

TOWN OF LEE, FLORIDA
FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

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TOWN OF LEE, FLORIDA

TOWN OFFICIALS

September 30, 2025

<u>OFFICIALS</u>	<u>ELECTED TERM EXPIRATION</u>
<u>MAYOR</u>	
James Ruzicka	November 2026
<u>TOWN COUNCIL</u>	
Kenneth Szostek, Council President	November 2026
Lloyd Burke, Council Member	November 2028
Edwin McMullen, Council Member	November 2028
Cindy Thomas, Council Member	November 2028
Ronnie Bass, Council Member	November 2026
<u>TOWN MANAGER/CLERK</u>	
Sona Hayslett	
<u>TOWN ATTORNEY</u>	
Rhett Bullard	

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TOWN OF LEE, FLORIDA

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KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Town Council
Town of Lee, Florida

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Lee, Florida as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Lee, Florida's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Lee, Florida as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Town of Lee, Florida, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Lee, Florida's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lee, Florida's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Lee, Florida's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison information on pages 33-34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Town’s Affidavit of Compliance with *Florida Statutes* 163.31801(8) and does not include the basic financial statements and my auditor’s report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued our report dated April 17, 2026, on my consideration of the Town of Lee, Florida’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Lee, Florida’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Lee, Florida’s internal control over financial reporting and compliance.



Kenneth M. Daniels
Certified Public Accountant
April 17, 2026

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**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

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TOWN OF LEE, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended September 30, 2025

Our discussion and analysis of the Town of Lee, Florida’s (the Town), financial performance provides an overview of Town’s financial activities for the fiscal year ended September 30, 2025. Please read it in conjunction with the Town’s financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The Town began work on the design, construction, and CEI of the SE Lee School Avenue. The project is being funded by the Florida Department of Transportation via a grant of \$640,170. The Town expended \$73,702 towards the project in the 2024-25 fiscal year.

The analysis and development of design plans to improve the Town’s existing water and sanitary sewer systems serving the CR255 corridor and development of utility services to the Madison County Industrial Park began in the 2024-25 fiscal year. The project is funded by a grant from the Florida Department of Commerce in the amount of \$290,000. At September 30, 2025, \$46,225 had been expended towards the plans.

In November 2024, the Town received \$30,660 for damage incurred via Hurricane Idalia. Payments have been made for debris removal and damage to the Town’s Ben Blair Park.

The Town’s ad valorem tax base continued to expand. The increase in gross taxable value was as follows over the past three years: 2025 \$669,810; 2024 \$1,960,766; and 2023 \$1,921,719. The increase in ad valorem taxes received was \$30,700 in the 2024-25 fiscal year.

In the Spring of 2025, the Town increased its water and sewer rates approximately twenty-one percent. The increase in rates resulted in additional revenue of approximately \$85,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer – term view of the Town’s finances.

Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town’s operations in more detail than the government – wide statements by providing information about the Town’s most significant funds.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 5. The Statement of Net Position and the Statement of Activities on pages 10 and 11 includes all assets, liabilities, revenues, and expenses

using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements also report the Town's net position and changes in it. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health. Over time, increases or decreases in the Town's net position is an indicator of whether its financial health is improving or deteriorating.

Consideration of other non-financial factors such as changes in the Town's property tax base and the condition of the Town's capital assets, are also necessary to assess its overall financial health.

In the Statement of Net Position and the Statement of Activities, the Town is divided into two kinds of activities:

- Governmental activities – the Town's basic services are reported here, including the finance and administration functions, public safety, economic development, and culture and recreation. Property taxes, intergovernmental revenues, and grants finance most of these activities.
- Business-type activities – the Town charges a fee to customers to help it cover all or most of the costs of the water and sewer/wastewater utility services it provides.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 8. The fund financial statements begin on page 11 and provide detailed information about the most significant funds, not the Town as a whole. The Town has a General Fund (governmental) and an Enterprise (proprietary) Fund. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental funds*

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of the fund and the balances left at year end that are available for spending. The fund is reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The differences between governmental activities reported in the Statement of Net Position and Statement of Activities and the governmental funds are described in the reconciliations accompanying the fund financial statements.

- *Proprietary funds*

When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in

proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The Town’s Enterprise Fund, a proprietary fund, is the same as the business–type activities reported in the government–wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Town as a Whole

The Town’s total Net Position increased approximately \$79,000, increases in ad valorem taxes and utility fees were offset by depreciation on the Town’s capital assets and roof repairs to the pavilions at the Town Hall Park.

The Governmental Activities’ Net Position increased \$133,000. The Business-type Activities Net Position decreased approximately \$54,000.

Analysis of the changes in net position follows.

Table 1 focuses on the Town’s net position.

Table 1
Net Position
In Thousands

	Governmental Activities		Business type Activities		Totals	
	2025	2024	2025	2024	2025	2024
	Current and other assets	\$ 562	\$ 393	\$ 657	\$ 542	\$ 1,219
Capital assets	<u>1,273</u>	<u>1,267</u>	<u>3,966</u>	<u>4,107</u>	<u>5,239</u>	<u>5,374</u>
Total assets	<u>\$ 1,835</u>	<u>\$ 1,660</u>	<u>\$ 4,623</u>	<u>\$ 4,649</u>	<u>\$ 6,458</u>	<u>\$ 6,309</u>
Long term liabilities	\$ 8	\$ 4	\$ 406	\$ 429	\$ 406	\$ 433
Other liabilities	<u>47</u>	<u>9</u>	<u>87</u>	<u>36</u>	<u>134</u>	<u>45</u>
Total liabilities	<u>55</u>	<u>13</u>	<u>493</u>	<u>465</u>	<u>548</u>	<u>478</u>
Net position:						
Invested in Cap Assets	1,274	1,267	3,561	3,679	4,835	4,946
Restricted	-	-	18	17	18	17
Unrestricted	<u>506</u>	<u>380</u>	<u>551</u>	<u>488</u>	<u>1,057</u>	<u>868</u>
Total net position	<u>1,780</u>	<u>1,647</u>	<u>4,130</u>	<u>4,184</u>	<u>5,910</u>	<u>5,831</u>
Total liabilities & net position	<u>\$ 1,835</u>	<u>\$ 1,660</u>	<u>\$ 4,623</u>	<u>\$ 4,649</u>	<u>\$ 6,458</u>	<u>\$ 6,309</u>

Table 2 focuses on the changes in the net position.

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business type Activities		Totals	
	2025	2024	2025	2024	2025	2024
	Revenues					
Program revenues						
General government	\$ 11	\$ 5	\$ -	\$ -	\$ 11	\$ 5
Public safety	31	-	-	-	31	-
Physical environment	-	-	-	-	-	-
Transportation	78	4	-	-	78	4
Economic environment	44	52	-	-	44	52
Culture/recreation	-	-	-	-	-	-

(Table 2 continued)	\$	\$	\$	\$	\$	\$
Water utility services	-	-	137	115	137	115
Sewer/wastewater services	-	-	226	141	226	141
General revenues						
Taxes						
Ad valorem	129	98	-	-	129	98
Local option gas	50	49	-	-	50	49
Franchise fees	42	25	-	-	42	25
Utility service	23	34	21	16	44	50
Local Communications	31	20	-	-	31	20
Intergovernmental	37	38	-	-	37	38
Interest	4	4	12	13	16	17
Miscellaneous	<u>39</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>15</u>
Total revenues	<u>519</u>	<u>344</u>	<u>396</u>	<u>285</u>	<u>915</u>	<u>629</u>
Program expenses						
General government	160	146	-	-	160	146
Public safety	7	4	-	-	7	4
Physical environment	1	1	-	-	1	1
Transportation	150	130	-	-	150	130
Economic environment	31	55	-	-	31	55
Culture/recreation	37	31	-	-	37	31
Water utility services	-	-	143	142	143	142
Sewer/wastewater services	-	-	307	287	307	287
Total expenses	<u>386</u>	<u>367</u>	<u>450</u>	<u>429</u>	<u>836</u>	<u>796</u>
Excess (deficiency) before transfers	133	(23)	(54)	(144)	79	(167)
Special items	-	-	-	-	-	-
Transfers	-	(9)	-	9	-	-
Change in net position	133	(32)	(54)	(135)	79	(167)
Net position - beginning	<u>1,647</u>	<u>1,679</u>	<u>4,184</u>	<u>4,319</u>	<u>5,831</u>	<u>5,998</u>
Net position - ending	<u>\$ 1,780</u>	<u>\$ 1,647</u>	<u>\$ 4,130</u>	<u>\$ 4,184</u>	<u>\$ 5,910</u>	<u>\$ 5,831</u>

Governmental Activities

- Governmental Activities current and other assets increased: cash \$124,500 (increase of \$30,700 of ad valorem taxes, \$30,660 in reimbursement of hurricane related damage) and due from the State of Florida \$36,850 (DOT Grant). In addition, the Town made a significant purchase of equipment in the prior year (\$96,987).
- Liabilities increased: other liabilities – accounts payable for the DOT grant funded project in the amount of \$36,850 and compensated absences increased \$4,200 due to raises and stable employment in the Town’s road and streets department.
- Increases/decreases in governmental revenues are explained as follows: 1. General government revenues increased due to the construction of a multi-purpose building by Madison County which resulted in building permits of approximately \$6,000. 2. Franchise fees increased \$17,600 due to hurricane-related increases in utility fees 3. Miscellaneous revenues increased due to insurance reimbursements of \$4,600 for hurricane damage and the Town sold pine timber and straw in the amount of \$19,800. 4. Taxes increased due to the continued expansion of the ad valorem tax base (see financial highlights).
- Increases/decreases in governmental expenses are explained as follows: 1. Public safety increase – purchase of 5-ton outdoor condenser for \$3,800 2. Economic environment – hurricane related damage to business incubator (old Lee School) in the prior year of \$17,350 (deductible and 2-ton window unit).

Business-type Activities

- Current and other assets increased due to utility rate increase for seven months of the fiscal year – cash increased \$68,000; accounts receivable increased slightly due to rate increase; and due from State of Florida increased \$46,225 due to the water/sewer grant project indicated at the financial highlights.
- Capital assets decreased due to the depreciation of the water/wastewater system.
- Other liabilities increased due to payables related to the grant project indicated in the financial highlights section in the amount of \$46,225.
- Water/sewer utility revenues increased due to the increase in utility rates indicated at the financial highlights - \$49,000. Love’s, the Town’s largest utility customer, billings increased \$39,746.

The Town’s Funds

General Fund – its fund balance increased \$129,600 due to many of the items explained above: greater ad valorem taxes, building permits, and miscellaneous revenues. Expenditures decreased primarily due to the significant purchase of equipment (zero turn mower and 60hp tractor) in the prior year.

Enterprise Fund – net position decreased \$54,770. The effects of \$209,002 in depreciation were partially offset by the increase in utility revenues (see above).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town’s 2024-25 General Fund’s budgetary highlights are as follows:

Actual revenues (excluding budgeted reserves) exceeded the budgeted amounts by approximately \$126,500. Excluding the reserves and contingency, expenditures were greater than budgeted by \$37,400.

CAPITAL ASSET AND DEBT ADMINISTRATION

As indicated in the table below, the Town has approximately \$9.6 million invested in capital assets such as land, infrastructure, buildings, recreation facilities, water utility facilities, and equipment. The above amount represents a \$142,000 net increase over the previous year’s total. The Town’s capital asset increases were due to construction in progress associated with road construction and water/sewer expansion projects.

Table 3
Capital Assets (in Thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Land	\$ 46	\$ 46	\$ 198	\$ 198	\$ 244	\$ 244
Construction in progress	74	-	68	-	142	-
Buildings	560	560	40	40	600	600
Infrastructure	951	951	7,128	7,128	8,079	8,079
Equipment, furniture, & vehicles	419	419	117	117	536	536
Totals	<u>\$ 2,050</u>	<u>\$ 1,976</u>	<u>\$ 7,551</u>	<u>\$ 7,483</u>	<u>\$ 9,601</u>	<u>\$ 9,459</u>

Debt

At year-end, the Town's debt consisted of compensated absences and a note payable to the Florida Department of Environmental Protection. The totals are as indicated below. There are no debt ratings for the Town.

TABLE 4
OUTSTANDING DEBT AT YEAR-END
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Compensated absences	\$ 8	\$ 4	\$ 1	\$ 1	\$ 9	\$ 5
Notes payable	-	-	405	428	405	428
Totals	<u>\$ 8</u>	<u>\$ 4</u>	<u>\$ 406</u>	<u>\$ 429</u>	<u>\$ 414</u>	<u>\$ 433</u>

2026 BUDGET AND CURRENTLY KNOWN FACTS

2026 Budget

Notable items/changes in the Town's 2025-26 budgets are as follows:

General Fund: Budgeted revenues and reserves are as follows: revenues \$448,300 and reserves of \$623,106 for total of \$1,071,406. Budgeted expenditures total \$375,372 and reserves of \$696,034 for total appropriations of \$1,071,406.

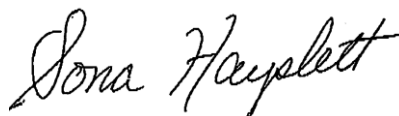
Enterprise Fund: Charges for utility services (water and wastewater) are budgeted at \$315,500 with reserves of \$366,753. Budgeted expenses \$272,270; debt service \$29,435; contingency \$380,548.

Currently Known Facts

The Town continues in its attempts to improve and expand its water and sewer/wastewater systems and roads. The Town will continue work on the grant related projects in the 2025-26 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of the Town's finances and to show the Town's accountability for the money that it receives. If you have questions about this report or need additional financial information, contact the Town at 286 NE CR 255, Lee, FL 32059.



Sona Hayslett, Manager
Town of Lee, Florida

**BASIC
FINANCIAL
STATEMENTS**

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TOWN OF LEE, FLORIDA

STATEMENT OF NET POSITION

September 30, 2025

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 502,352	\$ 537,440	\$ 1,039,792
Utility tax receivable	3,414	-	3,414
Accounts receivable, net	4,617	11,039	15,656
Franchise fees receivable	2,853	-	2,853
Due from other governmental units	48,282	46,225	94,507
Restricted assets			
Cash	-	62,067	62,067
Capital assets			
Land and construction in progress	120,176	265,774	385,950
Other capital assets, net of depreciation	<u>1,153,663</u>	<u>3,700,201</u>	<u>4,853,864</u>
Total capital assets, net	<u>1,273,839</u>	<u>3,965,975</u>	<u>5,239,814</u>
Total assets	<u><u>\$ 1,835,357</u></u>	<u><u>\$ 4,622,746</u></u>	<u><u>\$ 6,458,103</u></u>
Liabilities and net position			
Liabilities			
Accounts payable	\$ 45,375	\$ 54,956	\$ 100,331
Interest payable	-	1,466	1,466
Payroll taxes payable	1,849	1,942	3,791
Customer deposits	-	28,675	28,675
Long-term liabilities			
Due within one year			
Compensated absences	1,040	1,102	2,142
Notes payable	-	22,342	22,342
Due in more than one year			
Compensated absences	7,281	-	7,281
Notes payable	<u>-</u>	<u>382,927</u>	<u>382,927</u>
Total liabilities	<u><u>55,545</u></u>	<u><u>493,410</u></u>	<u><u>548,955</u></u>
Net position			
Net investment in capital assets	1,273,838	3,560,706	4,834,544
Restricted - capital facilities	-	18,036	18,036
Unrestricted	<u>505,974</u>	<u>550,594</u>	<u>1,056,568</u>
Total net position	<u><u>1,779,812</u></u>	<u><u>4,129,336</u></u>	<u><u>5,909,148</u></u>
Total liabilities and net position	<u><u>\$ 1,835,357</u></u>	<u><u>\$ 4,622,746</u></u>	<u><u>\$ 6,458,103</u></u>

TOWN OF LEE, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities							
General government	\$ 160,441	\$ 11,520	\$ -	\$ -	\$ (148,921)	\$ -	\$ (148,921)
Public safety	7,548	-	30,660	-	23,112	-	23,112
Physical environment	525	-	-	-	(525)	-	(525)
Transportation	149,647	4,053	-	73,702	(71,892)	-	(71,892)
Economic environment	30,766	43,648	-	-	12,882	-	12,882
Culture/recreation	37,608	-	-	-	(37,608)	-	(37,608)
Total governmental activities	<u>386,535</u>	<u>59,221</u>	<u>30,660</u>	<u>73,702</u>	<u>(222,952)</u>	<u>-</u>	<u>(222,952)</u>
Business type activities							
Water utility services	143,231	137,054	-	-	-	(6,177)	(6,177)
Sewer/wastewater services	307,817	180,273	-	46,225	-	(81,319)	(81,319)
Total business type activities	<u>451,048</u>	<u>317,327</u>	<u>-</u>	<u>46,225</u>	<u>-</u>	<u>(87,496)</u>	<u>(87,496)</u>
Totals	<u>\$ 837,583</u>	<u>\$ 376,548</u>	<u>\$ 30,660</u>	<u>\$ 119,927</u>	<u>(222,952)</u>	<u>(87,496)</u>	<u>(310,448)</u>
General revenues							
Taxes							
Ad valorem					128,773	-	128,773
Local option gas					49,964	-	49,964
Utility service					42,107	20,567	62,674
Local Communications					23,631	-	23,631
Franchise fees					31,334	-	31,334
Intergovernmental					37,014	-	37,014
Interest					3,685	12,159	15,844
Miscellaneous					38,996	-	38,996
Total general revenues, special items, and transfers					<u>355,504</u>	<u>32,726</u>	<u>388,230</u>
Change in net position					132,552	(54,770)	77,782
Net position - beginning					<u>1,647,260</u>	<u>4,184,106</u>	<u>5,831,366</u>
Net position - ending					<u>\$ 1,779,812</u>	<u>\$ 4,129,336</u>	<u>\$ 5,909,148</u>

TOWN OF LEE, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2025

	<u>General Fund</u>
Assets	
Cash	\$ 502,353
Utility tax receivable	3,414
Franchise fees receivable	2,852
Accounts receivable	4,617
Due from other governmental units	<u>48,282</u>
Total assets	<u>\$ 561,518</u>
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 45,375
Payroll taxes payable	<u>1,849</u>
Total liabilities	<u>47,224</u>
Fund balances	
Unassigned	<u>514,294</u>
Total liabilities and fund balances	<u>\$ 561,518</u>

TOWN OF LEE, FLORIDA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2025

Fund balance, governmental funds \$ 514,294

Total net position reported for governmental activities in the statement of net position is different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of the following:

Land	46,474
Construction in progress	73,702
Buildings	559,543
Infrastructure	950,650
Equipment, furniture, and vehicles	419,668
Accumulated depreciation - buildings	(272,026)
Accumulated depreciation - infrastructure	(226,199)
Accumulated depreciation - equipment	<u>(277,973)</u>
Total capital assets (See Note 5.)	<u>1,273,839</u>

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at September 30, 2025 are as follows:

Compensated absences - short-term	(1,040)
Compensated absences - long-term	<u>(7,281)</u>
Net position of governmental activities	<u><u>\$ 1,779,812</u></u>

TOWN OF LEE, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2025

	<u>General Fund</u>
Revenues	
Taxes	\$ 278,784
Licenses and permits	7,221
Intergovernmental revenue	141,376
Charges for services	4,053
Fines and forfeits	1,324
Interest	3,685
Miscellaneous revenues	<u>82,644</u>
Total revenues	<u>519,087</u>
Expenditures	
Current	
General Government	153,312
Public safety	3,800
Transportation	108,433
Economic environment	23,237
Culture/Recreation	27,003
Capital outlay	<u>73,702</u>
Total expenditures	<u>389,487</u>
Net change in fund balance	129,600
Fund balance - beginning	<u>384,694</u>
Fund balance - ending	<u>\$ 514,294</u>

TOWN OF LEE, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO CHANGES IN NET POSITION
OF GOVERNMENTAL ACTIVITIES**

For the Year Ended September 30, 2025

Net change in fund balances - total governmental funds \$ 129,600

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Expenses are reduced by the capital outlay and increased by the current period's depreciation. Gain/loss is recognized on the disposal of capital assets.

Capital outlay	73,702
Depreciation	(66,547)

The changes in the long-term portion of accrued annual leave is not reported as an expenditure in the governmental funds. However, the changes in the liability are reported as increases (decreases) to salaries in the statement of activities.

(4,203)

Change in net position of governmental activities

\$ 132,552

TOWN OF LEE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND

September 30, 2025

Assets	
Current assets	
Cash	\$ 537,440
Accounts receivable	13,139
Allowance for doubtful accounts	(2,100)
Due from the State of Florida	46,225
Total current assets	<u>594,704</u>
Noncurrent assets	
Restricted assets	
Cash - deposits	28,891
Cash - impact fees	18,036
Cash - debt service	15,140
Total restricted assets	<u>62,067</u>
Capital assets	
Land	197,549
Construction in progress	68,225
Buildings	40,000
Improvement other than buildings	7,128,667
Equipment, furniture, and vehicles	117,106
Accumulated depreciation	<u>(3,585,572)</u>
Total capital assets net	<u>3,965,975</u>
Total noncurrent assets	<u>4,028,042</u>
Total assets	<u>\$ 4,622,746</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 54,956
Compensated absences	1,102
Accrued interest payable	1,466
Payroll taxes payable	1,942
Deposits	28,675
Note payable	22,342
Total current liabilities	<u>110,483</u>
Noncurrent liabilities	
Note payable	<u>382,927</u>
Total liabilities	<u>493,410</u>
Net position	
Net investment in capital assets	3,560,706
Restricted - capital facilities, expendable	18,036
Unrestricted	550,594
Total net position	<u>4,129,336</u>
Total liabilities and net position	<u>\$ 4,622,746</u>

TOWN OF LEE, FLORIDA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

For the Year Ended September 30, 2025

Operating revenues	
Water utility revenue	\$ 129,152
Wastewater utility revenue	169,879
Miscellaneous	<u>18,296</u>
Total operating revenues	<u>317,327</u>
Operating expenses	
Water utility services	
Personal services	36,070
Operating expenses	<u>107,161</u>
Total water utility services	<u>143,231</u>
Sewer/wastewater services	
Personal services	35,817
Operating expenses	<u>264,946</u>
Total sewer/wastewater services	<u>300,763</u>
Total operating expenses	<u>443,994</u>
Operating income (loss)	<u>(126,667)</u>
Non-operating revenues (expenses)	
Interest revenue	12,159
Utility service tax	20,567
Interest expense	<u>(7,054)</u>
Total non-operating revenues (expenses)	<u>25,672</u>
Income before contributions	(100,995)
Capital contributions	<u>46,225</u>
Change in net position	(54,770)
Total net position - beginning	<u>4,184,106</u>
Total net position - ending	<u>\$ 4,129,336</u>

TOWN OF LEE, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended September 30, 2025

Cash flows from operating activities	
Cash received from customers and users	\$ 318,169
Cash payments for employees and benefits	(70,080)
Cash payments to contractors, suppliers, and others	<u>(161,372)</u>
Net cash provided by (used for) operating activities	<u>86,717</u>
Cash flows from noncapital financing activities	
Utility service tax	<u>20,567</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(22,000)
Principal paid on capital debt	(22,391)
Interest paid on capital debt	<u>(7,042)</u>
Cash flows provided by (used for) capital and related financing activities	<u>(51,433)</u>
Cash flows from investing activities	
Interest	<u>12,159</u>
Net increase (decrease) in cash	68,010
Cash - beginning	<u>531,497</u>
Cash - ending	<u>\$ 599,507</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (126,667)</u>

(Continued)
See notes to financial statements.

TOWN OF LEE, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended September 30, 2025

Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	\$ 209,002
Changes in assets and liabilities	
Decrease (increase) in	
Accounts receivable (net)	(558)
Increase (decrease) in	
Accounts payable	1,733
Compensated absences	248
Payroll taxes payable	1,559
Deposits	<u>1,400</u>
Total adjustments	<u>213,384</u>
Net cash provided by (used for) operating activities	<u>\$ 86,717</u>
Noncash transactions - construction in progress/accounts payable	<u>\$ 46,225</u>
Reconciliation of cash per the statement of net assets to the statement of cash flows:	
Cash per the Statement of Net Assets	
Cash	\$ 537,440
Restricted assets - cash	<u>62,067</u>
Total cash per the Statement of Cash Flows	<u>\$ 599,507</u>

TOWN OF LEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

Note 1. Summary of Significant Accounting Policies

The Town of Lee, a political subdivision of the State of Florida, incorporated under the authority of Chapter 165, *Florida Statutes*, was established by Chapter 6067, *Laws of Florida* (1909). Accordingly, the Town is subject to restrictions imposed by the Florida Constitution and Statutes as well as by its own ordinances. The Town operates under a Council-Manager form of government. The Town's major operations include finance, administration, street maintenance, parks, and recreation. In addition, the Town owns and operates water and wastewater utility systems.

The Town of Lee's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies used by the Town are discussed below.

A. Reporting Entity

These financial statements present only the Town of Lee (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are to be included in the Town of Lee's reporting entity because of the significance of the operating or financial relationships with the Town.

At September 30, 2025, the Town of Lee's financial statements consists only of those functions and activities administered directly by the Mayor and Town Council and include no component units

B. Basis of Presentation: Government-wide and Fund Statements

The Town of Lee's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide statements categorize primary activities as either governmental or business type. The Town's finance, administration, fire protection, street maintenance, parks, and recreation are classified as governmental activities. The Town's water and sewer/wastewater utility services are classified as a business-type activity.

Government-wide Statements

In the government-wide Statement of Net Position, both governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-

term debt and obligations.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

When applicable, eliminations of internal activities have been made to minimize the double-counting of internal transactions.

The Town's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental and business-type activities (general government, public safety, physical environment, transportation, economic environment, transportation, and culture/recreation, etc.).

The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, permits and charges, etc.) and service charges.

The Statement of Activities reduces gross expenses (including depreciation) by related charges for services, operating grants, and capital grants. Program revenues must be directly associated with the function (general government, public safety, physical environment, transportation, economic environment, transportation, and culture/recreation, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

The Town does not allocate indirect costs to functions in the statement of activities.

Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. When applicable, all remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Governmental Funds:

The focus of the governmental fund's measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Town's major governmental fund:

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds:

The Town's proprietary fund accounts for its water and sewer/wastewater utility operations.

C. Basis of Accounting

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements use the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual: both measurable and available. Revenues are considered available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within six months of the end of the current fiscal period, except for property taxes, for which the period is sixty days.

Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by the general revenues.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those which each party receives and gives up essentially equal values.

The Town considers all exchange transactions to be operating revenues. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions.

D. Financial Statement Amounts

Cash and Cash Equivalents

For its Proprietary Fund, the Town has defined cash and cash equivalents to include cash on hand, demand deposits, and funds placed in Florida Prime which can be deposited or withdrawn at any time without prior notice or penalty.

Inventories

It is the policy of the Town to record the acquisition of supplies as expenditures at the time of purchase. The amount of supplies on hand at any one time is immaterial in amount.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	5-50 years
Equipment, furniture, and vehicles	5-10 years

GASBS No. 34 required the Town to report and depreciate new infrastructure assets effective as of October 1, 2003. Infrastructure assets include roads, bridges, underground pipe, traffic signals, sidewalks, etc. In the future, these infrastructure assets are likely to be the largest asset class of the Town. The Town, a Phase 3 Government, elected not to retroactively report infrastructure but to capitalize current and future asset acquisitions.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the Town recognizes receivables and revenue when the applicable eligibility requirements are met.

E. Compensated Absences

The Town has adopted personnel policies providing annual vacation and sick leave benefits to employees. Accrued vacation vests; however, accrued sick leave does not.

The Town accrues unpaid vacation costs when earned by the employee. The non-current portion for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

F. Governmental Funds - Fund Balances

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

The Town does not have a policy regarding the commitment or assignment of fund balances. As a result, the Town does not report any committed fund balance. In accordance with GASB 54, the Town reports the amount of the fund balance needed to eliminate expected expenditures over expected revenues in the subsequent year budget as assigned fund balance of the general fund, if applicable.

When committed, assigned, and unassigned funds are available for use, the Town's procedures are to use the restricted funds first, followed by assigned funds, and then the unassigned funds. When both restricted and unrestricted funds are available for expenditure, the Town's policy is to expend restricted amounts until exhausted.

G. Restricted Net Position

At September 30, 2025, the Proprietary Fund's net position was restricted in the amount of \$18,036. This amount is required by *Florida Statutes* 163.31801 to be used for future capital related expenditures.

The government-wide statement of net position reports the above restricted amounts, which is not restricted because of enabling legislation.

H. Ad Valorem Taxes

Article VII of the Florida Constitution provides that municipalities are authorized to impose ad valorem taxes on real and intangible personal property. The Town's property taxes, levied by November 1 on assessed valuations as of January 1, are due and payable November 1. Taxes not paid by the following April 1, are considered delinquent and subject to collection through issuance of tax warrants (personal property taxes) and the sale of tax certificates (real property taxes). All

taxes imposed pursuant to the constitution, and the laws of the State of Florida constitute a first lien as of January 1, superior to all other liens, continuing in force until discharged by payment or until barred by the provisions of Chapter 95, *Florida Statutes*.

The elected officials of Madison County, Florida perform the property assessment and tax collection functions.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

J. Interfund Activity

Interfund activity is reported as loans, services provided, or reimbursements of transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement.

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

K. Change in Accounting Principles

The Town adopted Statement of Governmental Accounting Standards (GASB Statement) No. 101, Compensated Absences and No. 102, Certain Risk Disclosures, in 2025. The adoption had no effect on the financial statements at the beginning of the year.

Note 2. Deposits and Investments

Pursuant to *Florida Statutes* 218.415(17), the Town is authorized to invest surplus public funds in:

- (a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in *Florida Statutes* 163.01.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02
- (d) Direct obligations of the U.S. Treasury.

During the year ended September 30, 2025, the Town complied with the above requirements.

Florida Statutes 215 and 218 governs funds invested in Florida PRIME, the state’s investment service for public funds. The Town’s deposits in Florida PRIME, a Securities and Exchange Commission Rule 2a7-like external investment pool are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value (account balance), which is amortized cost.

As of September 30, 2025, the Town discloses the following relating to its investment in Florida PRIME:

Florida Prime rating	AAAm
Interest rate risk disclosure	
Dollar weighted average days to maturity	47 days
Weighted average life	73 days
Foreign Currency Risk	N/A
Securities Lending	N/A
Fair value hierarchy	amortized cost
Fair value/amortized cost	\$346,945

Limitations or Restrictions on Withdrawals

Redemption Gates

Chapter 218.409(8)(a), *Florida Statutes*, states “the principal, and any part thereof, of each accounting constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for forty-eight hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility . . .”

Liquidity Fees

Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

Redemption Fees

As of September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to one hundred percent of their account value.

The Florida PRIME investment policies can be viewed at: <https://prime.sbafla.com/>.

The Town's deposits are as follows:

Cash	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Deposits	\$ 424,411	\$ 286,472	\$ 710,883
Florida Prime	<u>77,941</u>	<u>250,968</u>	<u>328,909</u>
Total unrestricted deposits	<u>502,352</u>	<u>537,440</u>	<u>1,039,792</u>
Deposits	-	44,031	44,031
Florida Prime	<u>-</u>	<u>18,036</u>	<u>18,036</u>
Total restricted deposits	<u>-</u>	<u>62,067</u>	<u>62,067</u>
Total cash	<u>\$ 502,352</u>	<u>\$ 599,507</u>	<u>\$ 1,101,859</u>

Note 3. Accounts Receivable

Accounts receivable at September 30, 2025, of the Enterprise Fund, consisted of the following:

	<u>Billed Accounts</u>
Gross	13,139
Allowance for doubtful accounts	<u>(2,100)</u>
Net accounts receivable	<u>\$ 11,039</u>

At September 30, 2025, the Town Council continued the monthly monitoring of delinquent accounts.

Note 4. Due from Other Governmental Units

Due from other governmental units at September 30, 2025, consists of the following:

State of Florida	\$ 93,766
Madison County, FL	<u>741</u>
Total	<u>\$ 94,507</u>

Note 5. Capital Assets

Capital asset activity for the year ending September 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 46,474	\$ -	\$ -	\$ 46,474
Construction in progress	-	<u>73,702</u>	-	<u>73,702</u>
Total capital assets not being depreciated	<u>46,474</u>	<u>73,702</u>	-	<u>120,176</u>
Other capital assets				
Buildings	559,543	-	-	559,543
Infrastructure	950,650	-	-	950,650
Equipment, furniture, and vehicles	<u>419,667</u>	-	-	<u>419,667</u>
Total other capital assets	<u>1,929,860</u>	-	-	<u>1,929,860</u>
Less accumulated depreciation for				
Buildings	(260,303)	(11,725)	-	(272,028)
Infrastructure	(214,071)	(12,125)	-	(226,196)
Equipment, furniture, and vehicles	<u>(235,276)</u>	<u>(42,697)</u>	-	<u>(277,973)</u>
Total accumulated depreciation	<u>(709,650)</u>	<u>(66,547)</u>	-	<u>(776,197)</u>
Other capital assets, net	<u>1,220,210</u>	<u>(66,547)</u>	-	<u>1,153,663</u>
Governmental activities capital assets, net	<u>\$ 1,266,684</u>	<u>\$ 7,155</u>	<u>\$ -</u>	<u>\$ 1,273,839</u>

(Note 5. continued)

Business-type activities

Capital assets not being depreciated

Land	\$ 197,549	\$ -	\$ -	\$ 197,549
Construction in progress	-	<u>68,225</u>	-	<u>68,225</u>
Total capital assets not being depreciated	<u>197,549</u>	<u>68,225</u>	-	<u>265,774</u>

Other capital assets

Buildings	40,000	-	-	40,000
Infrastructure	7,128,667	-	-	7,128,667
Equipment, furniture, and vehicles	<u>117,106</u>	-	-	<u>117,106</u>
Total other capital assets	<u>7,285,773</u>	-	-	<u>7,285,773</u>

Less accumulated depreciation for

Buildings	(40,000)	-	-	(40,000)
Infrastructure	(3,241,966)	(202,336)	-	(3,444,302)
Equipment, furniture, and vehicles	<u>(94,604)</u>	<u>(6,666)</u>	-	<u>(101,270)</u>
Total accumulated depreciation	<u>(3,376,570)</u>	<u>(209,002)</u>	-	<u>(3,585,572)</u>

Other capital assets, net

	<u>3,909,203</u>	<u>(209,002)</u>	-	<u>3,700,201</u>
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Business-type activities capital assets, net	<u>\$ 4,106,752</u>	<u>\$ (140,777)</u>	<u>\$ -</u>	<u>\$ 3,965,975</u>
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For the year ending September 30, 2025, depreciation expense was charged to the following functions as follows:

Governmental activities

General government	\$ 2,926
Public safety	3,748
Physical environment	525
Transportation	41,214
Economic environment	7,529
Culture/recreation	<u>10,605</u>
Total governmental activities depreciation expense	<u>\$ 66,547</u>

Business-type activities

Physical environment	<u>\$ 209,002</u>
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Note 6. Long-Term Obligations

Business-type Activities

On July 11, 2016, the Town executed Amendment 2 to Loan Agreement DP893010, with the State of Florida, Department of Environmental Protection. The Amendment closed out the previous loan and transferred the amended balance to Loan WW400300 as of July 1, 2016. The Amendment reduced the loan balance to \$607,696.

Under Loan WW400300, the debt is to be repaid in fifty-one semiannual payments of \$14,716. The payments include interest of 1.69%.

The Town incurred interest expense of \$7,054, during the year ending September 30, 2025. The amount is included in the direct expense of the Town's Sewer/wastewater Department.

Debt service to maturity is as follows:

	Note Payable		
	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 29,433	\$ 22,342	\$ 7,091
2027	29,433	22,736	6,697
2028	29,433	23,138	6,295
2029	29,432	23,546	5,886
2030	29,433	23,962	5,471
2031-35	147,165	126,308	20,857
2035-39	147,165	137,860	9,305
2040-41	<u>25,746</u>	<u>25,377</u>	<u>369</u>
	<u>\$ 467,240</u>	<u>\$ 405,269</u>	<u>\$ 61,971</u>

Pledged future revenues for the loan above are as follows:

	Water/sewer <u>Fund</u>
Collateralized Debt - Revenue Refunding Bond	
Pledged revenue required for future principal and interest on existing note payable	\$ 467,240
Term of commitment fiscal year ending September 30, 2025	16 years
Percentage of gross sewer system revenue pledged	100%
Current fiscal year pledged revenue	\$ 180,273
Current fiscal year principal and interest paid	\$ 29,433

Long-term activity for the year ended September 30, 2025, was as follows:

	<u>10/1/2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2025</u>	Amounts due within One Year
Governmental Activities					
Long term obligations					
Compensated absences	<u>\$ 4,118</u>	<u>\$ 6,024</u>	<u>\$ 1,821</u>	<u>\$ 8,321</u>	<u>\$ 1,040</u>
Business Type					
Compensated absences	\$ 854	\$ 2,784	\$ 2,536	\$ 1,102	\$ 1,102
Note payable	<u>427,660</u>	<u>-</u>	<u>22,391</u>	<u>405,269</u>	<u>22,342</u>
Totals	<u>\$ 428,514</u>	<u>\$ 2,784</u>	<u>\$ 24,927</u>	<u>\$ 406,371</u>	<u>\$ 23,444</u>

NOTE 7. Fund Balance Reporting

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) provides a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances for governmental funds: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on spending constraints:

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its fund balances with the following hierarchy:

Spendable

The Town has classified the spendable fund balance as unassigned. At September 30, 2025, the unassigned general fund balance was \$514,294 or 132% of the General Fund's total expenditures.

A summary of the fund balances at September 30, 2025, was as follows:

Description	General Fund
Fund balances:	
Spendable	
Unassigned	<u>\$ 514,294</u>

Note 8. Interlocal Agreement

In May 2010, the Town of Lee and the City of Madison amended an interlocal agreement regarding the treatment of wastewater. The City of Madison will provide wastewater treatment services to the Town of Lee.

Per the agreement, the Wastewater Services Fee will automatically increase five percent annually effective October 1. The rate increase will continue unless the City of Madison elects not to activate the automatic wastewater increase for all other wastewater customers. The automatic increase will not begin until one year after the Town's Wastewater Collection System is connected to the City's Wastewater Plant or two years after the date of the interlocal agreement.

The agreement is for an initial term of three years and is automatically renewed for three-year terms. The agreement may be terminated by either party through a written notice three years in advance.

In accordance with the above agreement, the 2025 rate was \$4.68 per 1,000 gallons treated.

Note 9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance to mitigate the risk of property loss or other liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 11. Current/Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) effective dates of upcoming pronouncements are as follows:

Statement No. 103, *Financial Reporting Model Improvements* (April 2024, effective for fiscal years beginning after June 15, 2025, and reporting periods thereafter. Earlier application is encouraged.) Paragraph 10: FY 2025-26

Statement No. 104, *Disclosure of Certain Capital Assets* (September 2024, effective for fiscal years beginning after June 15, 2025, and reporting periods thereafter. Earlier application is encouraged.) Paragraphs 4, 8, and 10: FY 2025-26

The Town is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2025, and beyond.

Note 12. Subsequent Events

The Town's management has evaluated subsequent events through the date of the audit report – April 17, 2026, and reports the following:

Grant awarded

The Town was awarded a grant in the amount of \$240,000, on December 9, 2025, from the U.S. Department of Transportation. The grant will be used to develop a Transportation Safety Action Plan to address critical safety issues on the Town's roads.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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TOWN OF LEE, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	Budgetary	Final Budget
			<u>Basis</u>	Positive <u>(Negative)</u>
Beginning fund balance	\$ 530,187	\$ 530,187	\$ 384,694	\$ (145,493)
Resources (inflows)				
Taxes	251,832	251,832	278,784	26,952
Licenses and permits	1,250	1,250	7,221	5,971
Intergovernmental revenue	85,060	85,060	141,376	56,316
Charges for services	3,935	3,935	4,053	118
Fines and forfeits	650	650	1,324	674
Miscellaneous revenues	<u>49,800</u>	<u>49,800</u>	<u>86,329</u>	<u>36,529</u>
Total amount available for appropriation	<u>922,714</u>	<u>922,714</u>	<u>903,781</u>	<u>(18,933)</u>
Appropriation				
General government services	129,485	129,485	153,312	(23,827)
Public safety	-	-	3,800	(3,800)
Transportation	148,960	148,960	182,135	(33,175)
Economic environment	25,100	25,100	23,237	1,863
Culture and recreation	48,542	48,542	27,003	21,539
Other uses	<u>570,627</u>	<u>570,627</u>	<u>-</u>	<u>570,627</u>
Total appropriations	<u>922,714</u>	<u>922,714</u>	<u>389,487</u>	<u>533,227</u>
Reserves/ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,294</u>	<u>\$ 514,294</u>

TOWN OF LEE, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2025

Note 1. Budget

As required by *Florida Statute* 166.241, budgets are adopted by the Town annually. All appropriations lapse at fiscal year-end.

On or before September 1, the Town Manager compiles and submits a comprehensive budget to the Town Council. The Town Council conducts public hearings on the proposed budget after September 1 but before September 30. On or before September 30, the Town Council adopts the budget.

The appropriated budget is prepared on a detailed line-item basis by fund, function, and department. Revenues are budgeted by source. Expenditures are budgeted by department and object classification as follows: personal services, operating expenditures (expenses), capital outlay, debt service, and transfers. Increases of a fund's appropriations require the approval of the Town Council. The legal level of budgetary control is the fund level. Appropriations are controlled at the fund level for management control purposes.

The Town did not amend its budget post-year end.

Note 2. Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accounting principles follows:

	<u>General Fund</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules	\$ 903,781
Differences - budget to GAAP	
The beginning fund balance is a budgetary resource but is not a current-year revenue for financial reporting purposes	<u>(384,694)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 519,087</u>
 Appropriations	
Actual amounts (budgetary basis) appropriated for expenditure from the budgetary comparison schedules	\$ 389,487
Transfers out are considered "other financing sources (uses)" and not part of the General Fund expenditures	<u> -</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 389,487</u>

COMPLIANCE SECTION

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KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of the Town Council
Town of Lee, Florida

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Lee, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Lee, Florida's basic financial statements, and have issued my report thereon dated April 17, 2026.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Lee, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Lee, Florida's internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Lee, Florida's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Lee, Florida's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kenneth M. Daniels
Certified Public Accountant
April 17, 2026

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

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kmdcpa@windstream.net

INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Town Council
Town of Lee, Florida

I have examined the Town of Lee, Florida's compliance with *Florida Statutes* 218.415 during the period October 1, 2024, to September 30, 2025. Management of the Town of Lee, Florida, is responsible for the Town of Lee' compliance with those requirements. My responsibility is to express an opinion on the Town of Lee, Florida's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether the Town of Lee, Florida, assertion about compliance with the specified requirements above is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about the Town of Lee, Florida's, assertion. The nature, timing, and extent of the procedures selected depend on my judgment, including an assessment of the risks of material misstatement of the Town of Lee, Florida's assertion, whether due to fraud or error. I believe that the evidence I obtained is sufficient and appropriate to provide a reasonable basis for my opinion.

I am required to be independent of the Town of Lee, Florida, and to meet my other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

My examination does not provide legal determination on the Town of Lee, Florida's compliance with the specified requirements.

In my opinion, the Town of Lee, Florida's assertion that it complied with the aforementioned requirements for the period October 1, 2024, to September 30, 2025, is fairly stated, in all material respects.



Kenneth M. Daniels
Certified Public Accountant
April 17, 2026

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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MANAGEMENT LETTER

To the Honorable Mayor and Members of the Town Council
Town of Lee, Florida

Report on the Financial Statements

I have audited the financial statements of the Town of Lee, Florida, as of and for the fiscal year ended September 30, 2025, and have issued my report thereon dated April 17, 2026.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reporting Requirements

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550 *Rules of the Auditor General*. Disclosures in those reports, which are dated April 17, 2026, should be considered in conjunction with this management letter.

Prior audit findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no current or prior year findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1. The Town of Lee, Florida's financial statements included no component units.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that I apply appropriate procedures and report the result of my determination as to whether or not the Town of Lee, Florida, has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and to identify the specific condition(s) met. In connection with my audit, I determined that the Town of Lee, Florida, did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, I applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Lee, Florida's financial condition, and my financial assessment was based in part on representations made by management and the review of financial information provided by the same. The financial condition assessment was performed as of September 30, 2025.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that I communicate any recommendations to improve financial management. In connections with my audit, I did not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the Town of Lee, Florida, provides this statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, *Florida Statutes*, did not operate within the Town of Lee's geographical boundaries during the fiscal year under audit.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires me to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with my audit, I did not have any such findings.

Purpose of this Letter

The management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Kenneth M. Daniels
Certified Public Accountant
April 17, 2026

**TOWN'S IMPACT
FEE AFFIDAVIT**

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**TOWN OF LEE, FLORIDA
AFFIDAVIT OF COMPLIANCE
FLORIDA STATUTES 163.31801**

For the Year Ending September 30, 2025

BEFORE ME, the undersigned authority, personally appeared Sona Hayslett, who being duly sworn, deposes and says on oath that:

1. I am the Town Manager of the Town of Lee, Florida, which is a local governmental entity of the State of Florida;
2. The Town of Lee, Florida, adopted Ordinance No. 2006-01 implementing an impact fee; and
3. The Town of Lee, Florida, has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.



Sona Hayslett, Town Manager

STATE OF FLORIDA
COUNTY OF Madison

SWORN TO AND SUBSCRIBED before me this 17th day of April, 2026.


Notary Public

Jamie Leigh McCall
Print Name

Personally known X or produced identification _____

Type of identification produced: N/A

My Commission Expires:



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