

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

1126 EAST STATE ROAD 434
WINTER SPRINGS, FLORIDA 32708-2799
Telephone (407) 327-1800

March 20, 2008

To the Honorable Mayor, 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 (GAAS) 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, 2007.

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 McDermitt, Davis & 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, 2007 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. Based upon the audit, the independent auditor concluded 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, 2007 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.

The City of Winter Springs' Management's Discussion and Analysis (MD&A) can be found immediately following the report of the independent auditors and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Winter Springs, 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 14.78 square miles and a population of approximately 34,900.

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 Mayor and Commission are elected for four-year terms. The governing body is responsible for, among other things, 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 directors 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, a Stormwater Utility, and Development Services, 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 City Commission 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 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., prevention division). 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, the Public and Communications Service Tax Fund and the Road Improvements Special Revenue Fund, these comparisons are presented on pages 25-28 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 68.

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 20.6% from the prior year and 150.8% since fiscal year 1997. The increase in valuations and millage resulted in an increased total tax levy of \$930,391 over last year and \$5,937,718 since 1997. The City's population has increased 27.1% from that of ten years ago. Local indicators indicate there is a major downturn in the local economy as the impacts of the mortgage and banking industry sub-prime market meltdown and declining housing

industry are felt. This economic downturn has had an impact at both the state and local level on revenue. At the local level revenues such as review and permit fees has declined but have been offset by a trend of reduced expenditures. At the state level, they are currently making their second adjustment to the fiscal year 2008 budget for a total of \$2 billion in cuts to a \$70 billion budget. Currently being debated is whether to use \$1.1 billion out of a \$5.5 billion pot of reserves and trusts funds to balance next year's state budget. Moreover, the Florida's Governor, the House of Representatives and the Senate continue to submit proposals during the current legislative session to limit local government's ability to generate revenues. One such proposal that the Taxation and Budget Reform Commission has made is commonly referred to as the Taxpayer Bill of Rights (TABOR), which would significantly affect local government's ability to fund future operations due to its mandated revenue limitations. At this time there is no way to quantify the impact of the numerous proposals being submitted during the current legislative session.

The City has been able to maintain a moderate property tax rate, which was at 4.4019 mills during fiscal year 2007 (tax year 2006) and includes 0.1100 mills of voted debt service for Central Winds General Obligation debt up to now. It is too soon to tell what impact the legislative proposals will have on the City's fiscal year 2009 budget.

Long-term financial planning. The City Commission updated and adopted a 5-year Capital Improvements Plan (CIP) during fiscal year 2004. The CIP is currently being updated with projects and costs through Fiscal Year 2013 with an anticipated completion of Summer 2008. 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, dynamic document that may change to reflect changing priorities, opportunities, costs, or different financing approaches.

Relevant Financial Policies. There are three fiscal policies that are utilized when preparing and adopting the City's annual budget. The first policy is to maintain, at all times, an Unreserved General Fund fund balance not less than 25% of the total operating expenses of the General Fund, excluding capital outlay and debt. By a super majority vote of the Commission, supplemental appropriation from Unreserved General Fund fund balance may be authorized by the Commission for a General Fund purpose which may potentially reduce the Unreserved General Fund fund balance which would be restored to, at least, the minimum in the following year's budget. This fund balance philosophy carries over to the Water and Sewer Utility, Stormwater Utility and Development Services. Some funds such as debt service exist for very specific purposes; as such, the potential for unforeseen expenditures is very low. Consequently, it is not necessary for all funds to be constrained by this policy. In such case, the budget serves as the sole constraint. The second fiscal policy is that sufficient recurring revenues exist to pay for all recurring costs, thus avoiding the use of non-recurring revenues and fund balance to fund recurring costs. The final fiscal policy is that sufficient recurring and non-recurring revenues are available to fund non-recurring costs.

Major Initiatives. During fiscal year 2008, the City anticipates the following projects:

- completion of the Senior Center Expansion and Therapy Pool. Project is expected to be complete by April 30, 2008 at an approximate cost of \$1,741,000;
- begin year four of the Records Management Project for public records documents and research;
- begin year four of a four year Pension Plan enhancement program, by adding 0.5% to the employer contribution rate for the final phase of the retroactive benefit for employee service

- prior to October 1, 2000 that will be effective on October 1, 2008;
- replace fire engine 26 at a cost of \$370,000;
 - numerous road improvements projects at \$4,975,000, such as Tuskawilla Road/Blumberg Boulevard, Winter Springs Boulevard, Doran Drive, Town Center streetscape, Michael Blake Boulevard, Central Winds Parkway, Hayes Road deceleration/turn lanes, 434 Medians and traffic calming;
 - road resurfacing projects totaling \$225,000;
 - completion of TLBD Improvements (Phase II) signage and street lighting, totaling \$545,000;
 - begin Trotwood Park Improvements totaling \$432,700;
 - begin Hound Ground Improvements totaling \$225,000;
 - completion of the Town Center Trail and Infrastructure at an approximate cost of \$1,605,000; and,
 - Phase II of the Town Center project with James Doran and Company to include a \$930,000 partnership agreement for public parking and \$250,000 for streetscaping has been put on hold pending economic conditions.

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, 2006. This was the seventh 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 will be submitting it to the GFOA to determine its eligibility for a certificate.

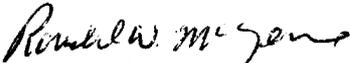
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

Other City departments, although not extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult.

Appreciation must also be expressed to the City's auditors whose suggestions and attention to detail enhanced the quality of this report.

In closing, we would also like to express appreciation 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


Michelle Greco, CPA
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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF WINTER SPRINGS, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2007

ELECTED OFFICIALS

MAYOR	John F. Bush
DEPUTY-MAYOR/COMMISSIONER	Sally McGinnis
COMMISSIONER	Rick Brown
COMMISSIONER	Donald A. Gilmore
COMMISSIONER	Joanne M. Krebs
COMMISSIONER	Robert S. Miller

APPOINTED OFFICIALS

CITY MANAGER	Ronald McLemore
CITY CLERK	Andrea Lorenzo-Luaces
FINANCE DIRECTOR	Michelle Greco
INFORMATION SERVICES	Joanne Dalka
GENERAL SERVICES	Kevin Smith
POLICE CHIEF	Daniel Kerr
FIRE CHIEF	Timothy Lallathin
UTILITY/PUBLIC WORKS DIRECTOR	Kipton Lockcuff
COMMUNITY DEVELOPMENT DIRECTOR	Randy Stevenson
PARKS AND RECREATION DIRECTOR	Chuck Pula

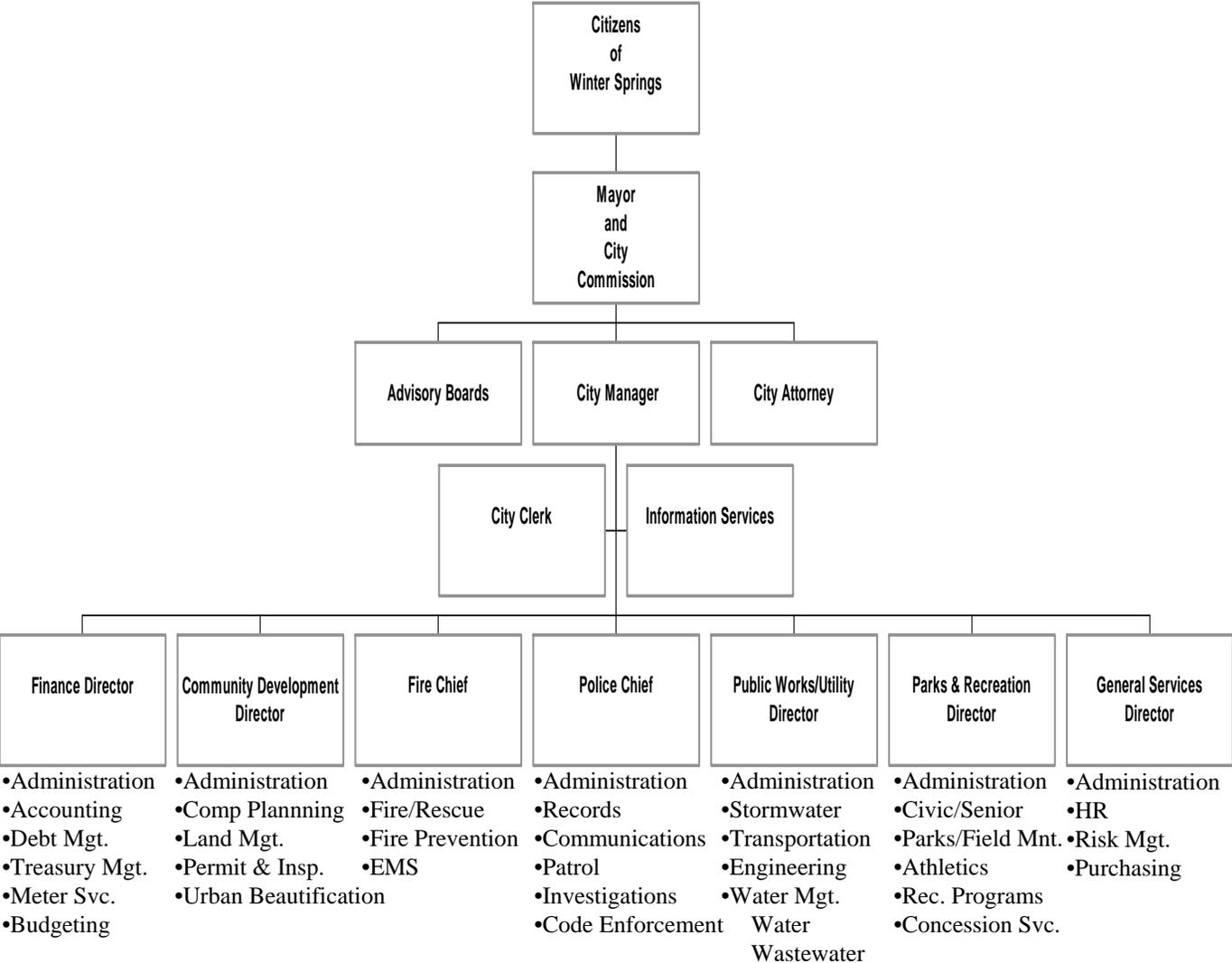
LEGAL COUNSEL

Anthony Garganese
Brown, Garganese, Weiss & D'Agresta, P.A.

AUDITORS

McDermitt, Davis & 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.**

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