

**TOWN OF LEE, FLORIDA**  
**FINANCIAL STATEMENTS**  
**For the Year Ended September 30, 2020**



**TOWN OF LEE, FLORIDA**

**TOWN OFFICIALS**

September 30, 2020

<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 2024
Edwin McMullen, Council Member	November 2024
Joyce Bethea, Council Member	November 2024
Ronnie Bass, Council Member	November 2022
<u>TOWN MANAGER/CLERK</u>	
Sona Hayslett	
<u>TOWN ATTORNEY</u>	
Chuck Collins	



**TOWN OF LEE, FLORIDA**

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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 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, 2020, 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, 2020, 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 April 16, 2021, 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  
April 16, 2021



**MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS**



## **TOWN OF LEE, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Fiscal Year Ended September 30, 2020

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, 2020. Please read it in conjunction with the Town's financial statements, which begin on page 9.

#### **FINANCIAL HIGHLIGHTS**

The Town constructed a storage building for its Streets Department at a cost of \$29,234. The building will safeguard and lengthen the lives of the Town's equipment.

#### **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 \$188,000, largely due to depreciation on the Town’s capital assets.

The Governmental Activities’ Net Position decreased slightly - \$12,000. The Business-type Activities Net Position decreased approximately \$176,000.

Analysis of the changes in net position follows.

Table 1 focuses on the Town's net position.

	Governmental		Business type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 436	\$ 447	\$ 459	\$ 450	\$ 895	\$ 897
Capital assets	<u>1,227</u>	<u>1,228</u>	<u>4,900</u>	<u>5,091</u>	<u>6,127</u>	<u>6,319</u>
Total assets	<u>\$ 1,663</u>	<u>\$ 1,675</u>	<u>\$ 5,359</u>	<u>\$ 5,541</u>	<u>\$ 7,022</u>	<u>\$ 7,216</u>
Long term liabilities	\$ 3	\$ 2	\$ 514	\$ 535	\$ 517	\$ 537
Other liabilities	<u>24</u>	<u>26</u>	<u>44</u>	<u>29</u>	<u>68</u>	<u>55</u>
Total liabilities	<u>27</u>	<u>28</u>	<u>558</u>	<u>564</u>	<u>585</u>	<u>592</u>
Net position:						
Invested in Cap Assets	1,227	1,228	4,387	4,557	5,614	5,785
Restricted	-	-	15	15	15	15
Unrestricted	<u>409</u>	<u>419</u>	<u>399</u>	<u>405</u>	<u>808</u>	<u>824</u>
Total net position	<u>1,636</u>	<u>1,647</u>	<u>4,801</u>	<u>4,977</u>	<u>6,437</u>	<u>6,624</u>
Total liabilities & net position	<u>\$ 1,663</u>	<u>\$ 1,675</u>	<u>\$ 5,359</u>	<u>\$ 5,541</u>	<u>\$ 7,022</u>	<u>\$ 7,216</u>

Table 2 focuses on the changes in the net position.

	Governmental		Business type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program revenues						
General government	\$ 2	\$ 1	\$ -	\$ -	\$ 2	\$ 1
Public safety	1	-	-	-	1	-
Physical environment	10	-	-	-	10	-
Transportation	3	3	-	-	3	3
Economic environment	18	27	-	-	18	27
Culture/recreation	-	-	-	-	-	-
Water utility services	-	-	87	88	87	88
Sewer/wastewater services	-	-	115	111	115	111
General revenues						
Taxes						
Ad valorem	53	52	-	-	53	52
Local option gas	47	49	-	-	47	49
Franchise fees	21	21	-	-	21	21
Utility service	27	25	12	12	39	37
Local Communications	16	12	-	-	16	12
Intergovernmental	25	25	-	-	25	25
Interest	1	2	3	6	4	8
Miscellaneous	<u>6</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>4</u>
Total revenues	<u>230</u>	<u>221</u>	<u>217</u>	<u>217</u>	<u>447</u>	<u>438</u>

(Table 2 continued)

Program expenses						
General government	102	95	-	-	102	95
Public safety	4	4	-	-	4	4
Physical environment	-	-	-	-	-	-
Transportation	90	58	-	-	90	58
Economic environment	23	21	-	-	23	21
Culture/recreation	23	14	-	-	23	14
Water utility services	-	-	130	112	130	112
Sewer/wastewater services	-	-	263	269	263	269
Total expenses	<u>242</u>	<u>192</u>	<u>393</u>	<u>381</u>	<u>635</u>	<u>573</u>
Excess (deficiency) before transfers	(12)	29	(176)	(164)	(188)	(135)
Transfers	-	-	-	-	-	-
Change in net position	(12)	29	(176)	(164)	(188)	(135)
Net position - beginning	<u>1,647</u>	<u>1,618</u>	<u>4,978</u>	<u>5,142</u>	<u>6,625</u>	<u>6,760</u>
Net position - ending	<u>\$ 1,635</u>	<u>\$ 1,647</u>	<u>\$ 4,802</u>	<u>\$ 4,978</u>	<u>\$ 6,437</u>	<u>\$ 6,625</u>

### Governmental Activities

- The decrease in the Governmental Activities current and other assets is due to the construction of a building for use by the Town to store its equipment. Long-term liabilities increased due to the moving of an employee between activities (annual leave).
- Other liabilities decreased slightly due to amounts owed at year end for general operations (annual insurance).
- Total net position decreased slightly due to the building purchase (see above) and depreciation.
- Increases/decreases in governmental revenues are explained as follows: 1. Economic environment revenues decreased due to rents at the Town's Business Complex (loss of renter) 2. Physical environment revenue increased due to the distribution of excess funds by Madison County via an interlocal agreement.
- Increases/decreases in governmental expenses are explained as follows: 1. Transportation costs increased due to road maintenance (lime rock purchase) and the return of an employee on military duty. 2. Culture/recreation expenses increased due to the installation of a 104' privacy fence and roof repairs on the preserved buildings behind Town Hall.

### Business-type Activities

- Current and other assets increased slightly due to the generation of cash, \$8,000, by its water/sewer operations.
- Capital assets decreased due to the depreciation of the water/waste water system.

- Other liabilities increased slightly due to the Town’s recording of a payable related to the cleaning and inspection of the Town’s water towers.
- Invested in capital assets decreased due to depreciation on the Town’s wastewater system.
- Water utility expenses increased due to inspection/repair expenses on the Town’s water tower, \$6,700 and repair of the Town’s backhoe, \$1,604 and generator, \$1,100.

**Significant Changes in Major Governmental Fund Balances**

General Fund’s Unassigned Fund Balance decreased by approximately \$8,800 due to the cost of building construction for the Road Department.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town’s 2019-20 General Fund’s budgetary highlights are as follows:

Actual revenues exceeded the budgeted amounts by approximately \$22,000. Expenditures were less than budgeted in all functions except Economic Environment. In total, actual expenditures were less than budgeted \$37,800.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As indicated in the table below, the Town has approximately \$9 million invested in capital assets such as land, infrastructure, buildings, recreation facilities, water utility facilities, and equipment. The above amount represents an \$32,000 increase over the previous year’s total. The Town’s capital asset increases were due to the construction of a storage building, pump for Well #4, and motor purchases for the wastewater system.

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

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 46	\$ 46	\$ 198	\$ 198	\$ 244	\$ 244
Buildings	551	522	40	40	591	562
Infrastructure	951	951	7,091	7,091	8,042	8,042
Equipment, furniture, and vehicles					-	-
and vehicles	<u>270</u>	<u>274</u>	<u>117</u>	<u>110</u>	<u>387</u>	<u>384</u>
Totals	<u>\$ 1,818</u>	<u>\$ 1,793</u>	<u>\$ 7,446</u>	<u>\$ 7,439</u>	<u>\$ 9,264</u>	<u>\$ 9,232</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Compensated absences	\$ 3	\$ 2	\$ -	\$ -	\$ 3	\$ 2
Notes payable	<u>-</u>	<u>-</u>	<u>513</u>	<u>534</u>	<u>513</u>	<u>534</u>
Totals	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 513</u>	<u>\$ 534</u>	<u>\$ 516</u>	<u>\$ 536</u>

**2021 BUDGET AND CURRENTLY KNOWN FACTS**

**2021 Budget**

Notable changes in the Town’s 2020-21 budgets are as follows:

General Fund: Expenditures totaling \$289,887 which includes an amount of \$3,700 for parking lot paving.

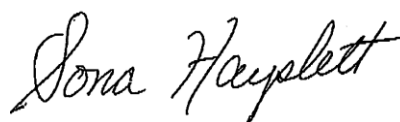
Enterprise Fund: Charges for utility services (water and wastewater) are budgeted at \$218,012. Budgeted expenses are \$241,203; debt service is budgeted at \$29,433.

**Currently Known Facts**

The Town continues to manage its sewer/wastewater system with planned repairs and maintenance in the amount of \$12,000 and the budgeted replacement of pumps and motors in the amount of \$17,750.

**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**



**TOWN OF LEE, FLORIDA**

**STATEMENT OF NET POSITION**

September 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 404,248	\$ 410,415	\$ 814,663
Utility tax receivable	2,321	-	2,321
Accounts receivable, net	-	6,927	6,927
Franchise fees receivable	2,946	-	2,946
Internal balances	9,014	(9,014)	-
Due from other governmental units	17,906	-	17,906
<b>Restricted assets</b>			
Cash	-	50,383	50,383
<b>Capital assets</b>			
Land	46,474	197,549	244,023
Construction in progress	-	-	-
Other capital assets, net of depreciation	<u>1,180,084</u>	<u>4,703,153</u>	<u>5,883,237</u>
Total capital assets, net	<u>1,226,558</u>	<u>4,900,702</u>	<u>6,127,260</u>
<b>Total assets</b>	<u><u>\$ 1,662,993</u></u>	<u><u>\$ 5,359,413</u></u>	<u><u>\$ 7,022,406</u></u>
<b>Liabilities and net position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 20,733	\$ 21,652	\$ 42,385
Interest payable	-	1,830	1,830
Due to other governments	96	-	96
Payroll taxes payable	3,186	-	3,186
Customer deposits	-	20,855	20,855
<b>Long-term liabilities</b>			
Due within one year			
Compensated absences	-	316	316
Notes payable	-	20,470	20,470
Due in more than one year			
Compensated absences	3,095	-	3,095
Notes payable	<u>-</u>	<u>492,949</u>	<u>492,949</u>
<b>Total liabilities</b>	<u><u>27,110</u></u>	<u><u>558,072</u></u>	<u><u>585,182</u></u>
<b>Net position</b>			
Net investment in capital assets	1,226,558	4,387,283	5,613,841
Restricted - capital facilities	-	15,385	15,385
Unrestricted	<u>409,325</u>	<u>398,673</u>	<u>807,998</u>
<b>Total net position</b>	<u><u>1,635,883</u></u>	<u><u>4,801,341</u></u>	<u><u>6,437,224</u></u>
<b>Total liabilities and net position</b>	<u><u>\$ 1,662,993</u></u>	<u><u>\$ 5,359,413</u></u>	<u><u>\$ 7,022,406</u></u>

See notes to financial statements.

**TOWN OF LEE, FLORIDA**

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2020

<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	\$ 102,046	\$ 1,818	\$ -	\$ -	\$ (100,228)	\$ -	\$ (100,228)
Public safety	3,748	-	740	-	(3,008)	-	(3,008)
Physical environment	525	-	10,343	-	9,818	-	9,818
Transportation	90,651	3,147	-	-	(87,504)	-	(87,504)
Economic environment	22,748	18,366	-	-	(4,382)	-	(4,382)
Culture/recreation	<u>23,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,136)</u>	<u>-</u>	<u>(23,136)</u>
Total governmental activities	<u>242,854</u>	<u>23,331</u>	<u>11,083</u>	<u>-</u>	<u>(208,440)</u>	<u>-</u>	<u>(208,440)</u>
Business type activities							
Water utility services	129,899	86,572	-	-	-	(43,327)	(43,327)
Sewer/wastewater services	<u>263,209</u>	<u>115,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(147,977)</u>	<u>(147,977)</u>
Total business type activities	<u>393,108</u>	<u>201,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(191,304)</u>	<u>(191,304)</u>
Totals	<u>\$ 635,962</u>	<u>\$ 225,135</u>	<u>\$ 11,083</u>	<u>\$ -</u>	<u>(208,440)</u>	<u>(191,304)</u>	<u>(399,744)</u>
General revenues							
Taxes							
Ad valorem					52,856	-	52,856
Local option gas					46,949	-	46,949
Franchise fees					21,278	-	21,278
Utility service					27,090	12,432	39,522
Local Communications					15,533	-	15,533
Intergovernmental					25,339	-	25,339
Interest					957	2,791	3,748
Miscellaneous					<u>6,306</u>	<u>-</u>	<u>6,306</u>
Total general revenues					<u>196,308</u>	<u>15,223</u>	<u>211,531</u>
Change in net position					(12,132)	(176,081)	(188,213)
Net position - beginning					<u>1,648,015</u>	<u>4,977,422</u>	<u>6,625,437</u>
Net position - ending					<u>\$ 1,635,883</u>	<u>\$ 4,801,341</u>	<u>\$ 6,437,224</u>

**TOWN OF LEE, FLORIDA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2020

	General <u>Fund</u>
Assets	
Cash	\$ 404,248
Utility tax receivable	2,321
Franchise fees receivable	2,946
Interfund receivable	9,014
Due from other governmental units	<u>17,906</u>
Total assets	<u>\$ 436,435</u>
Liabilities and fund balances	
Accounts payable	\$ 20,733
Due to other governmental units	96
Payroll taxes payable	<u>3,186</u>
Total liabilities	<u>24,015</u>
Fund balances	
Unassigned	<u>412,420</u>
Total liabilities and fund balances	<u>\$ 436,435</u>

**TOWN OF LEE, FLORIDA**

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

September 30, 2020

Total fund balances for governmental funds \$ 412,420

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	551,562
Accumulated depreciation - buildings	(212,418)
Infrastructure	950,650
Accumulated depreciation - infrastructure	(164,833)
Equipment, furniture, and vehicles	269,542
Accumulated depreciation - equipment	<u>(214,419)</u>
Total capital assets (See Note 5.)	<u>1,226,558</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, 2020, are as follows:

Compensated absences - long-term	<u>(3,095)</u>
Total net position of governmental activities	<u>\$ 1,635,883</u>

**TOWN OF LEE, FLORIDA**

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

For the Year Ended September 30, 2020

		General <u>Fund</u>
Revenues		
Taxes	\$	164,731
Licenses and permits		689
Intergovernmental revenue		36,422
Charges for services		3,147
Fines and forfeits		104
Interest		957
Miscellaneous revenues		<u>24,672</u>
Total revenues		<u>230,722</u>
Expenditures		
Current		
General Government		97,406
Transportation		85,295
Economic environment		10,856
Culture/Recreation		16,693
Capital outlay		<u>29,234</u>
Total expenditures		<u>239,484</u>
Net change in fund balance		(8,762)
Fund balance - beginning		<u>421,182</u>
Fund balance - ending	\$	<u><u>412,420</u></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, 2020

Net change in fund balances - total governmental funds \$ (8,762)

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	29,234
Depreciation	(31,196)

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.

(1,408)

Change in net position of governmental activities

\$ (12,132)



**TOWN OF LEE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

September 30, 2020

Assets	
Current assets	
Cash	\$ 410,415
Accounts receivable	8,777
Allowance for doubtful accounts	<u>(1,850)</u>
Total current assets	<u>417,342</u>
Noncurrent assets	
Restricted assets	
Cash - deposits	20,046
Cash - impact fees	15,385
Cash - debt service	<u>14,952</u>
Total restricted assets	<u>50,383</u>
Capital assets	
Land	197,549
Buildings	40,000
Improvement other than buildings	7,091,408
Equipment, furniture, and vehicles	117,106
Accumulated depreciation	<u>(2,545,361)</u>
Total capital assets net	<u>4,900,702</u>
Total noncurrent assets	<u>4,951,085</u>
Total assets	<u>\$ 5,368,427</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 21,652
Interfund payable	9,014
Compensated absences	316
Accrued interest payable	1,830
Deposits	20,855
Note payable	<u>20,470</u>
Total current liabilities	<u>74,137</u>
Long term liabilities	
Note payable	<u>492,949</u>
Total liabilities	<u>567,086</u>
Net position	
Net investment in capital assets	4,387,283
Restricted - capital facilities, expendable	15,385
Unrestricted	<u>398,673</u>
Total net position	<u>4,801,341</u>
Total liabilities and net position	<u>\$ 5,368,427</u>

**TOWN OF LEE, FLORIDA**

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

For the Year Ended September 30, 2020

Operating revenues	
Water utility revenue	\$ 79,778
Connection and late fees	1,662
Wastewater utility revenue	106,225
Miscellaneous	<u>14,139</u>
Total operating revenues	<u>201,804</u>
Operating expenses	
Water utility services	
Personal services	29,278
Operating expenses	<u>100,621</u>
Total water utility services	<u>129,899</u>
Sewer/waste water services	
Personal services	27,242
Operating expenses	<u>227,103</u>
Total sewer/waste water services	<u>254,345</u>
Total operating expenses	<u>384,244</u>
Operating income (loss)	<u>(182,440)</u>
Non-operating revenues (expenses)	
Interest revenue	2,791
Utility service tax	12,432
Interest expense	<u>(8,864)</u>
Total non-operating revenues (expenses)	<u>6,359</u>
Change in net position	(176,081)
Net position - beginning	<u>4,977,422</u>
Net position - ending	<u>\$ 4,801,341</u>

**TOWN OF LEE, FLORIDA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

For the Year Ended September 30, 2020

Cash flows from operating activities	
Cash received from customers and users	\$ 211,268
Cash payments for employees and benefits	(57,400)
Cash payments to contractors, suppliers, and others	<u>(106,417)</u>
Net cash provided by (used for) operating activities	<u>47,451</u>
Cash flows from noncapital financing activities	
Cash transfers in (out)	-
Utility service tax	<u>12,432</u>
Cash flows provided by (used for) noncapital financing activities	<u>12,432</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(17,191)
Principal paid on note payable	(20,496)
Interest paid on note payable	<u>(8,938)</u>
Cash flows provided by (used for) capital and related financing activities	<u>(46,625)</u>
Cash flows from investing activities	
Interest revenue	<u>2,791</u>
Net increase (decrease) in cash	16,049
Cash - beginning	<u>444,749</u>
Cash - ending	<u>\$ 460,798</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (182,440)</u>

(Continued)

See notes to financial statements.

**TOWN OF LEE, FLORIDA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

For the Year Ended September 30, 2020

Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	\$ 207,730
Changes in assets and liabilities	
Decrease (increase) in	
Accounts receivable (net)	7,734
Increase (decrease) in	
Accounts payable	13,577
Compensated absences	(794)
Accrued payroll taxes and liabilities	(86)
Deposits	<u>1,730</u>
Total adjustments	<u>229,891</u>
Net cash provided by (used for) operating activities	<u>\$ 47,451</u>
 Noncash transactions	
Equipment disposal	<u>\$ (10,063)</u>
 Reconciliation of cash per the statement of net assets to the statement of cash flows:	
 Cash per the Statement of Net Assets	
Cash	\$ 410,415
Restricted assets - cash	<u>50,383</u>
Total cash per the Statement of Cash Flows	<u>\$ 460,798</u>

## TOWN OF LEE, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2020

#### 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, 2020, 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 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. 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 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 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 recognize 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, 2020, the Proprietary Fund's net position was restricted in the amount of \$15,385. 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, 2020, 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, 2020, 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	48 days
Weighted average life	63 days
Foreign Currency Risk	N/A
Securities Lending	N/A
Fair value hierarchy	amortized cost
Fair value/amortized cost	\$295,942

#### 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, 2020, 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](http://www.sbafla.com/prime).

The Town’s deposits are as follows:

Cash	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Deposits	\$ 337,765	\$ 196,341	\$ 534,106
Florida Prime	<u>66,483</u>	<u>214,074</u>	<u>280,557</u>
Total unrestricted deposits	<u>404,248</u>	<u>410,415</u>	<u>814,663</u>
Deposits	-	34,999	34,999
Florida Prime	-	<u>15,384</u>	<u>15,384</u>
Total restricted deposits	-	<u>50,383</u>	<u>50,383</u>
Total cash	<u>\$ 404,248</u>	<u>\$ 460,798</u>	<u>\$ 865,046</u>

**Note 3. Accounts Receivable**

Accounts receivable at September 30, 2020, of the Enterprise Fund, consisted of the following:

	Billed
	<u>Accounts</u>
Gross	8,777
Allowance for doubtful accounts	<u>(1,850)</u>
Net accounts receivable	<u>\$ 6,927</u>

At September 30, 2020, the Town continued the monitoring of delinquent accounts.

**Note 4. Due from Other Governmental Units**

Due from other governmental units at September 30, 2020, consists of the following:

State of Florida	\$ 8,278
Madison County, FL	<u>9,628</u>
Total	<u>\$ 17,906</u>

**Note 5. Capital Assets**

Capital asset activity for the year ending September 30, 2020, was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 46,474	\$ -	\$ -	\$ 46,474
Other capital assets				
Buildings	522,327	29,234	-	551,561
Infrastructure	950,650	-	-	950,650
Equipment, furniture, and vehicles	<u>273,810</u>	<u>-</u>	<u>4,268</u>	<u>269,542</u>
Total other capital assets	<u>1,746,787</u>	<u>29,234</u>	<u>4,268</u>	<u>1,771,753</u>
Less accumulated depreciation for				
Buildings	(200,694)	(11,725)	-	(212,419)
Infrastructure	(152,400)	(12,431)	-	(164,831)
Equipment, furniture, and vehicles	<u>(211,647)</u>	<u>(7,040)</u>	<u>4,268</u>	<u>(214,419)</u>
Total accumulated depreciation	<u>(564,741)</u>	<u>(31,196)</u>	<u>4,268</u>	<u>(591,669)</u>
Other capital assets, net	<u>1,182,046</u>	<u>(1,962)</u>	<u>-</u>	<u>1,180,084</u>
Governmental activities capital assets, net	<u>\$ 1,228,520</u>	<u>\$ (1,962)</u>	<u>\$ -</u>	<u>\$ 1,226,558</u>

**Business-type activities**

Capital assets not being depreciated				
Land	\$ 197,549	\$ -	\$ -	\$ 197,549
Construction in progress	-	-	-	-
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>109,978</u>	<u>17,191</u>	<u>10,063</u>	<u>117,106</u>
Total other capital assets	<u>7,241,386</u>	<u>17,191</u>	<u>10,063</u>	<u>7,248,514</u>
Less accumulated depreciation for				
Buildings	(40,000)	-	-	(40,000)
Infrastructure	(2,226,942)	(202,336)	-	(2,429,278)
Equipment, furniture, and vehicles	<u>(80,752)</u>	<u>(5,394)</u>	<u>10,063</u>	<u>(76,083)</u>
Total accumulated depreciation	<u>(2,347,694)</u>	<u>(207,730)</u>	<u>10,063</u>	<u>(2,545,361)</u>
Other capital assets, net	<u>4,893,692</u>	<u>(190,539)</u>	<u>-</u>	<u>4,703,153</u>
Business-type activities capital assets, net	<u>\$ 5,091,241</u>	<u>\$ (190,539)</u>	<u>\$ -</u>	<u>\$ 4,900,702</u>

For the year ending September 30, 2020, depreciation expense was charged to the following functions as follows:

**Governmental activities**

General government	\$ 3,233
Public safety	3,748
Physical environment	525
Transportation	5,356
Economic environment	11,892
Culture/recreation	<u>6,442</u>
Total governmental activities depreciation expense	<u>\$ 31,196</u>

**Business-type activities**

Physical environment	<u>\$ 207,730</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 \$8,864 during the year ending September 30, 2020. 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>
2021	\$ 29,433	\$ 20,470	\$ 8,963
2022	29,433	20,831	8,602
2023	29,433	21,199	8,234
2024	29,433	21,573	7,860
2025	29,433	21,954	7,479
2026-30	147,165	115,725	31,440
2031-35	147,165	126,308	20,857
2036-40	147,165	137,860	9,305
2041	<u>27,867</u>	<u>27,499</u>	<u>368</u>
	<u>\$ 616,527</u>	<u>\$ 513,419</u>	<u>\$ 103,108</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	\$ 616,527
Term of commitment fiscal year ending September 30, 2020	21 years
Percentage of gross sewer system revenue pledged	100%
Current fiscal year pledged revenue	\$ 114,126
Current fiscal year principal and interest paid	\$ 29,433

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>10/1/2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>9/30/2020</u>	Amounts due within One Year
Governmental Activities					
Long term obligations					
Compensated absences	<u>\$ 1,688</u>	<u>\$ 4,380</u>	<u>\$ 2,973</u>	<u>\$ 3,095</u>	<u>\$ -</u>
Business Type					
Compensated absences	\$ 1,110	\$ 1,251	\$ 2,045	\$ 316	\$ 316
Note payable	<u>533,915</u>	<u>-</u>	<u>20,496</u>	<u>513,419</u>	<u>20,470</u>
Totals	<u>\$ 535,025</u>	<u>\$ 1,251</u>	<u>\$ 22,541</u>	<u>\$ 513,735</u>	<u>\$ 20,786</u>

## Note 7. Interfund Balances and Transfers

Interfund balances for the year ending September 30, 2020, 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>	

## 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, 2020, the unassigned general fund balance was \$412,420 or 172% of the General Fund's total expenditures.

A summary of the fund balances at September 30, 2020, was as follows:

Description	General Fund
Fund balances:	
Spendable	
Unassigned	<u>\$ 412,420</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, 2020, 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 2020 rate was \$3.65 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**

Due to the Covid-19 Virus, the Governmental Accounting Standards Board (GASB) postponed the effective dates of upcoming pronouncements via the issuance of GASB 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The extensions range from twelve to eighteen months. The extended dates are as follows (effective fiscal year indicated):



Statement 84 and Implementation Guide 2019-2—reporting periods beginning after December 15, 2019: FY 2020-21

Statement 87 and Implementation Guide 2019-3—fiscal years beginning after June 15, 2021, and all reporting periods thereafter: FY 2021-22

Statement 89—reporting periods beginning after December 15, 2020: FY 2021-22

Statement 90—reporting periods beginning after December 15, 2019: FY 2020-21

Statement 91—reporting periods beginning after December 15, 2021: FY 2022-23

Statement 92, paragraphs 6 and 7—fiscal years beginning after June 15, 2021: FY 2021-22

Statement 92, paragraphs 8, 9, and 12—reporting periods beginning after June 15, 2021: FY 2021-22

Statement 92, paragraph 10—government acquisitions occurring in reporting periods beginning after June 15, 2021: FY 2021-22

Statement 93, paragraphs 13 and 14—fiscal years beginning after June 15, 2021, and all reporting periods thereafter: FY 2021-22

The Town is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2021, and beyond.

#### **Note 14. Subsequent Events**

The Town's management has evaluated subsequent events through the date of the audit report – April 16, 2021, and reports the following:

Coronavirus Disease 2019 (COVID-19) – The infectious disease caused by severe acute respiratory syndrome coronavirus 2 has resulted in the significant closure of businesses nationwide. The Town expects limited reductions in its state shared revenues in subsequent fiscal years. However, estimates of the impact cannot be made at present.



**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



**TOWN OF LEE, FLORIDA**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the Year Ended September 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Beginning fund balance	\$ 68,771	\$ 68,771	\$ 421,182	\$ 352,411
Resources (inflows)				
Taxes	152,819	152,819	164,731	11,912
Licenses and permits	240	240	689	449
Intergovernmental revenue	24,779	24,779	36,422	11,643
Charges for services	3,147	3,147	3,147	-
Fines and forfeits	40	40	104	64
Miscellaneous revenues	<u>27,461</u>	<u>27,461</u>	<u>25,629</u>	<u>(1,832)</u>
Total amount available for appropriation	<u>277,257</u>	<u>277,257</u>	<u>651,904</u>	<u>374,647</u>
Appropriation				
General government services	103,299	103,299	97,406	5,893
Transportation	142,988	142,988	114,529	28,459
Economic environment	9,665	9,665	10,856	(1,191)
Culture and recreation	<u>21,305</u>	<u>21,305</u>	<u>16,693</u>	<u>4,612</u>
Total appropriations	<u>277,257</u>	<u>277,257</u>	<u>239,484</u>	<u>37,773</u>
Reserves/ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,420</u>	<u>\$ 412,420</u>

**TOWN OF LEE, FLORIDA**

**NOTES TO BUDGETARY COMPARISON SCHEDULE**

September 30, 2020

**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	\$ 651,904
Differences - budget to GAAP	
The beginning fund balance is a budgetary resource but is not a current-year revenue for financial reporting purposes	<u>(421,182)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 230,722</u>
 Appropriations	
Actual amounts (budgetary basis) appropriated for expenditure from the budgetary comparison schedules	\$ 239,484
Adjustments	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - governmental funds	<u>\$ 239,484</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, 2020, 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 16, 2021.

**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  
April 16, 2021

**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, 2019, to September 30, 2020. 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, 2019, to September 30, 2020.



Kenneth M. Daniels  
Certified Public Accountant  
April 16, 2021

**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, 2020, and have issued my report thereon dated April 16, 2021.

**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 16, 2021, 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.

All prior year findings were cleared.

**Current Year Findings**

There were no current 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, 2020.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that I communicate any recommendations to improve financial management. There were no recommendations for the year ending September 30, 2020.

## **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.

A handwritten signature in black ink, appearing to read "Ken M Daniels". The signature is written in a cursive, flowing style.

Kenneth M. Daniels  
Certified Public Accountant  
April 16, 2021

**TOWN'S IMPACT  
FEE AFFIDAVIT**





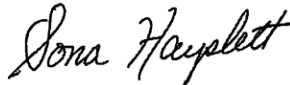
TOWN OF LEE, FLORIDA  
AFFIDAVIT OF COMPLIANCE  
FLORIDA STATUTES 163.31801

For the Year Ending September 30, 2020

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.

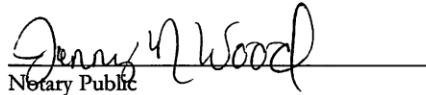
FURTHER AFFLIANT SAYETH NAUGHT.



Sona Hayslett, Town Manager

STATE OF FLORIDA  
COUNTY OF Hamilton

SWORN TO AND SUBSCRIBED before me this 16th day of April, 2021.

  
Notary Public

Jenny N. Wood  
Print Name

Personally known   X   or produced identification \_\_\_\_\_

Type of identification produced: N/A

My Commission Expires:

