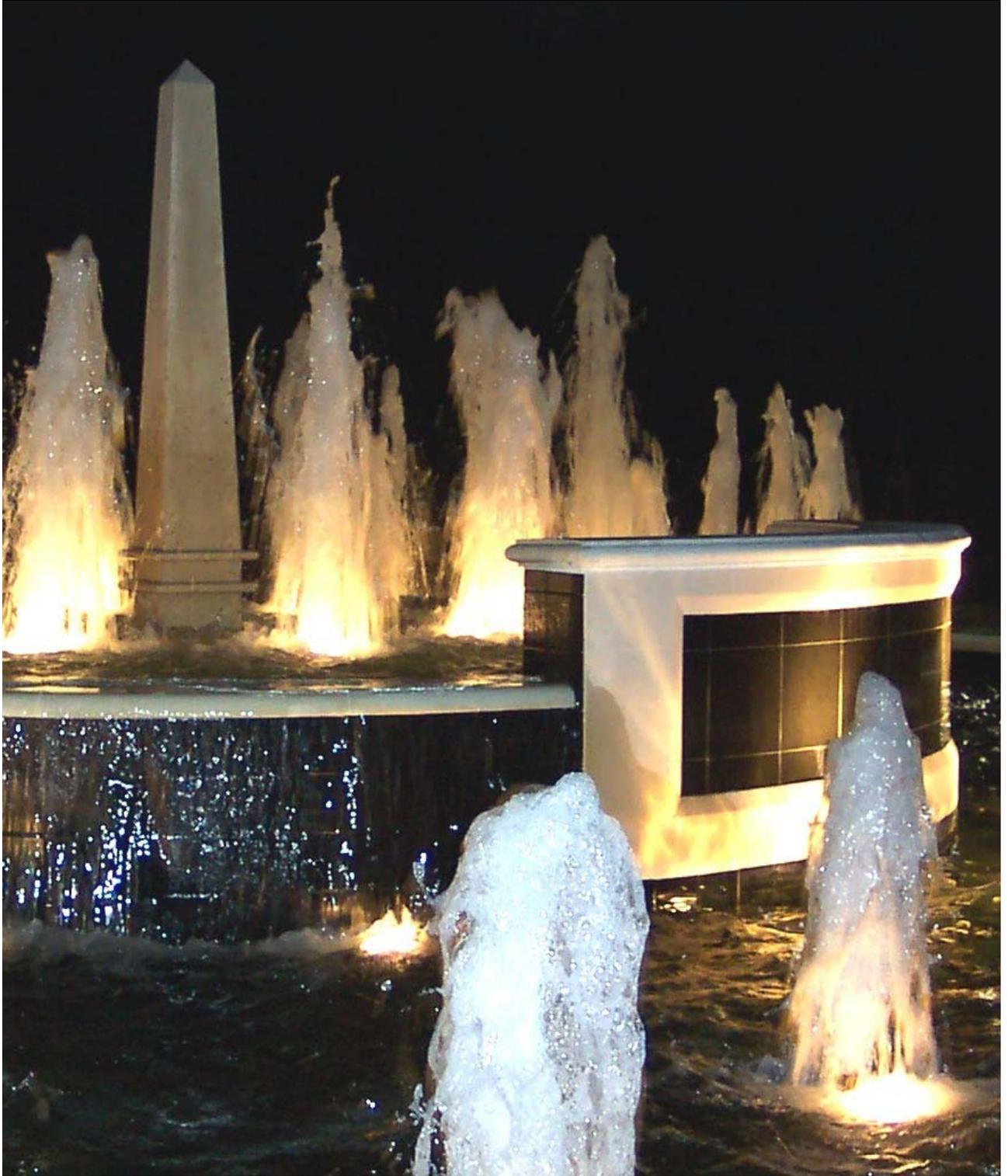


*City of Winter Springs
Florida*



*Comprehensive Annual Financial Report
For the Year Ended September 30, 2003*

City of Winter Springs, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2003

Prepared by: Finance Department

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INTRODUCTORY SECTION

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- GFOA Certificate of Achievement
- List of Principal Officials
- Organizational Chart

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CITY OF WINTER SPRINGS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF WINTER SPRINGS, FLORIDA

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WINTER SPRINGS, FLORIDA 32708-2799
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Fax: (407) 327-4753
Website: www.winterspringsfl.org

March 22, 2004

To the Honorable Mayor and City Commission and Citizens of the City of Winter Springs, Florida:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and that they be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, it is with great pleasure that we present to you the City of Winter Springs, Florida Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2003.

This year's report has been formatted to comply with the new financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The new financial reporting model completely changes the format of the City's financial statements. It is intended to improve financial reporting by incorporating significant additional information not previously available in public sector financial reporting. This is the second year of the City's implementation of the new format.

In addition to the fund-by-fund financial information previously presented in the City's financial statements, the new model has a number of key features as follows:

- *Government-wide financial reporting* - The government-wide statements present a clear picture of the government as a single, unified entity. These new statements complement rather than replace traditional fund-based financial statements. Included in the government-wide statements is a "Statement of Net Assets" that provides the total net equity of the City including capital assets and debt and the "Statement of Activities" that shows the cost of providing government services.
- *Long-term focus for governmental activities* - Traditional "fund" financial statements focus on near-term inflows, outflows and balances of spendable financial resources and are prepared using the "modified" accrual method of accounting. The government-wide statements have been prepared with a long-term focus using the

“full” accrual basis of accounting. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. The most significant differences between the two types of reporting methods relate to the recordation of capital assets (including prior expenditures for infrastructure) and debt in the government-wide statements. The use of separate account groups to record general fixed assets and general long-term debt were eliminated.

- *Management’s Discussion and Analysis (MD&A)* – Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. The MD&A provides “financial highlights” and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A are intended to disclose any known significant events or decisions that affect the financial condition of the City. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Winter Springs’ MD&A can be found immediately following the report of the independent auditors.
- *Major funds* - The new reporting model includes an emphasis on the City’s major funds as shown in the Governmental Fund statements. Nonmajor funds are aggregated in the government-wide statements; however detail can be found for the nonmajor funds in the traditional fund statements.
- *Expanded budgetary focus* - Under the new model, budgetary information is presented for both the original and the final amended budget.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Winter Springs has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Winter Springs’ financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Winter Springs’ comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Winter Springs’ financial statements have been audited by McDirmit, Davis, Puckett & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Winter Springs for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and

evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Winter Springs' financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the Government

The City, incorporated in 1959, is located in Seminole County, which is a part of the greater Orlando metropolitan area in East Central Florida. This area is one of the fastest growing areas in the country. The City currently has a land area of 14.9 square miles and a population of approximately 32,500.

The City operates according to a Council/Manager form of government, with an appointed City Manager, five elected City Commissioners and a separately elected Mayor. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's Manager, Clerk and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing body, for overseeing the day-to-day operations of the government, and for hiring the heads of the various departments.

The City of Winter Springs provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational activities and cultural events. The City maintains both a Water and Sewer Utility and a Stormwater Utility, which function, in essence, as departments of the City of Winter Springs and therefore have been included as an integral part of the City of Winter Springs' financial statements.

The annual budget serves as the foundation for the City of Winter Springs' financial planning and control. All departments of the City of Winter Springs are required to submit requests for appropriation to the City Manager. The City Manager then uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review on or before July 1. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City of Winter Springs' fiscal year. The appropriated budget is prepared by fund (e.g., general fund), department (e.g., fire department) and division (e.g., EMS). The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Commission. Original and final amended budget-to-actual comparisons are provided in this report for each individual governmental fund. For the General fund and the Public Service Tax fund, these comparisons are presented on pages 24-26 as part of the basic financial statements for the governmental funds. For other governmental funds these comparisons are presented in the governmental fund subsection of this report, which starts on page 59.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Winter Springs operates.

Local economy. The City of Winter Springs is primarily a retail, office and residential area with a small amount of light industry and commercial business. The City's total assessed valuation for real and personal property (net of exemptions) increased 6.9% from the prior year and 96.3% since fiscal year 1993. This increase in valuations and millage resulted in an increased total tax levy of \$810,500 over last year and \$2,944,000 since 1993. The City's population has increased 36% from that of ten years ago. Local indicators still point to a continued trend of growth as the City works with builders, developers and residents for both commercial and residential development. This increased growth helps the City maintain a moderate property tax rate, which was at 4.1658 mills during fiscal year 2003 (tax year 2002).

Long-term financial planning. The City Commission updated and adopted a 5-year Capital Improvements Plan (CIP) during fiscal year 2002. The CIP is a multi-year prioritized schedule of improvements that lists each capital improvement by the year it is intended to be purchased or commenced; the amount to be spent per year; and the method of financing such improvement. Each year during the annual budget process the CIP is reviewed to ensure incorporation of all necessary capital improvements. It should be noted; however, that the CIP is not a fixed document but a flexible, evolutionary document that may change to reflect changing priorities, opportunities, costs, or different financing approaches.

Cash management policies and practices. The City administers a cash management and investment program that seeks to maximize, in order of priority, the preservation of funds, liquidity and interest earnings over its cash and investments. Cash resources of the individual funds are combined to form a pool of cash and investments. The average cash and investment pool balance during the year (not including pension funds) was \$22,562,000 and the average investment earnings rate was 1.4%. Investment income includes the change in the fair value of investments. During the year monies were invested in U.S. Agencies and Treasuries, Federal Home Loan bonds, commercial paper, fixed income mutual funds and the State Board of Administration Local Government Investment Pool in accordance with the City's Investment Policy. Pension fund assets were invested mainly in equity and bond funds in accordance with the City's Investment Policy for Retirement Funds. The average of pension fund assets during the year was \$6,307,209 and the average investment gain was 13.3% due to an increase in the fair value of investments.

Risk Management. During the ordinary course of its operations, the City is exposed to various risks of losses. The City maintains commercial insurance coverage in amounts

management feels is adequate to protect and safeguard the assets of the City. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have a material impact on the financial position of the City.

Pension and other postretirement benefits. The City of Winter Springs sponsors a single-employer defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the Annual Required Contribution (ARC) that the City of Winter Springs must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. In addition to the City's contribution, employees make a 3% contribution of gross salary. Total actual contributions made during fiscal year 2003 were 118% of the fiscal year 2003 ARC. At September 30, 2003, cumulative payments to the plan since inception were \$295,176 over the cumulative ARC. The City has funded 72.5% of its actuarial accrued liability for pension benefits. A three-year trend shows this funded ratio (assets over liability) has steadily increased from 64.1% to 72.5%. The unfunded actuarial liability as of October 1, 2002 was \$2,508,274. The remaining unfunded actuarial liability is being systematically funded over 30 years beginning October 1, 2000 as part of the ARC calculated by the actuary. The City of Winter Springs does not provide any postretirement health or dental benefits for retirees or their dependents.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Winter Springs for its CAFR for the fiscal year ended September 30, 2002. This was the third consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Winter Springs' finances.

Respectfully submitted,



Ronald W. McLemore
City Manager



Judith A. Cooper, CPA
Interim Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Winter Springs,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

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



President

Executive Director

CITY OF WINTER SPRINGS, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2003

ELECTED OFFICIALS

MAYOR	John F. Bush
DEPUTY-MAYOR/COMMISSIONER	Robert S. Miller
COMMISSIONER	Sally McGinnis
COMMISSIONER	Michael S. Blake
COMMISSIONER	Edward Martinez, Jr.
COMMISSIONER	David McLeod

APPOINTED OFFICIALS

CITY MANAGER	Ronald McLemore
CITY CLERK	Andrea Lorenzo-Luaces
FINANCE DIRECTOR	Judith Cooper (Interim)
INFORMATION SERVICES	Joanne Dalka
GENERAL SERVICES	Vacant
POLICE CHIEF	Daniel Kerr
FIRE CHIEF	Timothy Lallathin
UTILITY/PUBLIC WORKS DIRECTOR	Kipton Lockcuff
COMMUNITY DEVELOPMENT DIRECTOR	Vacant
PARKS AND RECREATION DIRECTOR	Chuck Pula

LEGAL COUNSEL

Anthony Garganese
Brown, Salzman, Weiss & Garganese, P.A.

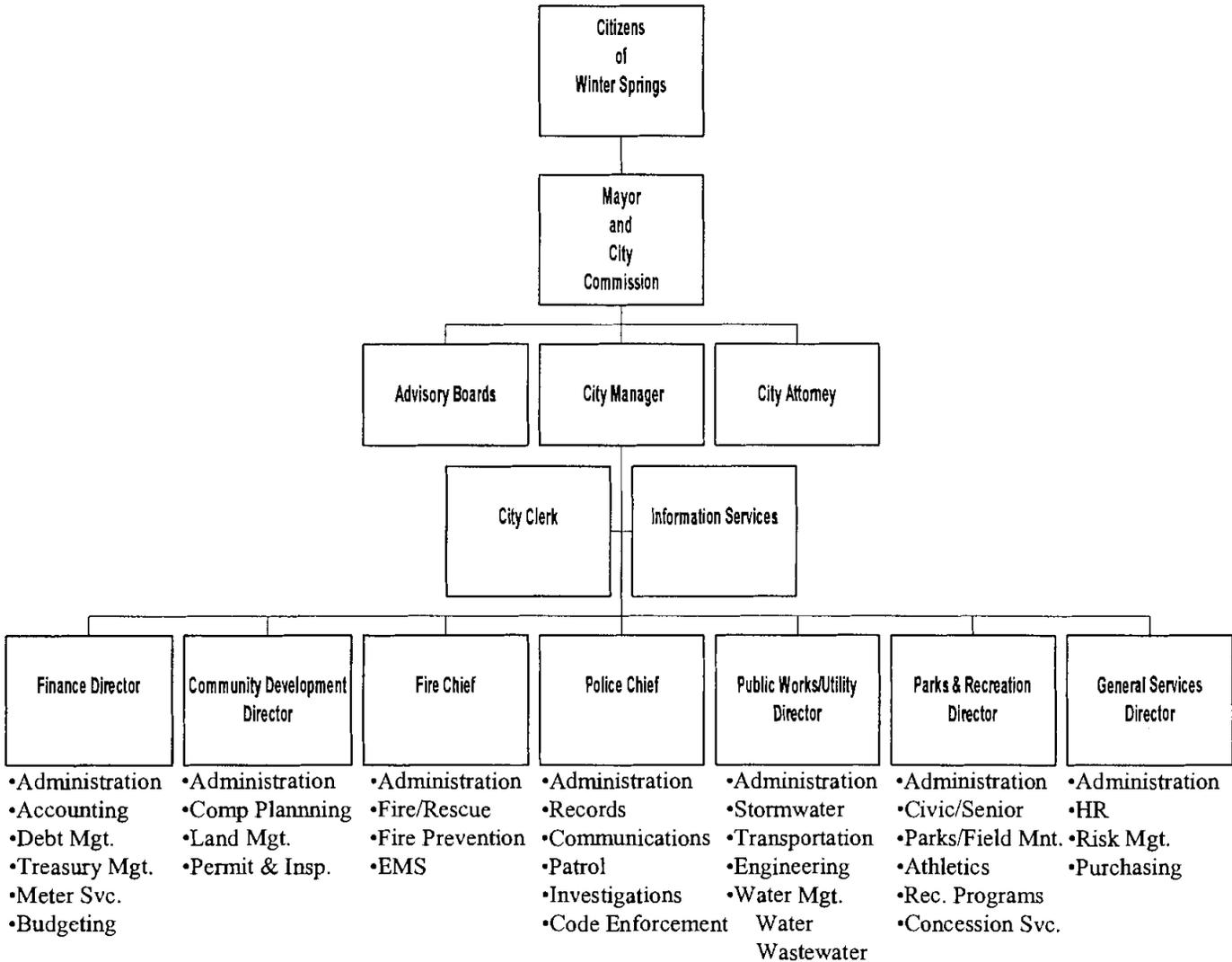
FINANCIAL ADVISOR

David Moore
Public Financial Management

AUDITORS

McDimit Davis Puckett & Company, LLC

City of Winter Springs Organizational Chart



***The City Manager is appointed by the Commission.**

***The City Clerk is appointed by the Mayor with ratification of the City Commission and works under the direction of the City Manager.**

***The City Attorney is appointed by the Mayor with ratification of the City Commission and works under the direction of the City Commission.**

***Advisory Boards are appointed by the Mayor and City Commission and work under the direction of the City Commission.**