

TOWN OF LEE, FLORIDA
FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

TOWN OF LEE, FLORIDA

TOWN OFFICIALS

September 30, 2018

<u>OFFICIALS</u>	<u>ELECTED TERM EXPIRATION</u>
<u>MAYOR</u>	
James E. Bell	November 2022
<u>TOWN COUNCIL</u>	
Dianne Beck, President	November 2022
Erika Robinson, Council Member	November 2020
Edwin McMullen, Council Member	November 2020
Shirley vonRhoden, Council Member	November 2020
Ronnie Bass, Council Member	November 2022
<u>TOWN MANAGER</u>	
John Anderson	
<u>TOWN ATTORNEY</u>	
Ernest Page	

TOWN OF LEE, FLORIDA

TABLE OF CONTENTS

September 30, 2018

	<u>PAGE</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	16
Statement of Cash Flows - Proprietary Fund	17-18
Notes to Financial Statements	19-31
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	32

TOWN OF LEE, FLORIDA

TABLE OF CONTENTS

September 30, 2018

	<u>PAGE</u>
Notes to Budgetary Comparison Schedule	33
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	34-35
Independent Accountant's Report	36
Management Letter	37-39
TOWN'S RESPONSE TO MANGMENT LETTER	40
AFFIDAVIT	41

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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 Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–8 and 32–33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 my inquiries, the basic financial statements, and other knowledge I obtained during my 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 me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 22, 2019, 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 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 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
May 22, 2019

**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

TOWN OF LEE, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended September 30, 2018

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, 2018. Please read it in conjunction with the Town's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The Town improved two parks via grants from the Florida Recreation Development Assistance Program (FRDAP). Ben Blair Park funding constructed baseball/softball fields, renovated/constructed playground equipment and removed picnic facilities. The amount expended totaled \$20,303. At Louis DeMotsis Park, playground equipment, a baseball field, and tennis courts were constructed at a cost of \$44,662. Both projects were fully completed at September 30, 2018.

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 11. 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 4. The Statement of Net Position and the Statement of Activities on pages 9 and 10 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 nonfinancial 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 7. 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 decreased approximately \$42,000, largely due to depreciation on the Town’s capital assets.

The Governmental Activities’ Net Position increased slightly - \$73,000. The Business-type Activities Net Position decreased approximately \$115,000.

Analysis of the changes in net position follows.

Table 1 focuses on the Town's net position.

	Governmental		Business type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 387	\$ 350	\$ 432	\$ 370	\$ 819	\$ 720
Capital assets	<u>1,258</u>	<u>1,223</u>	<u>5,292</u>	<u>5,488</u>	<u>6,550</u>	<u>6,711</u>
Total assets	<u>\$ 1,645</u>	<u>\$ 1,573</u>	<u>\$ 5,724</u>	<u>\$ 5,858</u>	<u>\$ 7,369</u>	<u>\$ 7,431</u>
Long term liabilities	\$ 2	\$ 2	\$ 555	\$ 574	\$ 557	\$ 576
Other liabilities	<u>25</u>	<u>26</u>	<u>27</u>	<u>26</u>	<u>52</u>	<u>52</u>
Total liabilities	<u>27</u>	<u>28</u>	<u>582</u>	<u>600</u>	<u>609</u>	<u>628</u>
Net position:						
Invested in Cap Assets	1,257	1,223	4,738	4,915	5,995	6,138
Restricted	-	-	15	15	15	15
Unrestricted	<u>361</u>	<u>322</u>	<u>389</u>	<u>328</u>	<u>750</u>	<u>650</u>
Total net position	<u>1,618</u>	<u>1,545</u>	<u>5,142</u>	<u>5,258</u>	<u>6,760</u>	<u>6,803</u>
Total liabilities & net position	<u>\$ 1,645</u>	<u>\$ 1,573</u>	<u>\$ 5,724</u>	<u>\$ 5,858</u>	<u>\$ 7,369</u>	<u>\$ 7,431</u>

Table 2 focuses on the changes in the net position.

	Governmental		Business type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
General government	\$ 2	\$ 1	\$ -	\$ -	\$ 2	\$ 1
Public safety	-	8	-	-	-	8
Physical environment	-	-	-	-	-	-
Transportation	3	3	-	-	3	3
Economic environment	22	23	-	-	22	23
Culture/recreation	65	-	-	-	65	-
Water utility services	-	-	98	88	98	88
Sewer/wastewater services	-	-	159	117	159	117
General revenues						
Taxes						
Ad valorem	50	47	-	-	50	47
Local option gas	46	46	-	-	46	46
Franchise fees	20	18	-	-	20	18
Utility service	24	23	16	13	40	36
Local Communications	14	15	-	-	14	15
Intergovernmental	25	25	-	-	25	25
Interest	1	1	4	2	5	3
Miscellaneous	<u>3</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>8</u>
Total revenues	<u>275</u>	<u>218</u>	<u>277</u>	<u>220</u>	<u>552</u>	<u>438</u>

(Table 2 continued)

Program expenses						
General government	92	91	-	-	92	91
Public safety	4	4	-	-	4	4
Physical environment	-	1	-	-	-	1
Transportation	65	64	-	-	65	64
Economic environment	29	23	-	-	29	23
Culture/recreation	8	17	-	-	8	17
Water utility services	-	-	113	110	113	110
Sewer/wastewater services	-	-	284	261	284	261
Total expenses	<u>198</u>	<u>200</u>	<u>397</u>	<u>371</u>	<u>595</u>	<u>571</u>
Excess (deficiency) before transfers						
	77	18	(120)	(151)	(43)	(133)
Transfers	<u>(4)</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	73	18	(116)	(151)	(43)	(133)
Net position - beginning	<u>1,545</u>	<u>1,527</u>	<u>5,258</u>	<u>5,409</u>	<u>6,803</u>	<u>6,936</u>
Net position - ending	<u>\$ 1,618</u>	<u>\$ 1,545</u>	<u>\$ 5,142</u>	<u>\$ 5,258</u>	<u>\$ 6,760</u>	<u>\$ 6,803</u>

Governmental Activities

- The increase in the Governmental Activities current and other assets is due to an increase in cash largely due to the Town's conservative financial management. Long-term liabilities increased as a result of accumulated leave.
- Other liabilities decreased due to a lesser amount of payroll taxes owed at year end.
- Total net position increased slightly due to the grant activity and generation of cash as indicated above.
- Increases/decreases in governmental revenues are explained as follows: public safety decreased due to prior year assistance from FEMA in repairing the Town's Business Complex after damage from Hurricane Hermine and Madison County's prior year funding of the local fire department; miscellaneous revenue decreased due to the prior year sale of pine straw in the amount of \$4,500 and a \$3,200 reimbursement for fence repair.
- Increases/decreases in governmental expenses are explained as follows: economic environment expenses increased due to general repairs at the Business Complex; culture/recreation expenses decreased due to equipment repair and brush removal in the prior year.

Business-type Activities

- Current and other assets increased due to increased utility billings (generated cash).
- Capital assets decreased due to the depreciation of the water/waste water system.

- Other liabilities increased due to the Town’s recording of insurance payable.
- Invested in capital assets decreased due to depreciation on the Town’s wastewater system.
- The Town’s sewer/wastewater revenues increased due to usage/billings at the Love’s Truck Stop.
- Sewer/waste water utility expenses increased due to repair expenses on the Town’s grinder pumps and lift stations and generator load testing.

Significant Changes in Major Governmental Fund Balances

General Fund’s Unassigned Fund Balance increased by approximately \$38,000 (twelve percent) due to expenditure management.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town’s 2017-18 General Fund’s budgetary highlights are as follows:

Actual revenues were less than budgeted due to the completion of the Park Projects for less than the budgeted amounts (FRDAP Projects No. A16051 and A16076). Expenditures were less than budgeted in all functions except other uses.

CAPITAL ASSET AND DEBT ADMINISTRATION

As indicated in the table below, the Town has approximately \$9.0 million invested in capital assets such as land, infrastructure, buildings, recreation facilities, water utility facilities, and equipment. The above amount represents an \$72,000 increase over the previous year’s total. The Town’s capital asset increases were due to the completion of the park improvements.

**Table 3
Capital Assets (in Thousands)**

	Governmental		Business-type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 46	\$ 46	\$ 198	\$ 198	\$ 244	\$ 244
Buildings	522	522	40	40	562	562
Infrastructure	951	886	7,091	7,091	8,042	7,977
Equipment, furniture, and vehicles and vehicles	274	281	102	88	376	369
Totals	<u>\$ 1,793</u>	<u>\$ 1,735</u>	<u>\$ 7,431</u>	<u>\$ 7,417</u>	<u>\$ 9,224</u>	<u>\$ 9,152</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		Business-type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Compensated absences	\$ 2	\$ 2	\$ -	\$ -	\$ 2	\$ 2
Notes payable	<u>-</u>	<u>-</u>	<u>554</u>	<u>574</u>	<u>554</u>	<u>574</u>
Totals	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 554</u>	<u>\$ 574</u>	<u>\$ 556</u>	<u>\$ 576</u>

2019 BUDGET AND CURRENTLY KNOWN FACTS

2019 Budget

Notable changes in the Town’s 2018-19 budgets are as follows:

General Fund: Expenditures totaling \$229,600 which includes capital improvements/equipment purchases of approximately \$14,000.

Enterprise Fund: Charges for utility services (water and wastewater) are budgeted at \$222,400. The budget includes debt service of \$29,433. Budgeted expenses total \$241,200.

Currently Known Facts

The Town continues to manage its sewer/wastewater system with planned repairs of lift stations in the amount of \$12,600 and the budgeted replacement of pumps and motors in the amount of \$17,500.

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.



John Anderson, Manager
Town of Lee, Florida

**BASIC
FINANCIAL
STATEMENTS**

TOWN OF LEE, FLORIDA
STATEMENT OF NET POSITION

September 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash	\$ 366,339	\$ 375,243	\$ 741,582
Utility tax receivable	2,380	-	2,380
Accounts receivable, net	-	18,020	18,020
Franchise fees receivable	2,031	-	2,031
Internal balances	9,014	(9,014)	-
Due from other governmental units	7,586	-	7,586
Restricted assets			
Cash	-	47,457	47,457
Capital assets			
Land	46,474	197,549	244,023
Construction in progress	-	-	-
Other capital assets, net of depreciation	<u>1,211,463</u>	<u>5,094,623</u>	<u>6,306,086</u>
Total capital assets, net	<u>1,257,937</u>	<u>5,292,172</u>	<u>6,550,109</u>
Total assets	<u>\$ 1,645,287</u>	<u>\$ 5,723,878</u>	<u>\$ 7,369,165</u>
Liabilities and net position			
Liabilities			
Accounts payable	\$ 22,069	\$ 6,734	\$ 28,803
Contracts payable	-	-	-
Interest payable	-	1,975	1,975
Due to other governments	-	-	-
Payroll taxes payable	2,440	-	2,440
Customer deposits	-	18,575	18,575
Long-term liabilities			
Due within one year			
Compensated absences	-	644	644
Notes payable	-	19,766	19,766
Due in more than one year			
Compensated absences	1,894	-	1,894
Notes payable	<u>-</u>	<u>534,303</u>	<u>534,303</u>
Total liabilities	<u>26,403</u>	<u>581,997</u>	<u>608,400</u>
Net position			
Net investment in capital assets	1,257,937	4,738,103	5,996,040
Restricted - capital facilities	-	14,826	14,826
Unrestricted	<u>360,947</u>	<u>388,952</u>	<u>749,899</u>
Total net position	<u>1,618,884</u>	<u>5,141,881</u>	<u>6,760,765</u>
Total liabilities and net position	<u>\$ 1,645,287</u>	<u>\$ 5,723,878</u>	<u>\$ 7,369,165</u>

TOWN OF LEE, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</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	\$ 91,513	\$ 1,663	\$ -	\$ -	\$ (89,850)	\$ -	\$ (89,850)
Public safety	3,748	-	-	-	(3,748)	-	(3,748)
Physical environment	525	-	-	-	(525)	-	(525)
Transportation	64,976	2,966	-	-	(62,010)	-	(62,010)
Economic environment	28,659	21,807	-	-	(6,852)	-	(6,852)
Culture/recreation	8,001	-	-	64,965	56,964	-	56,964
Total governmental activities	<u>197,422</u>	<u>26,436</u>	<u>-</u>	<u>64,965</u>	<u>(106,021)</u>	<u>-</u>	<u>(106,021)</u>
Business type activities							
Water utility services	113,624	98,873	-	-	-	(14,751)	(14,751)
Sewer/wastewater services	284,316	158,887	-	-	-	(125,429)	(125,429)
Total business type activities	<u>397,940</u>	<u>257,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(140,180)</u>	<u>(140,180)</u>
Totals	<u>\$ 595,362</u>	<u>\$ 284,196</u>	<u>\$ -</u>	<u>\$ 64,965</u>	<u>(106,021)</u>	<u>(140,180)</u>	<u>(246,201)</u>
General revenues							
Taxes							
Ad valorem					50,305	-	50,305
Local option gas					46,249	-	46,249
Franchise fees					20,178	-	20,178
Utility service					23,891	16,257	40,148
Local Communications					13,709	-	13,709
Intergovernmental					24,912	-	24,912
Interest					1,345	4,239	5,584
Miscellaneous					2,727	-	2,727
Transfers					(4,313)	4,313	-
Total general revenues					<u>179,003</u>	<u>24,809</u>	<u>203,812</u>
Change in net position					72,982	(115,371)	(42,389)
Net position - beginning					<u>1,545,902</u>	<u>5,257,252</u>	<u>6,803,154</u>
Net position - ending					<u>\$ 1,618,884</u>	<u>\$ 5,141,881</u>	<u>\$ 6,760,765</u>

TOWN OF LEE, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2018

		General <u>Fund</u>
Assets		
Cash	\$	366,339
Utility tax receivable		2,380
Franchise fees receivable		2,031
Interfund receivable		9,013
Due from other governmental units		<u>7,587</u>
Total assets	\$	<u><u>387,350</u></u>
Liabilities and fund balances		
Accounts payable	\$	22,069
Payroll taxes payable		<u>2,441</u>
Total liabilities		<u>24,510</u>
Fund balances		
Unassigned		<u>362,840</u>
Total liabilities and fund balances	\$	<u><u>387,350</u></u>

TOWN OF LEE, FLORIDA

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

September 30, 2018

Total fund balances for governmental funds \$ 362,840

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
Buildings	522,327
Accumulated depreciation - buildings	(188,968)
Infrastructure	950,650
Accumulated depreciation - infrastructure	(140,749)
Equipment, furniture, and vehicles	273,810
Accumulated depreciation - equipment	<u>(205,607)</u>
Total capital assets (See Note 5.)	<u>1,257,937</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, 2018, are as follows:

Compensated absences - long-term	<u>(1,893)</u>
Total net position of governmental activities	<u>\$ 1,618,884</u>

TOWN OF LEE, FLORIDA

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

For the Year Ended September 30, 2018

	General <u>Fund</u>
Revenues	
Taxes	\$ 155,607
Licenses and permits	286
Intergovernmental revenue	89,877
Charges for services	2,966
Fines and forfeits	102
Interest	1,345
Miscellaneous revenues	<u>24,532</u>
Total revenues	<u>274,715</u>
Expenditures	
Current	
General Government	87,588
Transportation	60,736
Economic environment	16,767
Culture/Recreation	2,337
Capital outlay	<u>64,709</u>
Total expenditures	<u>232,137</u>
Excess (deficiency) of revenues over expenditures	42,578
Other financing sources (uses)	
Interfund transfers in (out)	<u>(4,313)</u>
Net change in fund balances	38,265
Fund balances - beginning	<u>324,575</u>
Fund balance - ending	<u>\$ 362,840</u>

TOWN OF LEE, FLORIDA

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

For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ 38,265

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	64,709
Depreciation	(29,711)

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.

Change in net position of governmental activities	<u>(281)</u>
	<u>\$ 72,982</u>

TOWN OF LEE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND

September 30, 2018

Assets	
Current assets	
Cash	\$ 375,243
Accounts receivable	22,570
Allowance for doubtful accounts	<u>(4,550)</u>
Total current assets	<u>393,263</u>
Noncurrent assets	
Restricted assets	
Cash - deposits	17,636
Cash - impact fees	14,826
Cash - debt service	<u>14,995</u>
Total restricted assets	<u>47,457</u>
Capital assets	
Land	197,549
Buildings	40,000
Improvement other than buildings	7,091,408
Equipment, furniture, and vehicles	102,230
Accumulated depreciation	<u>(2,139,015)</u>
Total capital assets net	<u>5,292,172</u>
Total noncurrent assets	<u>5,339,629</u>
Total assets	<u>\$ 5,732,892</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 6,734
Interfund payable	9,014
Compensated absences	644
Accrued interest payable	1,975
Payroll taxes payable	-
Deposits	18,575
Note payable	<u>19,766</u>
Total current liabilities	<u>56,708</u>
Long term liabilities	
Note payable	<u>534,303</u>
Total liabilities	<u>591,011</u>
Net position	
Net investment in capital assets	4,738,103
Restricted - capital facilities, expendable	14,826
Unrestricted	<u>388,952</u>
Total net position	<u>5,141,881</u>
Total liabilities and net position	<u>\$ 5,732,892</u>

TOWN OF LEE, FLORIDA

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

For the Year Ended September 30, 2018

Operating revenues	
Water utility revenue	\$ 96,936
Connection and late fees	1,546
Wastewater utility revenue	155,773
Miscellaneous	<u>3,505</u>
Total operating revenues	<u>257,760</u>
Operating expenses	
Water utility services	
Personal services	28,674
Operating expenses	<u>84,950</u>
Total water utility services	<u>113,624</u>
Sewer/waste water services	
Personal services	33,690
Operating expenses	<u>241,081</u>
Total sewer/waste water services	<u>274,771</u>
Total operating expenses	<u>388,395</u>
Operating income (loss)	<u>(130,635)</u>
Non-operating revenues (expenses)	
Interest revenue	4,239
Utility service tax	16,257
Interest expense	<u>(9,545)</u>
Total non-operating revenues (expenses)	<u>10,951</u>
Income before transfers	(119,684)
Transfers	
Interfund transfer in	<u>4,313</u>
Change in net position	(115,371)
Net position - beginning	<u>5,257,252</u>
Net position - ending	<u>\$ 5,141,881</u>

TOWN OF LEE, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended September 30, 2018

Cash flows from operating activities	
Cash received from customers and users	\$ 258,672
Cash payments for employees and benefits	(62,582)
Cash payments to contractors, suppliers, and others	<u>(117,265)</u>
Net cash provided by (used for) operating activities	<u>78,825</u>
Cash flows from noncapital financing activities	
Cash transfers in (out)	4,313
Utility service tax	<u>16,257</u>
Cash flows provided by (used for) noncapital financing activities	<u>20,570</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(14,012)
Principal paid on note payable	(19,818)
Interest paid on note payable	<u>(9,614)</u>
Cash flows provided by (used for) capital and related financing activities	<u>(43,444)</u>
Cash flows from investing activities	
Interest revenue	<u>4,239</u>
Net increase (decrease) in cash	60,190
Cash - beginning	<u>362,510</u>
Cash - ending	<u>\$ 422,700</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (130,635)</u>

(Continued)

See notes to financial statements.

TOWN OF LEE, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended September 30, 2018

Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	\$ 210,287
Changes in assets and liabilities	
Decrease (increase) in	
Accounts receivable (net)	(1,888)
Increase (decrease) in	
Accounts payable	(1,521)
Interfund payables	-
Compensated absences	192
Accrued payroll taxes and liabilities	(410)
Deposits	<u>2,800</u>
Total adjustments	<u>209,460</u>
Net cash provided by (used for) operating activities	<u>\$ 78,825</u>
 Noncash transactions	 <u>\$ -</u>
 Reconciliation of cash per the statement of net assets to the statement of cash flows:	
 Cash per the Statement of Net Assets	
Cash	\$ 375,243
Restricted assets - cash	<u>47,457</u>
Total cash per the Statement of Cash Flows	<u>\$ 422,700</u>

TOWN OF LEE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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 sewer/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, 2018, 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

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.

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 - invested in capital assets, net of related debt; restricted; and unrestricted. Neither fiduciary funds nor component units that are fiduciary in nature are included.

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 program revenues, operating 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. If applicable, all remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Governmental Funds:

The focus of the governmental funds' 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. Measurement Focus, 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 principle 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 in 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 or ancillary activities.

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 the State of Florida Board of Administration Local Government Investment Pool 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 nominal in amount and is considered immaterial.

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 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 provider recognizes liabilities

and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time 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 an expenditure, the Town's policy is to expend restricted amounts until exhausted.

G. Restricted Net Position

At September 30, 2018, the Proprietary Fund's net position was restricted in the amount of \$14,826. 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 as a result 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. Deferred Inflows of Resources

When applicable, the Town's statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period.

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, 2018, the Town complied with the above requirements.

Chapter 218 *Florida Statutes* 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, 2018, 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	33 days
Weighted average life	72 days
Foreign Currency Risk	N/A
Securities Lending	N/A
Fair value hierarchy	amortized cost
Fair value/amortized cost	\$285,193

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, 2018, 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: www.sbafla.com/prime.

The Town’s deposits are as follows:

Cash	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Deposits	\$ 302,270	\$ 168,944	\$ 471,214
Florida Prime	<u>64,068</u>	<u>206,299</u>	<u>270,367</u>
Total unrestricted deposits	<u>366,338</u>	<u>375,243</u>	<u>741,581</u>
Deposits	-	32,631	32,631
Florida Prime	<u>-</u>	<u>14,826</u>	<u>14,826</u>
Total restricted deposits	<u>-</u>	<u>47,457</u>	<u>47,457</u>
Total cash	<u>\$ 366,338</u>	<u>\$ 422,700</u>	<u>\$ 789,038</u>

Note 3. Accounts Receivable

Accounts receivable at September 30, 2018, of the Enterprise Fund, consisted of the following:

	Billed
	<u>Accounts</u>
Gross	22,570
Allowance for doubtful accounts	<u>(4,550)</u>
Net accounts receivable	<u>\$ 18,020</u>

At September 30, 2018, the Town continued the legal process of collecting certain delinquent accounts.

Note 4. Due from Other Governmental Units

Due from other governmental units at September 30, 2018, consists of the following:

State of Florida	\$ 6,966
Madison County, FL	<u>620</u>
Total	<u>\$ 7,586</u>

Note 5. Capital Assets

Capital asset activity for the year ending September 30, 2018, was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	<u>\$ 46,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,474</u>
Other capital assets				
Buildings	522,327	-	-	522,327
Infrastructure	885,941	64,709	-	950,650
Equipment, furniture, and vehicles	<u>281,134</u>	<u>-</u>	<u>7,324</u>	<u>273,810</u>
Total other capital assets	<u>1,689,402</u>	<u>64,709</u>	<u>7,324</u>	<u>1,746,787</u>
Less accumulated depreciation for				
Buildings	(177,244)	(11,725)	-	(188,969)
Infrastructure	(129,096)	(11,652)	-	(140,748)
Equipment, furniture, and vehicles	<u>(206,597)</u>	<u>(6,334)</u>	<u>7,324</u>	<u>(205,607)</u>
Total accumulated depreciation	<u>(512,937)</u>	<u>(29,711)</u>	<u>7,324</u>	<u>(535,324)</u>
Other capital assets, net	<u>1,176,465</u>	<u>34,998</u>	<u>-</u>	<u>1,211,463</u>
Governmental activities capital assets, net	<u>\$ 1,222,939</u>	<u>\$ 34,998</u>	<u>\$ -</u>	<u>\$ 1,257,937</u>

Business-type activities

Capital assets not being depreciated				
Land	\$ 197,549	\$ -	\$ -	\$ 197,549
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>197,549</u>	<u>-</u>	<u>-</u>	<u>197,549</u>
Other capital assets				
Buildings	40,000	-	-	40,000
Infrastructure	7,091,408	-	-	7,091,408
Equipment, furniture, and vehicles	<u>88,218</u>	<u>14,012</u>	<u>-</u>	<u>102,230</u>
Total other capital assets	<u>7,219,626</u>	<u>14,012</u>	<u>-</u>	<u>7,233,638</u>
Less accumulated depreciation for				
Buildings	(40,000)	-	-	(40,000)
Infrastructure	(1,626,258)	(202,489)	-	(1,828,747)
Equipment, furniture, and vehicles	<u>(262,470)</u>	<u>(7,798)</u>	<u>-</u>	<u>(270,268)</u>
Total accumulated depreciation	<u>(1,928,728)</u>	<u>(210,287)</u>	<u>-</u>	<u>(2,139,015)</u>
Other capital assets, net	<u>5,290,898</u>	<u>(196,275)</u>	<u>-</u>	<u>5,094,623</u>
Business-type activities capital assets, net	<u>\$ 5,488,447</u>	<u>\$ (196,275)</u>	<u>\$ -</u>	<u>\$ 5,292,172</u>

For the year ending September 30, 2018, depreciation expense was charged to the following functions:

Governmental activities

General government	\$ 3,543
Public safety	3,748
Physical environment	525
Transportation	4,341
Economic environment	11,892
Culture/recreation	<u>5,663</u>
Total governmental activities depreciation expense	<u>\$ 29,712</u>

Business-type activities

Physical environment	<u>\$ 210,287</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 \$9,545 during the year ending September 30, 2018. The amount is included in the direct expense of the Town's Sewer/waste water Department.

Debt service to maturity is as follows:

	Note Payable		
	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 29,433	\$ 19,766	\$ 9,667
2020	29,433	20,115	9,318
2021	29,433	20,470	8,963
2022	29,433	20,831	8,602
2023	29,433	21,199	8,234
2024-28	147,165	111,744	35,421
2025-33	147,165	121,963	25,202
2034-38	147,165	133,117	14,048
2039-42	<u>87,503</u>	<u>84,864</u>	<u>2,639</u>
	<u>\$ 676,163</u>	<u>\$ 554,069</u>	<u>\$ 122,094</u>

Pledged future revenues for the loan above are as follows:

Pledge Future Revenues:	Water/sewer
Collateralized Debt - Revenue Refunding Bond	<u>Fund</u>
Pledged revenue required for future principal and interest on existing note payable	\$ 676,163
Term of commitment fiscal year ending September 30, 2018	23 years
Percentage of gross sewer system revenue pledged	100%
Current fiscal year pledged revenue	\$ 158,887
Current fiscal year principal and interest paid	\$ 29,433

Long-term liability activity for the year ended September 30, 2018, was as follows:

					Amounts due within One Year
Governmental Activities					
Long term obligations	<u>10/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2018</u>	
Compensated absences	<u>\$ 1,613</u>	<u>\$ 2,760</u>	<u>\$ 2,479</u>	<u>\$ 1,894</u>	<u>\$ -</u>
Business Type					
Compensated absences	\$ 453	\$ 2,035	\$ 1,844	\$ 644	\$ 644
Note payable	<u>573,887</u>	<u>-</u>	<u>19,818</u>	<u>554,069</u>	<u>19,766</u>
Totals	<u>\$ 574,340</u>	<u>\$ 2,035</u>	<u>\$ 21,662</u>	<u>\$ 554,713</u>	<u>\$ 20,410</u>

Note 7. Interfund Balances and Transfers

Interfund balances and transfers for the year ending September 30, 2018, were as follows:

Major funds	<u>Due from</u>	<u>Due to</u>	<u>Description</u>
General	\$ 9,014	\$ -	payroll taxes and other reimbursements
Enterprise	<u>-</u>	<u>9,014</u>	payroll taxes and other reimbursements
Totals	<u>\$ 9,014</u>	<u>\$ 9,014</u>	

Major funds	<u>Transfers to</u>	<u>Transfers from</u>	<u>Description</u>
General	\$ -	\$ 4,313	payroll taxes and other reimbursements
Enterprise	<u>4,313</u>	<u>-</u>	payroll taxes and other reimbursements
Totals	<u>\$ 4,313</u>	<u>\$ 4,313</u>	

NOTE 8. 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, 2018, the unassigned general fund balance was \$362,840 or 156% of the General Fund's total expenditures.

A summary of the fund balances at September 30, 2018, was as follows:

Description	General Fund
Fund balances:	
Spendable	
Unassigned	<u>\$ 362,840</u>

Note 9. Defined Contribution Plan

The Town participates in a defined contribution plan administered by Edward Jones Investment Services, Inc. Plan provisions are established or amended by the Town Council. The Town and its participant are required to contribute three percent each of the annual covered payroll.

For the year ended September 30, 2018, the Town's eligible employee took the contribution in wages in lieu of retirement.

Note 10. 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 automatically renews for successive 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 2018 rate was \$3.30 per 1,000 gallons treated.

Note 11. 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 12. 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 13. Current/Future Accounting Pronouncements

The following statements of the Governmental Accounting Standards Board were effective for the Town's 2017-18 fiscal year:

No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

No. 85, Omnibus 2017

No. 86, Certain Debt Extinguishment Issues

As required, the Town adopted the above pronouncements. The financial statements reflect the use of the above pronouncement as applicable.

The following statements will be effective for the Town's 2018-19 fiscal year (and beyond):

No. 83, Certain Asset Retirement Obligations

No. 84, Fiduciary Activities

No. 87, Leases

No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

No. 90, Majority Equity Interests

The Town is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2019.

Note 14. Subsequent Events

The Town's management has evaluated subsequent events through the date of the audit report – May 22, 2019.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWN OF LEE, FLORIDA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Year Ended September 30, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
Beginning fund balance	\$ 9,157	\$ 9,157	\$ 324,575	\$ 315,418
Resources (inflows)				
Taxes	149,488	149,488	155,607	6,119
Licenses and permits	250	250	286	36
Intergovernmental revenue	127,279	127,279	89,877	(37,402)
Charges for services	2,966	2,966	2,966	-
Fines and forfeits	-	-	102	102
Miscellaneous revenues	31,052	31,052	25,877	(5,175)
Other sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total amount available for appropriation	<u>320,192</u>	<u>320,192</u>	<u>599,290</u>	<u>279,098</u>
Appropriation				
General government services	109,149	109,149	87,588	21,561
Public safety	-	-	-	-
Physical environment	-	-	-	-
Transportation	75,266	75,266	60,736	14,530
Economic environment	17,947	17,947	16,767	1,180
Culture and recreation	117,830	117,830	67,046	50,784
Other uses	<u>-</u>	<u>-</u>	<u>4,313</u>	<u>(4,313)</u>
Total appropriations	<u>320,192</u>	<u>320,192</u>	<u>236,450</u>	<u>83,742</u>
Reserves/ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,840</u>	<u>\$ 362,840</u>

TOWN OF LEE, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2018

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. Budgetary information is integrated into the accounting system and 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	\$ 599,290
Differences - budget to GAAP	
The beginning fund balance is a budgetary resource but is not a current-year revenue for financial reporting purposes	<u>(324,575)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 274,715</u>
 Appropriations	
Actual amounts (budgetary basis) appropriated for expenditure from the budgetary comparison schedules	\$ 236,450
Transfer out are not considered expenditures but other financing sources	<u>(4,313)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 232,137</u>

COMPLIANCE SECTION

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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

Phone 386-792-1906
Fax 386-792-1925
kmdcpa@windstream.net

**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, 2018, 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 May 22, 2019.

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.

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
May 22, 2019

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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

Phone 386-792-1906
Fax 386-792-1925
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, 2017, to September 30, 2018. 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, complied in all material respects with the specified requirements above. An examination involves performing procedures to obtain evidence about whether the Town of Lee, Florida, complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on my judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. I believe that my examination provides a reasonable basis for my opinion.

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

In my opinion, the Town of Lee, Florida, complied in all material respects, with the aforementioned requirements for the period October 1, 2017, to September 30, 2018.



Kenneth M. Daniels
Certified Public Accountant
May 22, 2019

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

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

Phone 386-792-1906
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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, 2018, and have issued my report thereon dated May 22, 2019.

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 May 22, 2019, 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 prior year findings.

Current Year Findings

2018-001 Wages per Trial Balance verses Forms 941

Criteria: The Town should agree the wages reported on the Forms 941 to the payroll reported on the Town's trial balances on a quarterly basis.

Condition: At September 30, 2018, the Town's wages per the trial balances exceeded the amounts reported on the Forms 941 by \$1,576.

Context: The variance was discovered when attempting to agree the amounts.

Effect: Potential incorrect reporting of payroll on the quarterly forms.

Cause: Reliance on QuickBooks payroll and supporting documentation without agreement to the trial balance totals.

Recommendation: Quarterly, agree the amounts reported on the Forms 941 to the trial balance amounts.

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, 2018.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that I communicate any recommendations to improve financial management. See the above findings.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that I communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with my audit, I determined that there were no applicable special district component units and, therefore, nothing to report. As a result, I did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

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

Our 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 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
May 22, 2019

**TOWN'S RESPONSE TO
MANAGEMENT LETTER FINDING
AND AFFIDAVIT**



Town of Lee

286 NE County Road 255 - Lee, Florida 32059-7505
TEL (850) 971-5867 FAX (850) 971-0092
Email: LeeManager@LeeFlorida.org

May 22, 2019

Regarding: Management Letter

In order to address the items mentioned in the Management Letter dated May 22, 2019, the following corrective actions will be taken.

2018-001 Wages per Trial Balance verses Forms 941

On a quarterly basis, the Town will compare the trial balance totals to the amounts reported on the Forms 941 and resolve any discrepancies.

Sincerely,

A handwritten signature in black ink that reads 'John K. Anderson'. The signature is written in a cursive style with a large initial 'J'.

John Anderson, Town Manager
Town of Lee, Florida

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

For the Year Ending September 30, 2018

BEFORE ME, the undersigned authority, personally appeared John Anderson, 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.

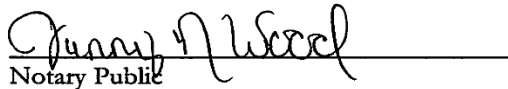
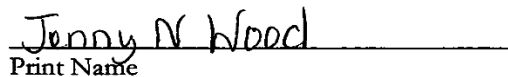
FURTHER AFFIANT SAYETH NAUGHT.



John Anderson, Town Manager

STATE OF FLORIDA
COUNTY OF Hamilton

SWORN TO AND SUBSCRIBED before me this 22nd day of May, 2019.


Notary Public
Print Name

Personally known X or produced identification _____

Type of identification produced: N/A

My Commission Expires:

