation, most noticeably, a decrease of \$14,415 or 7.5% in camp registration fees compared to fiscal year 2011. Offsetting the decline in these revenues were increases in revenues from red light cameras of \$210,694 or 161.7%; an increase of \$100,000 in rental fee revenue from Utilities paying to rent space in the new Maintenance building; and, an increase in revenue from police details of \$64,940 or 28.6% from fiscal year 2011 due to requests for detail officers at some of our new business locations. Revenues from Court Fines

VILLAGE OF PALM SPRINGS, FLORIDA

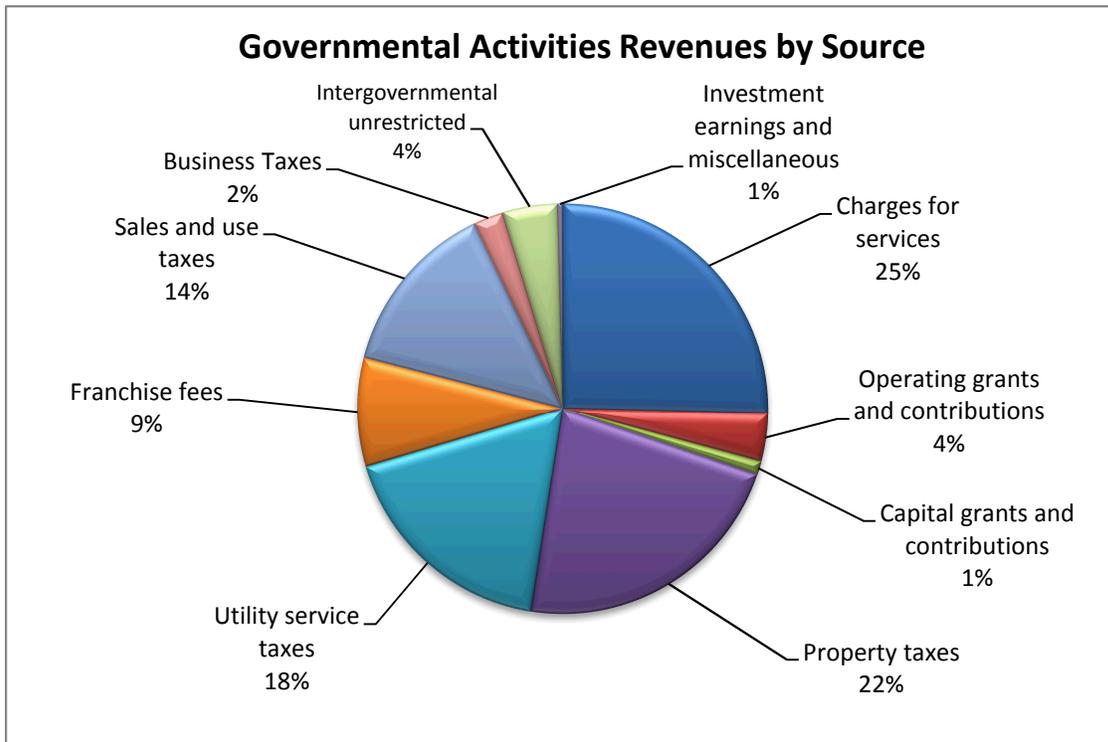
MANAGEMENT’S DISCUSSION AND ANALYSIS

increased \$43,082 or 19.3%, which reflects our increased traffic enforcement funded by grant revenue. Lien search fees increased by \$24,416 or 42.2%, which reflects the increased activity in the local real estate market.

Operating grants and contributions increased by \$2,892 or 0.7%. The Village received \$4,400 more in grant funds for purchasing and implementing safety equipment and procedures, which is an increase of 157.14% over fiscal year 2011. The Village also received \$14,834 or 27.5% more funding from the State of Florida for street light maintenance as we assumed responsibility for more street lights. However, the revenue we receive from the Solid Waste Authority for participation in the recycling program decreased \$20,355 or 37.0%. This revenue is shared with participating agencies and generated by sale of recycled materials by the Solid Waste Authority. The Village received an increase of \$2,707 or 19.3% in Library grant funding from the State of Florida. Grant funding for our police operations increased \$1,305 or 0.4%.

Capital grants and contributions increased a total of \$46,827 or 63.3%. The Village received \$85,215 from Palm Beach County to purchase new laptops for all police officers, and equip them with biometrics.. The department was also awarded \$7,801 in grant funds from FDLE to purchase and install a camera security system throughout the police complex. This fiscal year the Village also received \$14,211 in additional insurance recoveries for damages to Village equipment.

Property taxes decreased \$87,284 or 3.3%. The Village maintained the operating millage rate of 3.5000 but the taxable value declined 1.85% as a result of the decline in market values. The Village’s governmental activities revenues by source are summarized as follows:



Ad valorem property taxes contributed 22% of total governmental activity revenues this fiscal year as compared to 23% in fiscal year 2011. In fiscal year 2012, the Village’s taxable value decreased 1.85% due to the declining market values. Charges for Services decreased from 26% of revenues to 25% in fiscal year 2012, due primarily to the decreased building permit activity after the completion of two large projects last fiscal year. Sales and use taxes contributed 14% of total governmental revenues compared to 12% in fiscal year

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

2011, this reflects the increased \$235,974 collected from the State of Florida for Half-Cent Sales Tax. Overall, the Village is starting to receive increased revenues from sources based on our annexation and increased population.

Expenses: 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, planning, building, zoning, licensing and code enforcement operations. Transportation includes our street maintenance and public works operations. Culture/Recreation includes our library and leisure services.

General Government expenses increased \$65,432 due to increased wages, health insurance, pension costs, and advertising costs.

Public Safety expenses increased \$838,813 due to increased wages, health insurance, pension costs and other contractual services. The Village made an additional employer contribution to the Police Pension fund of \$194,070 to switch from contributing a percentage of payroll to a minimum dollar contribution actuarially determined each year. The Village pays the Town of Lake Clarke Shores when their officers work police details in Palm Springs, and they provided additional services this year to meet the demand for additional police details, resulting in the increase of \$23,909 in other contractual services.

Sanitation expenses increased \$34,790 due to contractual rate increases from the hauler and additional customers added to our service area through annexation.

Transportation decreased \$99,000 as a result of a small decrease in wages due to turnover and a decrease of \$85,097 in expenditures for road maintenance. The Village has a policy to maintain at least 80% of our street system at a good or better condition as determined by the annual pavement ratings. This fiscal year those costs were \$25,029 compared to \$110,127 in fiscal year 2011. More information on the Village's Street System and condition rating can be found on page 64 of this report.

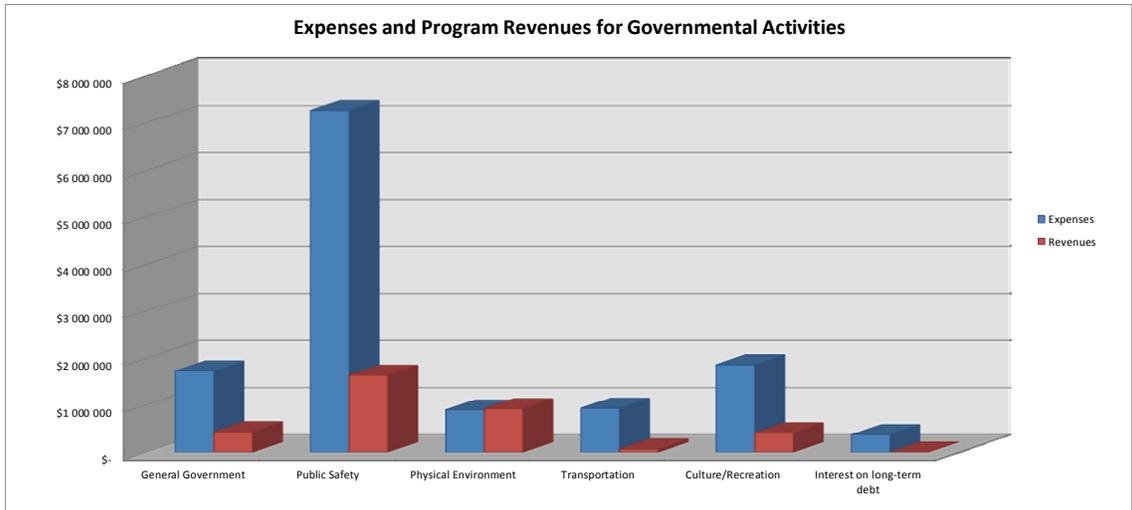
Culture/Recreation expenses increased \$180,282 comprised of an increase in wages, health insurance, pension costs, and operating supplies, which included minor equipment at parks, and software needed to accept credit card payments for Leisure Service activities.

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	
	2012	2011	2012	2011	2012	2011
General Government	\$ (1,732,639)	\$ (1,667,207)	\$ 434,388	\$ 316,381	\$ (1,298,251)	\$ (1,350,826)
Public Safety	(7,271,962)	(6,433,149)	1,642,180	1,827,431	(5,629,782)	(4,605,718)
Sanitation and Recycling	(891,160)	(856,370)	917,857	937,391	26,697	81,021
Transportation	(927,758)	(1,026,758)	68,854	54,020	(858,904)	(972,738)
Culture/Recreation	(1,864,706)	(1,684,424)	410,386	422,740	(1,454,320)	(1,261,684)
Interest on long-term debt	(369,276)	(350,260)	-	-	(369,276)	(350,260)
Totals	\$ (13,057,501)	\$ (12,018,168)	\$ 3,473,665	\$ 3,557,963	\$ (9,583,836)	\$ (8,460,205)

The total cost of all governmental activities this year was \$13.1 million. The schedule above shows that \$3.5 million of the cost of services was paid by those who directly benefited from the programs and \$9.6 million was financed through general revenues.

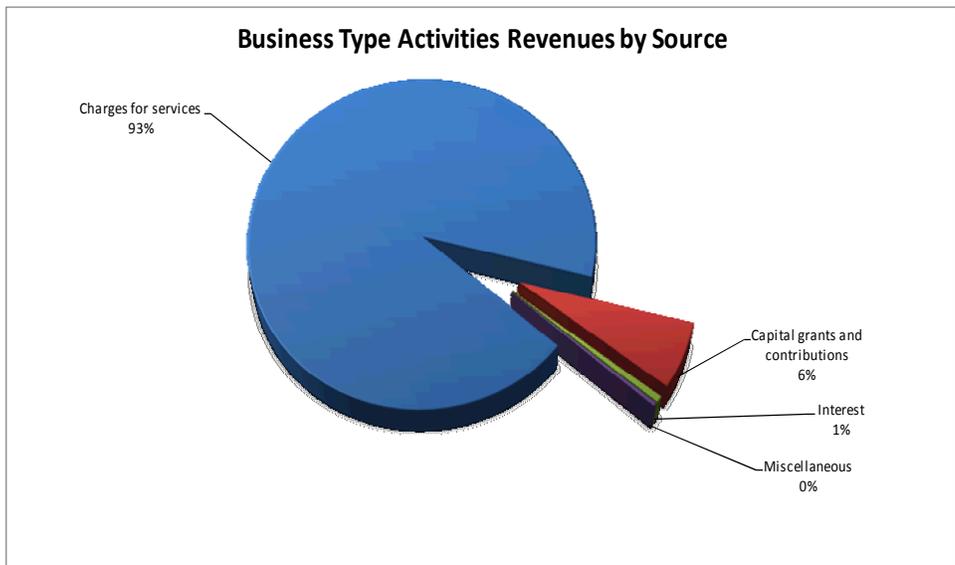
VILLAGE OF PALM SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS



Business-type Activities

Net assets of the proprietary fund (Water and Sewer Enterprise) at September 30, 2012 were \$40.9 million. The cost of providing proprietary (business-type) activities this year was \$11.5 million, as shown in the Statement of Activities, this is an increase of \$474,045 compared to fiscal year 2011. Salaries and fringe benefits increased \$311,683 while professional fee expenses decreased \$87,858. Electric costs declined \$39,713, but expenses for water used at our plants and lift stations increased \$215,126 due to implementing metering to track water used at the plants in the treatment and testing process. Expenses paid to Palm Beach County and the City of Lake Worth for wastewater disposal increased a total of \$141,436. Repair and maintenance costs declined by \$58,854, while rental expenses increased \$100,000 to pay for warehouse space in the Maintenance building.

Net assets increased by \$2,492,266. The graph below shows the source of revenues for the Water and Sewer Utility. Revenues derived from charges for services increased by \$638,834 or 4.6% from fiscal year 2011, which was due to the increase in rates implemented for services used in October and billed in November 2011.



VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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 unassigned 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 \$6,551,370, an increase of \$78,301, in comparison with the prior year. Revenues increased \$238,306. The General Fund experienced a decrease in property tax revenues of \$84,195 due to the decline in market values, while franchise fees, utility tax revenue, charges for services, and intergovernmental revenues increased \$859,955. However, building permit revenue declined \$546,824 from last fiscal year when two large building projects were underway.

Expenditures increased \$7,534,601 compared to fiscal year 2011, attributable primarily to the debt service principal of \$6,390,000 paid to currently refund the 2002 GO Bonds. Debt service costs increased \$6,681,710, including the cost of calling the 2002 GO Bonds, which were paying interest ranging from 5.0% to 5.5%, and refinancing them with a 20 year bank note paying 2.39%. The increased cost includes the first payment of principal and interest on the new debt, as well as the principal and interest payments scheduled on the 2002 bonds for the fiscal year and the final payoff of \$6,390,000 on the 2002 bonds. Legal expenditures increased \$10,173 or 10.6%, due to labor issues, code enforcement and planning/annexation items. Police personnel expenditures increased \$793,821 reflecting salary increases, health insurance and pension costs. Police capital outlay increased \$77,489 with the purchase of over 30 new grant funded laptops and a camera monitoring system. Roads and Street expenditures were lower this year with decreased demand for road maintenance. The Village has a policy to maintain at least 80% of our street system at a good or better condition as determined by the annual pavement ratings. This fiscal year those costs were \$25,029 compared to \$110,127 in fiscal year 2011.

The governmental funds had a total fund balance of \$6,551,370, comprised of nonspendable fund balance of \$1,259,545 (\$28,984 representing inventory and \$1,230,561 representing funds advanced to the Water and Sewer Enterprise fund that are not due until FY2014); restricted fund balance of \$36,543 (\$32,875 for law enforcement and \$3,668 for debt service); assigned fund balances of \$4,018,458 (\$1,500,000 for disaster recovery; \$1,500,000 for future capital projects; \$46,778 for Library operations; \$269,439 to provide funding to the Water and Sewer Enterprise fund for expansion of the sewer system; and, \$702,241 for the subsequent year's budget) and unassigned fund balance of \$1,236,824.

The primary operating fund for the Village is the General Fund. At the end of the current fiscal year, in accordance with GASB Statement 54 the unassigned fund balance of the General Fund was \$1,236,824, while the total fund balance was \$6,514,827. The unassigned fund balance in the General Fund represents 9.1% of the fiscal year 2013 budget. The Village's target balance range for unassigned fund balance is 20-25%. The Village anticipates restoring the unassigned fund balance to the target range by 2014 when the Water and Sewer Enterprise Fund repays the advance of \$1.2 million.

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, but in more detail. The Village of Palm Springs uses an enterprise fund to account for its Water and Sewer Utility operations.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net assets for the Water and Sewer Enterprise Fund were \$3.4 million at fiscal year-end. Unrestricted net assets increased by \$682,950 compared to the prior fiscal year. This is due to an increase in revenues generated by charges for services reflecting a rate increase that went into effect for services consumed in October 2011 and billed in November; an increase in capital contributions of \$108,772 from additional sewer connections; and an increase in operating expenses primarily related to personnel costs, water treatment supplies and waste water disposal costs. Total net assets for the Water and Sewer Enterprise Fund were \$40.9 million at fiscal year-end, an increase of \$2,492,266 from the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were \$302,509, and can be briefly summarized as follows:

- \$117,000 awarded by FDOT for the Comprehensive Traffic Enforcement grant was appropriated to cover the purchase of a traffic sign board, educational materials and personnel costs related to the enhanced traffic enforcement.
- \$73,140 recognized as revenue from the Palm Beach County \$12.50 ticket funds was used to purchase over 30 new laptops for the Police department.
- \$75,000 of additional red light traffic camera revenue was recognized and appropriated to cover additional personnel costs in the Police department.
- \$10,000 of additional Business License Tax revenue was appropriated to cover increased operating costs.
- \$4,500 was recognized as additional revenue as reimbursement for our safety program initiatives.
- \$3,500 of additional revenue from trip registrations was appropriated to cover trip related expenditures.
- \$6,000 of additional revenue from leisure camp activities was appropriated for camp related expenditures.
- \$7,801 from an FDLE grant was used to acquire and install security cameras throughout the Police facility.
- \$5,568 of fund balance was appropriated to cover purchases of desktop computers at the Library.

Of the total increase, \$202,441 was funded by grants, and \$5,568 was appropriated from fund balance assigned for the Library and \$94,500 was funded by increased revenues.

At fiscal year-end General Fund revenues fell short of the amended budget by \$5,209, this reflects reduced tax collections and intergovernmental revenues, net of increased charges for services from increased service demand, and increased fine and forfeiture receipts primarily due to court fines and red light traffic enforcement. General Fund expenditures were \$458,721 less than the budget for fiscal year 2012. The savings was not generated by a particular expenditure or department but instead a combination of savings in various areas of our operations and the prudent management of resources by the departments.

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, 2012, amounts to \$60,025,468 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, library books, software, roads, sidewalks, bridges, drainage and intangible assets. The governmental activities increased the investment in capital assets by \$229,474, or 1.2% over fiscal year 2011, net of disposals and before depreciation. This increase includes \$81,190 for 35 laptops for the Police Department; \$46,434 for two new patrol vehicles; \$20,000 for security camera system at the Police Station; \$19,150 for a mobile message board; \$10,985 to resurface tennis courts; and, \$24,900 in ballfield fencing and backstops. The Village purchased 3 new trucks for the Roads and Streets department totaling \$45,325 and spent \$32,352 for a new server, 14 workstations, a new firewall, upgraded GIS software and peripheral equipment. The Village also invested \$63,800 towards the construction of improved drainage on Davis Road.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Village uses the modified approach for infrastructure reporting of its street system. The Village's policy is to maintain at least 80% of its street system in *good* or *better* condition using the Asphalt Pavement Rating categories of the Asphalt Institute. The rating completed through the most recent year continues to meet or exceed Village policy. For 2012 the estimated maintenance costs were \$42,950 and the actual were \$25,029.

Business-type activities increased the investment in capital assets by \$3,610,525 or 4.3% from fiscal year 2011 before depreciation. This increase reflects the capitalization of water and wastewater capital improvement projects totaling \$2,968,169 completed during the fiscal year; \$131,150 for a new Lime Slaker at the R L Pratt Water Treatment Plant; \$81,343 to renovate treatment lab at the R L Pratt plant; \$92,397 for a new tandem axle dump truck; \$78,327 for 4 new trucks; \$49,990 to retrofit a sewer camera system into a former ALS transport vehicle; \$6,359 to replace air conditioning units; \$4,995 for a new digital copier; \$4,547 to furnish new offices; \$5,785 for new computer equipment; and, \$19,357 in pumps and water treatment lab and plant equipment. Additional detailed information regarding capital assets can be found in Note 4, beginning on page 42 of this report.

Village of Palm Springs						
Capital Assets Net of Depreciation						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 372,421	\$ 372,421	\$ 364,217	\$ 364,217	\$ 736,638	\$ 736,638
Buildings	9,219,655	9,219,655	3,124,792	3,043,449	12,344,447	12,263,104
Improvements other than buildings	2,023,714	1,987,829	72,281,306	69,313,137	74,305,020	71,300,966
Machinery & Equipment	3,446,442	3,272,766	4,124,345	3,800,420	7,570,787	7,073,186
Software & Library Materials	604,367	648,254	7,456	58,698	611,823	706,952
Infrastructure	4,121,761	4,121,761	-	-	4,121,761	4,121,761
Intangible Assets	-	-	7,183,533	7,183,533	7,183,533	7,183,533
Construction in Progress	63,800	-	917,920	629,590	981,720	629,590
Total Assets	19,852,160	19,622,686	88,003,569	84,393,044	107,855,729	104,015,730
Less Accumulated Depreciation	(5,697,406)	(5,166,423)	(42,132,855)	(39,694,338)	(47,830,261)	(44,860,761)
Total	\$ 14,154,754	\$ 14,456,263	\$ 45,870,714	\$ 44,698,706	\$ 60,025,468	\$ 59,154,969

Debt: At fiscal year end, the Village had total long-term debt outstanding of \$17,762,646 (excluding other postemployment benefits), a decrease of \$1,814,830, or 9.3% as compared to fiscal year 2011.

Village of Palm Springs						
Long-Term Liabilities						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ -	\$ 6,570,000	\$ -	\$ -	\$ -	\$ 6,570,000
General Obligation Note	6,340,486	-	-	-	6,340,486	-
Revenue Bonds	-	-	10,376,252	11,162,173	10,376,252	11,162,173
Note Payable	-	-	69,933	890,959	69,933	890,959
Compensated Absences	638,481	624,387	337,494	329,957	975,975	954,344
Other Postemployment Benefits	88,226	74,761	68,774	62,239	157,000	137,000
Total	\$ 7,067,193	\$ 7,269,148	\$ 10,852,453	\$ 12,445,328	\$ 17,919,646	\$ 19,714,476

The general obligation bonds were refinanced in May 2012 with a 20-year bank loan. The rates on the 2002 GO Bonds ranged from 5.00% to 5.50%, while the new bank loan interest is 2.39%. This refinancing is saving the taxpayers over \$109,000 a year in debt service over the remaining 20 year term. Additional information on the Village's long-term debt can be found in Note 5, beginning on page 44 of this report.

VILLAGE OF PALM SPRINGS, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The liability for other postemployment benefits increased by \$20,000 in 2012, to a total of \$157,000, which represents the implicit rate subsidy in compliance with GASB Statement No. 45. The increase reflects the latest actuarial valuation dated February 2011. Additional information on other postemployment benefits can be found in Note 10, beginning on page 54 of this report.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Due to the decline in market value of taxable property in the Village, Charges for Services surpassed Ad valorem taxes for the second fiscal year in a row as the single most significant governmental revenue source for the Village of Palm Springs. In this fiscal year Charges for Services represents 25% (down from 26%) of total governmental revenues and Ad Valorem Taxes now represent 22% of total governmental revenue, down from 23% last fiscal year. Sales and use taxes now represent 14% compared to 12% in fiscal year 2011. The increase is due to increased revenues attributable to annexed properties.

Ad Valorem Tax 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 \$4.8740 per \$1,000 of taxable value in 2003 to the present rate of \$3.5000 per \$1,000 of taxable value for the current fiscal year, a decrease of over 28%. The Village's taxable property values have increased 185% since 2003. This increase is primarily due to annexation, development and redevelopment. Taxable property values dropped 1.9% from fiscal year 2011. The Village taxable values dropped another 2.7% for the upcoming fiscal year 2013.

Effective October 1, 2009 (fiscal year 2010) the Village transferred fire rescue services to Palm Beach County Fire Rescue. Palm Beach County Fire Rescue MSTU (municipal services taxing unit) now taxes Village property owners 3.4581 mills per \$1,000 of taxable value. This millage rate is deducted from the Village's legal millage rate limit of 10 mills, limiting our millage rate to 6.5419.

Despite the poor economy, the Village is experiencing growth in our business corridors. Florida Public Utilities is relocating their offices and warehouse facilities to North Congress Avenue and Oxygen Corporation which opened its cosmetic manufacturing plant last year is already looking to expand its operations. Off Lease Only Auto Sales started small at the current Lake Worth Road location, but has outgrown this location, and wanting to stay in the Village, they are now in the planning stages to relocate to Congress Avenue on a new property that will include a commercial shopping center. Housing prices are stabilizing and foreclosure filings are down from previous years.

The Village maintains an unassigned fund balance in the General Fund intended to provide funding for unforeseen events. The Village Council has prudently assigned \$1.5 million dollars of the General Fund's fund balance for disaster recovery and \$1.5 million for future capital needs. In fiscal year 2011, the Village Council also assigned \$1.5 million to fund future Water and Sewer Enterprise fund for wastewater expansion projects, of which \$1.2 million was borrowed and spent in fiscal year 2012. The Village anticipates that the Water and Sewer Enterprise fund will repay the General Fund the outstanding balance on the loan by fiscal year end 2014, paying interest at 1.3% on the outstanding balance until it is repaid.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information please contact: **Village of Palm Springs Finance Department, 226 Cypress Lane, Palm Springs, FL 33461, telephone (561) 965-4013 or on the web at www.vpsfl.org.**

BASIC FINANCIAL STATEMENTS

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

September 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,778,289	\$ 3,215,450	\$ 7,993,739
Receivables:			
Accounts, net of allowance	125,922	3,350,269	3,476,191
Utility taxes	159,737	-	159,737
Franchise fees	287,413	-	287,413
Intergovernmental	132,467	-	132,467
Grants	166,648	-	166,648
Internal balances	1,230,561	(1,230,561)	-
Inventory	28,984	528,190	557,174
Net pension asset	374,399	104,611	479,010
Restricted assets:			
Cash and cash equivalents	-	1,603,506	1,603,506
Cash with fiscal agent	-	485,000	485,000
Other investment	47,249	86,947	134,196
Capital assets:			
Capital assets, not being depreciated	4,557,982	1,282,137	5,840,119
Capital assets being depreciated	15,294,178	86,721,432	102,015,610
Accumulated depreciation	(5,697,406)	(42,132,855)	(47,830,261)
Unamortized bond issue costs	-	160,022	160,022
Total assets	\$ 21,486,423	\$ 54,174,148	\$ 75,660,571
Liabilities			
Accounts payable and accrued liabilities	\$ 181,823	\$ 1,066,952	\$ 1,248,775
Contracts and retainage payable	-	12,569	12,569
Accrued interest payable	12,628	199,700	212,328
Deposits	9,282	1,166,879	1,176,161
Revenue collected in advance	214,795	-	214,795
Compensated absences-current portion	74,353	35,894	110,247
Compensated absences-noncurrent portion	564,128	301,600	865,728
Other postemployment benefits payable	88,226	68,774	157,000
Long-term liabilities due within one year	258,689	819,933	1,078,622
Long-term liabilities due in more than one year	6,081,797	9,626,252	15,708,049
Total liabilities	\$ 7,485,721	\$ 13,298,553	\$ 20,784,274
Net assets			
Invested in capital assets, net of related debt	\$ 7,814,268	\$ 36,404,485	\$ 44,218,753
Restricted for law enforcement	32,875	-	32,875
Restricted for debt service	3,668	968,872	972,540
Restricted for capital assets	-	100,000	100,000
Unrestricted	6,149,891	3,402,238	9,552,129
Total net assets	\$ 14,000,702	\$ 40,875,595	\$ 54,876,297

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Activities

Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,732,639	\$ 399,433	\$ 7,200	\$ 27,755
Public safety	7,271,962	1,239,587	309,577	93,016
Physical environment	891,160	883,230	34,627	-
Transportation	927,758	-	68,854	-
Culture/recreation	1,864,706	393,645	16,741	-
Interest on long-term debt	369,276	-	-	-
Total governmental activities	13,057,501	2,915,895	436,999	120,771
Business-type activities:				
Utility-water and sewer	11,470,127	14,510,608	-	979,989
Total business-type activities	11,470,127	14,510,608	-	979,989
Total	\$ 24,527,628	\$ 17,426,503	\$ 436,999	\$ 1,100,760

General revenues:

Taxes:

Property taxes

Utility service taxes

Franchise fees

Sales and use taxes

Business taxes

Intergovernmental, unrestricted

Investment revenues

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

Governmental Activities	Business-Type Activities	Total
\$ (1,298,251)	\$ -	\$ (1,298,251)
(5,629,782)	-	(5,629,782)
26,697	-	26,697
(858,904)	-	(858,904)
(1,454,320)	-	(1,454,320)
(369,276)	-	(369,276)
(9,583,836)	-	(9,583,836)
-	4,020,470	4,020,470
-	4,020,470	4,020,470
(9,583,836)	4,020,470	(5,563,366)
2,560,178	-	2,560,178
2,060,461	-	2,060,461
991,051	-	991,051
1,595,146	-	1,595,146
273,306	-	273,306
496,719	-	496,719
25,979	94,951	120,930
20,045	52,273	72,318
1,675,428	(1,675,428)	-
9,698,313	(1,528,204)	8,170,109
114,477	2,492,266	2,606,743
13,886,225	38,383,329	52,269,554
\$ 14,000,702	\$ 40,875,595	\$ 54,876,297

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 4,741,746	\$ 36,543	\$ 4,778,289
Receivables:			
Accounts, net of allowance for uncollectibles	125,922	-	125,922
Utility taxes	159,737	-	159,737
Franchise fees	287,413	-	287,413
Intergovernmental	132,467	-	132,467
Grants	166,648	-	166,648
Due from Water and Sewer Fund	1,230,561	-	1,230,561
Inventory	28,984	-	28,984
Other investment	47,249	-	47,249
Total assets	\$ 6,920,727	\$ 36,543	\$ 6,957,270
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 181,823	\$ -	\$ 181,823
Deposits	9,282	-	9,282
Revenue collected in advance	214,795	-	214,795
Total liabilities	\$ 405,900	\$ -	\$ 405,900
Fund balances:			
Nonspendable:			
Inventory	\$ 28,984	\$ -	\$ 28,984
Noncurrent interfund receivable	1,230,561	-	1,230,561
Restricted for:			
Law enforcement	-	32,875	32,875
Debt service	-	3,668	3,668
Assigned to:			
Disaster recovery	1,500,000	-	1,500,000
Capital projects	1,769,439	-	1,769,439
Library	46,778	-	46,778
Subsequent year's budget	702,241	-	702,241
Unassigned:			
General fund	1,236,824	-	1,236,824
Total fund balances	\$ 6,514,827	\$ 36,543	\$ 6,551,370
Total liabilities and fund balances	\$ 6,920,727	\$ 36,543	\$ 6,957,270

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

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

September 30, 2012

Total governmental fund balances (page 17) \$ 6,551,370

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	\$ 19,852,160	
Accumulated depreciation	<u>(5,697,406)</u>	
		14,154,754

Net pension assets of defined benefit pension plans are reported in the statement of net assets. Because these do not represent available, spendable resources, they are not reported in governmental funds. 374,399

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

Bonds payable	(6,340,486)	
Accrued interest payable on long-term debt	(12,628)	
Compensated absences payable	(638,481)	
Other postemployment benefits payable	<u>(88,226)</u>	
		(7,079,821)

Total net assets (page 14) \$ 14,000,702

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,336,657	\$ 548,339	\$ 5,884,996
Permits	168,288	-	168,288
Intergovernmental	2,659,483	-	2,659,483
Confiscated property	-	13,141	13,141
Charges for services	1,714,744	-	1,714,744
Fines and forfeitures	722,558	-	722,558
Contributions and donations	15,163	-	15,163
Interest revenues	25,969	10	25,979
Miscellaneous	292,198	-	292,198
Total revenues	10,935,060	561,490	11,496,550
Expenditures			
Current:			
General government	1,548,147	-	1,548,147
Public safety	7,007,644	3,657	7,011,301
Physical environment	857,942	-	857,942
Transportation	866,362	-	866,362
Culture/recreation	1,678,324	-	1,678,324
Capital outlay	397,511	6,660	404,171
Debt service:			
Principal	-	6,706,976	6,706,976
Interest and other fiscal charges	-	497,916	497,916
Total expenditures	12,355,930	7,215,209	19,571,139
Excess (deficiency) of revenues over expenditures	(1,420,870)	(6,653,719)	(8,074,589)
Other financing sources and uses			
Transfers in	1,675,428	138,209	1,813,637
Transfers out	(138,209)	-	(138,209)
Proceeds from issuance of promissory note	-	6,477,462	6,477,462
Total other financing sources	1,537,219	6,615,671	8,152,890
Change in fund balances	116,349	(38,048)	78,301
Fund balances, beginning of year	6,398,478	74,591	6,473,069
Fund balances, end of year	\$ 6,514,827	\$ 36,543	\$ 6,551,370

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2012*

Net change in fund balances - total governmental funds (page 19) \$ 78,301

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	\$ 404,171	
Less current year depreciation expense	<u>(705,680)</u>	(301,509)

Some expenses 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 net pension asset	7,090	
Change in compensated absences payable	(14,094)	
Change in other postemployment benefits payable	<u>(13,465)</u>	(20,469)

Net effect of accrued interest on long-term debt (difference between amount accrued in prior year and current year accrual) 128,640

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		6,706,976
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The governmental funds report loan proceeds as an other financing source, while the loan amount increases liabilities in the statement of net assets: (6,477,462)

Change in net assets of governmental activities (pages 15-16)	\$ 114,477
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See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Net Assets

Proprietary Fund

September 30, 2012

	Water and Sewer Utility
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,215,450
Accounts receivable, net	3,350,269
Inventory	528,190
Net pension asset	104,611
Restricted assets:	
Cash and cash equivalents	1,603,506
Cash with fiscal agent	485,000
Total current assets	9,287,026
Noncurrent assets:	
Other investment	86,947
Capital assets:	
Capital assets not being depreciated	1,282,137
Capital assets being depreciated	86,721,432
Accumulated depreciation	(42,132,855)
Unamortized bond issue costs	160,022
Total noncurrent assets	46,117,683
Total assets	\$ 55,404,709
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,066,952
Contracts and retainage payable	12,569
Current portion of compensated absences payable	35,894
Current portion of capital appreciation bonds payable	485,000
Payable from restricted assets:	
Accrued interest	199,700
Current portion of note payable	69,933
Current portion of revenue bonds payable	265,000
Total current liabilities	2,135,048
Noncurrent liabilities:	
Customer deposits	1,166,879
Due to General Fund	1,230,561
Compensated absences payable	301,600
Other postemployment benefits payable	68,774
Revenue bonds payable, net of unamortized premium	9,626,252
Total noncurrent liabilities	12,394,066
Total liabilities	\$ 14,529,114
Net assets:	
Invested in capital assets, net of related debt	\$ 36,404,485
Restricted for debt service	968,872
Restricted for capital assets	100,000
Unrestricted	3,402,238
Total net assets	\$ 40,875,595

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year Ended September 30, 2012

	Water and Sewer Utility
Operating revenues	
Water revenues	\$ 6,331,293
Wastewater revenues	7,495,209
Other operating revenues	684,106
Total operating revenues	14,510,608
Operating expenses:	
Personal services	3,886,117
Operating expenses	4,394,631
Depreciation and amortization	2,623,611
Total operating expenses	10,904,359
Operating income	3,606,249
Nonoperating revenues (expenses)	
Investment revenues	94,951
Miscellaneous revenues	52,273
Interest expense and fiscal charges	(565,768)
Total nonoperating revenues (expenses)	(418,544)
Income before contributions and transfers	3,187,705
Capital contributions	979,989
Transfers out	(1,675,428)
Change in net assets	2,492,266
Net assets, beginning of year	38,383,329
Net assets, end of year	\$ 40,875,595

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows

Proprietary Fund

Year Ended September 30, 2012

	Water and Sewer Utility
Cash flows from operating activities	
Cash received from customers	\$ 13,942,226
Cash paid to suppliers for goods and services	(4,638,943)
Cash paid to employees for services	(3,888,027)
Other receipts	52,273
Net cash provided by operating activities	5,467,529
Cash flows from noncapital financing activity	
Transfers out	(1,675,428)
Net cash used in noncapital financing activity	(1,675,428)
Cash flows from capital and related financing activities	
Principal paid on promissory note	(821,026)
Principal paid on bonds	(825,000)
Interest paid on long-term debt	(534,735)
Acquisition and construction of capital assets	(3,768,284)
Proceeds from general fund advance	1,230,561
Capital contributions from customers	979,989
Net cash used in capital and related financing activities	(3,738,495)
Cash flows from investing activity	
Investment proceeds	19,709
Investment income	72,555
Net cash provided by investing activity	92,264
Net increase in cash and cash equivalents	145,870
Cash and cash equivalents, beginning of year	5,158,086
Cash and cash equivalents, end of year	\$ 5,303,956
Cash and cash equivalents per statement of net assets	
Unrestricted	\$ 3,215,450
Restricted	1,603,506
Cash with fiscal agent	485,000
Cash and cash equivalents, end of year	\$ 5,303,956

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Cash Flows (Continued)

Proprietary Fund

Year Ended September 30, 2012

	Water and Sewer Utility
Cash flows from operating activities	
Operating income	\$ 3,606,249
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,623,611
Provision for uncollectible accounts	(8,979)
Miscellaneous revenues	52,273
Change in operating assets and liabilities:	
Accounts receivable	(623,836)
Inventory	(187,504)
Net pension asset	(15,982)
Accounts payable and accrued liabilities	(56,808)
Compensated absences payable	7,537
Other postemployment benefits payable	6,535
Deposits	64,433
Total adjustments	1,861,280
Net cash provided by operating activities	\$ 5,467,529
Supplemental disclosure of noncash capital and related financing activities and investing activity	
Accrued interest on capital appreciation bonds	\$ 53,958
Amortization of premium on bonds	14,878
Amortization of bond issue costs	27,335
Unrealized gain on investments	22,396

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Fiduciary Net Assets

September 30, 2012

	Employee Pension Funds
Assets	
Cash and cash equivalents	\$ 1,257,752
Investments	
U.S. Government securities	96,476
U.S. Government agencies	380,690
Fixed income mutual fund	580,055
Mortgage and asset-backed securities	4,833,670
Corporate and foreign bonds	4,350,946
Domestic equity securities and mutual funds	11,047,024
Foreign equity securities and mutual funds	6,890,208
Real estate investment trusts	404,150
Precious metals exchange traded fund	166,733
Receivables:	
Interest and dividends	99,613
Total assets	\$ 30,107,317
Liabilities	
Accounts payable and accrued liabilities	\$ 38,874
DROP plan liability	502,795
Total liabilities	\$ 541,669
Net assets	
Net assets held in trust for pension benefits	\$ 29,565,648
Total net assets	\$ 29,565,648

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

Statement of Changes in Fiduciary Net Assets

Year Ended September 30, 2012

	Employee Pension Funds
Additions	
Contributions:	
Employer	\$ 2,328,205
Plan members	207,812
Total contributions	2,536,017
Investment income:	
Interest	360,303
Dividends	402,167
Net increase in fair value of investments	3,303,446
Investment expenses	(120,756)
Net investment income	3,945,160
Total additions	6,481,177
Deductions	
Administration	109,101
Benefits	1,187,074
Total deductions	1,296,175
Net increase in plan net assets	5,185,002
Net assets held in trust for pension benefits, beginning of year	24,380,646
Net assts held in trust for pension benefits, end of year	\$ 29,565,648

See notes to financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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 wastewater systems, sanitation, streets and roads, parks, recreation, and library. The Village Council (“The Council”) is responsible for legislative and fiscal control of the Village.

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

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

Financial Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

The Village reports the following major governmental fund:

General Fund

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

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.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the Village reports the following fund types:

Nonmajor Governmental Funds

Special Revenue Fund

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

Law Enforcement Fund - This fund accounts for proceeds from law enforcement forfeitures. Expenditures from this fund are made only 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 obligation debt reported in governmental activities in the statement of net assets. The Village has one debt service fund.

Fiduciary Funds

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

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

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

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Florida Prime (formerly known as the Local Government Investment Pool (“LGIP”) or Surplus Funds Trust Fund) and the LGIP Fund B, both administered by the Florida State Board of Administration (“SBA”); and investments with the Florida Municipal Investment Trust Fund (“FMIT”) administered by the Florida League of Cities. Cash balances and the requirements of all funds are considered in determining the amount to be invested.

Investments are reported at fair value, which is determined by using various third party pricing sources. The Florida Prime and FMIT investment pools are operated as “2a-7 like” pools and thus, the fair value of these investments is considered to be the same as the Village’s account balance (amortized cost) in the pool.

The SBA administers the Florida Prime and LGIP Fund B investments pursuant to Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of Florida Prime and LGIP Fund B.

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

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

b. Inventory

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

c. Unbilled Service Receivables

The Water and Sewer utility 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.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

e. Restricted Assets

The Village classifies certain amounts of pooled cash and investments as restricted assets because their use is primarily restricted for capital improvements, revenue bond covenant requirements, and monies held for customers as security deposits in the Water & Sewer Enterprise Fund.

f. Capital Assets

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

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

Capital assets of the enterprise fund are capitalized in the fund. The valuation basis for enterprise fund capital assets is 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 GAAP. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

f. Capital Assets (Continued)

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
Intangible assets	22-40 years
Software / library materials	3-5 years
Equipment and vehicles	3-20 years

The street network (pavement, drainage, sidewalks, and curbs) is not depreciated. The Village has elected to use the modified approach in accounting for its streets. The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The Village uses a pavement rating system to rate street condition and quantify the results of maintenance efforts. The condition rating of the Village's street system may be found on page 64.

g. Unearned / Deferred Revenue

Unearned revenue in the Governmental Activities and deferred revenue in the Governmental Funds includes amounts received in advance by the Village for business licenses and fees.

h. Compensated Absences

The Village's employees earn personal leave time based on their years of continual service as follows: 160 hours after 1 year; 200 hours after 6 years; 240 hours after 11 years; and 280 hours after 21 years. Personal leave may be used for vacation, illness and other time off as approved by the employee's supervisor. Employees may accumulate personal leave time up to a maximum number of hours based on years of service, but never more than 600 hours. Employees are also required to use a minimum number of hours of personal leave time annually based upon years of service, or forfeit the unused hours up to the minimum required to be used, however, employees may be compensated for unused personal leave, up to a maximum of 80 hours annually, if their unscheduled leave does not exceed certain limits each year. Upon termination, employees are compensated for accumulated personal leave at their rate of pay at termination, up to a maximum number of hours based on years of service, but never more than 600 hours.

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

i. Noncurrent Obligations

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

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

j. Fund Equity

Nature and Purpose of Fund Equity Classifications: In the fund financial statements, governmental funds report fund equity classifications that comprise a hierarchy based primarily on the extent to which the Village is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

- ❖ **Nonspendable** - Nonspendable fund balances include amounts that cannot be spent because they are either 1) not in spendable form; or, 2) legally or contractually required to be maintained intact.
- ❖ **Restricted** - Restricted fund balances include amounts that are restricted to specific purposes either by 1) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or, 2) imposed by law through constitutional provisions or enabling legislation.
- ❖ **Committed** - Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the Village Council through an ordinance or resolution. The Village had no committed fund balances.
- ❖ **Assigned** - Assigned fund balances include amounts that are constrained by the Village's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance are made by Village management based upon direction by the Village Council.
- ❖ **Unassigned** - Unassigned fund balances include amounts that are not assigned to other funds and have not been restricted, committed, or assigned to specific purposes.

The Village considers restricted fund balances to be spent when an expenditure is incurred for the restricted purpose. The Village considers committed, assigned or unassigned fund balances to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

Minimum Fund Balance Policy: The Village Council has not adopted a formal minimum fund balance policy. Generally, the Village strives to maintain sufficient General Fund fund balance to provide liquidity in the event of a budget shortfall or natural disaster.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

k. 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, including noncurrent advances, are reported as “due to/from other funds”. Any such balances outstanding between governmental activities and business-type activities in the government-wide financial statements are classified as “internal balances” and are subject to elimination in the government-wide financial statements.

l. 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 the appropriate requirements of State law. The assessed value of property within the corporate limits of the Village at January 1, 2011, upon which the 2011/2012 levy was based, was approximately \$599.3 million. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. Effective October 1, 2009 (fiscal year 2010) the Village transferred fire rescue services to Palm Beach County and the Palm Beach County Fire Rescue MSTU (municipal services taxing unit) taxes Village property owners 3.4581 mills per \$1,000 of taxable value. This millage rate is deducted from the Village’s legal millage rate limit of 10 mills, thereby limiting the 2011/2012 Village millage rate to 6.5419.

The tax levy of the Village is established by the Village Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Village’s millage into the total tax levy, which includes the County, County School Board, and Special District tax requirements. The operating millage rate assessed by the Village for the year ended September 30, 2012 was 3.500 (\$3.50 for each \$1,000 of assessed valuation) and the debt service millage was 0.956, for a total millage of 4.456. Taxes may be paid less a 4% discount in November or at a discount declining 1% each month through 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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Property Taxes (Continued)

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, 2012, unpaid delinquent taxes are not material and have not been recorded by the Village.

During 2007 the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. For the fiscal year ending September 30, 2012, the maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage change applied to the prior year (2010/2011) property tax revenue. The percentage change is calculated based on the compound annual growth rate in the per capita property taxes levied for five preceding fiscal years. The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus an adjustment for growth in per capita Florida personal income; 2) a two-thirds vote to adopt a rate equal to the adjusted current year roll back millage rate plus 10%; or, 3) any millage rate approved by unanimous vote or referendum. For the fiscal year ending September 30, 2012 the Village adopted an operating millage rate of 3.50, resulting in a total operating tax levy of \$2,097,676 for 2012, a decrease of approximately 2% from the property tax levy for 2011. Future legislation could have a significant impact on the future tax revenues of the Village and the current services provided to Village residents.

m. Use of Estimates

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

n. Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued new Statements effective in future years. Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the Village:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements 14 and 34*, modifying certain requirements for including of component

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

n. Recent Accounting Pronouncements (Continued)

units in the financial reporting entity. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into GASB authoritative literature certain accounting and financial reporting guidance included in pronouncements of the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA). The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and deferred inflows of resources, which relate to the consumption of net assets and an acquisition of net assets by the government that is applicable to a future reporting period. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and certain items that were previously reported as assets and liabilities and recognizes these items as outflows of resources or inflows of resources that were previously reported as assets and liabilities. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2014.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

n. Recent Accounting Pronouncements (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, provides accounting and financial reporting requirements for governments whose employees receive pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. The requirements of this statement will be effective for the Village for the fiscal year ending September 30, 2015.

NOTE 2. DEPOSITS AND INVESTMENTS

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

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 4,778,289	\$ 47,249	\$ 4,825,538
Business-type activities	5,303,956	86,947	5,390,903
Total statement of net assets	10,082,245	134,196	10,216,441
Fiduciary Funds	1,257,752	28,749,952	30,007,704
Total deposits and investments	\$ 11,339,997	\$ 28,884,148	\$ 40,224,145

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 eligible collateral with the Treasurer or another banking institution. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, the Village's deposits at year end are considered to be fully insured.

Investments

The Village has 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:

- The State Board of Administration Florida Prime Fund (formerly known as the Local Government Investment Pool (LGIP) or Local Government Surplus Funds Trust Fund);
- U.S. Government obligations and U.S. Government agency obligations;

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Investments of the General Employees' Pension Fund are limited to:

- a. Equities - Equities must be traded on a national exchange or electronic network; and not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company (this restriction does not apply to any single holding within a diversified pooled fund).
- b. Fixed Income - Fixed income investments shall have a minimum rating of investment grade or higher as reported by any Nationally Recognized Statistical Rating Organization (NRSRO); and the value of bonds issued by any single corporation shall not exceed 10% of the total fund (excluding issues from the U.S. government, or agency thereof; and this restriction does not apply to any single holding within a diversified pooled fund).
- c. Money Market - Money market funds or short-term investment fund ("STIF") options provided by the Plan's custodian must have a minimum rating of Standard & Poor's A1 or Moody's P1.
- d. Pooled Funds - Pooled funds may include mutual funds, commingled funds, and exchange-traded funds.

Investments of the Police Officers Pension Fund are limited to:

- a. Equities - Equities must be traded on a national exchange or electronic network; and not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company (this restriction does not apply to any single holding within a diversified pooled fund).
- b. Fixed Income - Fixed income investments shall have a minimum rating of investment grade or higher as reported by any Nationally Recognized Statistical Rating Organization (NRSRO); and the value of bonds issued by any single corporation shall not exceed 10% of the total fund (excluding issues from the U.S. government, or agency thereof; and this restriction does not apply to any single holding within a diversified pooled fund).
- c. Money Market - Money market funds or short-term investment fund ("STIF") options provided by the Plan's custodian must have a minimum rating of Standard & Poor's A1 or Moody's P1.
- d. Pooled Funds - Pooled funds may include mutual funds, commingled funds, and exchange-traded funds.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Village's cash and cash equivalents and investments at September 30, 2012 are as follows:

	Fair Value		
	Unrestricted	Restricted	Pension
Cash and cash equivalents:			
Petty cash	\$ 4,482	\$ -	\$ -
Deposits with financial institutions	7,922,942	2,087,458	227,375
Investment in State Board of Administration Florida Prime Fund	66,315	-	-
Florida Municipal Investment Trust Enhanced Cash Fund	-	1,048	-
Money market mutual funds	-	-	1,030,377
Total cash and cash equivalents	\$ 7,993,739	\$ 2,088,506	\$ 1,257,752
Other investment - LGIP Fund B	\$ 134,196	\$ -	\$ -
Pension fund investments:			
U.S. Government securities	-	-	96,476
U.S. Government agencies	-	-	380,690
Fixed income mutual fund	-	-	580,055
Mortgage and asset-backed securities	-	-	4,833,670
Corporate bonds	-	-	4,143,791
Foreign bonds	-	-	207,155
Domestic equity securities and mutual funds	-	-	11,047,024
Foreign equity securities and mutual funds	-	-	6,890,208
Real estate investment trusts	-	-	404,150
Precious metals exchange traded fund	-	-	166,733
Total investments	\$ 134,196	\$ -	\$ 28,749,952

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Village may not recover cash and investments held by another party in the event of a financial failure. The Village investment policy requires cash and investments to be fully insured or collateralized, or held in independent custodial safekeeping accounts in the name of the Village. At September 30, 2012 all investments were held by an independent custodian and were insured or collateralized, except the State Board of Administration investment pools and money market mutual funds which are considered *unclassified* pursuant to GASB Statement No. 3.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. For investments other than the Village pension funds, there is no specific policy for concentration of credit risk. In the Village pension funds, securities of a single issuer are limited to no more than 5% of the Plan's net assets invested in common stocks and debt securities. At September 30, 2012 two mutual fund investments of the Police Officers Pension Fund represented 10.3% and 13.0% of that Plan's net assets and one mutual fund investment of the General Employees' Pension Fund represented 12.0% of that Plan's net assets. Securities of a single issuer in each mutual fund are less than 5% of each Plan's net assets.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk: Credit risk is the risk that a debt issuer will not fulfill its obligations. The Village investment policy requires that pension investments in debt securities must be rated as investment grade (BBB or better) by a Nationally Recognized Statistical Rating Organization (NRSRO). The Florida Municipal Investment Trust, LGIP Fund B, money market mutual funds and fixed income mutual fund are not rated. The Village utilizes ratings from Standard and Poor's and Moody's Investor Services for its investments.

The NRSRO ratings for the Village's rated investments at September 30, 2012 are summarized as follows:

Investment Type	NRSRO Rating	Fair Value
State Board of Administration Florida Prime Fund	AAAm	\$ 66,315
Pension fund investments:		
U.S. Government securities	Not Rated	96,476
U.S. Government agencies	AA	380,690
Mortgage and asset-backed securities	AAA	1,089
Mortgage and asset backed securities	Not Rated	4,562,327
Mortgage and asset backed securities	AA	270,254
Corporate bonds	AA	152,036
Corporate bonds	A	3,286,548
Corporate bonds	BBB	705,207
Foreign bonds	A	207,155
Total		\$ 9,728,097

On November 29, 2007 the Board of Trustees of the State Board of Administration (SBA) closed the Local Government Surplus Funds Trust Fund (LGIP) to all redemptions by participants and restructured the LGIP investment portfolio. The LGIP was divided into two separate pools, the LGIP and Fund B representing approximately 86% and 14%, respectively, of the original LGIP assets. The LGIP was designated as the ongoing fund consisting of only short-term, money market assets of the highest quality and was re-opened on December 6, 2007 to accept new deposits from participants and allow restricted withdrawals. On July 1, 2009 the SBA changed the name of the LGIP to Florida Prime which continues to operate as a "2a7-like" external investment pool.

Fund B retained all securities from the original LGIP that had defaulted, were in default or had extended payment terms or potentially elevated credit risk. Fund B remains closed to deposits and withdrawals and is generally expected to hold all assets to their ultimate maturity and distribute funds to participants as they become available. The Fund B investment is recorded at fair value based on the net asset value of the Fund B assets reported by the SBA. At September 30, 2012 the Fund B investments had a net asset value approximating 94.9% of participant balances. The ultimate realizable value of the LGIP Pool B investment cannot be determined at this time, however, it is the opinion of management based upon consultation with the SBA that the amount of loss, if any, will not adversely affect the services provided by the Village. Additional information on the current status of the LGIP and Fund B may be obtained from the State Board of Administration.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The table below summarizes the scheduled maturities of fixed income investment securities at September 30, 2012.

Investment Type	Fair Value of Investment Maturities			
	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Pension fund investments:				
U.S. Government securities	\$ 91,249	\$ 5,227	\$ -	\$ -
U.S. Government agencies	-	380,690	-	-
Mortgage and asset-backed securities	-	272,643	852,037	3,708,990
Corporate bonds	-	1,135,695	3,008,096	-
Foreign bonds	-	-	207,155	-
Total	\$ 91,249	\$ 1,794,255	\$ 4,067,288	\$ 3,708,990

The SBA Florida Prime fund had a weighted average maturity of 39 days at September 30, 2012. The weighted average maturity of the Fund B investment was 4.08 years at September 30, 2012, however, because Fund B consists entirely of restructured and defaulted securities there is considerable uncertainty regarding the ultimate maturity of the investments. The average maturity of the fixed income mutual fund was 9.5 years at September 30, 2012.

The value, liquidity, and related income of certain securities with contractual cash flows, such as mortgage and asset-backed securities, collateralized mortgage obligations, commercial mortgage backed securities and mutual funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk in the Village's investments at September 30, 2012.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 3. RECEIVABLES

Receivables at September 30, 2012 are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts and other receivables	\$ 573,072	\$ 3,418,367	\$ 3,991,439
Intergovernmental and grants	299,115	-	299,115
Gross receivables	872,187	3,418,367	4,290,554
Less: allowance for uncollectible accounts	-	(68,098)	(68,098)
Net receivables	\$ 872,187	\$ 3,350,269	\$ 4,222,456

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 372,421	\$ -	\$ -	\$ 372,421
Infrastructure	4,121,761	-	-	4,121,761
Construction in progress	-	63,800	-	63,800
Total capital assets not being depreciated	4,494,182	63,800	-	4,557,982
Capital assets being depreciated:				
Buildings	9,219,655	-	-	9,219,655
Improvements other than buildings	1,987,829	35,885	-	2,023,714
Machinery and equipment	3,272,766	258,388	(84,712)	3,446,442
Library materials and software	648,254	46,098	(89,985)	604,367
Total capital assets being depreciated	15,128,504	340,371	(174,697)	15,294,178
Less accumulated depreciation for:				
Buildings	(1,798,435)	(242,368)	-	(2,040,803)
Improvements other than buildings	(644,101)	(97,884)	-	(741,985)
Machinery and equipment	(2,242,193)	(316,918)	84,712	(2,474,399)
Library materials and software	(481,694)	(48,510)	89,985	(440,219)
Accumulated depreciation	(5,166,423)	(705,680)	174,697	(5,697,406)
Governmental activities capital assets, net	\$ 14,456,263	\$ (301,509)	\$ -	\$ 14,154,754

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 4. CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 364,217	\$ -	\$ -	\$ 364,217
Construction in progress	629,590	850,370	(562,040)	917,920
Total capital assets not being depreciated	993,807	850,370	(562,040)	1,282,137
Capital assets being depreciated:				
Buildings	3,043,449	81,343	-	3,124,792
Improvements other than buildings	69,313,137	2,968,169	-	72,281,306
Intangible assets	7,183,533	-	-	7,183,533
Equipment and software	3,859,118	436,941	(164,258)	4,131,801
Total capital assets being depreciated	83,399,237	3,486,453	(164,258)	86,721,432
Less accumulated depreciation for:				
Buildings	(2,132,812)	(57,385)	-	(2,190,197)
Improvements other than buildings	(29,122,784)	(2,101,610)	-	(31,224,394)
Intangible assets	(5,805,035)	(212,344)	-	(6,017,379)
Equipment and software	(2,633,707)	(224,937)	157,759	(2,700,885)
Accumulated depreciation	(39,694,338)	(2,596,276)	157,759	(42,132,855)
Business-type activities capital assets, net	\$ 44,698,706	\$ 1,740,547	\$ (568,539)	\$ 45,870,714

Depreciation expense for the year ended September 30, 2012 was charged to functions as follows:

Governmental Activities:	
General government	\$ 180,896
Public safety	249,098
Physical environment	33,218
Transportation	62,744
Culture and recreation	179,724
Total depreciation expense- Governmental activities	\$ 705,680
Business-type activities:	
Water & Sewer	\$ 2,596,276

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 5. LONG-TERM DEBT

Changes in Long-Term Debt

Changes in long-term debt for the year ended September 30, 2012 are summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,570,000	\$ -	\$ (6,570,000)	\$ -	\$ -
General obligation note	-	6,477,462	(136,976)	6,340,486	258,689
Compensated absences	624,387	590,574	(576,480)	638,481	74,353
Total Governmental Activities	\$ 7,194,387	\$ 7,068,036	\$ (7,283,456)	\$ 6,978,967	\$ 333,042
Business-type activities:					
Promissory note	\$ 890,959	\$ -	\$ (821,026)	\$ 69,933	\$ 69,933
Capital appreciation bonds	1,001,042	53,958	(570,000)	485,000	485,000
Revenue bonds, series 2003A	9,840,000	-	(255,000)	9,585,000	265,000
Compensated absences	329,957	251,494	(243,957)	337,494	35,894
Total Business-type Activities	\$12,061,958	\$ 305,452	\$ (1,889,983)	10,477,427	\$ 855,827
Unamortized premium on revenue bonds	321,130	-	(14,878)	306,252	
Net Business-type Activities	\$12,383,088	\$ 305,452	\$ (1,904,861)	\$10,783,679	

Governmental Activities

The governmental activities long-term debt consisted of the following for the year ended September 30, 2012:

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

The general obligation bonds represent the Village's portion of the Florida Municipal Loan Council Revenue Bonds, Series 2002A. Interest of 3.25% to 5.50% was payable on May 1 and November 1. On February 24, 2012, the outstanding bonds were fully refunded using the proceeds of the \$6,477,725 promissory note dated February 24, 2012.

\$6,477,462 General Obligation Note

The note payable is a \$6,477,462 Promissory Note dated February 24, 2012. From February 24, 2012 to February 1, 2032, the outstanding principal amount will bear interest at 2.39% and will be repaid in bi-annual installments of \$204,346, including interest. The note is secured by the full faith, credit and taxing power of the Village. The proceeds of the Note were used for a current refunding of the outstanding general obligation bonds. The reacquisition price of the bonds was not materially different from the net carrying amount and, accordingly, there was no loss on the refunding. The refunding reduced the Village's debt service payments by approximately \$2.2 million and resulted in an economic gain of approximately \$100,000.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 5. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Annual debt service requirements to maturity on the note are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 258,689	\$ 150,002	\$ 408,691
2014	264,910	143,781	408,691
2015	271,278	137,413	408,691
2016	277,800	130,891	408,691
2017	284,480	124,211	408,691
2018-2022	1,528,342	515,113	2,043,455
2023-2027	1,721,120	322,335	2,043,455
2028-2032	1,733,866	105,243	1,839,109
Total	\$ 6,340,485	\$ 1,628,989	\$ 7,969,474

General obligation debt and compensated absences of the governmental activities are typically liquidated by the Debt Service Fund and the General Fund, respectively.

Business-Type Activities

The business-type activities long-term debt is secured by a pledge of and lien on the net revenues derived from the operation of the water and sewer system and consisted of the following for the year ended September 30, 2012:

\$7,244,700 Promissory Note

The Promissory Note was issued December 14, 2001 and due in monthly installments of \$70,165, including interest at 4.05%, through maturity on October 1, 2012. The final payment of \$70,165 due October 1, 2012 includes principal of \$69,933 and interest of \$232.

\$1,209,857 Capital Appreciation Revenue Bonds, Series 1988

The Series 1988 Bonds were originally due in annual installments of \$485,000 to \$685,000 from April 1, 2005 through October 1, 2012, with interest at 7.75% to 8.25% accrued semi-annually on April 1 and October 1 of each year. The final payment of \$485,000 due October 1, 2012 includes the original principal amount plus accrued interest accreted through maturity.

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

These 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.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 5. LONG-TERM DEBT (Continued)

Business-Type Activities: (Continued)

Annual debt service requirements to maturity for the Series 2003A Bonds are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$	\$ 478,724	\$ 743,724
2014	280,000	464,812	744,812
2015	295,000	450,112	745,112
2016	310,000	434,626	744,626
2017	325,000	418,350	743,350
2018-2022	1,905,000	1,817,384	3,722,384
2023-2027	2,420,000	1,306,426	3,726,426
2028-2032	3,075,000	653,750	3,728,750
2033	710,000	35,500	745,500
Total	\$ 9,585,000	\$ 6,059,684	\$ 15,644,684

The provisions of the water and sewer revenue debt resolutions differ in some respects, but generally provide for:

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

At September 30, 2012 the Village was in compliance with its bond covenants.

Utility Pledged Revenues

The Village has pledged the future net revenues (generally customer revenues, net of specified operating expenses) of the water and sewer utility to repay the outstanding note and revenue bonds issued from 1988 through 2003 to finance improvements to the system. The note and bonds are payable solely from the utility net revenues and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 45 percent of utility net revenues.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 5. LONG-TERM DEBT (Continued)

Business-Type Activities: (Continued)

Utility Pledged Revenues (Continued)

Total principal and interest remaining to be paid on the note and bonds is \$16,199,849. Principal and interest paid for the current year and utility net revenues available for debt service (as defined by the bond ordinances) were \$2,180,761 and \$7,357,073, respectively.

Interest Expense and Arbitrage

Total interest costs incurred and paid on all Village debt for the year ended September 30, 2012 were \$369,276 and \$497,916 for governmental activities and \$553,623 and \$534,735, respectively, for business-type activities.

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

NOTE 6. OBLIGATION UNDER UTILITY AGREEMENTS AND INTANGIBLE RIGHTS

The Village entered into two contracts dated January 1, 1978, with the City of Lake Worth (the "City"), providing that the City supply the Village's 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, its existing water and wastewater facilities. The Village was obligated to pay the City its pro rata share (based on water and wastewater reserved capacity) of the debt service of these loans until October 31, 2006 when the loans were paid in full.

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

The Series R Loan was originally issued by the City on July 1, 1985, at a face value of \$8,520,000. The loan matured in varying amounts through July 1, 2006. The Village's pro rata share of the loan was 37.04%. The present value (discounted at the same rate as the Series R Loan) of the Village's obligation to the City was \$4,245,610 at issuance. Intangible water and sewer rights were recorded at the same amount. On November 1, 1989, the City issued \$10,300,000 Refunding Revenue Bonds, Series 1989, part of which was used to refund the Series R Bonds and to improve the existing facilities. 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 (the remaining contract term).

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 6. OBLIGATION UNDER UTILITY AGREEMENTS AND INTANGIBLE RIGHTS

(Continued)

obligation and intangible rights increased \$353,610 and the maturity date was extended to October 31, 2006. The amendment also required the Village to pay 120% (previously 133% and 125% for the Series E and Series R Bonds, respectively) of its pro rata share of the debt service (20% of which was to fund renewal and replacement). The additional intangible rights are being amortized over 22 years (the remaining term of the amended contract). At September 30, 2012, the combined intangible rights had a net book value of \$1,166,154 and were recorded with capital assets. All outstanding obligations under the utility agreements were paid at maturity on October 31, 2006.

NOTE 7. INTERFUND TRANSACTIONS

Interfund balances and transfers as of and for the year ended September 30, 2012 were as follows:

	Due From Other Funds	Due To Other Funds	Transfers in	Transfers Out
Governmental Activities:				
General Fund	\$ 1,230,561	\$ -	\$ 1,675,428	\$ -
Nonmajor governmental fund	-	-	138,209	138,209
Business-type Activities:				
Enterprise Fund	-	1,230,561	-	1,675,428
Total	\$ 1,230,561	\$ 1,230,561	\$ 1,813,637	\$ 1,813,637

The interfund balance consists of an interfund advance from the General Fund to the Water and Sewer Fund to finance the cost of certain capital improvements to the Water and Sewer system. The advance must be repaid in the year ending September 30, 2014 with interest at 1.3% per annum. Transfers include payments in lieu of taxes of \$1,675,428 that are not payments for services.

NOTE 8. ENTERPRISE FUND RESTRICTED ASSETS AND RESERVES

Restricted assets of the enterprise fund at September 30, 2012 include amounts restricted for debt service and plant renewal and replacement under the terms of the outstanding revenue bonds, and unused bond proceeds. Restricted resources are used first to fund expenses incurred for restricted purposes. The following is a summary of the restricted assets at September 30, 2012:

	Restricted Assets
Utility Debt Service	\$ 1,502,458
Renewal and Replacement	100,000
Cash with fiscal agent	485,000
Unused proceeds from 2003 bonds	1,048
Total	\$ 2,088,506

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 8. ENTERPRISE FUND RESTRICTED ASSETS AND RESERVES (Continued)

The provisions of the water and wastewater 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, 2012 and the reserve requirements have been met for the water and wastewater bonds. The Village is also required to establish a reserve for renewal and replacement of water and wastewater facilities. The required reserve is 5% of the preceding year's revenue up to a maximum of \$100,000. The Village has a reserve of \$100,000 at September 30, 2012 which meets this legal requirement.

NOTE 9. PENSION PLANS

Village Pension Plans

The Village sponsored two separate single employer defined benefit plans for 2012: the Village of Palm Springs Police Officers Pension Plan covering all Village police officers hired prior to July 1, 2010; and, the Village of Palm Springs General Employees' Pension Plan, covering substantially all other full-time Village employees hired prior to July 1, 2010. During 2010 the Village adopted ordinances closing both Plans to new members effective June 30, 2010. Participants in the Plans were given the option to remain in their respective Plan or to join the Florida Retirement System (FRS) effective July 1, 2010. Both closed Plans are reported as pension trust funds and are included as part of the Village's reporting entity. Employees hired after June 30, 2010 are required to participate in FRS.

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 and beneficiaries of the Plan in accordance with the terms of each plan document. The costs of administering each Plan are paid by the pension fund. Plan provisions are established by and may be amended by the Village Council. Village contribution requirements, including the net pension obligation, are determined by each Plan's actuary and are paid by the General Fund. Employee contribution requirements are determined by the Village Council. There are no legal or contractual maximum contribution rates. 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 the terms of the Plan.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being approved for use for funding purposes. The State typically collects a locally authorized insurance premium surcharge for the Police Officers Pension Plan on casualty insurance policies within the corporate limits of the Village, however the State contribution of these funds ceased when the Village closed the plan to new members on June 30, 2010.

Investments are reported at fair value and are managed by third party money managers. Short-term investments are reported at cost, which approximates fair value. The Village's independent custodians and individual money managers determine the fair value of securities, which is generally based upon the mean of the most recent bid and ask prices of each instrument using various third party pricing sources. At September 30, 2012 two investments of the Police Officers Pension Fund represented 10.3% and 13.0% of that Plan's net assets and one investment of the General Employees' Pension Fund represented 12.0% of that Plan's net assets.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 9. PENSION PLANS (Continued)

The following summary of the significant provisions of each Plan was obtained from the respective actuarial reports and Village information for the two pension plans as of October 1, 2011 (the latest actuarial valuation date):

	General Employees	Police Officers	
Accounting Policies and Plan Assets:			
Authority	Village Ordinance	Village Ordinance/State Statute	
Basis of Accounting	Accrual	Accrual	
Asset Valuation			
Reporting	Fair Value	Fair Value	
Actuarial Valuation	5-year smoothed market	4-year smoothed market	
Legal Reserves	None	None	
Long-Term Receivable	None	None	
Internal/Participant Loans	None	None	
Membership and Plan Provisions:			
Members:			
Active Participants	65	24	
Retirees and Beneficiaries	39	21	
Terminated Vested	44	17	
Normal Retirement Benefits:			
Retirement Age	62	Option 1	Option 2
Years of Service (minimum)	5	50	55
Accrual	2.5%	15	10
Maximum	62.5%	3.0%	3.0%
Years to Vest	10	None	None
Deferred Retirement Option Plan	10	15	10
	Not available	Eligible at normal retirement age	
Contributions:			
Actuarial Rate			
Village	28.6%	64.0%	
State	None	None	
Participants	3.00%	6.60%	
Annual Pension Cost	\$730,678	\$1,019,025	
Contribution Made	\$763,780	\$1,008,995	
Actuarial Valuation:			
Frequency	Annual	Annual	
Latest Valuation	10/1/11	10/1/11	
Basis for Contribution	10/1/09	10/1/09	
Cost Method	Entry age	Entry age	
Amortization:			
Method	Level dollar	Level dollar	
Period	15-25 years	9 years	
Open/Closed	Closed	Closed	

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 9. PENSION PLANS (Continued)

	General Employees	Police Officers
Assumptions:		
Investment Earnings (with inflation)	8.0% / year	8.0% / year
Salary Increases (with inflation)	4.6% - 8.3% / year	5.0% - 8.0% / year
Inflation	4.5% / year	5.0% / year
Cost of living adjustments	3.0%	3.0%
Mortality Rates	1983 Group Annuity Mortality Table	RP-2000 Mortality Table with Blue Collar Adjustment

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension asset for the General Employees and Police Officers Pension Plans for the most recent valuation as of October 1, 2011 were as follows:

	General Employees	Police Officers
Annual required contribution (ARC)	\$ 718,424	\$ 1,008,995
Interest on net pension asset	(14,685)	(21,790)
Adjustment to ARC	26,939	31,820
Annual pension cost (APC)	730,678	1,019,025
Village contribution	763,780	1,008,995
Increase (decrease) in net pension asset	33,102	(10,030)
Net pension asset, beginning of year	183,563	272,375
Net pension asset, end of year	\$ 216,665	\$ 262,345

Trend Information

The current funded status and funding progress for the defined benefit pension plans is as follows:

Funded Status and Funding Progress						
Date of Actuarial Valuation October 1	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General Employees:						
2011	\$ 13,770,643	\$ 16,450,638	\$ 2,679,995	83.7%	\$ 2,809,429	95.4%
Police Officers:						
2011	\$ 13,028,272	\$ 19,591,613	\$ 6,563,341	66.5%	\$ 1,850,308	354.7%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits. Three-year trend information for the two defined benefit pension plans is as follows:

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 9. PENSION PLANS (Continued)

Trend Information (Continued)

Three-Year Trend Information				
	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
General Employees:	9/30/10	\$ 977,165	102%	\$ 98,683
	9/30/11	1,024,764	109%	183,563
	9/30/12	730,678	106%	216,665
Police Officers:	9/30/10	\$ 1,019,621	101%	\$ 282,788
	9/30/11	963,407	100%	272,375
	9/30/12	1,019,025	99%	262,345

Pension Plan Financial Statements

The General Employees' Pension Plan and the Police Officers Pension Plan do not issue stand-alone GAAP financial reports. Accordingly, the Village is required to present separate financial statements for each Plan in the notes to the financial statements. Financial statements for the General Employees' Pension Plan and the Police Officers Pension Plan as of and for the year ended September 30, 2012 are as follows:

Statements of Plan Net Assets		
	General Employees	Police Officers
Assets		
Cash and cash equivalents	\$ 674,195	\$ 583,557
Investments:		
U.S. Government securities	40,555	55,921
U.S. Government agencies	-	380,690
Fixed income mutual fund	580,055	-
Mortgage and asset-backed securities	2,340,272	2,493,398
Corporate and foreign bonds	1,914,311	2,436,635
Domestic equity securities and mutual funds	6,239,675	4,807,349
Foreign equity securities and mutual funds	2,672,661	4,217,547
Real estate investment trusts	239,953	164,197
Precious metals exchange traded fund	166,733	-
Interest and dividends receivable	41,523	58,090
Total assets	14,909,933	15,197,384
Liabilities		
Accounts payable and accrued liabilities	20,117	18,757
DROP plan liability	-	502,795
Total liabilities	20,117	521,552
Net assets held in trust for pension benefits	\$ 14,889,816	\$ 14,675,832

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 9. PENSION PLANS (Continued)

Pension Plan Financial Statements (Continued)

Statements of Changes in Plan Net Assets		
	General Employees	Police Officers
Additions		
Contributions:		
Employer	\$ 939,845	\$ 1,388,360
Plan members	92,223	115,589
Total contributions	1,032,068	1,503,949
Investment income:		
Interest	157,039	203,264
Dividends	194,604	207,563
Net increase in fair value of investments	1,898,054	1,405,392
Investment expenses	(71,363)	(49,393)
Net investment income	2,178,334	1,766,826
Total additions	3,210,402	3,270,775
Deductions		
Administration	50,645	58,456
Benefits	466,659	720,415
Total deductions	517,304	778,871
Net increase in plan net assets	2,693,098	2,491,904
Net Assets - October 1, 2011	12,196,718	12,183,928
Net Assets - September 30, 2012	\$ 14,889,816	\$ 14,675,832

Florida Retirement System

All regular, full-time employees of the Village, including police officers, hired after June 30, 2010 are required to participate in the Florida Retirement System (“FRS”) administered by the Florida Department of Management Services, Division of Retirement. FRS is a cost-sharing, multiple-employer, defined benefit public employee retirement system that provides retirement, death and disability benefits to plan members and beneficiaries. Pension benefits of FRS are established by Florida Statutes, Chapter 121, and may be amended by the Florida Legislature. Members are required to contribute 3.0% to FRS. The Village is required to contribute at the FRS actuarially determined rate, which is 5.18% for regular class employees; 14.90% for special risk employees (police officers); and, 10.23% for elected officials for the twelve months ending June 30, 2013. The contribution requirements for FRS members and participating governments are established by State statute. The Village’s contributions to FRS for the year ended September 30, 2012 were \$265,951 and were equal to the required contributions.

FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-1560, by calling the Division of Retirement at 1-850-488-6491, or on-line at http://www.dms.myflorida.com/human_resource_support/retirement.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Village administers a single-employer defined benefit health care plan (the "Plan") that provides health care benefits to eligible retired employees and their beneficiaries. The Village Council has the authority to establish and amend the premiums for and the benefit provisions of the Plan. The Plan is financed on a "pay-as-you-go" basis and is not administered as a formal qualifying trust. The Plan does not issue a publicly available financial report. The Village follows GASB Statement No. 45 ("Statement 45") for financial reporting and disclosure of other postemployment benefits ("OPEB") provided under the Plan. The Village set their net OPEB obligation at zero as of the beginning of its transition year ended September 30, 2009 and applied the measurement and recognition requirements of Statement 45 on a prospective basis.

Funding Policy

The Village is required by Florida Statute 112.0801 to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the Plan from separately rating retirees and active employees. The Plan therefore charges both groups an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. Plan members receiving benefits contribute 100% of the monthly premium ranging from a minimum of \$125 to a maximum of \$225.

Annual OPEB Cost and Net OPEB Obligation

The annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2012 were based on an actuarial valuation as of October 1, 2011, and are summarized as follows:

Annual required contribution	\$	29,000
Interest on net OPEB obligation		5,000
Adjustment to annual required contribution		(10,000)
Annual OPEB cost		24,000
Contributions made		(4,000)
Increase in net OPEB obligation		20,000
Net OPEB obligation, beginning of year		137,000
Net OPEB obligation, end of year	\$	157,000

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Comparative trend data for prior years is as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2010	\$ 23,000	\$ 12,000	52.2%	\$ 186,039
9/30/2011	24,000	4,000	16.7%	137,000
9/30/2012	24,000	4,000	16.7%	157,000

Funded Status and Funding Progress

The Plan is financed on a pay-as-you-go basis and was not funded for the year ended September 30, 2012. The net OPEB obligation will be liquidated by the General and Water and Sewer Utility Funds. A schedule of funding progress based on an actuarial valuation as of October 1, 2011, is presented below.

Date of Actuarial Valuation October 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	\$ 0	\$ 567,000	\$ 567,000	0.0%	\$ 8,165,000	6.9%
2010	0	165,000	165,000	0.0%	7,372,000	2.2%
2011	0	172,000	172,000	0.0%	7,818,000	2.2%

The schedule of funding progress presents multi-year trend information that shows whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial liability for benefits. The Village has not contributed assets to the Plan at the present time.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for the Plan as of October 1, 2011, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after nine years. Both rates included a 2.75% inflation assumption. The actuarial value of assets is determined using fair value. The UAAL is amortized as a level dollar payment on a closed basis. The remaining amortization period is 15 years.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage and changes in marital status, could result in actual costs being greater or less than estimated.

The actuarial assumptions for the year ended September 30, 2011 included the following changes from prior years:

1. The assumed discount rate was decreased from 5.0% to 4.0%.
2. The morbidity rate was decreased from 3.0% to 1.5%.
3. The annual healthcare inflation assumption was changed from 8.5% graded down to an ultimate annual healthcare inflation rate of 6.0%; to 10.0% graded down to 5.0%.

The net effect of these changes in the actuarial assumptions was to decrease the net OPEB obligation by approximately \$69,000. Trend data for the Plan has been restated accordingly.

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 \$200,000 and \$300,000 in the aggregate for all claims arising October 1, 2011 and thereafter, and \$100,000/\$200,000 for claims arising prior to October 1, 2011.

There were no significant reductions in insurance coverage from coverage in the prior year. There were no settlements in excess of coverage in the years ended September 30, 2012, 2011, and 2010.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Grants

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

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Contract Commitments

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

	Total Project Authorization	Expended through September 30, 2012	Retainage Payable September 30, 2012	Balance to Complete
Task #101 – Force Main to PBC	\$ 80,800	\$ 54,050	\$ -	\$ 26,750
Task #120 – Rehab Strawberry Fields, Marlboro Ct, & Estates of LCS Lift Stations	734,350	473,453	12,569	248,328
Task #121 – PBC Utility Exchange	315,276	300,501	-	14,775
Task #123 – Water Line 39 th Ave S	15,328	11,644	-	3,684
Task #126 – Donald Rd Gravity Sewer	55,000	3,750	-	51,250
Task #127 – Barbridge W/S Improvement	66,685	53,184	-	13,501
Task #128 – 47 th Ave. S. Water Main	26,250	13,650	-	12,600
	\$ 1,293,689	\$ 910,232	\$ 12,569	\$ 370,888

Contingencies

City of Lake Worth

During the fiscal year ended September 30, 2006, the City of Lake Worth (the “City”) provided the Village with an independent report indicating that the Renewal and Replacement Reserve Account for the Lake Worth Regional Water Systems (the “Regional System”) was underfunded in prior years and that the Village’s allocable share of the underfunded amount was \$2,649,879. From 2007 through 2010, the City billed the Village \$382,064 for renewal and replacement contributions, none of which has been paid by the Village.

In December 2010 the City filed a lawsuit against the Village and six other municipal and State participants in the Regional System seeking payment of renewal and replacement charges totaling \$13 million. The Village and its legal counsel believe they are not liable for any underfunded amount under the contract with the City and that the Village has met all contractual obligations for funding the Regional System. The Village and the other defendants requested that the Auditor General for the State of Florida conduct an examination of the Regional System and determine the amount, if any, of renewal and replacement charges that each participant owes to the City.

The Auditor General completed an examination of the Regional System in 2012 and issued a report indicating that the Village was under-billed approximately \$47,000 for the fiscal years 2005 through 2011. The Village contends that the under-billing of approximately \$47,000 determined by the Auditor General represents the maximum amount owed to the City, but is continuing to negotiate with the City on a final settlement. At September 30, 2012 the Village has accrued approximately \$700,000 for all potential amounts the Village may owe to the City of Lake Worth for the Regional System. The ultimate outcome of this matter and any liability of the Village under the contract are not presently determinable.

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (Continued)

Other Litigation

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund

Year Ended September 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
Ad valorem taxes	\$ 2,088,787	\$ 2,088,787	\$ 2,011,839	\$ (76,948)
Franchise fees	1,086,200	1,086,200	991,051	(95,149)
Utility service taxes	2,142,731	2,142,731	2,060,461	(82,270)
Business taxes	241,750	251,750	273,306	21,556
Total taxes	5,559,468	5,569,468	5,336,657	(232,811)
Licenses and permits:				
Building permits	215,458	215,458	167,108	(48,350)
Other permits and licenses	720	720	1,180	460
Total licenses and permits	216,178	216,178	168,288	(47,890)
Intergovernmental:				
State revenue sharing	553,830	553,830	496,719	(57,111)
Alcoholic beverage licenses	14,500	14,500	9,836	(4,664)
Municipal fuel tax refund	8,200	8,200	8,660	460
Local option gas tax	326,013	326,013	328,795	2,782
County occupational licenses	35,000	35,000	42,036	7,036
Half-cent sales tax	1,239,358	1,239,358	1,247,855	8,497
Grant revenue	252,282	454,723	452,798	(1,925)
Other intergovernmental revenue	91,854	91,854	72,784	(19,070)
Total intergovernmental	2,521,037	2,723,478	2,659,483	(63,995)
Charges for services:				
General government	76,900	76,900	131,650	54,750
Public safety	271,443	271,443	334,290	62,847
Physical environment	913,472	913,472	883,230	(30,242)
Leisure services	349,750	359,250	354,089	(5,161)
Nonresident fees	13,500	13,500	11,485	(2,015)
Total charges for services	1,625,065	1,634,565	1,714,744	80,179
Fines and forfeitures:				
Judgements and fines	253,300	253,300	283,744	30,444
Red light traffic fines	100,000	175,000	341,003	166,003
Other	94,000	94,000	97,811	3,811
Total fines and forfeitures	447,300	522,300	722,558	200,258
Contributions and donations	10,500	10,500	15,163	4,663

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Miscellaneous:				
Interest revenue	\$ 14,000	\$ 14,000	\$ 25,969	\$ 11,969
Miscellaneous revenue	5,000	5,000	43,991	38,991
Facility rental	244,780	244,780	248,207	3,427
Total miscellaneous	263,780	263,780	318,167	54,387
Total revenues	10,643,328	10,940,269	10,935,060	(5,209)
Other financing source				
Transfer in	1,675,428	1,675,428	1,675,428	-
Other sources				
Subsequent year appropriation	193,386	198,954	0	(198,954)
Total revenues and other financing source	\$ 12,512,142	\$ 12,814,651	\$ 12,610,488	\$ (204,163)
Expenditures				
General government:				
Legislative:				
Personal services	\$ 47,643	\$ 47,643	\$ 47,206	\$ 437
Operating	57,510	57,510	41,486	16,024
Nonoperating	127,000	99,953	4,000	95,953
Total legislative	232,153	205,106	92,692	112,414
Executive:				
Personal services	657,349	657,349	644,192	13,157
Operating	35,156	35,156	15,455	19,701
Capital outlay	11,200	11,200	1,121	10,079
Total executive	703,705	703,705	660,768	42,937
Financial administration:				
Personal services	447,316	448,166	438,049	10,117
Operating	21,081	20,231	16,322	3,909
Capital outlay	3,000	3,000	2,672	328
Total financial administration	471,397	471,397	457,043	14,354
Legal:				
Operating	112,500	112,500	106,169	6,331
Other general government:				
Personal services	11,000	43,482	41,293	2,189
Operating	257,351	221,869	193,975	27,894
Capital outlay	9,000	12,000	11,994	6
Total other general government	277,351	277,351	247,262	30,089
Total general government	1,797,106	1,770,059	1,563,934	206,125

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public safety:				
Land development:				
Personal services	\$ 411,973	\$ 417,590	\$ 399,203	\$ 18,387
Operating	84,127	82,683	64,964	17,719
Capital outlay	16,500	12,327	4,863	7,464
Total land development	512,600	512,600	469,030	43,570
Law enforcement:				
Personal services	5,837,989	6,024,922	5,994,146	30,776
Operating	550,200	571,665	549,331	22,334
Capital outlay	89,000	189,090	189,088	2
Total law enforcement	6,477,189	6,785,677	6,732,565	53,112
Total public safety	6,989,789	7,298,277	7,201,595	96,682
Physical environment:				
Sanitation services:				
Operating	860,316	860,316	857,942	2,374
Total physical environment	860,316	860,316	857,942	2,374
Transportation:				
Personal services	566,694	566,694	523,745	42,949
Operating	461,104	374,604	342,617	31,987
Capital outlay	59,500	146,000	109,125	36,875
Total transportation	1,087,298	1,087,298	975,487	111,811
Culture/recreation:				
Library:				
Personal services	565,482	565,362	560,305	5,057
Operating	106,301	113,679	103,716	9,963
Capital outlay	44,000	42,310	41,642	668
Total library	715,783	721,351	705,663	15,688
Leisure services:				
Personal services	608,812	610,062	597,595	12,467
Operating	354,338	374,063	363,379	10,684
Capital outlay	44,000	37,025	37,006	19
Total leisure services	1,007,150	1,021,150	997,980	23,170

Continued

VILLAGE OF PALM SPRINGS, FLORIDA

Budgetary Comparison Schedule

General Fund (Continued)

Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Special events:				
Operating	\$ 54,700	\$ 56,200	\$ 53,329	\$ 2,871
Total culture/recreation	1,777,633	1,798,701	1,756,972	41,729
Total expenditures	\$ 12,512,142	\$ 12,814,651	12,355,930	\$ 458,721
Other financing use				
Transfer out	-	-	138,209	138,209
Total expenses and other financing use	\$ 12,512,142	\$ 12,814,651	\$ 12,494,139	\$ 596,930
Net change in fund balance			116,349	
Fund balance, beginning of year			6,398,478	
Fund balance, end of year			\$ 6,514,827	

VILLAGE OF PALM SPRINGS, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2012

NOTE 1. BUDGETARY ACCOUNTING

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

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

The adopted budgets are prepared on the modified accrual basis in accordance with U.S. generally accepted accounting principles. The reported budgetary data represents the final appropriated budget after amendments adopted by the Council. Supplemental appropriations of \$302,509 were needed for costs incurred for various departmental operating expenses and capital outlay for the year ended September 30, 2012, increasing the original general fund budget from \$12,512,142 to \$12,814,651. 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, 2012.

VILLAGE OF PALM SPRINGS, FLORIDA

CONDITION RATING OF THE VILLAGE'S STREET SYSTEM

SEPTEMBER 30, 2012

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
2002	\$ 40,000	\$ 3,287	\$ 36,713
2003	41,400	6,361	35,039
2004	90,000	83,184	6,816
2005	91,200	90,644	556
2006	125,000	124,704	296
2007	243,000	242,423	577
2008	125,000	106,143	18,857
2009	116,500	21,158	95,342
2010	124,900	119,735	5,165
2011	125,000	110,127	14,873
2012	42,950	25,029	17,921
Total	\$ 1,164,950	\$ 932,795	\$ 232,155

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), and 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 was required to report at least one complete condition assessment at transition using the modified approach. The condition assessment was completed by the Village in 2003 and documented that eligible infrastructure assets are being preserved at or above the condition level established by the Village. The Village evaluates 1/3 of the network each year. In FY 2012, the Village is in year 3 of the third cycle of assessments. Our assessments continue to indicate that the Village has maintained the network in accordance with Village policy.

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

VILLAGE OF PALM SPRINGS, FLORIDA

Required Supplementary Information

Pension Trust Funds - Schedule of Funding Progress

Actuarial Valuation Date October 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Police Officers						
2006	\$ 7,016,483	\$ 12,620,820	\$ 5,604,337	55.6%	\$ 2,455,243	228.3%
2007	8,493,185	13,908,997	5,415,812	61.1%	3,065,832	176.7%
2008	9,815,698	16,570,343	6,754,645	59.2%	3,113,818	216.9%
2009	11,219,056	17,097,780	5,878,724	65.6%	2,256,082	260.6%
2010	12,227,758	18,138,625	5,910,867	67.4%	1,734,067	340.9%
2011	13,028,272	19,591,613	6,563,341	66.5%	1,850,308	354.7%

Effective October 1, 2009 the Village contracted with Palm Beach County for fire protection and emergency medical services. As a result, the existing Hazardous Employees Pension Plan was renamed the Police Officers Pension Plan and was closed to new Firefighter members and the benefits of current Firefighter members were frozen. The effect of this plan amendment was a reduction in the AAL of \$1,493,347 for 2009. Effective June 30, 2010 the General Employees and Police Officers Pension Plans were closed to new members and current employees were given the option to remain in the Plan or join the Florida Retirement System (FRS). Nine police officers elected to join FRS on July 1, 2010 resulting in a reduction of the AAL of \$276,513 at July 1, 2010.

General Employees

2006	\$ 7,882,464	\$ 11,944,135	\$ 4,061,671	66.0%	\$ 4,285,900	94.8%
2007	9,330,985	12,756,676	3,425,691	73.1%	4,493,757	76.2%
2008	10,707,438	14,143,490	3,436,052	75.7%	4,450,603	77.2%
2009	11,855,663	15,382,732	3,527,069	77.1%	4,418,658	79.8%
2010	13,055,082	15,183,230	2,128,148	86.0%	2,931,037	72.6%
2011	13,770,643	16,450,638	2,679,995	83.7%	2,809,429	95.4%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the indicated dates. The significant actuarial assumptions used in the valuations are as follows:

	Police Officers	General Employees
Actuarial cost method	Entry age	Entry age
Asset valuation method	4-Year Smoothed Market	5-Year Smoothed Market
Actuarial assumptions:		
Investment rate of return (including inflation)	8.0% / year	8.0% / year
Salary increases (including inflation)	5.0% - 8.0% / year	4.6% - 8.3% / year
Inflation	5.0% / year	4.5% / year
Cost of living adjustments	3.0%	3.0%

VILLAGE OF PALM SPRINGS, FLORIDA

Required Supplementary Information

Pension Trust Funds - Schedule of Employer Contributions

	Year Ended September 30,	Annual Required Contribution	Percentage Contributed
Police Officers Pension Fund			
	2007	\$ 626,200	100%
	2008	853,902	106%
	2009	875,369	112%
	2010	1,009,299	101%
	2011	952,994	100%
	2012	1,008,995	100%
General Employees Pension Fund			
	2007	\$ 745,116	100%
	2008	851,289	100%
	2009	942,609	108%
	2010	974,215	102%
	2011	1,018,543	109%
	2012	718,424	106%

**COMBINING FUND
FINANCIAL STATEMENTS AND
DEBT SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

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

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 obligation debt.

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2012

	<u>Special Revenue Fund</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Law Enforcement Fund</u>	<u>Debt Service Fund</u>	
Assets:			
Cash and cash equivalents	\$ 32,875	\$ 3,668	\$ 36,543
Total assets	\$ 32,875	\$ 3,668	\$ 36,543
Liabilities and Fund Balances:			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
Law enforcement	32,875	-	32,875
Debt service	-	3,668	3,668
Total fund balances	32,875	3,668	36,543
Total liabilities and fund balances	\$ 32,875	\$ 3,668	\$ 36,543

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2012

	Special Revenue Fund		Debt Service Fund	Total Nonmajor Governmental Funds
	Law Enforcement Fund			
Revenues				
Taxes	\$ -	\$	548,339	\$ 548,339
Confiscated property	13,141		-	13,141
Interest	6		4	10
Total revenues	13,147		548,343	561,490
Expenditures				
Current:				
Public safety	3,657		-	3,657
Capital outlay	6,660		-	6,660
Debt service:				
Principal	-		6,706,976	6,706,976
Interest and other fiscal charges	-		497,916	497,916
Total expenditures	10,317		7,204,892	7,215,209
Excess (deficiency) of revenues over expenditures	2,830		(6,656,549)	(6,653,719)
Other Financing Sources and Uses				
Transfers in	-		138,209	138,209
Proceeds from promissory note	-		6,477,462	6,477,462
Total other financing sources	-		6,615,671	6,615,671
Net change in fund balances	2,830		(40,878)	(38,048)
Fund balances, beginning of year	30,045		44,546	74,591
Fund balances, end of year	\$ 32,875	\$	3,668	\$ 36,543

FIDUCIARY FUNDS

General Employees Pension Fund – The general employees pension fund is used to account for the defined benefit pension plan for the general employees of the Village.

Police Officers Pension Fund – The police officers pension fund is used to account for the defined benefit pension plan for the police officers of the Village.

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Fiduciary Net Assets

September 30, 2012

	General Employees Pension Fund	Police Officers Pension Fund	Total Pension Funds
Assets			
Cash and cash equivalents	\$ 674,195	\$ 583,557	\$ 1,257,752
Investments:			
U.S. Government securities	40,555	55,921	96,476
U.S. Government agencies	-	380,690	380,690
Fixed income mutual fund	580,055	-	580,055
Mortgage and asset-backed securities	2,340,272	2,493,398	4,833,670
Corporate and foreign bonds	1,914,311	2,436,635	4,350,946
Domestic equity securities and mutual funds	6,239,675	4,807,349	11,047,024
Foreign equity securities and mutual funds	2,672,661	4,217,547	6,890,208
Real estate investment trusts	239,953	164,197	404,150
Precious metals exchange traded fund	166,733	-	166,733
Receivables:			
Interest and dividends	41,523	58,090	99,613
Total assets	\$ 14,909,933	\$ 15,197,384	\$ 30,107,317
Liabilities			
Accounts payable and accrued liabilities	\$ 20,117	\$ 18,757	\$ 38,874
DROP plan liability	-	502,795	502,795
Total liabilities	\$ 20,117	\$ 521,552	\$ 541,669
Net Assets			
Net assets held in trust for pension benefits	\$ 14,889,816	\$ 14,675,832	\$ 29,565,648
Total net assets	\$ 14,889,816	\$ 14,675,832	\$ 29,565,648

VILLAGE OF PALM SPRINGS, FLORIDA

Combining Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2012

	General Employees Pension Fund	Police Officers Pension Fund	Total Pension Funds
Additions			
Contributions:			
Employer	\$ 939,845	\$ 1,388,360	\$ 2,328,205
Plan members	92,223	115,589	207,812
Total contributions	1,032,068	1,503,949	2,536,017
Investment income:			
Interest	157,039	203,264	360,303
Dividends	194,604	207,563	402,167
Net increase in fair value of investments	1,898,054	1,405,392	3,303,446
Investment expenses	(71,363)	(49,393)	(120,756)
Net investment income	2,178,334	1,766,826	3,945,160
Total additions	3,210,402	3,270,775	6,481,177
Deductions			
Administration	50,645	58,456	109,101
Benefits	466,659	720,415	1,187,074
Total deductions	517,304	778,871	1,296,175
Net increase in plan net assets	2,693,098	2,491,904	5,185,002
Net assts held in trust for pension benefits, beginning of year	12,196,718	12,183,928	24,380,646
Net assets held in trust for pension benefits, end of year	\$ 14,889,816	\$ 14,675,832	\$ 29,565,648

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, 2012

Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities			Total
	General Obligation Note Payable	Note Payable	Revenue Bonds Payable			
			Series 1988	Series 2003A		
2013	\$ 408,691	\$ 70,165	\$ 485,000	\$ 743,724	\$ 1,707,580	
2014	408,691	-	-	744,812	1,153,503	
2015	408,691	-	-	745,112	1,153,803	
2016	408,691	-	-	744,626	1,153,317	
2017	408,691	-	-	743,350	1,152,041	
2018	408,691	-	-	746,288	1,154,979	
2019	408,691	-	-	743,174	1,151,865	
2020	408,691	-	-	744,274	1,152,965	
2021	408,691	-	-	744,324	1,153,015	
2022	408,691	-	-	744,324	1,153,015	
2023	408,691	-	-	743,326	1,152,017	
2024	408,691	-	-	743,526	1,152,217	
2025	408,691	-	-	747,824	1,156,515	
2026	408,691	-	-	746,000	1,154,691	
2027	408,691	-	-	745,750	1,154,441	
2028	408,691	-	-	744,250	1,152,941	
2029	408,691	-	-	746,500	1,155,191	
2030	408,691	-	-	747,250	1,155,941	
2031	408,691	-	-	746,500	1,155,191	
2032	204,345	-	-	744,250	948,595	
2033	-	-	-	745,500	745,500	
Total	\$ 7,969,474	\$ 70,165	\$ 485,000	\$ 15,644,684	\$ 24,169,323	

VILLAGE OF PALM SPRINGS, FLORIDA

\$6,477,462 General Obligation Note, dated February 24, 2012

Fiscal Year Ending September 30,	Principal		Interest		Total	Interest Rate
	February 1	August 1	February 1	August 1		
2013	\$ 128,577	\$ 130,112	\$ 75,769	\$ 74,233	\$ 408,691	2.390%
2014	131,669	133,241	72,677	71,104	408,691	2.390%
2015	134,833	136,445	69,512	67,901	408,691	2.390%
2016	138,075	139,725	66,270	64,621	408,691	2.390%
2017	141,395	143,085	62,950	61,261	408,691	2.390%
2018	144,794	146,525	59,551	57,821	408,691	2.390%
2019	148,276	150,048	56,070	54,297	408,691	2.390%
2020	151,841	153,655	52,505	50,690	408,691	2.390%
2021	155,491	157,349	48,854	46,997	408,691	2.390%
2022	159,230	161,133	45,115	43,213	408,691	2.390%
2023	163,058	165,007	41,287	39,339	408,691	2.390%
2024	166,979	168,974	37,367	35,371	408,691	2.390%
2025	170,993	173,037	33,352	31,309	408,691	2.390%
2026	175,104	177,197	29,241	27,149	408,691	2.390%
2027	179,314	181,457	25,031	22,889	408,691	2.390%
2028	183,626	185,820	20,720	18,525	408,691	2.390%
2029	188,040	190,287	16,305	14,059	408,691	2.390%
2030	192,561	194,863	11,784	9,483	408,691	2.390%
2031	197,191	199,546	7,154	4,800	408,691	2.390%
2032	201,932	-	2,413	-	204,345	2.390%
Total	\$ 3,252,979	3,087,506	\$ 833,927	\$ 795,062	\$ 7,969,474	

VILLAGE OF PALM SPRINGS, FLORIDA

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

Fiscal Year				
Ending				
September 30,	Principal	Interest	Total	
2013	\$ 69,933	\$ 232	\$ 70,165	
Total	\$ 69,933	\$ 232	\$ 70,165	

VILLAGE OF PALM SPRINGS, FLORIDA

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

Fiscal Year	Ending	Principal		Interest		Total				
		September 30,	October 1	April 1	October 1		April 1			
2013	\$	67,808	\$	-	\$	417,192	\$	-	\$	485,000
Total	\$	67,808	\$	-	\$	417,192	\$	-	\$	485,000

VILLAGE OF PALM SPRINGS, FLORIDA

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

Fiscal Year	Ending September 30,	Principal		Interest		Total	Interest Rate		
		May 1	May 1	November 1	November 1				
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	\$	9,585,000	\$	3,029,842	\$	3,029,842	\$	15,644,684	

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends.....	77
<i>These schedules contain trend information to help the reader understand how the Village of Palm Springs' financial performance and well-being have changed over time.</i>	
Revenue Capacity	90
<i>These schedules contain information to help the reader assess the Village of Palm Springs' most significant local revenue sources, the property tax and water and sewer revenue.</i>	
Debt Capacity.....	95
<i>These schedules present information to help the reader assess the affordability of the Village of Palm Springs' current levels of outstanding debt and the Village of Palm Springs' ability to issue additional debt in the future.</i>	
Demographic and Economic Information	99
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village of Palm Springs' financial activities take place.</i>	
Operating Information.....	101
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village of Palm Springs' financial report relates to the services the Village of Palm Springs provides and the activities it performs.</i>	

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

VILLAGE OF PALM SPRINGS, FLORIDA

Net Assets by Component

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 4,441,217	\$ 6,584,386	\$ 6,818,977	\$ 7,199,449
Restricted	2,764,453	-	-	-
Unrestricted	3,212,820	4,100,592	4,159,815	5,150,443
Total governmental activities net assets	\$ 10,418,490	\$ 10,684,978	\$ 10,978,792	\$ 12,349,892
Business-type activities				
Invested in capital assets, net of related debt	\$ 16,776,279	\$ 19,234,374	\$ 19,027,484	\$ 27,627,368
Restricted	4,363,132	2,336,464	2,307,654	118,999
Unrestricted	5,960,324	6,992,800	9,210,863	5,253,146
Total business-type activities net assets	\$ 27,099,735	\$ 28,563,638	\$ 30,546,001	\$ 32,999,513
Primary government				
Invested in capital assets, net of related debt	\$ 21,217,496	\$ 25,818,760	\$ 25,846,461	\$ 34,826,817
Restricted	7,127,585	2,336,464	2,307,654	118,999
Unrestricted	9,173,144	11,093,392	13,370,678	10,403,589
Total primary government net assets	\$ 37,518,225	\$ 39,248,616	\$ 41,524,793	\$ 45,349,405

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 7,472,382	\$ 7,151,174	\$ 7,167,569	\$ 7,849,679	\$ 7,886,263	\$ 7,814,268
-	43,411	34,129	51,554	74,591	36,543
5,391,895	5,508,949	5,577,255	5,142,613	5,925,371	6,149,891
\$ 12,864,277	\$ 12,703,534	\$ 12,778,953	\$ 13,043,846	\$ 13,886,225	\$ 14,000,702
\$ 28,748,028	\$ 29,837,394	\$ 31,406,094	\$ 33,504,764	\$ 34,478,958	\$ 36,404,485
1,357,698	1,317,850	1,273,221	1,232,301	1,185,083	1,068,872
4,015,758	3,007,831	2,155,277	1,337,640	2,719,288	3,402,238
\$ 34,121,484	\$ 34,163,075	\$ 34,834,592	\$ 36,074,705	\$ 38,383,329	\$ 40,875,595
\$ 36,220,410	\$ 36,988,568	\$ 38,573,663	\$ 41,354,443	\$ 42,365,221	\$ 44,218,753
1,357,698	1,361,261	1,307,350	1,283,855	1,259,674	1,105,415
9,407,653	8,516,780	7,732,532	6,480,253	8,644,659	9,552,129
\$ 46,985,761	\$ 46,866,609	\$ 47,613,545	\$ 49,118,551	\$ 52,269,554	\$ 54,876,297

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Net Assets

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 1,758,726	\$ 1,246,098	\$ 1,460,229	\$ 1,489,124
Public safety	3,655,456	4,306,625	5,047,665	6,013,883
Physical environment	440,529	809,087	770,321	1,045,789
Transportation	720,492	938,374	1,018,045	941,378
Culture/recreation	469,983	1,331,518	1,387,063	1,573,129
Interest on long-term debt	482,553	426,357	389,788	382,721
Total governmental activities expenses	7,527,739	9,058,059	10,073,111	11,446,024
Business-type activities:				
Water/Sewer Utility	7,404,500	8,006,446	7,751,695	8,498,243
Total business-type activities expenses	7,404,500	8,006,446	7,751,695	8,498,243
Total primary government expenses	\$ 14,932,239	\$ 17,064,505	\$ 17,824,806	\$ 19,944,267
Program Revenues				
Governmental activities:				
Charges for services:				
General government (1)	\$ 221,343	\$ 318,035	\$ 321,004	\$ 412,527
Public safety	785,366	838,765	675,994	994,345
Physical environment	350,120	398,628	414,375	532,932
Culture/recreation	236,772	357,950	335,149	393,817
Operating grants and contributions:				
General government	25,468	-	331,564	718,297
Public safety	82,189	76,566	120,352	242,497
Physical environment	-	-	-	-
Transportation	-	-	7,955	8,432
Culture/recreation	74,439	29,745	33,741	28,315
Capital grants and contributions:				
General government	10,000	-	-	194,167
Public safety	-	44,204	57,553	10,000
Transportation	-	-	74,294	-
Culture/recreation	581,141	176,238	-	136,549
Total governmental activities program revenues	2,366,838	2,240,131	2,371,981	3,671,878
Business-type activities:				
Charges for services:				
Water/Sewer	8,618,975	9,637,956	10,172,417	11,195,361
Capital grants and contributions	1,125,555	715,077	401,985	575,661
Total business-type activities program revenues	9,744,530	10,353,033	10,574,402	11,771,022
Total primary government program revenues	\$ 12,111,368	\$ 12,593,164	\$ 12,946,383	\$ 15,442,900
Net (expense)/revenue				
Governmental activities	\$ (5,160,901)	\$ (6,817,928)	\$ (7,701,130)	\$ (7,774,146)
Business-type activities	2,340,030	2,346,587	2,822,707	3,272,779
Total primary government net expense	\$ (2,820,871)	\$ (4,471,341)	\$ (4,878,423)	\$ (4,501,367)

(1) In 2009 occupational licenses and business permits were reclassified from charges for services to taxes.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 1,652,285	\$ 1,676,049	\$ 1,648,500	\$ 1,630,953	\$ 1,667,204	\$ 1,732,639
7,436,765	7,833,731	8,177,216	6,617,900	6,433,149	7,271,962
840,332	1,017,487	709,062	715,654	856,371	891,160
1,023,051	925,984	914,748	994,731	1,026,758	927,758
1,742,484	1,665,319	1,679,624	1,696,739	1,684,426	1,864,706
376,367	369,781	363,789	357,189	350,259	369,276
13,071,284	13,488,351	13,492,939	12,013,166	12,018,167	13,057,501
10,195,468	10,569,732	10,662,117	11,310,728	10,996,082	11,470,127
10,195,468	10,569,732	10,662,117	11,310,728	10,996,082	11,470,127
\$ 23,266,752	\$ 24,058,083	\$ 24,155,056	\$ 23,323,894	\$ 23,014,249	\$ 24,527,628
\$ 428,057	\$ 424,182	\$ 217,171	\$ 237,648	\$ 300,037	\$ 399,433
1,163,450	952,624	943,382	924,366	1,458,760	1,239,587
582,711	663,039	798,194	827,277	882,409	883,230
356,453	389,303	369,096	397,724	408,706	393,645
55,383	34,023	79,298	697	2,800	7,200
213,395	203,709	253,347	300,295	308,271	309,577
-	-	-	35,684	54,982	34,627
11,742	12,094	12,094	52,447	54,020	68,854
24,271	22,634	17,822	17,435	14,034	16,741
36,536	15,633	12,453	40,002	13,544	27,755
6,694	10,000	50,997	64,729	60,400	93,016
-	-	-	-	-	-
163,451	25,000	250,538	-	-	-
3,042,143	2,752,241	3,004,392	2,898,304	3,557,963	3,473,665
11,302,346	10,973,325	12,234,482	13,109,032	13,871,775	14,510,608
934,530	909,126	549,540	741,905	871,217	979,989
12,236,876	11,882,451	12,784,022	13,850,937	14,742,992	15,490,597
\$ 15,279,019	\$ 14,634,692	\$ 15,788,414	\$ 16,749,241	\$ 18,300,955	\$ 18,964,262
\$ (10,029,141)	\$ (10,736,110)	\$ (10,488,547)	\$ (9,114,862)	\$ (8,460,204)	\$ (9,583,836)
2,041,408	1,312,719	2,121,905	2,540,209	3,746,910	4,020,470
\$ (7,987,733)	\$ (9,423,391)	\$ (8,366,642)	\$ (6,574,653)	\$ (4,713,294)	\$ (5,563,366)

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Net Assets (Continued)

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 2,138,258	\$ 2,317,271	\$ 2,616,249	\$ 3,125,706
Utility service taxes	1,241,306	1,285,916	1,492,779	1,661,837
Franchise fees	526,320	552,295	562,586	810,272
Sales and use taxes	1,197,671	1,290,027	1,346,148	1,453,700
Business taxes (1)	-	-	-	-
Intergovernmental, unrestricted	363,681	421,513	505,715	521,390
Investment revenues	133,061	70,684	126,658	239,422
Miscellaneous	86,129	31,340	144,544	62,633
Transfers	990,172	1,115,370	1,200,265	1,270,286
Total governmental activities	6,676,598	7,084,416	7,994,944	9,145,246
Business-type activities				
Investment revenues	238,020	219,955	330,172	441,016
Miscellaneous	19,657	12,731	29,749	10,003
Transfers	(990,172)	(1,115,370)	(1,200,265)	(1,270,286)
Total business-type activities	(732,495)	(882,684)	(840,344)	(819,267)
Total primary government	\$ 5,944,103	\$ 6,201,732	\$ 7,154,600	\$ 8,325,979
Changes in Net Assets				
Governmental activities	\$ 1,515,697	\$ 1,923,515	\$ 1,177,016	\$ 1,444,116
Business-type activities	1,607,535	1,457,346	1,506,243	2,003,440
Total primary government	\$ 3,123,232	\$ 3,380,861	\$ 2,683,259	\$ 3,447,556

(1) In 2009 occupational licenses and business permits were reclassified from charges for services to taxes.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 4,262,490	\$ 4,220,565	\$ 4,124,073	\$ 2,917,117	\$ 2,647,462	\$ 2,560,178
1,720,394	1,757,165	1,904,565	1,955,211	1,992,185	2,060,461
888,873	964,983	1,011,953	974,408	983,164	991,051
1,412,439	1,362,776	1,293,888	1,295,958	1,353,681	1,595,146
-	-	229,978	238,928	246,354	273,306
508,398	471,931	427,967	427,847	452,923	496,719
326,789	163,416	31,990	36,196	17,131	25,979
112,024	167,886	24,005	43,715	67,781	20,045
1,312,119	1,466,645	1,515,547	1,449,356	1,541,902	1,675,428
10,543,526	10,575,367	10,563,966	9,338,736	9,302,583	9,698,313
388,337	155,086	44,096	94,803	73,861	94,951
4,345	40,431	21,063	16,163	29,755	52,273
(1,312,119)	(1,466,645)	(1,515,547)	(1,449,356)	(1,541,902)	(1,675,428)
(919,437)	(1,271,128)	(1,450,388)	(1,338,390)	(1,438,286)	(1,528,204)
\$ 9,624,089	\$ 9,304,239	\$ 9,113,578	\$ 8,000,346	\$ 7,864,297	\$ 8,170,109
\$ 514,385	\$ (160,743)	\$ 75,419	\$ 223,874	\$ 842,379	\$ 114,477
1,121,971	41,591	671,517	1,201,819	2,308,624	2,492,266
\$ 1,636,356	\$ (119,152)	\$ 746,936	\$ 1,425,693	\$ 3,151,003	\$ 2,606,743

VILLAGE OF PALM SPRINGS, FLORIDA

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

Accrual Basis of Accounting

Fiscal Year	Property Tax	Utility Service Tax	Franchise Fees	Sales and Use Tax	Local Business Taxes ⁽¹⁾	Total
2003	\$ 2,138,258	\$ 1,241,306	\$ 526,320	\$ 1,197,671	\$ -	\$ 5,103,555
2004	2,317,271	1,285,916	552,295	1,290,027	-	5,445,509
2005	2,616,249	1,492,779	562,586	1,346,148	-	6,017,762
2006	3,125,706	1,661,837	810,272	1,453,700	-	7,051,515
2007	4,262,490	1,720,394	888,873	1,412,439	-	8,284,196
2008	4,220,565	1,757,165	964,983	1,362,776	-	8,305,489
2009	4,124,073	1,904,565	1,011,953	1,293,888	229,978	8,564,457
2010	2,917,117	1,955,211	974,408	1,295,958	238,928	7,381,622
2011	2,647,462	1,992,185	983,164	1,353,681	246,354	7,222,846
2012	2,560,178	2,060,461	991,051	1,595,146	273,306	7,480,142

⁽¹⁾ In 2009 occupational licenses and business permits were reclassified from charges for services to taxes.

VILLAGE OF PALM SPRINGS, FLORIDA*Fund Balances of Governmental Funds**Last Ten Fiscal Years**Modified Accrual Basis of Accounting*

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 9,703	\$ 11,692	\$ 22,622	\$ 16,822
Unreserved	3,798,650	4,072,476	4,127,817	5,317,561
Nonspendable:				
Inventory	-	-	-	-
Noncurrent interfund receivable	-	-	-	-
Assigned to:				
Disaster recovery	-	-	-	-
Capital projects	-	-	-	-
Library	-	-	-	-
Subsequent year's budget	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$ 3,808,353	\$ 4,084,168	\$ 4,150,439	\$ 5,334,383
All other governmental funds				
Reserved	\$ 2,369,958	\$ 249,050	\$ 201,098	\$ 42,717
Unreserved, reported in:				
Special revenue funds	50,076	70,382	73,249	71,905
Restricted for:				
Law enforcement	-	-	-	-
Debt service	-	-	-	-
Total all other governmental funds	\$ 2,420,034	\$ 319,432	\$ 274,347	\$ 114,622

Note: GASB Statement No. 54 was adopted for 2010 resulting in the reclassification of the Governmental Funds fund balances.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 25,330	\$ 74,048	\$ 54,425	\$ -	\$ -	\$ -
5,929,454	6,004,672	5,987,424	-	-	-
-	-	-	26,966	34,717	28,984
-	-	-	-	-	1,230,561
-	-	-	1,500,000	1,500,000	1,500,000
-	-	-	1,000,000	3,000,000	1,769,439
-	-	-	54,230	53,935	46,778
-	-	-	321,946	193,386	702,241
-	-	-	2,754,765	1,616,440	1,236,824
<u>\$ 5,954,784</u>	<u>\$ 6,078,720</u>	<u>\$ 6,041,849</u>	<u>\$ 5,657,907</u>	<u>\$ 6,398,478</u>	<u>\$ 6,514,827</u>
\$ 54,175	\$ 43,411	\$ 34,129	\$ -	\$ -	\$ -
64,906	66,396	61,858	-	-	-
-	-	-	35,264	30,045	32,875
-	-	-	16,290	44,546	3,668
<u>\$ 119,081</u>	<u>\$ 109,807</u>	<u>\$ 95,987</u>	<u>\$ 51,554</u>	<u>\$ 74,591</u>	<u>\$ 36,543</u>

VILLAGE OF PALM SPRINGS, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 3,905,884	\$ 4,155,482	\$ 4,671,614	\$ 5,597,815
Licenses and permits	620,841	711,795	446,473	749,514
Intergovernmental	1,749,953	1,955,300	2,426,341	3,134,436
Confiscated property	15,515	29,578	13,167	25,924
Grants	591,141	154,859	-	-
Charges for services	723,730	845,962	1,025,234	1,166,898
Fines and forfeitures	170,629	140,670	162,527	182,734
Contributions and donations	49,311	33,434	18,311	64,268
Investment revenues	133,061	70,684	126,658	239,422
Miscellaneous	93,200	111,413	202,041	191,660
Total revenues	8,053,265	8,209,177	9,092,366	11,352,671
Expenditures				
General government	988,770	1,050,402	1,247,293	1,283,700
Public safety	3,552,982	4,005,927	4,845,761	5,748,952
Physical environment	406,397	752,528	723,124	996,777
Transportation	699,430	912,573	1,007,187	917,523
Culture/Recreation	1,029,230	1,193,457	1,238,815	1,408,466
Capital outlay	5,045,584	2,707,162	681,664	911,849
Debt service				
Principal	371,461	130,000	135,000	140,000
Interest and other fiscal charges	409,092	397,285	392,601	385,638
Total expenditures	12,502,946	11,149,334	10,271,445	11,792,905
Excess of revenues over (under) expenditures	(4,449,681)	(2,940,157)	(1,179,079)	(440,234)
Other financing sources (uses)				
Insurance recoveries	-	-	-	194,167
Transfers in	1,183,220	1,115,370	1,200,265	1,270,286
Transfers out	(193,048)	-	-	-
Bonds issued	-	-	-	-
Proceeds of refunding note	-	-	-	-
Total other financing sources (uses)	990,172	1,115,370	1,200,265	1,464,453
Net change in fund balances	<u>\$ (3,459,509)</u>	<u>\$ (1,824,787)</u>	<u>\$ 21,186</u>	<u>\$ 1,024,219</u>
Debt service as a percentage of non-capital expenditures	10.47%	6.25%	5.50%	4.83%

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 6,871,757	\$ 6,942,713	\$ 7,270,569	\$ 6,085,664	\$ 5,869,165	\$ 5,884,996
807,031	415,096	117,276	334,970	714,739	168,288
2,439,028	2,179,288	2,378,024	2,193,081	2,295,483	2,659,483
101,432	32,301	33,897	22,778	15,916	13,141
-	-	-	-	-	-
1,290,774	1,546,796	1,790,671	1,537,494	1,610,697	1,714,744
173,730	303,837	247,398	298,169	502,914	722,558
17,547	15,379	13,498	10,645	15,051	15,163
326,789	163,416	31,990	36,196	17,131	25,979
245,462	262,137	127,236	212,587	217,148	292,198
12,273,550	11,860,963	12,010,559	10,731,584	11,258,244	11,496,550
1,383,491	1,446,600	1,438,136	1,438,735	1,488,922	1,548,147
6,918,839	7,606,128	7,800,710	6,339,717	6,189,105	7,011,301
782,933	907,704	675,256	681,948	822,736	857,942
994,880	908,705	903,365	975,657	993,226	866,362
1,507,621	1,475,500	1,473,942	1,503,238	1,512,892	1,678,324
849,262	346,028	758,932	1,145,081	506,476	404,171
145,000	150,000	160,000	165,000	170,000	6,706,976
378,783	372,281	366,456	359,939	353,181	497,916
12,960,809	13,212,946	13,576,797	12,609,315	12,036,538	19,571,139
(687,259)	(1,351,983)	(1,566,238)	(1,877,731)	(778,294)	(8,074,589)
-	-	-	-	-	-
1,312,572	1,466,645	1,515,547	1,503,586	1,541,902	1,813,637
(453)	-	-	(54,230)	-	(138,209)
-	-	-	-	-	-
-	-	-	-	-	6,477,462
1,312,119	1,466,645	1,515,547	1,449,356	1,541,902	8,152,890
\$ 624,860	\$ 114,662	\$ (50,691)	\$ (428,375)	\$ 763,608	\$ 78,301
4.32%	4.06%	4.11%	4.58%	4.54%	37.59%

VILLAGE OF PALM SPRINGS, FLORIDA*General Governmental Tax Revenues by Source**Last Ten Fiscal Years**Modified Accrual Basis of Accounting*

Fiscal Year	Property Tax	Utility Service Tax	Franchise Fees	Sales Tax	Local Business Taxes⁽¹⁾	Total
2003	\$ 2,138,258	\$ 1,241,306	\$ 526,320	\$ 900,323	\$ -	\$ 4,806,207
2004	2,317,271	1,285,916	552,295	979,566	-	5,135,048
2005	2,616,249	1,492,779	562,586	1,038,093	-	5,709,707
2006	3,125,706	1,661,837	810,272	1,102,442	-	6,700,257
2007	4,262,490	1,720,394	888,873	1,065,592	-	7,937,349
2008	4,220,565	1,757,165	964,983	1,021,165	-	7,963,878
2009	4,124,073	1,904,565	1,011,953	961,583	229,978	8,232,152
2010	2,917,117	1,955,211	974,408	956,028	238,928	7,041,692
2011	2,647,462	1,992,185	983,164	1,011,880	246,354	6,881,045
2012	2,560,178	2,060,461	991,051	1,247,855	273,306	7,132,851

⁽¹⁾ In 2009 occupational licenses and business permits were reclassified from charges for services to taxes.

VILLAGE OF PALM SPRINGS, FLORIDA

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ending September 30,	Assessed Values		Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate	Estimated Actual Taxable Value ⁽¹⁾
	Real Property	Personal Property			
2003	\$ 304,931,917	\$ 19,476,608	\$ 324,408,525	22.8620	\$ 341,482,658
2004	357,940,185	21,247,358	379,187,543	22.2405	399,144,782
2005	427,173,602	26,059,291	453,232,893	21.6977	477,087,256
2006	531,883,879	31,084,717	562,968,596	21.0700	592,598,522
2007	771,880,309	37,843,752	809,724,061	20.7665	852,341,117
2008	897,122,135	48,573,813	945,695,948	18.0537	995,469,419
2009	824,084,556	40,299,601	864,384,157	18.4383	909,878,060
2010	650,083,029	44,399,000	694,482,029	22.7694	731,033,715
2011	567,430,825	43,299,294	610,730,119	23.6000	642,873,809
2012	561,474,280	37,867,369	599,341,649	23.4305	630,885,946

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

Source: Palm Beach County Property Appraiser's Office.

VILLAGE OF PALM SPRINGS, FLORIDA

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

Fiscal Year Ending September 30,	General Fund	Debt Service	Total Village of Palm Springs	School District	Palm Beach County	Palm Beach County Fire Rescue	Special Taxing Districts	Total All
2003	4.8740	1.9311	6.8051	8.7790	4.8084	-	2.4695	22.8620
2004	4.8740	1.4468	6.3208	8.5712	4.7928	-	2.5557	22.2405
2005	4.7714	1.2009	5.9723	8.4320	4.7677	-	2.5257	21.6977
2006	4.7714	0.9692	5.7406	8.1060	4.7192	-	2.5042	21.0700
2007	4.7714	0.6657	5.4371	8.1060	4.7192	-	2.5042	20.7665
2008	4.0076	0.5755	4.5831	7.3561	3.9837	-	2.1308	18.0537
2009	4.3321	0.6325	4.9646	7.2511	3.9656	-	2.2570	18.4383
2010	3.5000	0.7736	4.2736	7.9830	4.5614	3.4581	2.4933	22.7694
2011	3.5000	0.9368	4.4368	8.1539	4.9960	3.4581	2.5552	23.6000
2012	3.5000	0.9560	4.4560	8.1800	4.9928	3.4581	2.3436	23.4305

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

VILLAGE OF PALM SPRINGS, FLORIDA

Principal Property Taxpayers

Current Year and Nine Years Ago

	2012			
	Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
Oxygen Holdings LLC	\$ 13,275,083	\$ 46,463	1	2.21%
Riverfront Capital III LLC	13,051,783	45,681	2	2.18%
IRT Property Co.	11,793,517	41,277	3	1.97%
Walmart Stores East LP	9,754,017	34,139	4	1.63%
Phillips Lake Worth	9,200,000	32,200	5	1.54%
Portofino Associates Ltd	9,000,000	31,500	6	1.50%
Four FLA Shopping Center Prop Ltd	6,183,000	21,641	7	1.03%
Advenir at Pines LLC	6,104,054	21,364	8	1.02%
R G Roy Hospital & Special Management Services	5,537,506	19,381	9	0.92%
Jerjo Inc.	4,549,797	15,924	10	0.76%
CSC Village Club Apts LTD	-	-	-	-
Woodhaven LLC	-	-	-	-
EQR - Village Green Vistas, Inc.	-	-	-	-
Aurora Homes, Inc.	-	-	-	-
Waterton Esprimir	-	-	-	-
Acquiport Amsdell IV	-	-	-	-
Rex Prop Palm Springs Ltd. Co.	-	-	-	-
Totals	<u>\$ 88,448,757</u>	<u>\$ 309,570</u>		<u>14.76%</u>

Note: Information obtained from the Palm Beach County Tax Collector.

2003			
Taxable Assessed Valuation	Taxes	Rank	Percentage of Total Taxes Levied
\$ -	\$ -	-	-
-	-	-	-
12,300,000	64,522	1	4.08%
-	-	-	-
5,144,504	26,987	6	1.71%
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,000,000	20,983	8	1.33%
8,838,103	46,362	2	2.93%
5,803,145	30,442	4	1.93%
5,829,512	30,580	3	1.93%
5,707,984	29,942	5	1.89%
4,937,837	25,902	7	1.64%
3,260,383	17,103	9	1.08%
2,866,000	15,034	10	0.95%
<u>\$ 58,687,468</u>	<u>\$ 307,857</u>		<u>19.47%</u>

VILLAGE OF PALM SPRINGS, FLORIDA

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ending September 30,	Net Tax Levy ⁽¹⁾	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Property Tax Collections	Collections as a Percent of Current Levy
2003	\$ 1,581,167	\$ 1,538,115	97.28%	\$ 4,928	\$ 1,543,043	97.59%
2004	1,848,160	1,786,544	96.67%	3,102	1,789,646	96.83%
2005	2,162,555	2,085,476	96.44%	3,153	2,088,629	96.58%
2006	2,696,045	2,593,077	96.18%	6,894	2,599,971	96.44%
2007	3,863,517	3,736,576	96.71%	8,119	3,744,695	96.92%
2008	3,793,610	3,695,422	97.41%	2,494	3,697,916	97.48%
2009	3,764,318	3,538,136	93.99%	59,330	3,597,466	95.57%
2010	2,430,687	2,252,574	92.67%	139,603	2,392,177	98.42%
2011	2,137,555	2,050,669	95.94%	45,365	2,096,034	98.06%
2012	2,097,696	1,987,668	94.75%	24,171	2,011,839	95.91%

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

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

VILLAGE OF PALM SPRINGS, FLORIDA

Water and Sewer Revenue Base

Last Ten Fiscal Years

Fiscal Year Ending September 30,	Water		Number of Active Water Customer Accounts	Wastewater		Number of Active Wastewater Customer Accounts
	Gallons Consumed ⁽¹⁾	Base Rate ⁽²⁾		Gallons Treated ⁽¹⁾	Base Rate ⁽³⁾	
2003	1,441,724	\$ 10.98	11,531	888,876	\$ 16.41	9,151
2004	1,487,806	12.23	11,634	821,183	18.21	9,405
2005	1,591,546	13.79	11,924	825,679	19.82	9,593
2006	1,598,240	14.63	11,450	730,531	21.78	9,381
2007	1,525,899	15.08	11,537	794,865	23.61	9,417
2008	1,472,078 (a)	15.08	11,643	850,613	23.61	9,546
2009	1,444,857 (a)	16.40	11,307	986,442	26.40	9,344
2010	1,389,638 (a)	17.72	12,349	954,649	28.52	10,268
2011	1,368,202 (a)	18.26	12,374	859,929	29.39	10,375
2012	1,238,598 (a)	18.81	12,536	915,307	30.26	10,716

⁽¹⁾ Gallons are in thousands.

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

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

Source: Village of Palm Springs Utility Department.

(a) Decrease in consumption due to mandatory water restrictions for severe drought conditions in South Florida.

VILLAGE OF PALM SPRINGS, FLORIDA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities			Total ⁽¹⁾ Primary Government	Percentage of Personal Income ⁽²⁾	Per Capita
	General Obligation Bonds	General Obligation Note Payable	Water & Sewer Revenue Bonds	Notes Payable	Obligation Under Agreement			
2003	\$7,765,000	\$ -	\$16,794,468	\$6,390,232	\$1,733,326	\$32,683,026	5.79%	\$2,525
2004	7,635,000	-	16,854,899	5,796,318	1,223,927	31,510,144	5.38%	2,358
2005	7,500,000	-	16,261,239	5,177,435	684,209	29,622,883	5.03%	2,217
2006	7,360,000	-	15,740,566	4,533,236	159,204	27,793,006	4.49%	2,001
2007	7,215,000	-	13,874,827	3,862,457	-	24,952,284	3.73%	1,737
2008	7,065,000	-	13,246,703	3,164,150	-	23,475,853	2.90%	1,605
2009	6,905,000	-	12,586,558	2,436,765	-	21,928,323	2.38%	1,408
2010	6,740,000	-	11,897,820	1,679,485	-	20,317,305	2.20%	1,283
2011	6,570,000	-	11,162,172	890,959	-	18,623,131	2.93%	984
2012	-	6,340,486	10,376,252	69,933	-	16,786,671	2.79%	849

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

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

⁽²⁾ Based on personal income information for Palm Beach County, Florida. Personal income information is not available for the Village.

VILLAGE OF PALM SPRINGS, FLORIDA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Assessed Value of Taxable Property	Percentage of Assessed Value of Taxable Property	Population	Per Capita
2003	\$ 7,765,000	\$ 20,337	\$ 7,744,663	\$ 324,408,525	2.39%	12,944	\$ 598.32
2004	7,635,000	20,677	7,614,323	379,187,543	2.01%	13,363	569.81
2005	7,500,000	20,696	7,479,304	453,232,893	1.65%	13,363	559.70
2006	7,360,000	20,793	7,339,207	562,968,596	1.30%	13,890	528.38
2007	7,215,000	15,275	7,199,725	809,724,061	0.89%	14,363	501.27
2008	7,065,000	15,892	7,049,108	945,695,948	0.75%	14,630	481.83
2009	6,905,000	16,219	6,888,781	864,384,157	0.80%	15,578	442.21
2010	6,740,000	16,290	6,723,710	694,482,029	0.97%	15,831	424.72
2011	6,570,000	44,546	6,525,454	610,730,119	1.07%	18,928	344.75
2012	6,340,486	3,668	6,336,818	599,341,649	1.06%	19,769	320.54

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

VILLAGE OF PALM SPRINGS, FLORIDA

*Direct and Overlapping Governmental Activities Debt
September 30, 2012*

	Total Outstanding	Percentage Applicable to Village of Palm Springs⁽¹⁾	Amount Applicable to Village of Palm Springs
Direct:			
Village of Palm Springs	\$ 6,340,486	100.00%	\$ 6,340,486
Overlapping:			
Palm Beach County	207,340,000	0.54%	1,119,636
Palm Beach County School District	30,650,000	0.54%	165,510
Total overlapping debt	237,990,000		1,285,146
Total direct and overlapping debt payable from ad valorem taxes			\$ 7,625,632
Estimated population			19,769
Total direct and overlapping debt per capita			\$ 385.74

⁽¹⁾ Estimates based on 2009 ratio of assessed taxable values.

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

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

VILLAGE OF PALM SPRINGS, FLORIDA

Water and Sewer Pledged Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended September 30,	Gross Revenue*	Operating Expenses**	Revenue Available for Debt Coverage	Current Debt Service	Current Coverage
2003	\$ 10,002,207	\$ 4,470,650	\$ 5,531,557	\$ 2,071,785	2.67
2004	10,585,719	4,738,093	5,847,626	2,267,047	2.58
2005	10,934,323	5,141,817	5,792,506	2,273,972	2.55
2006	10,934,323	5,141,817	5,792,506	2,269,972	2.55
2007	12,629,558	6,820,199	5,809,359	2,246,972	2.59
2008	12,077,968	7,350,126	4,727,842	2,165,148	2.18
2009	12,849,181	7,369,105	5,480,076	2,163,698	2.53
2010	13,961,903	8,091,259	5,870,644	2,156,946	2.72
2011	14,846,608	7,792,488	7,054,120	2,155,448	3.27
2012	15,637,821	8,280,748	7,357,073	2,158,448	3.41

* Includes interest revenue, miscellaneous revenue and capital contributions.

** Excludes depreciation and amortization expense.

VILLAGE OF PALM SPRINGS, FLORIDA

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Per Capita Personal Income⁽²⁾	Estimated Total Personal Income⁽³⁾	Median Age⁽²⁾	Education Level in Years of Formal Schooling	School Enrollment⁽²⁾	Unemployment Rate⁽²⁾
2003	12,944	\$ 43,626	\$ 564,694,944	41.8	N/A	161,600	5.8%
2004	13,363	43,830	585,700,290	41.8	N/A	170,949	5.8%
2005	13,363	44,050	588,640,150	41.8	N/A	172,532	4.6%
2006	13,890	44,518	618,355,020	41.7	N/A	170,582	5.1%
2007	14,363	46,630	669,746,690	38.1	N/A	168,546	5.3%
2008	14,630	55,311	809,199,930	38.2	N/A	168,342	7.4%
2009	15,578	59,147	921,391,966	43.2	N/A	170,215	11.3%
2010	15,831	58,358	923,865,498	43.2	N/A	171,692	10.8%
2011	18,928	33,610	636,170,080	43.5	N/A	174,004	11.7%
2012	19,769	30,487	602,697,503	43.7	N/A	177,307	10.8%

Data Sources:

- ⁽¹⁾ The population for 2003 through 2012 was obtained from the University of Florida, Bureau of Economic Business Administration.
- ⁽²⁾ Information provided by the Business Development Board of Palm Beach County. The per capita personal income is for Palm Beach County, Florida. Personal income information is not available for the Village.
- ⁽³⁾ Total personal income information estimated based on per capita personal income for Palm Beach County, Florida.

N/A - Not Available.

VILLAGE OF PALM SPRINGS, FLORIDA

Principal Employers

Current Year and Nine Years Ago

Employer	2012 ⁽¹⁾			2003		
	Employees	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Palm Beach County School District	21,495	1	N/A	18,677	1	N/A
Palm Beach County	11,381	2	N/A	9,000	2	N/A
Tenet Healthcare Corp.	6,100	3	N/A	3,040	4	N/A
NextEra Energy	3,365	4	N/A	2,800	5	N/A
G4S	3,000	5	N/A	-	-	-
HCA	2,714	6	N/A	-	-	-
Florida Atlantic University	2,706	7	N/A	-	-	-
Bethesda Memorial Hospital	2,391	8	N/A	1,800	9	N/A
Office Depot	2,250	9	N/A	-	-	-
Boca Raton Regional Hospital	2,250	10	N/A	-	-	-
Columbia PB Healthcare System, Inc	-	-	-	4,000	3	N/A
Boca Raton Resort & Club	-	-	-	2,380	6	N/A
U.S. Sugar Corp.	-	-	-	2,200	7	N/A
Florida Crystals	-	-	-	2,000	8	N/A
The Breakers	-	-	-	1,800	10	N/A
Totals	<u>57,652</u>		<u>N/A</u>	<u>47,697</u>		<u>N/A</u>

⁽¹⁾ Source: Business Development Board of Palm Beach County. Data is for Palm Beach County, Florida, for 2012. Employment information for the Village is not available.

N/A - Not Available.

VILLAGE OF PALM SPRINGS, FLORIDA

Full-time Equivalent Village Government Employees by Function
Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	11.5	12.5	13.5	13.5	15	15	15	14.5	14.5	15
Public safety										
Building official	1	1	1	1	1	1	1	1	1	1
Land development	4.5	6.5	8	6.5	6.5	6	4	3	4.5	5.5
Police officers	33	34	38	38	38.5	40	39	38	40	40
Firefighters (b)	4	4	8	9	12	18	22.5	-	-	-
Civilian police/fire	16.5	16.5	18	16.5	15	12	14	15	15.5	17
Sanitation (a)	7	10	11	9	11	-	-	-	-	-
Transportation	17	18	19	12	9	13	12	11	11	12
Culture/Recreation										
Library	8.5	9	9	9	9.5	10	9.5	10	10	10
Leisure services	11	10.5	11.5	11.5	11.5	12	9	7.5	7.5	13
Water & Sewer Utility	<u>41</u>	<u>45</u>	<u>46</u>	<u>48</u>	<u>53</u>	<u>56</u>	<u>56.5</u>	<u>58</u>	<u>58</u>	<u>60</u>
Total	155	167	183	174	182	183	182.5	158	162	173.5

(a) The Village privatized sanitation operations effective April 1, 2008.

(b) The Village contracted with Palm Beach County for fire protection effective October 1, 2009.

VILLAGE OF PALM SPRINGS, FLORIDA

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year		
	2003	2004	2005
Public Safety			
Police			
Physical arrests	906	896	1,049
Parking violations	375	349	534
Traffic violations	9,257	7,077	6,488
Fire			
Number of calls (a)	1,475	1,966	2,193
Sanitation (b)			
Refuse collected (tons)	4,491	6,589	6,900
Recyclables collected (tons)	602	715	360
Roads and Streets			
Street resurfacing (miles)	N/A	2	2
Pot holes repaired	194	205	225
Culture/recreation			
Library			
Circulation	62,317	63,305	69,572
Active cardholders	N/A	N/A	N/A
Reference questions	N/A	N/A	N/A
Programs offered	403	279	356
Program attendance	3,096	3,052	4,030
Total library visitors	N/A	N/A	N/A
Leisure Services			
Baseball participants	N/A	N/A	N/A
Soccer participants	N/A	N/A	N/A
Flag football participants	N/A	N/A	N/A
Cheerleading participants	N/A	N/A	N/A
Basketball participants	N/A	80	120
Youth athletic participants	900	950	930
Adult flag football	-	-	-
Camp program participants	450	325	335
Class participants	150	600	675
Travel Club members	-	-	-
Special event participants	-	-	-
Facility rentals	-	-	-
Water/Sewer Utility			
Water accounts	11,531	11,634	11,924
Water customers	N/A	N/A	N/A
Water main breaks	2	5	2
Sewer accounts	9,151	9,405	9,593
Sewer customers	N/A	N/A	N/A
Avg daily water consumption (thousands of gallons)	4,335	4,076	4,360

Sources: Village departments

N/A: Not available.

(a) The Village signed a mutual aid agreement with Palm Beach County in 2008 resulting in higher call volume.

(b) The Village privatized sanitation operations effective April 1, 2008.

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
1,166	1,316	1,308	1,129	1,090	1,021	1,039
682	540	636	214	160	79	54
10,284	12,008	9,242	7,472	11,438	9,038	7,201
2,237	2,639	4,066	3,631	N/A	N/A	N/A
5,805	9,030	2,771	privatized	privatized	privatized	privatized
446	452	215	privatized	privatized	privatized	privatized
5.82	4	3	3	1.7	2.3	3.2
520	752	1,073	1,036	790	765	820
82,286	75,545	85,979	105,018	98,723	114,881	91,643
3,738	3,989	3,912	4,336	4,421	5,191	4,475
8,958	10,820	16,553	19,590	19,694	10,748	47,548
334	339	460	656	686	656	576
3,522	4,313	5,230	7,555	8,040	7,947	7,388
N/A	N/A	88,887	106,345	97,233	109,002	96,817
286	279	318	272	265	224	191
222	221	218	280	289	224	233
273	294	303	290	293	311	278
24	49	31	12	12	22	28
-	100	130	127	150	161	194
805	943	1,000	981	1,009	942	924
-	-	-	72	156	156	80
545	375	425	450	384	385	365
796	716	546	480	*	*	*
-	-	-	-	305	268	261
-	-	-	-	4,162	5,123	5,109
-	-	-	-	1,383	836	1,241
11,450	11,537	11,623	11,307	12,349	12,374	12,536
19,732	19,825	21,937	18,747	19,752	19,878	19,952
2	12	1	5	6	6	11
9,381	9,417	9,546	9,344	10,268	10,375	10,716
17,172	17,180	17,228	16,314	17,297	17,459	17,812
4,379	4,182	4,033	3,901	3,732	3,743	3,710

* Included in facility rentals beginning with 2010.

VILLAGE OF PALM SPRINGS, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol Units	30	32	29	23	26
Fire (a)					
Fire Stations	1	1	1	1	1
Fire trucks	4	3	3	3	3
ALS Rescue Vehicles	4	4	5	3	3
Sanitation (b)					
Garbage Trucks	3	3	3	3	3
Trash Trucks	2	3	3	3	3
Roads and Streets					
Street lights	13	13	29	29	29
Lane miles	58.10	58.99	60.00	70.00	71.86
Culture/recreation					
Library					
Books	41,795	42,324	46,311	48,969	46,500
Leisure Services					
Ballfields - lighted	4	4	4	4	4
Basketball courts	2	2	2	2	2
Soccer fields	3	3	3	3	3
Tennis courts	2	4	4	4	4
Mini-golf course	-	-	1	1	1
Parks	2	2	2	3	3
Water/Sewer Utility					
Water mains (miles)	N/A	126.00	124.00	124.00	124.70
Sanitary sewers (miles)	N/A	83.00	89.00	89.00	89.00
Storm sewers (miles)	N/A	3.75	4.00	4.00	3.96
Fire hydrants	N/A	863	863	863	872
Maximum daily water treatment capacity (thousands of gallons)	8,000	10,000	10,000	10,000	10,000

Sources: Village departments

N/A: Not available.

(a) The Village contracted with Palm Beach County for fire-rescue services effective October 1, 2009.

(b) The Village privatized sanitation operations effective April 1, 2008.

Fiscal Year				
2008	2009	2010	2011	2012
1	1	1	1	1
43	43	59	56	58
1	1	-	-	-
1	1	-	-	-
2	2	-	-	-
1	1	1	1	1
1	1	1	1	1
29	29	29	29	81
72.31	72.31	72.31	69.21	66.61
49,286	51,936	54,039	54,493	55,155
4	4	4	4	4
2	2	2	2	2
3	3	3	3	3
4	4	4	4	4
1	1	1	1	1
4	6	6	6	7
124.90	124.90	124.90	126.00	126.00
86.50	88.50	94.30	95.55	99.05
3.96	3.96	3.96	3.96	3.96
872	872	872	872	872
10,000	10,000	10,000	10,000	10,000

VILLAGE OF PALM SPRINGS, FLORIDA

Schedule of Insurance in Force

September 30, 2012

Company	Policy Number	Type of Coverage	Property Covered	Amount of Coverage
FMIT#0459	U711-50850 General & Police	Fiduciary liability	Pension trustees	\$1,000,000
FMIT#0459	PROP 03 1011	Property inland marine	Village property	\$17,630,640
FMIT#0459	CA 1008	General liability	Village property	\$1,000,000 \$2,000,000
FMIT#0459	AL 1010 APD 1009	Automobile liability Physical damage	Any auto Owned vehicles	\$1,000,000 per schedule
FMIT#0459	CR 00 25 0506	Crime	Employee theft, dishonesty, forgery	\$100,000
FMIT#0459	105185397	Fiduciary bond	Finance Officer	\$1,000,000
FMIT#0459	EO 1009 LE 1007	Professional liability Professional liability	Public officials Law enforcement	\$1,000,000
National Union Fire Insurance Co.	SRG9043155-A	Accidental death and dismemberment	Village employees	\$66,000/ \$190,000
FMIT#0459	WC EL 1008	Workers compensation	Village employees	Florida statutory
Commerce & Industry Insurance Co.	PLC 1959199	Pollution liability	Village property	\$1,000,000 per claim

COMPLIANCE SECTION



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

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the Village of Palm Springs, Florida, and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Village of Palm Springs, Florida, are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Caleb, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

December 31, 2012



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Management Letter

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

We have audited the financial statements of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2012, and have issued our report thereon dated December 31, 2012.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 31, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

1. Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations reported in the 2011 management letter.
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.
3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

6. Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.
7. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2012.
8. Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in substantial agreement.
9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2012. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of our procedures disclosed no matters that are required to be reported.

Our management letter is intended solely for the information and use of the Village Council and management of the Village of Palm Springs, Florida, the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Caleb, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

December 31, 2012