



THE VILLAGE OF PALM SPRINGS, FLORIDA



“Building for the Future”

Comprehensive Annual Financial Report
September 30, 2002

The seal of The Village of Palm Springs, Florida, is a circular emblem. It features a central palm tree with a white dog sitting on a green patch of grass at its base. The words "THE VILLAGE OF PALM SPRINGS" are written in a circular path around the top, and "FLORIDA" is written at the bottom. In the center, below the palm tree, it says "GARDEN SPOT OF COUNTY" with a red star to the right.

The Village of Palm Springs, Florida

Comprehensive Annual Financial Report

September 30, 2002

**Prepared by:
Finance Department**

**Rebecca L. Morse
Chief Financial Officer**

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INTRODUCTORY SECTION

January 31, 2003

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

The Department of Finance is pleased to present the Village's Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 2002. This report provides full financial disclosure to assist our residents and other users of this report in making economic, social, and political decisions.

The CAFR has been prepared in accordance with the Village Charter, Florida State Statutes, and generally accepted accounting principles for governments. 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.

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

- ❖ The **introductory section** includes this letter of transmittal, the Government Finance Officers Association ("GFOA") Certificate of Achievement, the Village organizational chart and a list of principal officials.
- ❖ The **financial section** includes the general-purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on these financial statements and schedules.
- ❖ The **statistical section** presents tables and additional data that provide financial, social, demographic and historical trend information for an overall view of the fiscal capacity of the Village.
- ❖ The **compliance section** includes the report of the independent auditors on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, and the management letter.

The Village of Palm Springs is a full-service municipality providing public safety services (police, fire and advanced life support), a public library, parks and recreation facilities and activities, sanitation and recycling services, water and sewer services, road and street maintenance and beautification, as well as general government support services.

The financial reporting entity includes all the funds and account groups of the primary government (the Village of Palm Springs, as legally defined), as well as all of its component units in accordance with GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, "Defining the Reporting Entity." Component units are legally separate entities for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Village's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board. Based on the application of the criteria set forth by GASB, management has determined that no component units exist which would require inclusion in this report.

ECONOMIC CONDITION AND OUTLOOK

The Village annexed over 63 acres this fiscal year, including two vacant parcels that will be developed into large multi-family rental communities. Portofino, located at the site of the former Doctor's Hospital, will have 270 rental units when completed, and Villa Del Sol, located on Forest Hill Boulevard, will consist of 120 rental units upon completion.

The Palm Springs Plaza is under redevelopment with a new out parcel and conversion of the former bowling alley into numerous storefronts. During the year, the Village also annexed vacant land on Forest Hill Boulevard which is now being developed as twin one story professional office buildings.

The Village entered into an agreement with Palm Beach County and the homeowners association of Albert Lakes in July 2001. The agreement stated that the Village would install wastewater lines through the development in exchange for annexation at the completion of the project, and Palm Beach County would reimburse the Village for approximately 50% of the cost of construction. Albert Lakes is a community of 64 single family homes with a total taxable value of \$9,620,312 and they have been water utility customers for over 13 years, so this agreement is beneficial to the community as well as the Village.

MAJOR INITIATIVES

In November 2001, construction began on phase I of the Village Municipal Complex, which includes a two story Village Administrative and Leisure Services Building, including a 5,000 square foot community meeting multi-purpose room, and is expected to be completed May 2003. Phase II of the project that includes a new Public Safety facility will begin immediately after completion of Phase I. A variety of other improvements are already underway and include new tennis courts, basketball courts, playground, water playground, picnic area, and civic plaza, as well as expansion and renovations of the existing Library.

The improvements to the Village complex have kept Village management and staff busy planning the relocations and anxiously looking forward to the improved functionality. The Leisure Services area provides new rooms for aerobics, judo, classroom type activities, and meeting areas for local clubs and summer camp programs. The Village was successful in obtaining grant funding from Palm Beach County and the Florida Recreation Development Assistance Program to further enhance the leisure service facilities. The Village will use grant funding to convert a previous equipment storage facility to a new leisure activities building for after school and youth activity programs. The police athletic league will work with Leisure Services to offer programs and activities that will attract the middle school through high school aged youth.

Part of the site work for the new municipal complex involved relocating our maintenance building to a new 6,000 square foot building now located next to the Main Water Treatment Plant. The underground fuel facility was demolished and a new above ground vault facility was installed on the water treatment plant site. The consolidation of public service activities will eliminate the need for maintenance and sanitation trucks to travel through the Village municipal complex.

In addition to the municipal complex construction, the Village continued to pursue voluntary annexation of surrounding areas to improve the efficiency of service delivery and be able to have a positive influence in the development or redevelopment of the formerly unincorporated areas that surrounded the Village. Our annexation initiative over the last four years has added 387 acres to the Village boundaries and greatly improved our tax base with a mix of vacant land for planned residential developments and commercial property.

DEPARTMENTAL HIGHLIGHTS

The Village Public Service department consists of three divisions: Utilities, Sanitation/Recycling, and Roads and Street Maintenance. The name "Roads and Streets Maintenance" falls short of describing the work performed by this division. As the name suggests, they maintain our roads including the signage, stripping, and

general repair. In addition they mow, landscape, water and groom the ball fields, parks, medians and open areas surrounding the Village property. The Village's designation as a "Tree City" can be attributed to the work done by these employees; this year alone, they planted 223 trees.

They perform the building maintenance functions including janitorial services, replacing light fixtures, and routine air conditioning maintenance at Village Hall, Leisure Services, Public Safety, the Library, and the Water Treatment Plants. They are frequently called upon to help move furniture, computers or boxed records. When needed, they assemble furniture, construct new offices, and relocate or disassemble others. Often times they are called on to assist the Utilities field crew during new water line installations, drainage work, or line break repairs. This division handles our fuel facility and vehicle maintenance for a fleet of over 30 public safety vehicles, 52 work trucks, and numerous off road vehicles.

Public Service employees assisted Public Safety by building a "home setting" that was set on fire as part of a demonstration during Fire Prevention Week. As needed, they assist the Sanitation division with trash pick up and recycling, and cover staff shortages.

The Village has prospered and grown thanks to dedicated employees who are willing to do whatever job needs to be done. These employees, under the supervision of Mike Snook, should be recognized for their contribution to the Village.

FUTURE PLANS

The new Village administrative building has an estimated completion date of May 2003. Then, the existing Village Hall will be demolished and construction will begin on the new public safety facility with a projected completion date of March 2004. The library expansion will also be completed during fiscal year 2003. The entire municipal complex area is being renovated, including new traffic patterns, a new playground, new water playground, new basketball courts, tennis courts, and picnic pavilion.

Over the last 3 ½ years, the Village has expanded our municipal boundaries and tax base through an aggressive voluntary annexation program. This annexation and increase in population now ranks us 12th largest out of 37 municipalities in Palm Beach County. The new municipal complex and expanded boundaries position us to provide a full array of services to residents and businesses wanting to enjoy the convenience of being located in eastern central Palm Beach County at a reasonable cost. Annexation provides opportunities for the Village to initiate redevelopment of previously neglected properties and make improvements such as water, wastewater, sidewalk, drainage and lighting available to these new areas.

The Village, as part of our planned growth, will be developing park areas to provide open spaces for residents to relax and enjoy leisure activities. Plans are currently underway to develop a park near the new Portofino development off 10th Avenue North and Summer Street.

FINANCIAL INFORMATION

The Village's financial operations are designed with a system of checks and balances to safeguard assets from loss, theft or misuse. This system of internal control provides reliable financial records for use in preparing financial statements in accordance with generally accepted accounting principles.

From a governmental accounting perspective, the Village is comprised of numerous different entities that are referred to as "funds". A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with the related liabilities and residual equities, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Governmental accounting classifies funds into three categories, and listed within these three categories are the

fund types maintained by the Village:

| Fund Category | Fund Type |
|----------------------|--|
| Governmental | General Special Revenue Debt Service Capital Projects |
| Proprietary | Enterprise |
| Fiduciary | Trust |

The Village maintains a General Fund for all financial resources except those required to be accounted for in another fund, one special revenue fund (Library Fund), one debt service fund (1996 General Obligation Note), one capital projects fund for the new Village Centre capital improvements, one enterprise fund for water and sewer utility operations, and four trust funds (General Employees Pension Fund, Hazardous Employees Pension Fund, Library Trust Fund, and Law Enforcement Trust Fund).

BUDGETING

The Village maintains budgetary control at the department level of expenditure by department and fund. All expenditures of \$2,000 or more require the Village Manager's authorization, and expenditures over \$5,000 require approval by the Village Council and/or competitive bid.

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

The Village Council legally adopts a formal budget for the General Fund, and the Debt Service Fund. A statement comparing budgeted revenues and expenditures to actual revenues and expenditures for these funds is presented in the financial section of this report.

GENERAL GOVERNMENT FUNCTIONS

The following schedule presents a summary of general fund, special revenue fund, debt service fund, capital projects fund, and expendable trust fund revenues for the fiscal year 2002, and the amount and percentage of increases and decreases in relation to the prior fiscal year.

Revenues

In 2002, total revenues were \$6,184,163, an increase of \$507,870 or 8.95% over fiscal year 2000/01.

| Revenue Source | Amount | Percent of Total | Increase (Decrease) from 2000/01 | Percent of Increase (Decrease) |
|-----------------------|---------------------|-------------------------|---|---------------------------------------|
| Taxes | \$ 3,272,134 | 52.9% | \$ 454,787 | 16.14 % |
| Licenses and permits | 258,364 | 4.2% | 82,651 | 47.04 % |
| Intergovernmental | 1,566,010 | 25.3% | 72,387 | 4.85 % |
| Charges for services | 653,923 | 10.6% | 10,798 | 1.68 % |
| Fines and forfeitures | 191,950 | 3.1% | 14,661 | 8.27 % |
| Contributions | 24,635 | .4% | (8,961) | (26.67) % |
| Interest | 165,659 | 2.7% | 18,213 | 12.35 % |
| Miscellaneous | 51,488 | .8% | (136,666) | (72.64) % |
| Total | \$ 6,184,163 | 100.0% | \$ 507,870 | 8.95 % |

Tax revenues include ad valorem taxes, franchise fees and utility service taxes. The Village lowered the millage rate in fiscal year 2001/02 to 4.9999 mills from 5.1593 mills in fiscal year 2000/01. Despite this 3% reduction in the tax rate, the Village received \$216,774 or 18% more in ad valorem tax revenue when compared to the prior fiscal year.

Annexation generated growth in our tax base and the inclusion of the annexed properties generated additional franchise fees and utility service tax revenues. Franchise fee and utility tax revenues increased \$238,090, or 15%, over fiscal year 2000/01.

Occupational licenses were also positively impacted by the recent annexations. Revenues from occupational licenses increased \$16,307 or 18% as compared with fiscal year 2000/01. Building permit revenues increased significantly – 80% or \$66,344 due to numerous development projects underway.

Annexation also impacted our fines and forfeiture revenues. Our public safety personnel now have the responsibility to patrol some thoroughfares that are heavily used for transportation through the County. This increased area of enforcement has helped generate the increase in fines and forfeiture revenues.

Interest income increased with the investment of increased revenues. The decline in miscellaneous revenues is due to the non-repetitive nature of miscellaneous revenue sources; in fiscal year 2000/01 the Village had sold surplus equipment generating uncharacteristically high miscellaneous revenue.

Expenditures

Expenditures for general government functions totaled \$8,163,531, an increase of \$1,979,133, or 32.0%, over fiscal year 2000/01. The expenditures for the new municipal complex represented \$1,560,500 of the total increase.

| Expenditures | Amount | Percent of Total | Increase (Decrease) from 2000/01 | Percent of Increase (Decrease) |
|-----------------------------------|---------------------|-------------------------|---|---------------------------------------|
| General government | \$ 2,729,879 | 33.4% | \$ 1,688,944 | 162.25 % |
| Public safety | 3,279,310 | 40.2% | 254,505 | 8.41 % |
| Physical environment | 385,569 | 4.7% | 51,987 | 15.58 % |
| Transportation | 715,382 | 8.8% | 102,173 | 16.66 % |
| Culture/recreation | 984,569 | 12.0% | (118,405) | (10.74)% |
| Debt service: | | | | |
| Principal | 53,800 | .7% | 2,805 | 5.50 % |
| Interest and other fiscal charges | 15,022 | .2% | (2,876) | (16.07)% |
| Total | \$ 8,163,531 | 100.0% | \$ 1,979,133 | 32.00 % |

The general government expenditure category includes the Village Council, Village Manager, Village Clerk, Finance, Legal, and other general government programs. The capital outlay for the new municipal complex is also included in general government. During fiscal year 2000/01 we expended \$216,292 primarily in design fees for the project. Now, with construction underway, our expenditures this fiscal year for the project totaled \$1,776,792.

The remaining increase in general government is primarily due to the hardware, software and professional fees related to the implementation of our new document imaging system. The Village purchased Laserfiche document imaging software and the system was implemented in the Village Clerk's office, Land Development and Finance. In just the first year of operation we have seen measurable benefits from digitizing these records. Laserfiche has reduced paper costs and staff time to pull records and make copies, and it preserves the records for

future reference while making them available to be shared throughout the Village.

The public safety expenditure category includes Protective Inspections/Land Development and our Public Safety Department that provides police, fire and advanced life support services. Land Development expenditures increased with the cost of contracting out the on-site inspector services during the construction of the new municipal complex. The Public Safety department increase reflects a full year of the four additional police officers hired last fiscal year and the associated fringe benefits and equipment costs.

The increase in Transportation includes the capital outlay for the new Roads and Streets Maintenance facility, including a new pick-up truck and a new vehicle lift at the new facility, and paving three newly annexed roads.

Culture/Recreation includes our Library, Leisure Services and Special Events. With the renovations to the municipal complex and the demolition of the prior recreation center, the Village had to reduce programming, which impacted the revenues and expenditures related to the leisure service activities. The Village is looking forward to offering a full array of programs when the new facilities are open.

Fund Balance

The Village is prudently managed and we continue to deliver a high level of services to our residents both new and old at very reasonable costs. As of September 30, 2002, the General Fund had a total fund balance of \$3,463,919. The components of fund balance are detailed in the table below.

| | |
|---|-------------|
| Total fund balance | \$3,463,919 |
| Less non-expendable assets: | |
| Reserved for inventories | 6,259 |
| Designated for subsequent year | 481,011 |
| Designated for future capital projects | 1,100,000 |
| Total unreserved, undesignated fund balance | \$1,876,649 |

This year the Village Council increased the designation for future capital projects by \$100,000 to provide sufficient funding for our capital needs and to enable the Village to appropriate those funds for large capital purchases without impacting the operating millage rate.

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

ENTERPRISE OPERATIONS

The Village's enterprise operation consists of two water treatment plants. The first plant, located within the Village, is a 6,000,000-gallon treatment facility. The second plant, dedicated to former Public Service Director Robert L. Pratt, is located in unincorporated Palm Beach County and is a 3,000,000-gallon treatment facility with expansion capabilities to 4,000,000 gallons. The Village's sewer treatment is handled through two connections to the East Central Regional Wastewater Treatment Facilities. The Village has agreements with Palm Beach County for one connection and with the City of Lake Worth for the second.

At September 30, 2002, our utility system had more than 11,486 connections. Connections outside the Village limits represent approximately 50% of total connections. The demand for service in the unincorporated area continues to increase and connections to the system have grown significantly since the Village began offering a financing program for connection fees. As of September 30, 2002, 402 customers had signed agreements to finance the cost of connecting to the water and/or wastewater system. Of those customers 273 are active accounts the other 129 accounts have been paid in full.

Operating revenue grew to \$8,477,859 an increase of \$566,822, or 7.16%. Operating expenses increased by \$417,033, or 7.10%, over fiscal year 2000/01, for a total of \$6,290,193. The increased operating revenues reflect additional connections and the rate increase that was effective October 1, 2001. The largest increase in operating expenses includes a new GIS technician position, and increased health insurance and general liability insurance costs.

FIDUCIARY FUNDS

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

Pension Trust Funds

There are two self-administered pension plans: the General Employees Pension Fund and the Hazardous Employees Pension Fund. The total assets of pension trust funds on a current market basis aggregated \$8,229,532 on September 30, 2002. This is a decrease of \$481,322, or 5.5%, since September 30, 2001. This decline is due to depreciation in fair value of the pension investments during the down market. Contributions to the funds and the number of active and retired (or beneficiary) members are as follows:

| Pension Fund | Contributions | | Members | | Terminated Vested |
|---------------------|------------------|-------------------|------------|-----------|-------------------|
| | Employee | Employer | Active | Retired | |
| General Employees | \$ 31,109 | \$ 131,309 | 86 | 15 | 13 |
| Hazardous Employees | 16,057 | 309,558 | 32 | 5 | 11 |
| Total | \$ 47,166 | \$ 440,867 | 118 | 20 | 24 |

Included in the employer's contributions for the Hazardous Employees Pension Fund are contributions from the State of Florida representing casualty insurance premium tax monies (Chapter 185 Police) and fire insurance premiums (Chapter 175 Fire) pursuant to the Florida Statutes. The Chapter 185 contribution totaled \$26,859 and the Chapter 175 contribution totaled \$19,620 for the current year. Actuarial valuations are performed on both the General Employee plan and the Hazardous Employee plan every year.

Other Fiduciary Funds

The Village maintains two expendable trust funds, the Library Trust Fund, and the Law Enforcement Trust Fund. The Law Enforcement Trust Fund accounts for the proceeds from the sale of confiscated property pursuant to Chapter 932 of the Florida Statutes. This money is used for law enforcement purposes upon approval of the Village Council and after all expenses related to the confiscation have been settled.

DEBT ADMINISTRATION

On September 30, 2002, the Village had a number of debt issues outstanding. These issues included a general obligation note for \$246,461, a new general obligation debt for \$7,890,000, and \$12,377,105 of water and sewer enterprise revenue bonds and notes payable. The Village has an A+ rating from Standard and Poor's Corporation and an A1 rating from Moody's Investor Service for revenue bond issues. The Village's net general obligation debt per capita equaled \$658.77. The debt service coverage on the Village's Water and Sewer Revenue Bonds was 2.86, which met all legal requirements.

RISK MANAGEMENT

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

CASH MANAGEMENT AND INVESTMENTS

The Village maintains a pooled cash account, known as the Treasurer's Fund, for all funds. The equity of each individual fund is maintained at all times. A target balance of \$400,000 is maintained in this fund to cover current cash needs. Any additional funds are "swept" out daily into an over-night repurchase agreement. This repurchase agreement pays interest daily. The average return on this investment for the year was 1.76%.

In addition to the interest-bearing sweep, the Village maintains an account with the State Board of Administration. On September 30, 2002, the Village had \$5,851,938 invested in this account. The State Board account had an average rate of return of 2.08 %.

The Village's investment policy is designed to maximize investment yield while maintaining safety and security for Village assets.

INDEPENDENT AUDIT

Florida Statutes require an annual audit by independent certified public accountants. The Village Council selected the accounting firm of Rachlin Cohen & Holtz, LLP. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palm Springs for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001.

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

A Certificate of Achievement is valid for one year only. The Village of Palm Springs has received a Certificate of Achievement for the last fourteen consecutive years (fiscal years ended 1988-2001). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

Over the last four years, Palm Springs grew in land area and population but also reached beyond those physical boundaries to envision the potential community Palm Springs could become. It is a pleasure to be both a resident and an employee of a Village where the leadership recognized the declining status of the Village, decided on a course of action to improve that status, and then proceeded to implement it. This was an aggressive action plan designed by our Village Council and Manager and executed by a very dedicated work force.

The ability of this Council and Manager to look past the next budget year or election year horizon and take giant steps to transition Palm Springs from a stagnant community with a declining tax base into a growing, sustainable community with developers and businesses now seeking to be part of our community deserves recognition.

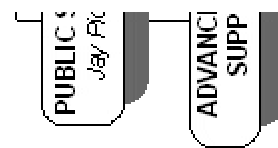
Personally, I would like to thank the Finance staff for their professionalism and dedication to excellence.

Respectfully submitted,

Rebecca L. Morse, CGFO, CPFO
Chief Financial Officer

VILLAGE OF PALM SPRINGS
LIST OF PRINCIPAL OFFICIALS
September 30, 2002

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



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, 2001

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.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director

FINANCIAL SECTION



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants
"Global Perspective. Personal Touch."

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying general purpose financial statements of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Palm Springs' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Palm Springs, Florida, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2002, on our consideration of the Village of Palm Springs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Palm Springs. Such information

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has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The information shown in the statistical section, listed in the table of contents, has not been subjected to auditing procedures sufficient to enable us to express an opinion as to the fairness of all information included therein and, accordingly, we do not express an opinion thereon.

Rachel Cohen + Hertz LLP

West Palm Beach, Florida
January 24, 2003

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VILLAGE OF PALM SPRINGS, FLORIDA
Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2002

| | Governmental Fund Types | | | |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets and Other Debits | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 3,292,067 | \$ 19,092 | \$ 12,627 | \$ - |
| Investments | - | - | - | - |
| Receivables: | | | | |
| Accounts, net of allowance for uncollectibles | 32,282 | - | - | - |
| Interest | - | - | - | - |
| Grants | 20,792 | - | - | - |
| Utility taxes | 65,084 | - | - | - |
| Franchise fees | 82,050 | - | - | - |
| Intergovernmental | 132,278 | - | - | - |
| Due from other funds | 115,500 | - | - | - |
| Inventory | 6,259 | - | - | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | - | 3,397,502 |
| Investments | - | - | - | 3,075,505 |
| Fixed assets | - | - | - | - |
| Intangible assets | - | - | - | - |
| Unamortized bond issue costs | - | - | - | - |
| Other Debits: | | | | |
| Amount available in debt service fund | - | - | - | - |
| Amount to be provided for retirement of general long-term debt | - | - | - | - |
| Total assets and other debits | \$ 3,746,312 | \$ 19,092 | \$ 12,627 | \$ 6,473,007 |

| Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|--------------------------|------------------------|----------------------------|------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Debt | |
| Enterprise | Trust Funds | | | |
| \$ 6,057,418 | \$ 578,271 | \$ - | \$ - | \$ 9,959,475 |
| - | 7,655,443 | - | - | 7,655,443 |
| 1,593,092 | 6,997 | - | - | 1,632,371 |
| - | 42,054 | - | - | 42,054 |
| - | - | - | - | 20,792 |
| - | - | - | - | 65,084 |
| - | - | - | - | 82,050 |
| - | - | - | - | 132,278 |
| - | - | - | - | 115,500 |
| 160,293 | - | - | - | 166,552 |
| 1,108,409 | - | - | - | 4,505,911 |
| 1,218,254 | - | - | - | 4,293,759 |
| 27,982,048 | 59,924 | 8,297,602 | - | 36,339,574 |
| 3,312,401 | - | - | - | 3,312,401 |
| 133,740 | - | - | - | 133,740 |
| - | - | - | 12,627 | 12,627 |
| - | - | - | 8,267,005 | 8,267,005 |
| \$ 41,565,655 | \$ 8,342,689 | \$ 8,297,602 | \$ 8,279,632 | \$ 76,736,616 |

Continued on the following page...

VILLAGE OF PALM SPRINGS, FLORIDA
Combined Balance Sheet
All Fund Types and Account Groups (Continued)
September 30, 2002

| | Governmental Fund Types | | | |
|--|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Liabilities, Equity and Other Credits | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 187,660 | \$ - | \$ - | \$ - |
| Contracts and retainage payable | - | - | - | 202,533 |
| Payable from restricted assets: | | | | |
| Accrued interest | - | - | - | - |
| Current portion of note payable | - | - | - | - |
| Current portion of revenue bonds payable | - | - | - | - |
| Deposits | - | - | - | - |
| Due to other funds | - | - | - | 115,500 |
| Revenue collected in advance | 68,296 | - | - | - |
| Notes payable | - | - | - | - |
| General obligation bonds payable | - | - | - | - |
| Compensated absences payable | 26,437 | - | - | - |
| Revenue bonds payable | - | - | - | - |
| Obligations under utility agreement | - | - | - | - |
| Total liabilities | 282,393 | - | - | 318,033 |
| Equity and Other Credits: | | | | |
| Investment in general fixed assets | - | - | - | - |
| Contributed capital | - | - | - | - |
| Retained earnings: | | | | |
| Reserved | - | - | - | - |
| Unreserved | - | - | - | - |
| Fund balances: | | | | |
| Reserved | 6,259 | - | 12,627 | 6,154,974 |
| Unreserved: | | | | |
| Designated | 1,581,011 | - | - | - |
| Undesignated | 1,876,649 | 19,092 | - | - |
| Total equity and other credits | 3,463,919 | 19,092 | 12,627 | 6,154,974 |
| Total liabilities, equity and other credits | \$ 3,746,312 | \$ 19,092 | \$ 12,627 | \$ 6,473,007 |

See accompanying notes to general purpose financial statements.

| Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|--------------------------|------------------------|----------------------------|------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Debt | |
| Enterprise | Trust Funds | | | |
| \$ 194,010 | \$ 15,948 | \$ - | \$ - | \$ 397,618 |
| 317,943 | - | - | - | 520,476 |
| 63,892 | - | - | - | 63,892 |
| 570,615 | - | - | - | 570,615 |
| 305,000 | - | - | - | 305,000 |
| 842,930 | - | - | - | 842,930 |
| - | - | - | - | 115,500 |
| - | - | - | - | 68,296 |
| 6,390,232 | - | - | 246,461 | 6,636,693 |
| - | - | - | 7,890,000 | 7,890,000 |
| 67,081 | - | - | 143,171 | 236,689 |
| 5,111,258 | - | - | - | 5,111,258 |
| 2,210,494 | - | - | - | 2,210,494 |
| 16,073,455 | 15,948 | - | 8,279,632 | 24,969,461 |
| - | - | 8,297,602 | - | 8,297,602 |
| 10,898,497 | - | - | - | 10,898,497 |
| 1,985,851 | - | - | - | 1,985,851 |
| 12,607,852 | - | - | - | 12,607,852 |
| - | 8,296,928 | - | - | 14,470,788 |
| - | - | - | - | 1,581,011 |
| - | 29,813 | - | - | 1,925,554 |
| 25,492,200 | 8,326,741 | 8,297,602 | - | 51,767,155 |
| \$ 41,565,655 | \$ 8,342,689 | \$ 8,297,602 | \$ 8,279,632 | \$ 76,736,616 |

VILLAGE OF PALM SPRINGS, FLORIDA*Combined Statement of Revenues, Expenditures and Changes in Fund Balances**All Governmental Fund Types and Expendable Trust Funds**Year Ended September 30, 2002*

| | Governmental Fund Types | | | |
|--|--------------------------------|------------------------|---------------------|-------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Revenues | | | | |
| Taxes | \$ 3,203,299 | \$ - | \$ 68,835 | \$ - |
| Licenses and permits | 258,364 | - | - | - |
| Intergovernmental | 1,566,010 | - | - | - |
| Charges for services | 653,923 | - | - | - |
| Fines and forfeitures | 179,059 | - | - | - |
| Contributions | 22,728 | 1,907 | - | - |
| Interest | 62,830 | 312 | - | 101,841 |
| Miscellaneous | 50,647 | 841 | - | - |
| Total revenues | 5,996,860 | 3,060 | 68,835 | 101,841 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 953,087 | - | - | 1,776,792 |
| Public safety | 3,262,819 | - | - | - |
| Physical environment | 385,569 | - | - | - |
| Transportation | 715,382 | - | - | - |
| Culture/recreation | 982,815 | 1,754 | - | - |
| Debt service: | | | | |
| Principal | - | - | 53,800 | - |
| Interest and other fiscal charges | - | - | 15,022 | - |
| Total expenditures | 6,299,672 | 1,754 | 68,822 | 1,776,792 |
| Excess (deficiency) of revenues over (under) expenditures | (302,812) | 1,306 | 13 | (1,674,951) |
| Other financing sources | | | | |
| Debt proceeds | - | - | - | 7,829,925 |
| Operating transfer in | 970,424 | - | - | - |
| Total other financing sources | 970,424 | - | - | 7,829,925 |
| Excess of revenues and other financing sources over expenditures | 667,612 | 1,306 | 13 | 6,154,974 |
| Fund balances, beginning of year | 2,796,307 | 17,786 | 12,614 | - |
| Fund balances, end of year | \$ 3,463,919 | \$ 19,092 | \$ 12,627 | \$ 6,154,974 |

See accompanying notes to general purpose financial statements.

| Expendable Trust Funds | Totals (Memorandum Only) |
|-----------------------------------|---|
| \$ - | \$ 3,272,134 |
| - | 258,364 |
| - | 1,566,010 |
| - | 653,923 |
| 12,891 | 191,950 |
| - | 24,635 |
| 676 | 165,659 |
| - | 51,488 |
| 13,567 | 6,184,163 |
| - | 2,729,879 |
| 16,491 | 3,279,310 |
| - | 385,569 |
| - | 715,382 |
| - | 984,569 |
| - | 53,800 |
| - | 15,022 |
| 16,491 | 8,163,531 |
| (2,924) | (1,979,368) |
| - | 7,829,925 |
| - | 970,424 |
| - | 8,800,349 |
| (2,924) | 6,820,981 |
| 100,133 | 2,926,840 |
| \$ 97,209 | \$ 9,747,821 |

VILLAGE OF PALM SPRINGS, FLORIDA*Combined Statement of Revenues, Expenditures and Changes in Fund Balances -**Budget and Actual**General and Debt Service Funds**Year Ended September 30, 2002*

| | General Fund | | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|---|
| | Budget | Actual | |
| Revenues | | | |
| Taxes | \$ 2,947,724 | \$ 3,203,299 | \$ 255,575 |
| Licenses and permits | 222,000 | 258,364 | 36,364 |
| Intergovernmental | 1,709,405 | 1,566,010 | (143,395) |
| Charges for services | 745,250 | 653,923 | (91,327) |
| Fines and forfeitures | 198,000 | 179,059 | (18,941) |
| Contributions | 39,257 | 22,728 | (16,529) |
| Interest | 141,000 | 62,830 | (78,170) |
| Miscellaneous | 48,000 | 50,647 | 2,647 |
| Total revenues | 6,050,636 | 5,996,860 | (53,776) |
| Expenditures | | | |
| Current: | | | |
| General government | 1,113,035 | 953,087 | 159,948 |
| Public safety | 3,459,111 | 3,262,819 | 196,292 |
| Physical environment | 492,021 | 385,569 | 106,452 |
| Transportation | 1,001,699 | 715,382 | 286,317 |
| Culture/recreation | 1,234,066 | 982,815 | 251,251 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest and other fiscal charges | - | - | - |
| Total expenditures | 7,299,932 | 6,299,672 | 1,000,260 |
| Excess (deficiency) of revenues over (under) expenditures | (1,249,296) | (302,812) | 946,484 |
| Other financing sources | | | |
| Operating transfer in | 970,424 | 970,424 | - |
| Total other financing sources (uses) | 970,424 | 970,424 | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | (278,872) | 667,612 | 946,484 |
| Fund balances, beginning of year | 278,872 | 2,796,307 | 2,517,435 |
| Fund balances, end of year | \$ - | \$ 3,463,919 | \$ 3,463,919 |

See accompanying notes to general purpose financial statements.

| Debt Service Fund | | | Totals (Memorandum Only) | | |
|-------------------|------------------|----------------------------------|--------------------------|---------------------|----------------------------------|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| \$ 68,835 | \$ 68,835 | \$ - | \$ 3,016,559 | \$ 3,272,134 | \$ 255,575 |
| - | - | - | 222,000 | 258,364 | 36,364 |
| - | - | - | 1,709,405 | 1,566,010 | (143,395) |
| - | - | - | 745,250 | 653,923 | (91,327) |
| - | - | - | 198,000 | 179,059 | (18,941) |
| - | - | - | 39,257 | 22,728 | (16,529) |
| - | - | - | 141,000 | 62,830 | (78,170) |
| - | - | - | 48,000 | 50,647 | 2,647 |
| 68,835 | 68,835 | - | 6,119,471 | 6,065,695 | (53,776) |
| - | - | - | 1,113,035 | 953,087 | 159,948 |
| - | - | - | 3,459,111 | 3,262,819 | 196,292 |
| - | - | - | 492,021 | 385,569 | 106,452 |
| - | - | - | 1,001,699 | 715,382 | 286,317 |
| - | - | - | 1,234,066 | 982,815 | 251,251 |
| 53,800 | 53,800 | - | 53,800 | 53,800 | - |
| 15,035 | 15,022 | 13 | 15,035 | 15,022 | 13 |
| 68,835 | 68,822 | 13 | 7,368,767 | 6,368,494 | 1,000,273 |
| - | 13 | 13 | (1,249,296) | (302,799) | 946,497 |
| - | - | - | 970,424 | 970,424 | - |
| - | - | - | 970,424 | 970,424 | - |
| - | 13 | 13 | (278,872) | 667,625 | 946,497 |
| - | 12,614 | 12,614 | 278,872 | 2,808,921 | 2,530,049 |
| \$ - | \$ 12,627 | \$ 12,627 | \$ - | \$ 3,476,546 | \$ 3,476,546 |

VILLAGE OF PALM SPRINGS, FLORIDA*Statement of Revenues, Expenses and Changes in Retained Earnings**All Proprietary Fund Types**Year Ended September 30, 2002*

| | Enterprise Fund |
|--|----------------------------|
| Operating revenues | |
| Charges for services | \$ 8,476,290 |
| Miscellaneous | 1,569 |
| Total operating revenues | 8,477,859 |
| Operating expenses | |
| Personal services | 1,877,133 |
| Operating expenses | 2,473,581 |
| Depreciation | 1,594,155 |
| Amortization | 345,324 |
| Total operating expenses | 6,290,193 |
| Operating income | 2,187,666 |
| Nonoperating revenues (expenses) | |
| Interest and dividends on investments | 239,961 |
| Customer contributions | 576,929 |
| Interest expense | (980,363) |
| Total nonoperating revenues (expenses) | (163,473) |
| Income before operating transfers | 2,024,193 |
| Operating transfer out | (970,424) |
| Net income | 1,053,769 |
| Retained earnings, beginning of year | 13,539,934 |
| Retained earnings, end of year ⁽¹⁾ | \$ 14,593,703 |
| ⁽¹⁾ Retained earnings, end of year: | |
| Reserved | \$ 1,985,851 |
| Unreserved | 12,607,852 |
| | \$ 14,593,703 |

See accompanying notes to general purpose financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA
Combined Statement of Changes in Net Plan Assets
All Pension Trust Funds
Year Ended September 30, 2002

| | Pension Trust Funds |
|---|------------------------------------|
| Additions | |
| Contributions: | |
| Employer | \$ 394,388 |
| State of Florida | 46,479 |
| Plan member | 47,166 |
| Total contributions | 488,033 |
| Investment Income: | |
| Interest | 215,246 |
| Dividends | 56,933 |
| Investment expense | (65,856) |
| Net depreciation in fair value of investments | (860,127) |
| Miscellaneous | 50 |
| Net investment loss | (653,754) |
| Total additions | (165,721) |
| Deductions | |
| Administration | 55,327 |
| Benefits | 258,788 |
| Refunds | 1,486 |
| Total deductions | 315,601 |
| Net decrease | (481,322) |
| Net assets held in trust for pension benefits, beginning of year | 8,710,854 |
| Net assets held in trust for pension benefits, end of year | \$ 8,229,532 |

See accompanying notes to general purpose financial statements.

VILLAGE OF PALM SPRINGS, FLORIDA*Statement of Cash Flows - Proprietary Fund Type - Enterprise (Water and Sewer)**Year Ended September 30, 2002*

| | |
|---|---------------------|
| Cash flows from operating activities | |
| Operating income | \$ 2,187,666 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,594,155 |
| Amortization | 345,324 |
| Loss on disposal of equipment | 245,125 |
| Loss on sale of investments | 21,350 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (40,766) |
| Increase in assessment receivable | (16,416) |
| Increase in inventory | (4,581) |
| Decrease in accounts payable and accrued liabilities | (38,591) |
| Increase in contracts/retainage payable | 225,822 |
| Increase in compensated absences | 5,210 |
| Increase in deposits | 51,310 |
| Total adjustments | 2,387,942 |
| Net cash provided by operating activities | 4,575,608 |
| Cash flows from noncapital financing activities | |
| Operating transfer out | (970,424) |
| Cash flows from capital and related financing activities | |
| Principal paid on revenue bond maturities and notes payable | (8,632,586) |
| Interest paid on revenue bonds, notes payable and obligations | (708,437) |
| Payment on utility agreement obligations | (457,678) |
| Acquisition and construction of capital assets | (2,104,431) |
| Proceeds from note payable | 7,244,700 |
| Capital contributions from customers | 560,513 |
| Proceeds from sale of fixed assets | 27,133 |
| Net cash used in capital and related financing activities | (4,070,786) |
| Cash flows from investing activities | |
| Sale of investment securities | 1,720,000 |
| Purchase of certificate of deposit | (1,218,254) |
| Interest and dividends on investments | 260,629 |
| Net cash provided by investing activities | 762,375 |
| Net increase in cash and cash equivalents | 296,773 |
| Cash and cash equivalents, beginning of year | 6,869,054 |
| Cash and cash equivalents, end of year⁽¹⁾ | \$ 7,165,827 |
| Supplemental disclosure of noncash capital and related financing activities | |
| Accrued interest on capital appreciation bonds | \$ 357,923 |
| Book value of assets disposed | 272,259 |

See accompanying notes to general purpose financial statements.

(1) THE REPORTING ENTITY

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

As required by generally accepted accounting principles (“GAAP”), these general purpose financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which

the nature and significance of their relationship with the primary government are such that exclusion would cause the Village’s combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization’s governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization’s governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (“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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village maintains its accounting records in accordance with the principles and policies applicable to governmental units set forth by GASB as well as GAAP promulgated by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board (“FASB”). The following is a summary of the significant accounting policies.

Basis of Presentation

A governmental accounting system must make it possible (1) to show that all applicable legal provisions have been complied with and (2) to determine fairly and with full disclosure the financial position and results of operations of the funds and account groups of the Village. In order to accomplish these objectives, the Village’s accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on

specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The types of funds and account groups used in accounting for the financial operations of the Village are as follows:

Governmental Fund Types

General Fund – The general fund is the general operating fund of the Village. All general tax revenue 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, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

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

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

Debt Service Fund – The debt service fund is used to account for assets held for the repayment of principal and interest on general obligation bonds reported in the general long-term debt account group.

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

Proprietary Fund Type

Enterprise 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.

Fiduciary Fund Types

Pension Trust Funds

General Employees' Pension Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all permanent, full-time Village employees except those employees covered by the Hazardous Employees' Pension Fund.

Hazardous Employees' Pension Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all qualified public safety employees.

Expendable Trust Funds

Library Trust Fund – This fund is used to account for expenditures of trust funds as authorized by the library board.

Law Enforcement Trust Fund – Receipts of this fund represent proceeds from law enforcement for-

feitures and expenditures are made only for law enforcement purposes.

Account Groups

Account groups are not funds since they do not reflect available financial resources and related liabilities. Instead, they are used to establish accounting control and accountability for the Village's general fixed assets and general long-term debt. The following is a description of the account groups of the Village:

General Fixed Assets Account Group – This account group is used to account for fixed assets utilized principally for general Village purposes and excludes fixed assets of the enterprise fund.

General Long-Term Debt Account Group – This account group is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not accounted for in the enterprise fund.

Basis of Accounting and Measurement Focus

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the period in which they become susceptible to accrual, i.e., when they become measurable and available to pay liabilities of the current period. Ad valorem taxes and charges for services are susceptible to accrual when collected in the current year or within 60 days subsequent to year-end, provided that amounts received pertain to billings through the fiscal year just ended. Intergovernmental revenues, which include state revenue sharing allotments, local government one-half cent sales tax, and county shared revenue, among other sources, are recorded in accordance with their legal or contractual requirements if collected in the current period or within 60 days after year-end. Interest is recorded when earned. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded

as revenues when received in cash because they are generally not measurable until actually received. Occupational license revenues collected in advance of periods to which they relate are recorded as deferred revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

The proprietary fund and pension trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when they are incurred.

Measurement Focus

All governmental funds are accounted for on the flow of current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

The enterprise fund and the trust funds are accounted for on the flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The enterprise fund and the pension trust funds’ operating statements present increases (revenues) and decreases (expenses) in net total assets.

The Village has elected to not apply FASB Statements and Interpretations issued after November 30, 1989, as permitted by Statement No. 20 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*.

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 and debt service fund. The procedures for establishing budgetary data are as follows:

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

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

The reported budgetary data represents the final appropriated budgets after amendments adopted by the Council. Supplemental appropriations of \$11,557 were needed for the year ended September 30, 2002, increasing the original general fund budget from \$7,288,375 to \$7,299,932. Unexpended appropriations lapse at year end.

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, 2002.

Cash and Cash Equivalents

Cash and cash equivalents consist of restricted and unrestricted interest bearing cash accounts and funds invested in the Local Government Surplus Funds Trust Fund managed by the State Board of Administration, Department of the State Treasurer of Florida. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Investments with original maturities of three months or less when purchased are considered cash and cash equivalents.

Investments

Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased, are reported at amortized cost. Nonparticipating investment contracts are reported at cost. The Local Government Surplus Funds Trust, administered by the Florida State Board of Administration, is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price. All other investments are reported at fair value.

Allowance for Doubtful Accounts

An allowance for doubtful accounts has been provided for those accounts where collectibility appears to be doubtful.

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.

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 of residual equity balances from one fund to another fund.
- ❖ Operating transfers in and out, as appropriate, for all other interfund transactions, which are shown as other financing sources or uses.
- ❖ All other outstanding balances between funds are reported as "due to/from other funds."

Unamortized Bond Discount

Bond discount of the enterprise funds is amortized on the straight-line method, which approximates the interest method, and is charged against operations over the term of the bond issues.

Fixed Assets

General Fixed Assets

Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditure and capitalized at cost in the general fixed assets account group. In the event that actual cost cannot be determined, estimated cost at the time of acquisition is used. Any contributed property is recorded at the fair market value at the time received. The Village began capitalizing infrastructure assets in the financial statements of the general fixed assets account group beginning in 1989. In accordance with GAAP, no depreciation is taken on general fixed assets.

Property, Plant and Equipment (Proprietary and Trust Funds)

These assets are stated at cost or, if donated, fair market value at the date of donation. Expenditures which materially extend the useful life of existing properties are capitalized. Net interest cost on funds borrowed to finance the construction of property, plant and equipment is capitalized as a cost of acquiring the asset. The cost of property sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts and any resulting gain or loss is included in net income.

Depreciation is computed using the straight-line method over the assets' estimated useful lives. Es-

timated useful lives assigned to various categories of assets are as follows:

| | |
|--------------|-------------|
| Buildings | 30-50 years |
| Improvements | 10-50 years |
| Equipment | 3-20 years |

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Village at January 1, 2001, upon which the 2001/02 levy was based, was approximately \$294 million. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the Village is established by the Council prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County, County School Board, and Special District tax requirements. The millage rate assessed by the Village for the year ended September 30, 2002, was 4.9999 (\$5.00 for each \$1,000 of assessed valuation).

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

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September

30, 2002, unpaid delinquent taxes are not material and have not been recorded by the Village.

Compensated Absences

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

Employees earn sick leave at the rate of .0463 hours per hour of regular, vacation, sick, or comp time hours paid, with no maximum on the number of days that can be accumulated. Accumulated sick leave is not paid upon termination.

In the governmental funds, the amount of compensated absences recorded as expenditures is the amount accrued during the year that is expected to be liquidated with expendable, available financial resources. The remaining liability is recorded in the general long-term debt account group. Compensated absences for the proprietary funds are accrued in the period earned.

Reserved and Designated Fund Equity

Reserves are used to indicate that a portion of the fund balance/retained earnings is not available for expenditure or is legally segregated for a specific future use. Designations of fund balances represent tentative plans for financial resources utilization in a future period. The following is a description of the reserves and designations used by the Village.

General Fund – The fund balance of the general fund is reserved for inventory.

Debt Service Fund – The fund balance of the debt service fund represents spendable resources restricted for the payment of the future debt service of general long-term debt.

Fiduciary Funds – The fund balance of the fiduciary funds is reserved for employees' pension benefits in the pension trust funds and for law enforcement activities in the Law Enforcement Trust Fund.

Unbilled Service Receivables

The Water and Sewer 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.

Concentration of Credit Risk

The Village performs ongoing credit evaluations of its customers and does not require collateral. The Village maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses.

(3) DEPOSITS AND INVESTMENTS

Deposits

All of the Village's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits, depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

Deposits include checking accounts and petty cash. At year end, the reported amount of the Village's deposits was \$335,322, and the bank balance was \$769,522. Included in the reported amount of deposits is \$850 cash on hand. Of the bank balance, \$100,000 was covered by federal depository insurance, \$323,801 was covered by collateral held by a financial institution approved by the State Treasurer, and \$345,721 was uninsured and uncollateralized. The uninsured and uncollateralized deposits represent funds wired to the paying agent for the Series 1988 Revenue Refunding Bonds for the payment of principal and interest due October 1, 2002.

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Investments

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

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

Investments of the pension trust funds can consist of every kind of property, real, personal, or mixed, and every kind of investment, specifically including bonds, debentures and other corporate obligations, and stocks, preferred or common.

All investments held by the Village at September 30, 2002, are allowable under the above policies.

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

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

The following matrix presents the components of the Village's cash and cash equivalents and investments at September 30, 2002. The investment risk categories are indicated in the last column. Deposit risks are not included in the table.

| | Unrestricted | Restricted | Reported Amount | Fair Value | Category |
|--|----------------------|---------------------|----------------------|----------------------|----------|
| Cash and cash equivalents: | | | | | |
| Deposits | \$ - | \$ 345,721 | \$ 345,721 | \$ 345,721 | - |
| Repurchase agreement | 4,611,064 | - | 4,611,064 | 4,611,064 | - |
| Investment in State Treasurer's investment pool | 5,089,250 | 762,688 | 5,851,938 | 5,851,938 | - |
| Money market mutual funds | 259,161 | 3,397,502 | 3,656,663 | 3,656,663 | - |
| Total cash and cash equivalents | 9,959,475 | 4,505,911 | 14,465,386 | 14,465,386 | |
| Investments: | | | | | |
| U.S. government securities | \$ - | \$ 1,218,254 | \$ 1,218,254 | \$ 1,218,254 | 3 |
| Florida Municipal Investment Trust | - | 3,075,505 | 3,075,505 | 3,075,505 | - |
| Common and foreign stocks | 7,655,443 | - | 7,655,443 | 7,655,443 | 2 |
| Total investments | 7,655,443 | 4,293,759 | 11,949,202 | 11,949,202 | |
| Total cash and cash equivalents and investments | \$ 17,614,918 | \$ 8,799,670 | \$ 26,414,588 | \$ 26,414,588 | |

(4) RECEIVABLES

Accounts receivable and the allowance for doubtful accounts at September 30, 2002, consist of the following:

| | General Fund | Enterprise Fund | Fiduciary Fund | Total |
|------------------------------------|------------------|---------------------|-----------------|---------------------|
| Receivables: | | | | |
| Accounts | \$ 32,282 | \$ 1,649,644 | \$ 6,997 | \$ 1,688,923 |
| Less: allowable for uncollectibles | - | (56,552) | - | (56,552) |
| Net receivables | \$ 32,282 | \$ 1,593,092 | \$ 6,997 | \$ 1,632,371 |

(5) FIXED ASSETS

The major components of fixed assets at September 30, 2002, are summarized as follows:

| | Enterprise Fund | Expendable Trust Funds | General Fixed Assets Account Group | Total |
|-----------------------------------|----------------------|------------------------|------------------------------------|----------------------|
| Land | \$ 341,215 | \$ - | \$ 170,036 | \$ 511,251 |
| Building | 3,087,393 | - | 1,645,180 | 4,732,573 |
| Improvements other than buildings | 38,237,276 | - | 1,626,322 | 39,863,598 |
| Equipment | 2,263,614 | 81,341 | 2,281,259 | 4,626,214 |
| Library materials and software | 30,560 | 6,125 | 541,693 | 578,378 |
| Construction in progress | 761,885 | - | 2,033,112 | 2,794,997 |
| | 44,721,943 | 87,466 | 8,297,602 | 53,107,011 |
| Less accumulated depreciation | (16,739,895) | (27,542) | - | (16,767,437) |
| Total | \$ 27,982,048 | \$ 59,924 | \$ 8,297,602 | \$ 36,339,574 |

Depreciation expense recorded in the enterprise fund and the expendable trust funds for the year ended September 30, 2002, was \$1,594,155 and \$10,251, respectively.

The changes in general fixed assets are summarized as follows:

| | Balance October 1, 2001 (as restated) | Additions | Deletions | Balance September 30, 2002 |
|----------------------------------|--|---------------------|-------------------|----------------------------|
| Land | \$ 170,036 | \$ - | \$ - | \$ 170,036 |
| Building | 1,560,364 | 84,816 | - | 1,645,180 |
| Improvements other than building | 1,610,579 | 15,743 | - | 1,626,322 |
| Equipment | 2,174,083 | 217,347 | 110,171 | 2,281,259 |
| Library materials and software | 484,116 | 66,673 | 9,096 | 541,693 |
| Construction in progress | 305,458 | 1,727,654 | - | 2,033,112 |
| Total | \$ 6,304,636 | \$ 2,112,233 | \$ 119,267 | \$ 8,297,602 |

(6) LONG-TERM DEBT

Annual debt service requirements to maturity are as follows:

General Long-Term Debt

Note Payable

The note payable in the general long-term debt account group is a Promissory Note dated November 1, 1996, in the amount of \$530,000. Interest, at a rate of 5.5%, is payable on March 1 and September 1. Principal will be repaid in nine installments maturing on March 1, 2006. The full faith, credit and taxing power of the Village is pledged to the repayment of the principal and interest on the note.

\$ 246,461

Year Ending September 30,

| | Amount |
|---------------------------------|-------------------|
| 2003 | \$ 68,753 |
| 2004 | 68,667 |
| 2005 | 68,577 |
| 2006 | 68,481 |
| Total debt service requirements | 274,478 |
| Less: | |
| Amount representing interest | (28,017) |
| Total note payable | \$ 246,461 |

Bond Payable

The bonds payable in the general long-term debt account group is the Village's portion of the Florida Municipal Loan Council Revenue Bonds, Series 2002A. The Village's portion of the bonds is \$7,890,000. Interest of 3.25% to 5.50% is payable on May 1 and November 1. Principal will be repaid in thirty installments maturing on May 1, 2032. The full faith, credit, and taxing power of the Village is pledged to the repayment of the principal and interest on the note.

\$ 7,890,000

Annual debt service requirements to maturity are as follows:

| Year Ending September 30, | Amount |
|--|---------------------|
| 2003 | \$ 518,544 |
| 2004 | 519,481 |
| 2005 | 519,606 |
| 2006 | 517,856 |
| 2007 | 515,856 |
| 2008-2012 | 2,586,869 |
| 2013-2017 | 2,586,319 |
| 2018-2022 | 2,589,294 |
| 2023-2027 | 2,588,219 |
| 2028-2032 | 2,589,650 |
| Total debt service requirements | 15,531,694 |
| Less: | |
| Amount representing interest | (7,641,694) |
| Total bond payable | \$ 7,890,000 |

Changes in General Long-Term Liabilities

During the year ended September 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

| | Balance October 1, 2001 | Additions | Deletions | Balance September 30, 2002 |
|--------------------------|-------------------------------|---------------------|------------------|----------------------------------|
| General obligation note | \$ 300,261 | \$ - | \$ 53,800 | \$ 246,461 |
| General obligation bonds | - | 7,890,000 | - | 7,890,000 |
| Compensated absences | 141,839 | 1,332 | - | 143,171 |
| Total | \$ 442,100 | \$ 7,891,332 | \$ 53,800 | \$ 8,279,632 |

Enterprise Fund**Note Payable**

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

\$ 6,960,847

Annual debt service requirements to maturity are as follows:

| Year Ending September 30, | Amount |
|--|---------------------|
| 2003 | \$ 841,972 |
| 2004 | 841,972 |
| 2005 | 841,972 |
| 2006 | 841,972 |
| 2007 | 841,972 |
| 2008-2012 | 4,209,860 |
| 2013 | 70,165 |
| Total debt service requirements | 8,489,885 |
| Less: | |
| Amount representing interest | (1,529,038) |
| Current portion of maturities | (570,615) |
| Total note payable | \$ 6,390,232 |

Revenue Bonds

The Village issued revenue bonds which are collateralized by a pledge of and lien on the net revenues derived from the operation of the water and sewer system. Revenue bonds currently outstanding are as follows:

\$6,280,000 Water and Sewer Revenue Refunding Bonds, Series 1988, due in semi-annual installments of \$180,000 to \$330,000 from April 1, 1995, through October 1, 2003, with interest of 6.50% to 7.50% payable semi-annually on April 1 and October 1 of each year.

\$ 955,000

\$1,209,857 Capital Appreciation Bonds, Series 1988, due in annual installments of \$340,000 to \$685,000 from April 1, 2004, through October 1, 2012, with interest accrued semi-annually on April 1 and October 1 of each year. The outstanding balance at September 30, 2002, includes accrued interest of \$2,511,910.

\$ 3,721,766

\$122,983 Capital Appreciation Bonds, Series 1984, due April 1, 2007, in the amount of \$1,265,000, with interest at 10.40% accrued semi-annually on April 1 and October 1 of each year. The outstanding balance at September 30, 2002, includes accrued interest of \$678,584.

\$ 801,567

| | |
|------------------------------------|---------------------|
| Total revenue bonds payable | 5,478,333 |
| Less: | |
| Unamortized bond discounts | (62,075) |
| Current portion of maturities | (305,000) |
| Total revenue bonds payable | \$ 5,111,258 |

Annual debt service requirements to maturity are as follows:

| Year Ending September 30, | Amount |
|--------------------------------------|---------------------|
| 2003 | \$ 685,187 |
| 2004 | 682,375 |
| 2005 | 685,000 |
| 2006 | 685,000 |
| 2007 | 1,925,000 |
| 2008-2012 | 2,865,000 |
| 2013 | 485,000 |
| Total debt service requirements | 8,012,562 |
| Less: | |
| Amount representing interest | (2,534,229) |
| Unamortized bond discounts | (62,075) |
| Current portion of maturities | (305,000) |
| Total revenue bonds payable | \$ 5,111,258 |

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

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

At September 30, 2002, the Village was in compliance with such bond covenants.

Current Refunding

On December 13, 2001, the Village entered into a promissory note in the amount of \$7,244,700 with an average interest rate of 4.05% to repay \$4,432,639 (the outstanding balance on the \$6,700,000 promissory note dated 1997) with an average interest rate of 5.30%, and \$3,020,000 of outstanding 1993 Series refunding bonds with an average interest rate of 4.25%. The net proceeds of \$7,229,700 (after payment of \$15,000 in other issu-

ance costs) plus an additional \$222,939 were used to repay the outstanding debt.

The Village completed the current refunding to reduce its total debt service payments over the next 11 years by \$780,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$441,000.

(7) OBLIGATION UNDER UTILITY AGREEMENTS

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

refunding issue, the Village amended its original contract with the City whereby the outstanding obligation and intangible rights increased \$494,876. The amendment also required the Village to pay 125% (previously 133%) of its pro rata share of the debt service payments. The intangible rights are being amortized over 33 years (remaining term of contract).

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

In February 1994, the City issued \$15,680,000 Sewer System Refunding Revenue Bonds, Series 1994, part of which was used to refund both the Series E and Series R Bonds. As a result of this refunding issue, the Village amended its contracts with the City, whereby the combined outstanding obligation and intangible rights increased \$353,610. The amendment also requires the Village to pay 120% (previously 133% and 125% for the Series E and Series R Bonds, respectively) of its pro rata share of the debt service. The additional intangible rights are being amortized over 22 years (remaining term of the contract). At September 30, 2002, the combined intangible rights had a book value of \$3,312,401 (net of amortization of \$3,871,132).

Future payments to the City for the above obligation are as follows:

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

| Year Ending September 30, | Amount |
|---------------------------------------|---------------------|
| 2003 | \$ 613,163 |
| 2004 | 608,331 |
| 2005 | 615,307 |
| 2006 | 623,923 |
| Total | 2,460,724 |
| Less interest portion | (250,230) |
| Present value of loan payments | \$ 2,210,494 |

(8) DUE TO/FROM OTHER FUNDS

The composition of interfund balances as of September 30, 2002, is as follows:

| | Due To Other Funds | Due From Other Funds |
|-----------------------|-----------------------|-------------------------|
| General Fund | \$ - | \$ 115,500 |
| Capital Projects Fund | 115,500 | - |
| Total | \$ 115,500 | \$ 115,500 |

(9) INTERFUND TRANSFERS

Transfers of resources from a fund receiving revenue to the fund through which the resources will be expended are recorded as operating transfers and are reported as other financing sources (uses) in the

governmental funds and transfers (to) from other funds in the enterprise fund. Non-recurring or non-routine transfers of equity between funds are reported as residual equity transfers. The following is a summary of operating transfers by fund type for the year ended September 30, 2002.

| | Transfers In | Transfers Out |
|----------------------------------|-------------------|-------------------|
| Operating Transfers: | | |
| General Fund | \$ 970,424 | \$ - |
| Enterprise Fund | - | 970,424 |
| Total operating transfers | \$ 970,424 | \$ 970,424 |

(10) ENTERPRISE FUND RESTRICTED ASSETS, LIABILITIES AND RESERVES

Restricted assets of the enterprise fund at September 30, 2002, include amounts restricted for debt service and renewal and replacements under the terms of the outstanding revenue bonds. Assets restricted for these purposes represent cash and investments totaling \$2,326,663. Liabilities payable from restricted assets represent the current portion of long-term debt of \$340,812 which includes

\$305,000 for current maturities of principal and \$35,812 for accrued interest on the Series 1988 Revenue Refunding Bonds. For certain assets restricted under bonds and other contractual arrangements, a reserve is established by charging either retained earnings or contributed capital, as appropriate, less any related liabilities. When the restricted assets are expended, the reserves are restored. The following is a summary of the restricted assets, related liabilities, and reserves at September 30, 2002.

| | Restricted Assets | Liabilities Payable from Restricted Assets | Reserved Retained Earnings |
|-------------------------|----------------------|--|----------------------------------|
| Utility Debt Service | \$ 2,226,663 | \$ 340,812 | \$ 1,885,851 |
| Renewal and Replacement | 100,000 | - | 100,000 |
| | \$ 2,326,663 | \$ 340,812 | \$ 1,985,851 |

The provisions of the water and sewer bond issues require the Village to establish, in addition to the current portions of principal and interest due, a reserve equal to the maximum principal and interest requirements in any ensuing fiscal year. The required cash balances as of September 30, 2002, and the reserve requirements have been met for the wa-

ter and sewer bonds. In addition, prior to September 30, 2002, the Village was required to purchase certain U.S. Treasury obligations at predetermined intervals from funds it was required to deposit into a bond amortization account on a monthly basis. The investments are restricted to meet the principal payment of \$1,265,000 of capital appreciation

bonds maturing on April 1, 2007. As of September 30, 2002, the Village had purchased all Treasury Bonds required by the Bond Covenant. These investments will yield \$1,220,000 in principal upon maturity which, in addition to the final interest payment, will be sufficient to fully fund this obligation. Accordingly, no future purchases of U.S. Treasury Bonds are required.

The Village is also required to establish a reserve for renewal and replacement of water and sewer facilities. The required reserve is 5% of the preceding year's revenue up to a maximum of \$100,000. The Village has reserved \$100,000 which meets this legal requirement at September 30, 2002.

(11) FUND BALANCE RESERVES AND DESIGNATIONS

At September 30, 2002, the reserves and designations of fund balance were as follows:

| | General | Debt Service | Capital Projects | Fiduciary | Total |
|-----------------------------|---------------------|------------------|---------------------|---------------------|----------------------|
| Reserved: | | | | | |
| Inventory | \$ 6,259 | \$ - | \$ - | \$ - | \$ 6,259 |
| Law enforcement | - | - | - | 67,396 | 67,396 |
| Employees' pension benefits | - | - | - | 8,229,532 | 8,229,532 |
| Debt service | - | 12,627 | - | - | 12,627 |
| Capital projects | - | - | 6,154,974 | - | 6,154,974 |
| | \$ 6,259 | \$ 12,627 | \$ 6,154,974 | \$ 8,296,928 | \$ 14,470,788 |
| Designated for: | | | | | |
| Subsequent year's budget | \$ 481,011 | \$ - | \$ - | \$ - | \$ 481,011 |
| Capital projects | 1,100,000 | - | - | - | 1,100,000 |
| | \$ 1,581,011 | - | \$ - | \$ - | \$ 1,581,011 |

(12) PENSION PLANS

The Village maintains the following two separate single employer defined benefit plans: Village of Palm Springs Hazardous Employees Pension Fund, covering all police officers and firefighters, and Village of Palm Springs General Employees Pension Fund, covering substantially all other full-time Village employees. Both plans are reported as pension trust funds and are included as part of the Village's reporting entity. Neither plan issues a stand-alone financial report. Additional information on these plans can be found on pages 34-36.

Each plan has its own board which acts as plan administrator and trustee. Each plan's assets may only be used for the payment of benefits to the members of and beneficiaries of the plan in accordance with the terms of each plan document. The costs of administering each plan are financed in the appropriate pension trust fund.

The Florida Constitution requires local governments to make the actuarially determined contribution. The Florida Division of Retirement reviews and approves each local government's actuarial report prior to its being appropriated for use for funding purposes. Additionally, the State collects a locally authorized insurance premium surcharge for the Hazardous Employees Pension Fund on casualty and fire insurance policies within the corporate limits, which can only be distributed after the State has ascertained that the local government has met the reporting requirements for its most recently completed fiscal year.

Investments are reported at fair value and are managed by third party money managers. The Village's independent custodians and individual money managers price each instrument using various third party pricing sources.

There were no nongovernmental investments that exceeded 5% of net plan assets in the Hazardous

and General Employees Pension Funds.

tive actuarial reports and Village information for the two pension plans as of September 30, 2002:

The following schedule is derived from the respec-

| | Hazardous Employees | | General Employees |
|---|------------------------------------|-----------------|------------------------------------|
| Accounting Policies and Plan Assets: | | | |
| Authority | Village Ordinance/State Statute | | Village Ordinance |
| Basis of Accounting | Accrual | | Accrual |
| Asset Valuation: | | | |
| Reporting | Fair Value | | Fair Value |
| Actuarial Valuation | Market | | 4-year smoothed market |
| Legal Reserves | None | | None |
| Long-Term Receivable | None | | None |
| Internal/Participant Loans | None | | None |
| Membership and Plan Provisions: | | | |
| Members: | | | |
| Active Participants | 32 | | 86 |
| Retirees and Beneficiaries | 5 | | 15 |
| Terminated Vested | 11 | | 13 |
| Normal Retirement Benefits: | | | |
| | Option 1 | Option 2 | |
| Retirement Age | 50 | 55 | 65 |
| Years of Service (minimum) | 15 | 10 | 10 |
| Accrual | 2.5% | 2.5% | 2.0% |
| Maximum | None | None | 50% |
| Years to Vest | 10 | 10 | 10 |
| Contributions: | | | |
| Actuarial Rate: | | | |
| Village | 17.24% | | 4.04% |
| State | 1.40% | | - |
| Participants | 1.00% | | 1.00% |
| Annual Pension Cost | \$ 263,079 | | \$ 117,569 |
| Contributions Made | \$ 263,079 | | \$ 131,309 |
| Actuarial Valuation: | | | |
| Frequency | Annual | | Annual |
| Latest Valuation | 9/30/01 | | 9/30/01 |
| Basis for Contribution | 9/30/00 | | 9/30/00 |
| Cost Method | Entry age | | Entry age |
| Amortization: | | | |
| Method | Level percent | | Level percent |
| Period | 8-25 years | | 6-20 years |
| Open/Closed | Closed | | Closed |
| Assumptions: | | | |
| Investment Earnings (including inflation) | 8.0% / year | | 8.0% / year |
| Salary Increases (including inflation) | 5.0% -8.0% / year | | 4.7% -8.3% / year |
| Inflation | 5.0% / year | | 4.5% / year |
| Cost of living adjustments | 3.0% | | 3.0% |
| Mortality Rates | 1983 Group Annuity Mortality Table | | 1983 Group Annuity Mortality Table |

Three-Year Trend Information

| | Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------------|-------------------|----------------------------------|--------------------------------------|-------------------------------|
| Hazardous Employees: | 9/30/00 | \$ 264,073 | 100% | - |
| | 9/30/01 | 304,012 | 100% | - |
| | 9/30/02 | 263,079 | 100% | - |
| General Employees: | 9/30/00 | 149,170 | 100% | - |
| | 9/30/01 | 108,535 | 100% | - |
| | 9/30/02 | 117,569 | 100% | - |

(13) COMMITMENTS AND CONTINGENCIES

Commitments

Construction contracts of the proprietary fund type consist of the following:

| Project | Total Project Authorization | Expended September 30, 2002 | Contracts Payable September 30, 2002 | Balance to Complete |
|--|------------------------------------|------------------------------------|---|----------------------------|
| Task #79 – RLP WTP Improvements | \$ 242,000 | \$ 60,500 | \$ 4,840 | \$ 176,660 |
| Task #78 – Main WTP Improvements | 220,000 | 44,000 | 11,000 | 165,000 |
| Task #76 – Cresthaven Force Main | 184,800 | 105,170 | 5,800 | 73,830 |
| Task #74 – Vacuum Sewer 10th Ave. - Kirk | 161,308 | 129,308 | 8,000 | 24,000 |
| Task #73 – Albert Lakes Sewer | 963,101 | 79,993 | 246,810 | 636,298 |
| Task #70 – Rehab Wells #12 through #15 | 50,111 | 44,706 | - | 5,405 |
| Task #66 – Rehab 3 Lift Stations | 387,032 | 4,941 | 402 | 381,689 |
| Task #65 – Sewer Annex Area | 977,160 | 930,869 | 41,091 | - |
| All others | 16,545 | 16,413 | - | 132 |
| | \$ 3,202,057 | \$ 1,415,900 | \$ 317,943 | \$ 1,463,014 |

Construction contracts of the governmental fund types consist of the following:

| Project | Total Project Authorization | Expended September 30, 2002 | Contracts Payable September 30, 2002 | Balance to Complete |
|--|------------------------------------|------------------------------------|---|----------------------------|
| Master plan project – Municipal Complex: | | | | |
| Engineering fees – Architects | | | | |
| Design Group | \$ 575,364 | \$ 510,642 | \$ 7,701 | \$ 57,021 |
| Construction fees – Catalfumo | | | | |
| Construction, Inc. | 6,898,224 | 1,319,937 | 194,832 | 5,383,455 |
| | \$ 7,473,588 | \$ 1,830,579 | \$ 202,533 | \$ 5,440,476 |

Contingencies

The Village is a defendant in multiple lawsuits, the outcome of which is not presently determinable. In the opinion of counsel, the resolution of the matters

will not have a significant impact on the financial condition of the Village, except as stated below:

During 2002, a lawsuit was filed against the Village

by the Government Risk Insurance Trust (“GRIT”). GRIT is asking for back premiums allegedly owed to them by the Village from 1997, 1998, and 2000 Workers Compensation insurance. In the opinion

of counsel, the probability of an unfavorable outcome is possible. The range of potential loss on this lawsuit is between \$50,000 and \$100,000.

(14) RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Specifically, the Village purchases commercial insurance for property, medical benefits, worker’s compensation, general liability, automobile liability, errors and omissions, and directors and officers liability. The Village is also covered by Florida

Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same accident.

There have been no significant reductions in insurance coverage from coverage in the prior year. Settled claims exceeded insurance coverage for the year ended September 30, 2002, in the amount of \$75,000.

***Required
Supplementary
Information***

VILLAGE OF PALM SPRINGS, FLORIDA*Required Supplementary Information**Schedule of Funding Progress*

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|---|--|--|--|-------------------------------------|------------------------------------|---|
| <u>Hazardous Employees</u> | | | | | | |
| 1996 | \$2,467,674 | \$ 2,608,463 | \$ 140,789 | 94.6% | \$1,036,794 | 13.6% |
| 1997 | 3,226,512 | 3,322,508 | 95,996 | 97.1% | 1,173,649 | 8.2% |
| 1998 | 3,491,887 | 3,963,192 | 471,305 | 88.1% | 1,243,980 | 37.9% |
| 1999 | 3,852,743 | 4,355,683 | 502,940 | 88.5% | 1,317,285 | 38.2% |
| 2000 | 4,344,465 | 4,761,603 | 417,138 | 91.2% | 1,311,765 | 31.8% |
| 2001 | 4,554,323 | 5,309,378 | 755,055 | 85.8% | 1,568,547 | 48.1% |
| <u>General Employees</u> | | | | | | |
| 1996 | \$3,312,460 | \$ 3,280,014 | \$ (32,446) | 101.0% | \$1,983,767 | - |
| 1997 | 3,888,036 | 3,644,842 | (243,194) | 106.7% | 2,422,649 | - |
| 1998 | 4,543,647 | 3,776,955 | (766,692) | 120.3% | 2,300,472 | - |
| 1999 | 5,246,459 | 4,083,770 | (1,162,689) | 128.5% | 2,341,018 | - |
| 2000 | 5,953,335 | 4,546,142 | (1,407,193) | 131.0% | 2,724,184 | - |
| 2001 | 5,863,873 | 5,806,339 | (57,534) | 101.0% | 2,927,648 | - |

See notes to required supplementary information.

VILLAGE OF PALM SPRINGS, FLORIDA

Required Supplementary Information

Schedule of Employer Contributions

| Year Ended September 30, | Annual Required Contribution | Percentage Contributed |
|---|---|-----------------------------------|
| Hazardous Employees Pension Fund | | |
| 1997 | \$ 245,079 | 100% |
| 1998 | 292,851 | 100% |
| 1999 | - | - |
| 2000 | - | - |
| 2001 | - | - |
| 2002 | - | - |
| General Employees Pension Fund | | |
| 1997 | \$ 213,864 | 100% |
| 1998 | 197,915 | 100% |
| 1999 | - | - |
| 2000 | - | - |
| 2001 | - | - |
| 2002 | - | - |

See notes to required supplementary information.

VILLAGE OF PALM SPRINGS, FLORIDA

*Notes to Required Supplementary Information
September 30, 2002*

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

| | Hazardous Employees | General Employees |
|---|--------------------------------|------------------------------|
| Valuation date | 9/30/00 | 9/30/00 |
| Actuarial cost method | Entry age | Entry age |
| Asset valuation method | Market | 4-year smoothed market |
| Actuarial assumptions: | | |
| Investment rate of return (including inflation) | 8% / year | 8% / year |
| Salary increases (including inflation) | 5.0% - 8.0% / year | 4.7% - 8.3% / year |
| Inflation | 5% / year | 4.5% / year |
| Cost of living adjustments | 3.0% | 3.0% |

***General
Fund***

VILLAGE OF PALM SPRINGS, FLORIDA
Comparative Balance Sheets
General Fund
September 30, 2002 and 2001

| | 2002 | 2001 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 3,292,067 | \$ 2,422,433 |
| Investments | - | 300,000 |
| Receivables, net of allowance for uncollectibles: | | |
| Accounts | 32,282 | 261,047 |
| Interest | - | 3,431 |
| Grants | 20,792 | 18,763 |
| Utility taxes | 65,084 | - |
| Franchise fees | 82,050 | - |
| Intergovernmental | 132,278 | - |
| Due from other funds | 115,500 | - |
| Prepaid expenses | - | 5,391 |
| Inventory | 6,259 | 10,268 |
| Total assets | \$ 3,746,312 | \$ 3,021,333 |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 187,660 | \$ 137,479 |
| Revenue collected in advance | 68,296 | 63,437 |
| Compensated absences payable | 26,437 | 24,110 |
| Total liabilities | 282,393 | 225,026 |
| Fund balance: | | |
| Reserved: | | |
| Reserved for inventory | 6,259 | 10,268 |
| Reserved for law enforcement | - | 336 |
| Unreserved: | | |
| Designated: | | |
| Subsequent year's budget | 481,011 | 278,872 |
| Capital projects | 1,100,000 | 1,000,000 |
| Undesignated | 1,876,649 | 1,506,831 |
| Total fund balance | 3,463,919 | 2,796,307 |
| Total liabilities and fund balance | \$ 3,746,312 | \$ 3,021,333 |

VILLAGE OF PALM SPRINGS, FLORIDA*Schedule of Revenues and Other Financing Sources - Budget and Actual**General Fund**Year Ended September 30, 2002*

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------|---------------|---|
| Revenues | | | |
| Taxes: | | | |
| Ad valorem taxes | \$ 1,402,727 | \$ 1,420,236 | \$ 17,509 |
| Franchise fees | 446,900 | 520,130 | 73,230 |
| Utility service taxes | 1,098,097 | 1,262,933 | 164,836 |
| Total taxes | 2,947,724 | 3,203,299 | 255,575 |
| Licenses and permits: | | | |
| Occupational licenses | 96,800 | 109,251 | 12,451 |
| Building permits | 125,000 | 148,909 | 23,909 |
| Other permits & licenses | 200 | 204 | 4 |
| Total licenses and permits | 222,000 | 258,364 | 36,364 |
| Intergovernmental: | | | |
| State revenue sharing | 377,000 | 332,714 | (44,286) |
| Alcoholic beverage licenses | 5,200 | 4,940 | (260) |
| Municipal fuel tax refund | 2,725 | 3,413 | 688 |
| Local option gas tax | 165,000 | 161,699 | (3,301) |
| Palm Beach County occupational licenses | 32,000 | 36,564 | 4,564 |
| Half-cent sales tax | 872,369 | 878,129 | 5,760 |
| Grant revenue | 255,111 | 148,551 | (106,560) |
| Total intergovernmental | 1,709,405 | 1,566,010 | (143,395) |
| Charges for services: | | | |
| Other general government charges | 57,550 | 74,790 | 17,240 |
| Garbage pickup | 313,500 | 333,193 | 19,693 |
| Nonresident fees | 25,000 | 13,820 | (11,180) |
| Charges for services | 349,200 | 232,120 | (117,080) |
| Total charges for services | 745,250 | 653,923 | (91,327) |
| Fines and forfeitures: | | | |
| Judgments and fines | 181,000 | 159,134 | (21,866) |
| Other | 17,000 | 19,925 | 2,925 |
| Total fines and forfeitures | 198,000 | 179,059 | (18,941) |
| Contributions | 39,257 | 22,728 | (16,529) |

Continued on the following page...

VILLAGE OF PALM SPRINGS, FLORIDA*Schedule of Revenues and Other Financing Sources - Budget and Actual**General Fund (Continued)**Year Ended September 30, 2002*

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|---|
| Miscellaneous: | | | |
| Miscellaneous revenue | \$ 24,000 | \$ 26,647 | \$ 2,647 |
| Interest earnings | 141,000 | 62,830 | (78,170) |
| Facility rental | 24,000 | 24,000 | - |
| Total miscellaneous | 189,000 | 113,477 | (75,523) |
| Total revenues | 6,050,636 | 5,996,860 | (53,776) |
| Other financing sources | | | |
| Operating transfer in | 970,424 | 970,424 | - |
| Total revenues and other financing sources | \$ 7,021,060 | \$ 6,967,284 | \$ (53,776) |

VILLAGE OF PALM SPRINGS, FLORIDA*Schedule of Expenditures and Other Financing Uses - Budget and Actual**General Fund**Year Ended September 30, 2002*

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|------------------|------------------|--|
| Expenditures | | | |
| General government: | | | |
| Legislative: | | | |
| Personal services | \$ 33,983 | \$ 33,969 | \$ 14 |
| Operating | 59,605 | 41,902 | 17,703 |
| Nonoperating | 49,100 | 2,000 | 47,100 |
| Total legislative | 142,688 | 77,871 | 64,817 |
| Executive: | | | |
| Personal services | 305,435 | 296,090 | 9,345 |
| Operating | 23,673 | 11,807 | 11,866 |
| Capital outlay | 9,500 | 8,493 | 1,007 |
| Total executive | 338,608 | 316,390 | 22,218 |
| Financial administration: | | | |
| Personal services | 206,197 | 200,139 | 6,058 |
| Operating | 15,586 | 13,491 | 2,095 |
| Capital outlay | 5,033 | 4,938 | 95 |
| Total financial administration | 226,816 | 218,568 | 8,248 |
| Legal: | | | |
| Operating | 128,000 | 108,610 | 19,390 |
| Other general government: | | | |
| Personal | 6,800 | 6,701 | 99 |
| Operating | 236,523 | 191,873 | 44,650 |
| Capital outlay | 33,600 | 33,074 | 526 |
| Total other general government | 276,923 | 231,648 | 45,275 |
| Total general government | 1,113,035 | 953,087 | 159,948 |
| Public safety: | | | |
| Protective inspections: | | | |
| Personal services | 217,778 | 208,946 | 8,832 |
| Operating | 71,566 | 67,449 | 4,117 |
| Capital outlay | 9,688 | 9,688 | - |
| Total protective inspections | 299,032 | 286,083 | 12,949 |
| Law enforcement: | | | |
| Personal services | 2,709,132 | 2,622,709 | 86,423 |
| Operating | 314,790 | 218,168 | 96,622 |
| Capital outlay | 136,157 | 135,859 | 298 |
| Total law enforcement | 3,160,079 | 2,976,736 | 183,343 |
| Total public safety | 3,459,111 | 3,262,819 | 196,292 |

Continued on the following page...

VILLAGE OF PALM SPRINGS, FLORIDA

Schedule of Expenditures and Other Financing Uses - Budget and Actual

General Fund (Continued)

Year Ended September 30, 2002

| | Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------------|---------------------|---------------------|--|
| Physical environment: | | | |
| Sanitation services: | | | |
| Personal services | \$ 229,840 | \$ 221,852 | \$ 7,988 |
| Operating | 197,884 | 163,717 | 34,167 |
| Capital outlay | 64,297 | - | 64,297 |
| Total physical environment | 492,021 | 385,569 | 106,452 |
| Transportation: | | | |
| Personal services | 533,878 | 515,536 | 18,342 |
| Operating | 153,400 | 68,722 | 84,678 |
| Capital outlay | 314,421 | 131,124 | 183,297 |
| Total transportation | 1,001,699 | 715,382 | 286,317 |
| Culture/recreation: | | | |
| Library: | | | |
| Personal services | 318,632 | 308,878 | 9,754 |
| Operating | 100,389 | 90,886 | 9,503 |
| Capital outlay | 54,239 | 52,933 | 1,306 |
| Total library | 473,260 | 452,697 | 20,563 |
| Leisure services: | | | |
| Personal services | 249,295 | 227,634 | 21,661 |
| Operating | 347,971 | 255,013 | 92,958 |
| Capital outlay | 119,000 | 8,470 | 110,530 |
| Total leisure services | 716,266 | 491,117 | 225,149 |
| Special events: | | | |
| Operating | 44,540 | 39,001 | 5,539 |
| Total culture/recreation | 1,234,066 | 982,815 | 251,251 |
| Total expenditures | \$ 7,299,932 | \$ 6,299,672 | \$ 1,000,260 |

***Fiduciary
Funds***

VILLAGE OF PALM SPRINGS, FLORIDA
Combining Balance Sheet
Fiduciary Funds
September 30, 2002

| | Pension Trust Funds | |
|--|---|---|
| | Hazardous Employees Pension Fund | General Employees Pension Fund |
| Assets | | |
| Cash and cash equivalents | \$ 363,230 | \$ 177,756 |
| Investments | 3,322,535 | 4,332,908 |
| Receivables: | | |
| Accounts | 6,997 | - |
| Interest | 19,580 | 22,474 |
| Fixed assets | - | - |
| Total assets | \$ 3,712,342 | \$ 4,533,138 |
| Liabilities and Fund Balances | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 6,463 | \$ 9,485 |
| Total liabilities | 6,463 | 9,485 |
| Fund balances: | | |
| Reserved: | | |
| Reserved for employees' pension benefits | 3,705,879 | 4,523,653 |
| Reserved for law enforcement | - | - |
| Unreserved: | | |
| Undesignated | - | - |
| Total fund balances | 3,705,879 | 4,523,653 |
| Total liabilities and fund balances | \$ 3,712,342 | \$ 4,533,138 |

Expendable Trust Funds

| Library Trust Fund | Law Enforcement Trust Fund | Total |
|-----------------------------------|---|---------------------|
| \$ 28,441 | \$ 8,844 | \$ 578,271 |
| - | - | 7,655,443 |
| - | - | 6,997 |
| - | - | 42,054 |
| 1,372 | 58,552 | 59,924 |
| \$ 29,813 | \$ 67,396 | \$ 8,342,689 |

| | | |
|------|------|-----------|
| \$ - | \$ - | \$ 15,948 |
| - | - | 15,948 |

| | | |
|------------------|------------------|---------------------|
| - | - | 8,229,532 |
| - | 67,396 | 67,396 |
| 29,813 | - | 29,813 |
| 29,813 | 67,396 | 8,326,741 |
| \$ 29,813 | \$ 67,396 | \$ 8,342,689 |

VILLAGE OF PALM SPRINGS, FLORIDA
Combining Statement of Changes in Net Plan Assets
Pension Trust Funds
Year Ended September 30, 2002

| | Hazardous Employees Pension Fund | General Employees Pension Fund | Total |
|---|---|---|---------------------|
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 263,079 | \$ 131,309 | \$ 394,388 |
| State of Florida | 46,479 | - | 46,479 |
| Plan member | 16,057 | 31,109 | 47,166 |
| Total contributions | 325,615 | 162,418 | 488,033 |
| Investment income: | | | |
| Interest | 94,188 | 121,058 | 215,246 |
| Dividends | 24,553 | 32,380 | 56,933 |
| Investment expense | (28,590) | (37,266) | (65,856) |
| Net depreciation in fair value of investments | (382,538) | (477,589) | (860,127) |
| Miscellaneous | 50 | - | 50 |
| Net investment loss | (292,337) | (361,417) | (653,754) |
| Total additions | 33,278 | (198,999) | (165,721) |
| Deductions | | | |
| Administration | 26,597 | 28,730 | 55,327 |
| Benefits | 123,609 | 135,179 | 258,788 |
| Refunds | 1,486 | - | 1,486 |
| Total deductions | 151,692 | 163,909 | 315,601 |
| Net decrease | (118,414) | (362,908) | (481,322) |
| Net assets held in trust for pension benefits, beginning of year | 3,824,293 | 4,886,561 | 8,710,854 |
| Net assets held in trust for pension benefits, end of year | \$ 3,705,879 | \$ 4,523,653 | \$ 8,229,532 |

VILLAGE OF PALM SPRINGS, FLORIDA*Combining Statement of Revenues, Expenditures and Changes in Fund Balances**Expendable Trust Funds**Year Ended September 30, 2002*

| | Library Trust Fund | Law Enforcement Trust Fund | Total |
|---|-----------------------------------|---|------------------|
| <hr/> | | | |
| Revenues | | | |
| Fines and forfeitures | \$ - | \$ 12,891 | \$ 12,891 |
| Interest | 470 | 206 | 676 |
| Total revenues | 470 | 13,097 | 13,567 |
| <hr/> | | | |
| Expenditures | | | |
| Public safety - operating | - | 6,240 | 6,240 |
| Depreciation | 915 | 9,336 | 10,251 |
| Total expenditures | 915 | 15,576 | 16,491 |
| <hr/> | | | |
| Excess (deficiency) of revenues over (under) expenditures | (445) | (2,479) | (2,924) |
| Fund balances, beginning of year | 30,258 | 69,875 | 100,133 |
| Fund balances, end of year | \$ 29,813 | \$ 67,396 | \$ 97,209 |

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***General
Fixed
Assets***

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VILLAGE OF PALM SPRINGS, FLORIDA
Schedule of General Fixed Assets - By Source
September 30, 2002

General fixed assets

| | |
|-----------------------------------|------------|
| Land | \$ 170,036 |
| Buildings | 1,645,180 |
| Improvements other than buildings | 1,626,322 |
| Equipment | 2,281,259 |
| Library materials and software | 541,693 |
| Construction in progress | 2,033,112 |

Total general fixed assets **\$ 8,297,602**

Investment in general fixed assets

| | |
|-----------------------|--------------|
| General fund | \$ 6,264,490 |
| Capital projects fund | 2,033,112 |

Total investment in general fixed assets **\$ 8,297,602**

VILLAGE OF PALM SPRINGS, FLORIDA*Schedule of General Fixed Assets - By Function and Activity**September 30, 2002*

| | Land | Buildings | Improvements Other Than Buildings |
|----------------------------|-------------------|---------------------|--|
| General government: | | | |
| Executive | \$ - | \$ - | \$ - |
| Financial administration | - | - | - |
| Other general government | 170,036 | 1,108,149 | 731,248 |
| Total general government | 170,036 | 1,108,149 | 731,248 |
| Public safety: | | | |
| Protective inspections | - | - | - |
| Public safety | - | 145,527 | 8,043 |
| Total public safety | - | 145,527 | 8,043 |
| Physical environment: | | | |
| Sanitation services | - | 12,501 | - |
| Total physical environment | - | 12,501 | - |
| Transportation | - | 189,808 | 328,275 |
| Culture/recreation: | | | |
| Library | - | 39,957 | 1,350 |
| Leisure services | - | 149,238 | 557,406 |
| Total culture/recreation | - | 189,195 | 558,756 |
| Total | \$ 170,036 | \$ 1,645,180 | \$ 1,626,322 |

| Equipment | Library Materials and Software | Construction in Progress | Total |
|---------------------|---|-------------------------------------|---------------------|
| \$ 23,347 | \$ - | \$ - | \$ 23,347 |
| 22,638 | - | - | 22,638 |
| 36,189 | 79,069 | 2,033,112 | 4,157,803 |
| 82,174 | 79,069 | 2,033,112 | 4,203,788 |
| 56,163 | 4,800 | - | 60,963 |
| 1,279,104 | 9,550 | - | 1,442,224 |
| 1,335,267 | 14,350 | - | 1,503,187 |
| 335,138 | - | - | 347,639 |
| 335,138 | - | - | 347,639 |
| 179,547 | - | - | 697,630 |
| 118,887 | 441,779 | - | 601,973 |
| 230,246 | 6,495 | - | 943,385 |
| 349,133 | 448,274 | - | 1,545,358 |
| \$ 2,281,259 | \$ 541,693 | \$ 2,033,112 | \$ 8,297,602 |

VILLAGE OF PALM SPRINGS, FLORIDA*Schedule of Changes in General Fixed Assets - By Function and Activity**Year Ended September 30, 2002*

| | General Fixed Assets October 1, 2001 (as restated) | Additions | Deletions |
|----------------------------|---|---------------------|-------------------|
| General government: | | | |
| Executive | \$ 20,212 | \$ 8,493 | \$ 5,358 |
| Financial administration | 20,618 | 4,938 | 2,918 |
| Other general government | 2,399,833 | 1,760,728 | 2,758 |
| Total general government | 2,440,663 | 1,774,159 | 11,034 |
| Public safety: | | | |
| Protective inspections | 54,461 | 9,688 | 3,186 |
| Public safety | 1,381,333 | 135,859 | 74,968 |
| Total public safety | 1,435,794 | 145,547 | 78,154 |
| Physical environment: | | | |
| Sanitation services | 347,639 | - | - |
| Total physical environment | 347,639 | - | - |
| Transportation | 568,191 | 131,124 | 1,685 |
| Culture/recreation: | | | |
| Library | 559,288 | 52,933 | 10,248 |
| Leisure services | 953,061 | 8,470 | 18,146 |
| Total culture/recreation | 1,512,349 | 61,403 | 28,394 |
| Total | \$ 6,304,636 | \$ 2,112,233 | \$ 119,267 |

**General
Fixed Assets
September 30, 2002**

\$ 23,347
22,638
4,157,803

4,203,788

60,963
1,442,224

1,503,187

347,639

347,639

697,630

601,973
943,385

1,545,358

\$ 8,297,602

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***Long-Term
Debt***

VILLAGE OF PALM SPRINGS, FLORIDA

*Combining Schedule of Debt Service Requirements (Principal and Interest) to Maturity
September 30, 2002*

| Fiscal Year Ending September 30, | General Long- Term Debt | | Enterprise Fund | | |
|--|----------------------------|----------------------|---------------------|---------------------|---------------------|
| | Note Payable | Bond Payable | Note Payable | Revenue Bonds | |
| | | | | Series 1988 | Series 1984 |
| 2003 | \$ 68,753 | \$ 518,544 | \$ 841,972 | \$ 685,187 | \$ - |
| 2004 | 68,667 | 519,482 | 841,972 | 682,375 | - |
| 2005 | 68,577 | 519,606 | 841,972 | 685,000 | - |
| 2006 | 68,481 | 517,856 | 841,972 | 685,000 | - |
| 2007 | - | 515,856 | 841,972 | 660,000 | 1,265,000 |
| 2008 | - | 515,056 | 841,972 | 580,000 | - |
| 2009 | - | 519,056 | 841,972 | 575,000 | - |
| 2010 | - | 517,656 | 841,972 | 570,000 | - |
| 2011 | - | 516,056 | 841,972 | 570,000 | - |
| 2012 | - | 519,044 | 841,972 | 570,000 | - |
| 2013 | - | 515,044 | 70,165 | 485,000 | - |
| 2014 | - | 519,868 | - | - | - |
| 2015 | - | 518,868 | - | - | - |
| 2016 | - | 517,319 | - | - | - |
| 2017 | - | 515,218 | - | - | - |
| 2018 | - | 517,569 | - | - | - |
| 2019 | - | 519,094 | - | - | - |
| 2020 | - | 519,794 | - | - | - |
| 2021 | - | 516,044 | - | - | - |
| 2022 | - | 516,794 | - | - | - |
| 2023 | - | 516,794 | - | - | - |
| 2024 | - | 516,044 | - | - | - |
| 2025 | - | 519,544 | - | - | - |
| 2026 | - | 517,044 | - | - | - |
| 2027 | - | 518,794 | - | - | - |
| 2028 | - | 519,544 | - | - | - |
| 2029 | - | 518,788 | - | - | - |
| 2030 | - | 517,006 | - | - | - |
| 2031 | - | 519,200 | - | - | - |
| 2032 | - | 515,112 | - | - | - |
| Total | \$ 274,478 | \$ 15,531,694 | \$ 8,489,885 | \$ 6,747,562 | \$ 1,265,000 |

| 1994 | | |
|--------------------------|-----------|-------------------|
| Obligation Under | | Total |
| Utility Agreement | | |
| \$ 613,163 | \$ | 2,727,619 |
| 608,331 | | 2,720,827 |
| 615,307 | | 2,730,462 |
| 623,923 | | 2,737,232 |
| - | | 3,282,828 |
| - | | 1,937,028 |
| - | | 1,936,028 |
| - | | 1,929,628 |
| - | | 1,928,028 |
| - | | 1,931,016 |
| - | | 1,070,209 |
| - | | 519,868 |
| - | | 518,868 |
| - | | 517,319 |
| - | | 515,218 |
| - | | 517,569 |
| - | | 519,094 |
| - | | 519,794 |
| - | | 516,044 |
| - | | 516,794 |
| - | | 516,794 |
| - | | 516,044 |
| - | | 519,544 |
| - | | 517,044 |
| - | | 518,794 |
| - | | 519,544 |
| - | | 518,788 |
| - | | 517,006 |
| - | | 519,200 |
| - | | 515,112 |
| \$ 2,460,724 | \$ | 34,769,343 |

VILLAGE OF PALM SPRINGS, FLORIDA*\$530,000 Promissory Note, 1997*

| Fiscal Year Ending September 30, | Principal | Interest | | Total | Interest Rate |
|---|-------------------|------------------|--------------------|-------------------|--------------------------------|
| | March 1 | March 1 | September 1 | | |
| 2003 | \$ 56,759 | \$ 6,778 | \$ 5,216 | \$ 68,753 | 5.50% |
| 2004 | 59,880 | 5,217 | 3,570 | 68,667 | 5.50% |
| 2005 | 63,174 | 3,545 | 1,858 | 68,577 | 5.50% |
| 2006 | 66,648 | 1,833 | - | 68,481 | 5.50% |
| Total | \$ 246,461 | \$ 17,373 | \$ 10,644 | \$ 274,478 | |

VILLAGE OF PALM SPRINGS, FLORIDA*\$7,890,000 Florida Municipal Loan Council Bond Series 2002-A, dated May 1, 2002*

| Fiscal Year Ending September 30, | Principal | | Interest | | Total | Interest Rate |
|--|---------------------|---------------------|---------------------|----------------------|--------|------------------|
| | May 1 | May 1 | November 1 | | | |
| 2003 | \$ 125,000 | \$ 196,772 | \$ 196,772 | \$ 518,544 | 3.250% | |
| 2004 | 130,000 | 194,741 | 194,741 | 519,482 | 3.750% | |
| 2005 | 135,000 | 192,303 | 192,303 | 519,606 | 5.000% | |
| 2006 | 140,000 | 188,928 | 188,928 | 517,856 | 5.000% | |
| 2007 | 145,000 | 185,428 | 185,428 | 515,856 | 4.000% | |
| 2008 | 150,000 | 182,528 | 182,528 | 515,056 | 4.000% | |
| 2009 | 160,000 | 179,528 | 179,528 | 519,056 | 4.000% | |
| 2010 | 165,000 | 176,328 | 176,328 | 517,656 | 4.000% | |
| 2011 | 170,000 | 173,028 | 173,028 | 516,056 | 4.125% | |
| 2012 | 180,000 | 169,522 | 169,522 | 519,044 | 5.000% | |
| 2013 | 185,000 | 165,022 | 165,022 | 515,044 | 5.500% | |
| 2014 | 200,000 | 159,934 | 159,934 | 519,868 | 5.500% | |
| 2015 | 210,000 | 154,434 | 154,434 | 518,868 | 5.500% | |
| 2016 | 220,000 | 148,660 | 148,659 | 517,319 | 5.500% | |
| 2017 | 230,000 | 142,609 | 142,609 | 515,218 | 5.500% | |
| 2018 | 245,000 | 136,284 | 136,285 | 517,569 | 5.500% | |
| 2019 | 260,000 | 129,547 | 129,547 | 519,094 | 5.500% | |
| 2020 | 275,000 | 122,397 | 122,397 | 519,794 | 5.000% | |
| 2021 | 285,000 | 115,522 | 115,522 | 516,044 | 5.000% | |
| 2022 | 300,000 | 108,397 | 108,397 | 516,794 | 5.000% | |
| 2023 | 315,000 | 100,897 | 100,897 | 516,794 | 5.000% | |
| 2024 | 330,000 | 93,022 | 93,022 | 516,044 | 5.000% | |
| 2025 | 350,000 | 84,772 | 84,772 | 519,544 | 5.000% | |
| 2026 | 365,000 | 76,022 | 76,022 | 517,044 | 5.000% | |
| 2027 | 385,000 | 66,897 | 66,897 | 518,794 | 5.000% | |
| 2028 | 405,000 | 57,272 | 57,272 | 519,544 | 5.125% | |
| 2029 | 425,000 | 46,894 | 46,894 | 518,788 | 5.125% | |
| 2030 | 445,000 | 36,003 | 36,003 | 517,006 | 5.125% | |
| 2031 | 470,000 | 24,600 | 24,600 | 519,200 | 5.125% | |
| 2032 | 490,000 | 12,556 | 12,556 | 515,112 | 5.125% | |
| Total | \$ 7,890,000 | \$ 3,820,847 | \$ 3,820,847 | \$ 15,531,694 | | |

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

| Fiscal Year Ending September 30, | Principal | Interest | Total |
|---|---------------------|---------------------|---------------------|
| 2003 | \$ 570,615 | \$ 271,357 | \$ 841,972 |
| 2004 | 593,914 | 248,058 | 841,972 |
| 2005 | 618,882 | 223,090 | 841,972 |
| 2006 | 644,199 | 197,773 | 841,972 |
| 2007 | 670,779 | 171,193 | 841,972 |
| 2008 | 698,307 | 143,665 | 841,972 |
| 2009 | 727,385 | 114,587 | 841,972 |
| 2010 | 757,280 | 84,692 | 841,972 |
| 2011 | 788,525 | 53,447 | 841,972 |
| 2012 | 821,026 | 20,946 | 841,972 |
| 2013 | 69,935 | 230 | 70,165 |
| Total | \$ 6,960,847 | \$ 1,529,038 | \$ 8,489,885 |

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

| Fiscal Year Ending September 30, | Principal | | Interest | | Total |
|---|---------------------|-------------------|---------------------|---------------------|---------------------|
| | October 1 | April 1 | October 1 | April 1 | |
| 2003 | \$ 305,000 | \$ 320,000 | \$ 35,812 | \$ 24,375 | \$ 685,187 |
| 2004 | 330,000 | 101,983 | 12,375 | 238,017 | 682,375 |
| 2005 | 98,178 | 94,364 | 241,822 | 250,636 | 685,000 |
| 2006 | 89,485 | 85,884 | 250,515 | 259,116 | 685,000 |
| 2007 | 82,600 | 71,883 | 262,400 | 243,117 | 660,000 |
| 2008 | 63,632 | 60,604 | 226,368 | 229,396 | 580,000 |
| 2009 | 58,258 | 54,489 | 231,742 | 230,511 | 575,000 |
| 2010 | 52,369 | 49,807 | 232,631 | 235,193 | 570,000 |
| 2011 | 47,854 | 45,480 | 237,146 | 239,520 | 570,000 |
| 2012 | 43,688 | 41,490 | 241,312 | 243,510 | 570,000 |
| 2013 | 67,808 | - | 417,192 | - | 485,000 |
| Total | \$ 1,238,872 | \$ 925,984 | \$ 2,389,315 | \$ 2,193,391 | \$ 6,747,562 |

VILLAGE OF PALM SPRINGS, FLORIDA

\$8,643,751 Water and Sewer Revenue Refunding Bonds, Series 1984

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

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

VILLAGE OF PALM SPRINGS, FLORIDA
1994 Obligation Under Utility Agreement - City of Lake Worth

| Fiscal Year Ending September 30, | Principal | Interest | Total |
|---|---------------------|-------------------|---------------------|
| 2003 | \$ 517,051 | \$ 96,112 | \$ 613,163 |
| 2004 | 533,279 | 75,052 | 608,331 |
| 2005 | 563,303 | 52,004 | 615,307 |
| 2006 | 596,861 | 27,062 | 623,923 |
| Total | \$ 2,210,494 | \$ 250,230 | \$ 2,460,724 |

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STATISTICAL SECTION

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VILLAGE OF PALM SPRINGS, FLORIDA*General Fund Revenue by Source**Last Ten Fiscal Years*

| Fiscal Year Ended September 30, | Taxes | Licenses and Permits | Intergovern- mental | Charges for Services |
|--|--------------|-------------------------------------|--------------------------------|-------------------------------------|
| 1993 | \$ 1,901,621 | \$ 73,544 | \$ 982,162 | \$ 271,107 |
| 1994 | 2,006,958 | 105,251 | 1,014,624 | 255,712 |
| 1995 | 1,982,048 | 109,921 | 1,081,841 | 254,332 |
| 1996 | 2,037,981 | 111,761 | 1,090,222 | 256,285 |
| 1997 | 2,086,751 | 135,986 | 1,140,160 | 315,043 |
| 1998 | 2,126,973 | 176,861 | 1,286,684 | 321,108 |
| 1999 | 2,197,899 | 231,549 | 1,349,647 | 336,810 |
| 2000 | 2,469,967 | 218,904 | 1,458,312 | 352,125 |
| 2001 | 2,748,435 | 175,713 | 1,489,623 | 388,708 |
| 2002 | 3,203,299 | 258,364 | 1,566,010 | 653,923 |

Table I

| Fines and Forfeitures | Contributions | Interest on Investments | Miscellaneous | Total | Annual Percentage Increase (Decrease) |
|----------------------------------|----------------------|------------------------------------|----------------------|--------------|--|
| \$ 71,958 | \$ - | \$ 59,709 | \$ 25,708 | \$ 3,385,809 | (4.33) % |
| 103,618 | - | 62,083 | 60,193 | 3,608,439 | 6.58 % |
| 94,627 | - | 103,201 | 62,637 | 3,688,607 | 2.22 % |
| 94,083 | - | 108,282 | 73,483 | 3,772,097 | 2.26 % |
| 128,775 | 13,610 | 99,532 | 125,521 | 4,045,378 | 7.24 % |
| 145,240 | 3,420 | 99,424 | 151,446 | 4,311,156 | 6.57 % |
| 165,491 | 1,977 | 98,646 | 137,446 | 4,519,465 | 4.83 % |
| 149,962 | 7,755 | 140,932 | 91,230 | 4,889,187 | 8.18 % |
| 162,697 | 1,412 | 138,715 | 151,484 | 5,256,787 | 7.52 % |
| 179,059 | 22,728 | 62,830 | 50,647 | 5,996,860 | 14.08 % |

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

| Fiscal Year Ended September 30, | General Government | Public Safety | Physical Environment | Transportation |
|--|-------------------------------|--------------------------|---------------------------------|-----------------------|
| 1993 | \$ 632,348 | \$ 1,688,739 | \$ 341,208 | \$ 471,211 |
| 1994 | 627,144 | 1,739,437 | 294,520 | 417,193 |
| 1995 | 620,166 | 1,904,265 | 280,692 | 416,316 |
| 1996 | 699,027 | 2,005,478 | 292,636 | 478,402 |
| 1997 | 768,554 | 2,272,811 | 292,310 | 471,235 |
| 1998 | 804,182 | 2,418,895 | 302,388 | 527,672 |
| 1999 | 804,546 | 2,470,866 | 323,777 | 514,062 |
| 2000 | 790,012 | 2,555,442 | 321,411 | 487,655 |
| 2001 | 819,386 | 2,871,557 | 327,565 | 552,555 |
| 2002 | 906,582 | 3,117,272 | 385,569 | 584,258 |

Table II

| Culture/ Recreation | Capital Outlay | Total | Annual Percentage Increase (Decrease) |
|--------------------------------|---------------------------|--------------|--|
| \$ 586,178 | \$ 212,613 | \$ 3,932,297 | (0.22) % |
| 598,509 | 333,806 | 4,010,609 | 1.99 % |
| 645,670 | 350,161 | 4,217,270 | 5.15 % |
| 677,564 | 278,473 | 4,431,580 | 5.08 % |
| 692,863 | 322,968 | 4,820,741 | 8.78 % |
| 747,766 | 372,894 | 5,173,797 | 7.32 % |
| 746,052 | 153,823 | 5,013,126 | (3.11) % |
| 736,746 | 373,193 | 5,264,459 | 5.01 % |
| 656,960 | 277,259 | 5,505,282 | 4.57 % |
| 921,412 | 384,579 | 6,299,672 | 14.43 % |

VILLAGE OF PALM SPRINGS, FLORIDA

*Computation of Direct and Overlapping General Obligation Debt
September 30, 2002*

Table III

| | Total Outstanding | Percentage Applicable to Village of Palm Springs⁽¹⁾ | Amount Applicable to Village of Palm Springs |
|--|------------------------------|---|---|
| Direct: | | | |
| Village of Palm Springs | \$ 8,136,461 | 100.00% | \$ 8,136,461 |
| Overlapping: | | | |
| Palm Beach County | 253,845,000 | 0.37% | 939,227 |
| Palm Beach County School District | 194,475,000 | 0.37% | 719,558 |
| Total overlapping debt | 448,320,000 | | 1,658,785 |
| Total direct and overlapping debt payable from ad valorem taxes | \$ 456,456,461 | | \$ 9,795,246 |
| Estimated population | | | 12,351 |
| Total direct and overlapping debt per capita | | | \$ 793.07 |

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

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

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

Table IV

| Fiscal Year Ended September 30, | Net Tax Levy* | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Property Tax Collections | Collections as a Percent of Current Levy |
|--|--------------------------|--|--|---|---|---|
| 1993 | \$ 924,503 | \$ 866,046 | 93.68 % | \$3,143 | \$ 869,189 | 94.02 % |
| 1994 | 948,274 | 917,045 | 96.71 % | 2,391 | 919,436 | 96.96 % |
| 1995 | 922,805 | 897,204 | 97.23 % | 6,489 | 903,693 | 97.93 % |
| 1996 | 952,501 | 919,594 | 96.55 % | 7,881 | 927,475 | 97.37 % |
| 1997 | 951,358 | 902,582 | 94.87 % | 761 | 903,343 | 94.95 % |
| 1998 | 942,114 | 902,975 | 95.85 % | 615 | 903,590 | 95.91 % |
| 1999 | 986,517 | 941,800 | 95.47 % | 1,234 | 943,034 | 95.59 % |
| 2000 | 1,113,261 | 1,060,942 | 95.30% | 2,776 | 1,063,718 | 95.55 % |
| 2001 | 1,236,451 | 1,189,979 | 96.24% | 13,483 | 1,203,462 | 97.33 % |
| 2002 | 1,458,570 | 1,416,420 | 97.11% | 3,817 | 1,420,237 | 97.37 % |

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

* Tax levy, net of allowable discounts.

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

Table V

| Fiscal Year Ended September 30, | Assessed Values | | |
|--|--------------------------|------------------------------|----------------|
| | Real Property | Personal Property | Total |
| 1993 | \$ 168,145,202 | \$ 9,609,594 | \$ 177,754,796 |
| 1994 | 164,425,427 | 9,537,861 | 173,963,288 |
| 1995 | 159,616,742 | 9,674,200 | 169,290,942 |
| 1996 | 163,872,781 | 10,865,921 | 174,738,702 |
| 1997 | 164,977,593 | 11,222,725 | 176,200,318 |
| 1998 | 166,359,756 | 11,316,560 | 177,676,316 |
| 1999 | 176,287,521 | 10,663,403 | 186,950,924 |
| 2000 | 198,824,997 | 11,344,980 | 210,169,977 |
| 2001 | 225,302,844 | 13,552,211 | 238,855,055 |
| 2002 | 275,502,947 | 18,007,541 | 293,510,488 |

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

Source: Palm Beach County Property Appraiser's Office

VILLAGE OF PALM SPRINGS, FLORIDA
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Table VI

| Fiscal Year Ended September 30, | General Fund | Debt Service | Total Village of Palm Springs | School District | Palm Beach County | Special Taxing Districts | Total All |
|--|-------------------------|-------------------------|--|----------------------------|----------------------------------|---|----------------------|
| 1993 | 5.2010 | 0.4550 | 5.6560 | 9.6030 | 4.3178 | 2.7836 | 22.3604 |
| 1994 | 5.4510 | 0.4510 | 5.9020 | 10.0630 | 4.5499 | 2.5541 | 23.0690 |
| 1995 | 5.4510 | 0.4570 | 5.9080 | 10.1850 | 4.5193 | 2.5496 | 23.1619 |
| 1996 | 5.4510 | 0.4450 | 5.8960 | 9.7970 | 4.5193 | 2.9690 | 23.1813 |
| 1997 | 5.3114 | 0.4261 | 5.7375 | 9.7880 | 4.5191 | 2.2856 | 22.3302 |
| 1998 | 5.2632 | 0.4064 | 5.6696 | 9.5570 | 4.8666 | 2.2694 | 22.3626 |
| 1999 | 5.2632 | 0.3684 | 5.6316 | 9.6820 | 4.8582 | 2.2343 | 22.4061 |
| 2000 | 5.2632 | 0.3262 | 5.5894 | 8.9180 | 4.9360 | 2.2620 | 21.7054 |
| 2001 | 5.1593 | 0.3026 | 5.4619 | 8.9179 | 4.9363 | 2.2631 | 21.5792 |
| 2002 | 4.9999 | 0.2458 | 5.2457 | 8.9480 | 4.9351 | 2.4659 | 21.5947 |

- Tax rate limits - Ten mills per Florida Statute 200.081 (one mill equals \$1 per \$1,000 of assessed valuation).
- Scope of tax rate limits - 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 delinquency - 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 Taxpayers**January 1, 2001***Table VII**

| Taxpayers | Assessed Valuation | Taxes | Percentage of Total Taxes Levied |
|-------------------------------------|-------------------------------|--------------|---|
| IRT Property Co. | \$ 12,300,000 | \$ 64,522 | 4.42 % |
| CSC - Village Club Apartments, Ltd. | 8,838,103 | 46,362 | 3.18 % |
| Woodhaven Ltd Partnership | 5,803,145 | 30,442 | 2.09 % |
| EQR - Village Green Vistas, Inc. | 5,829,512 | 30,580 | 2.10 % |
| Phillips Lake Worth | 5,144,504 | 26,987 | 1.85 % |
| Aurora Homes, Inc. | 5,707,984 | 29,942 | 2.05 % |
| Waterton Esprimir | 4,937,838 | 25,902 | 1.78 % |
| Jerjo Inc. | 4,000,000 | 20,983 | 1.44 % |
| Acquiport Amsdell IV | 3,260,383 | 17,103 | 1.17 % |
| Rex Prop Palm Springs Ltd Co. | 2,866,000 | 15,034 | 1.03 % |

Source: Palm Beach County Tax Collector's Office.

VILLAGE OF PALM SPRINGS, FLORIDA**Table VIII**

*Ratio of Net General Obligation Debt to Assessed Value and
Net Bonded Debt Per Capita
Last Ten Fiscal Years*

| Fiscal Year Ended September 30, | Population | Total Assessed Value | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|--|-----------------------|-------------------------------------|--------------------------------|---|---|
| 1993 | 9,763 ⁽¹⁾ | \$ 177,754,796 | \$ 620,000 | 0.35% | \$63.51 |
| 1994 | 9,763 ⁽¹⁾ | 173,963,288 | 590,000 | 0.34% | 60.43 |
| 1995 | 9,763 ⁽¹⁾ | 169,290,942 | 555,000 | 0.33% | 56.85 |
| 1996 | 9,763 ⁽¹⁾ | 174,738,702 | 520,000 | 0.30% | 53.26 |
| 1997 | 10,146 ⁽²⁾ | 176,200,318 | 488,836 | 0.28% | 48.18 |
| 1998 | 10,146 ⁽²⁾ | 177,676,316 | 445,408 | 0.25% | 43.90 |
| 1999 | 10,146 ⁽²⁾ | 186,950,924 | 399,592 | 0.21% | 39.38 |
| 2000 | 10,220 ⁽²⁾ | 210,169,977 | 351,256 | 0.17% | 34.37 |
| 2001 | 12,351 ⁽⁴⁾ | 238,855,055 | 300,261 | 0.13% | 24.31 |
| 2002 | 12,351 ⁽⁴⁾ | 293,510,488 | 8,136,461 ⁽³⁾ | 2.77% | 658.77 |

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

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

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

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

VILLAGE OF PALM SPRINGS, FLORIDA**Table IX**

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

| Fiscal Year Ended September 30, | Principal | Interest | Total Debt Service | Total General Fund Expenditures | Ratio of Debt Service to General Fund Expenditures |
|--|------------------|-----------------|-----------------------------------|--|---|
| 1993 | \$ 30,000 | \$ 46,410 | \$ 76,410 | \$ 3,932,297 | 1.94 % |
| 1994 | 30,000 | 43,585 | 73,585 | 4,010,609 | 1.83 % |
| 1995 | 35,000 | 42,132 | 77,132 | 4,217,270 | 1.83 % |
| 1996 | 35,000 | 38,925 | 73,925 | 4,431,580 | 1.67 % |
| 1997 | 41,164 | 29,414 | 70,578 | 4,820,741 | 1.46 % |
| 1998 | 43,428 | 25,669 | 69,097 | 5,173,797 | 1.34 % |
| 1999 | 45,816 | 23,200 | 69,016 | 5,013,126 | 1.38 % |
| 2000 | 48,336 | 20,887 | 69,223 | 5,264,459 | 1.31 % |
| 2001 | 50,995 | 17,898 | 68,893 | 5,505,282 | 1.25 % |
| 2002 | 53,800 | 15,022 | 68,822 | 6,299,672 | 1.09 % |

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

Table X

| Fiscal Year Ended September 30, | Gross Revenue* | Operating Expenses** | Revenue Available for Debt Coverage | Current Debt Service | Current Coverage |
|--|---------------------------|---------------------------------|--|-------------------------------------|-----------------------------|
| 1993 | \$ 6,114,513 | \$ 3,262,706 | \$ 2,851,807 | \$ 1,070,395 | 2.66 |
| 1994 | 6,360,692 | 3,478,161 | 2,882,531 | 1,101,750 | 2.62 |
| 1995 | 6,338,409 | 3,057,479 | 3,280,930 | 1,054,620 | 3.11 |
| 1996 | 6,590,574 | 3,189,506 | 3,401,068 | 1,368,682 | 2.48 |
| 1997 | 7,449,493 | 3,444,292 | 4,005,201 | 1,692,198 | 2.37 |
| 1998 | 8,731,807 | 3,721,686 | 5,010,121 | 1,828,105 | 2.74 |
| 1999 | 7,947,103 | 3,801,185 | 4,145,918 | 1,826,773 | 2.27 |
| 2000 | 8,086,875 | 3,908,250 | 4,178,625 | 1,831,678 | 2.28 |
| 2001 | 9,210,914 | 4,124,621 | 5,086,293 | 1,827,741 | 2.78 |
| 2002 | 9,294,750 | 4,350,714 | 4,944,036 | 1,728,272 | 2.86 |

* Includes interest income and customer contributions.

** Excludes depreciation and amortization expense.

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

Table XI

| Fiscal Year Ended September 30, | Population⁽¹⁾ | Per Capita Income⁽²⁾ | Median Age⁽²⁾ | Unemployment Rate⁽²⁾ |
|--|---------------------------------|--|-------------------------------------|--|
| 1993 | 9,763 | \$ 26,798 | N/A | 8.5% |
| 1994 | 9,763 | 28,097 | N/A | 8.3% |
| 1995 | 9,763 | 30,901 | N/A | N/A |
| 1996 | 9,763 | 33,518 | N/A | 7.0% |
| 1997 | 10,146 | 33,852 | N/A | 6.4% |
| 1998 | 10,146 | 36,057 | N/A | 5.8% |
| 1999 | 10,146 | 36,057 | N/A | 5.7% |
| 2000 | 10,220 | 40,044 | N/A | 4.7% |
| 2001 | 12,351 | 41,907 | N/A | 6.0% |
| 2002 | 12,351 | 42,430 | N/A | 6.4% |

(1)

The population for the years 1992 through 1996 is the same data as the 1990 U.S. Census Bureau count. The population for 1997 through 2000 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2002 was obtained from the 2000 U.S. Census Bureau count.

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

N/A Not Available

VILLAGE OF PALM SPRINGS, FLORIDA
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Table XII

| Fiscal Year Ended September 30, | Property Value ⁽¹⁾ | Building Permits ⁽²⁾ | | Bank ⁽³⁾ |
|---------------------------------------|----------------------------------|---------------------------------|---------------------|----------------------------|
| | | Number Issued | Value of Permits | Deposits (in thousands) |
| 1993 | \$ 177,754,796 | 509 | 22,523 | \$ 7,727,879 |
| 1994 | 173,963,288 | 587 | 47,514 | 8,196,595 |
| 1995 | 169,290,942 | 558 | 47,589 | 9,055,476 |
| 1996 | 174,738,702 | 588 | 50,822 | 9,545,424 |
| 1997 | 176,200,318 | 940 | 71,555 | 9,911,930 |
| 1998 | 177,676,316 | 1,090 | 107,453 | 10,715,610 |
| 1999 | 186,950,924 | 1,074 | 153,275 | 13,283,898 |
| 2000 | 210,169,977 | 1,209 | 131,206 | 12,711,003 |
| 2001 | 238,855,055 | 1,112 | 82,550 | 12,927,182 |
| 2002 | 293,510,488 | 1,283 | 148,909 | 14,045,676 |

(1) Based on assessed value.

(2) Source: Building Department.

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

VILLAGE OF PALM SPRINGS, FLORIDA

Schedule of Insurance in Force

September 30, 2002

Table XIII

| Company | Policy Number | Type of Coverage | Property Covered | Amount of Coverage |
|--------------------------------------|----------------------------------|--|--------------------------------------|--|
| The Travelers | Haz #103019447 Gen #103019435 | Fiduciary liability Fiduciary liability | Pension trustees Pension trustees | \$ 500,000 \$ 1,000,000 |
| Coregis Insurance Company | POD100064 | Public officials errors and omissions | Public officials | \$ 1,000,000 |
| Coregis Insurance Company | 651-006832 | Automobile liability/ physical damage | Any auto Owned vehicles | \$ 100,000/200,000 \$ 900,000 excess physical actual cash value |
| Preferred Government Insurance Trust | 001000000130100 | Workers compensation | Village employees | Florida Statutory |
| Coregis Insurance Company | 651-006832 | Property/boiler and machinery | Village property | \$ 5,500,000 |
| AIG Life Insurance Company | SRG0008047915 | AD & D | Village employees | \$ 50,000/150,000 |
| Travelers Casualty & Surety Company | 206024582 | Public official bond | Village Finance Director | \$ 25,000 |
| Travelers Casualty & Surety Company | 206705220 | Public official bond | Village Manager | \$ 25,000 |
| Coregis Insurance Company | 651-006832 | Property, inland marine and crime coverage | Village property | \$ 14,254,506 |
| Gulf Underwriters Insurance Company | GUU2824893 | Pollution liability | Village property | \$ 1,000,000 ea. cond. |
| Coregis Insurance Company | 651-006832 | General liability Law Enforcement liability | | \$ 100,000/200,000 \$ 900,000 excess |

| | |
|-------------------------------|---|
| Date of Incorporation: | 1957 |
| Form of Government: | Village Council – Manager, with a mayor and four council members elected for two-year overlapping terms. The Village Manager is appointed by the council. |
| Location and Area: | The Village of Palm Springs encompasses 2.0 square miles and is located six miles west of the Atlantic Ocean and five miles south of West Palm Beach, which is the county seat of Palm Beach County. |
| Public Safety: | Public Safety employs 32 full time dual certified Public Safety Officers, 4 Fire-Medics, 15 part-time and reserve personnel, 9 full time civilian employees, and 5 crossing guards. Public Safety personnel maintain certification as Police/Fire and EMT/Paramedics. The Department has a fleet consisting of 30 patrol vehicles, a 1500 GPM pumper, a mini-attack pumper, an 80 ft. aerial truck, and 3 advanced life support ambulances. All Public Safety activities are conducted from a central Village location. |
| Recreation Facilities: | Ballfields – four (all lighted) Basketball courts – two Soccer fields – three (all lighted) Tennis courts – four lighted Community centers with meeting rooms and kitchen Park with various recreational facilities, playgrounds, and heart trail |
| Library: | <p>The collection includes 34,614 books (12,574 for children), 2002 video cassettes, 680 audio cassettes, 337 CDs, 199 DVDs, and subscriptions to 130 periodicals and newspapers.</p> <p>Circulation for fiscal year 2001-02 was 62,219. The library offered 291 programs, attended by 2,992 people. The library has 2,768 cardholders (617 children), including 476 nonresidents.</p> |
| Water System: | As of September 30, 2002, the number of metered water customers was 11,486. For the fiscal year ended September 30, 2002, the number of gallons (in thousands) that passed through the master meter was 1,523,951. |

Continued on the following page...

VILLAGE OF PALM SPRINGS, FLORIDA*Miscellaneous Statistical Data (Continued)**September 30, 2002*

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

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

Sewer System: As of September 30, 2002, the number of properties connected to the sewer system and/or being billed for sewer services was 9,018. As it is the responsibility of the property owner to connect to the sewer lines, charges by the Village begin during the month following the availability of this system.

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

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

REQUIRED REPORTS



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the general purpose financial statements of the Village of Palm Springs, Florida, as of and for the year ended September 30, 2002, and have issued our report thereon dated January 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Palm Springs, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Rachlin Cohen & Holtz LLP

West Palm Beach, Florida
January 24, 2003

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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

We have audited the general purpose financial statements of the Village of Palm Springs, Florida, for the year ended September 30, 2002, and have issued our report thereon dated January 24, 2003.

We have issued our Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting dated January 24, 2003. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554 (1) (g) 1. a) require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such instances disclosed in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554 (1) (g) 1. b) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been followed.

The Rules of the Auditor General (Section 10.554 (1) (g) 2.) require that we comment as to whether or not the Village complied with Section 218.415, Florida Statutes, regarding the investment of public funds. The Village has adopted a written investment policy and was in compliance with the provisions of that policy for the year ended September 30, 2002.

As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. a), the scope of our audit included a review of the provisions of Section 218.503 (1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Village of Palm Springs, Florida is not in a state of financial emergency as a consequence of the conditions described by Section 218.503 (1), Florida Statutes. The scope of our audit included the use of financial condition assessment procedures to assist in the detection of deteriorating financial conditions pursuant to Section 218.39 (5), Florida Statutes.

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As required by the Rules of the Auditor General (Section 10.554 (1) (g) 6. b), we determined that the annual financial report for the Village of Palm Springs, Florida for the year ended September 30, 2002, was filed with the Department of Banking Finance pursuant to Section 218.32 (1) (a), Florida Statutes, and is in agreement with the annual financial audit report for the year ended September 30, 2002.

The Rules of Auditor General (Sections 10.554 (1) (g) 3., 4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's report on compliance and internal control over financial reporting: recommendations to improve financial management, accounting procedures, and internal controls; recommendations addressing deteriorating financial conditions; violations of laws, rules, regulations and contractual provisions; illegal or improper expenditures which may or may not materially affect the financial statements; improper or inadequate accounting procedures; failures to properly record financial transactions; and other inaccuracies, shortages, defalcations and instances of fraud discovered by the auditor. Our audit disclosed no matters required to be disclosed by Rules of Auditor General (Sections 10.554 (1) (g) 3., 4.):

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



West Palm Beach, Florida
January 24, 2003