

ANNUAL FINANCIAL REPORT

Lee County, Texas

Fiscal Year Ended
September 30, 2025

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Lee County, Texas

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners' Court
Lee County, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County, Texas (the "County") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lee County, Texas, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are required to be independent of Lee County, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Emphasis of Matter

As discussed in Note IV.F to the financial statements, the County restated beginning net position for governmental activities to correct capital assets and current liabilities due to the implementation of GASB 101, *Compensated Absences*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liabilities and related ratios, as listed in the table of contents, and budgetary comparison information for the general, road and bridge, and courthouse restoration funds 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information for the debt service fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated July 24, 2026, on our consideration of the County's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, flowing script.

BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
July 24, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

As management of Lee County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The general fund reported a decrease in fund balance of \$920,866 compared to a budgeted reduction of \$5,219,125, which results in a total positive budget variance of \$4,298,259.
- The County's net position increased by \$4,920,237.
- The County's total net position was \$60,048,161 at September 30, 2025.
- The County's net pension asset and other postemployment benefits liability were \$368,011 and \$6,368,804, respectively, at September 30, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the County's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

Both of the government-wide financial statements present functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, and culture and recreation.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the road and bridge fund which are considered to be major funds. The courthouse restoration fund and debt service fund are not considered to be major funds, but have been presented as such. Data from the other twenty-four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general, road and bridge, debt service, and courthouse restoration funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with these budgets.

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the County's most significant funds. The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary fund. The *Custodial funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

Notes to Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension and Other Postemployment Benefits ("OPEB") benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on OPEB.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$60,048,161 at the close of the most recent fiscal year.

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2025	2024
Current and other assets	\$ 24,976,950	\$ 25,176,296
Capital assets, net	43,920,034	41,447,596
Investment in airport	1,903,261	1,953,546
Total Assets	70,800,245	68,577,438
Total Deferred Outflows	649,909	704,474
Current liabilities	2,806,391	4,506,864
Long-term liabilities	7,281,486	8,059,679
Total Liabilities	10,087,877	12,566,543
Total Deferred Inflows	1,314,116	1,351,316
Net position:		
Net investment		
in capital assets	41,781,603	38,458,165
Restricted	10,105,060	8,860,018
Unrestricted	8,161,498	8,045,870
Total Net Position	\$ 60,048,161	\$ 55,364,053

The County's net position increased to \$60,048,161 from \$55,127,924. The County's unrestricted net position was \$8,161,498. The County's current and other assets decreased primarily due to nonrecurring cash bonds held in the prior year and a decrease in investment balances in the current year. The County's net investment in capital assets continued to increase as improvements were made to the County's infrastructure and courthouse. Current liabilities decreased due to lower accounts payable resulting from the timing of payments at year end. Total long-term liabilities decreased primarily due to the County recognizing a net pension asset in the current year and debt principal payments made during the year.

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Statement of Activities

The following table provides a summary of the County's changes in net position for the years ended:

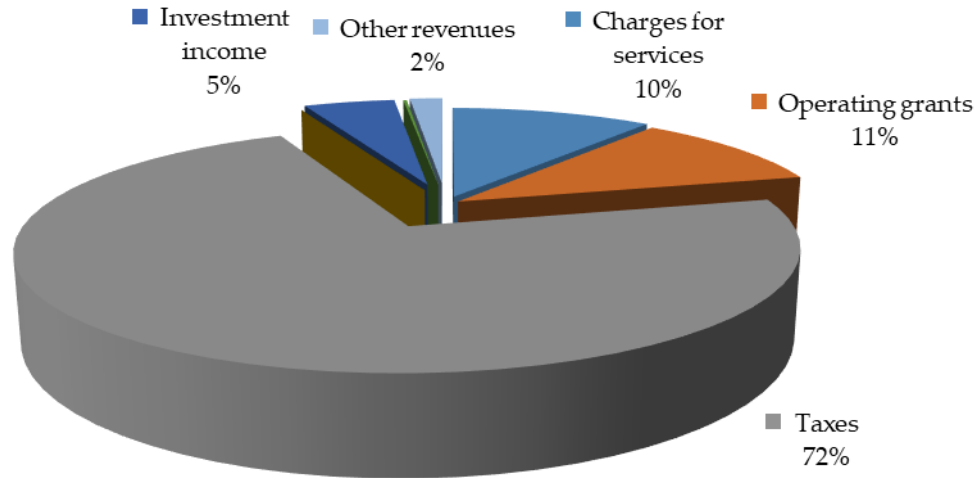
	Governmental Activities	
	2025	2024
Revenues		
Program revenues:		
Charges for services	\$ 2,467,456	\$ 2,081,060
Grants	2,530,379	1,846,475
General revenues:		
Taxes	17,006,362	15,818,433
Investment income	1,137,686	1,226,619
Rents and royalties	42,005	37,440
Other revenues	407,764	465,908
Total Revenues	23,591,652	21,475,935
Expenses		
General government	5,661,942	5,511,953
Public safety	7,343,109	6,045,704
Public works	3,636,294	3,324,629
Health and welfare	1,002,837	1,095,575
Culture and recreation	1,931	1,844
Conservation and development	938,971	765,639
Interest and fiscal charges		
on long-term debt	86,331	106,202
Total Expenses	18,671,415	16,851,546
Change in Net Position	4,920,237	4,624,389
Beginning net position	55,127,924 *	50,739,664
Ending Net Position	\$ 60,048,161	\$ 55,364,053

*The difference between prior year ending net position and current year beginning net position is due to the implementation of GASB 101, Compensated Absences, in the current year. Please see Note IV.F to the financial statements.

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2025

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the County's activities.

Governmental Revenues

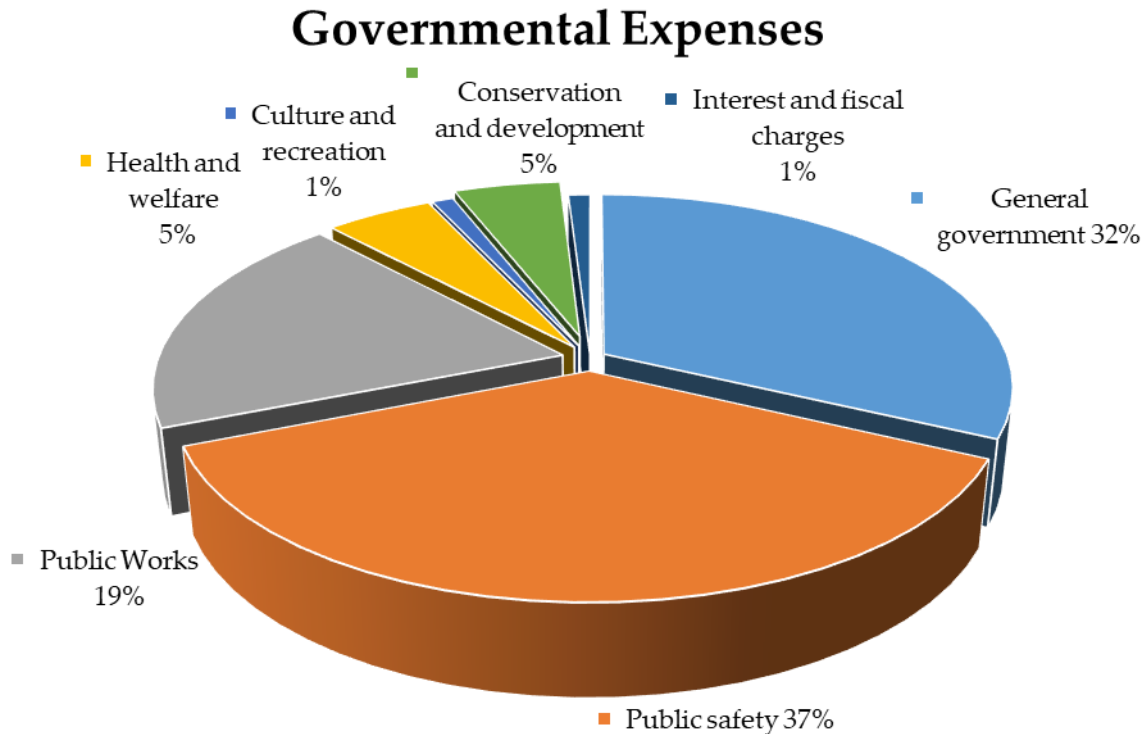


Total governmental revenues increased by \$2,115,717 or 10% from the prior year. Charges for services increased by \$386,396 or 19% primarily due to greater vehicle registration income and court fines received in the current year. Operating and capital grants increased by \$683,904 or 37% due to nonrecurring grants received for courthouse restoration in the current year. Tax revenue increased by \$1,187,929 or 8% primarily due to local economic growth and greater appraised property values. Investment income decreased by \$88,933 or 7% due to decline in interest-bearing accounts in the current year. Other revenues decreased by \$58,144 or 12% due to nonrecurring insurance settlements and reimbursements received in the prior year. All other revenues remained relatively consistent compared to the prior year.

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2025



Total governmental expenses increased by \$1,819,869 from the prior year. General government expenses increased by \$149,989 or 3% and public safety expenses increased by \$1,297,405 or 21%, due to greater depreciation costs and changes in actuarial inputs, resulting from the County recognizing a net pension asset in the current year. Public works expenses increased by \$311,665 or 9% primarily due to nonrecurring repairs and maintenance, greater depreciation costs, and greater personnel costs related to new hires and general wage increases in the current year. Health and welfare decreased by \$92,738 or 8% due to a reclassification of personnel expenses, now reported in development services. In addition, EMS fees continue to increase every year. Conservation and development increased by \$173,332 or 23% primarily due to greater personnel costs related to new hires and greater noncapitalized costs in the current year. All other expenses remained relatively consistent compared to the prior year.

Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use

Lee County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

September 30, 2025

for particular purposes by the County's governing body.

The County's governmental funds reflect a combined fund balance of \$21,280,688. Of this, \$10,550,633 is unassigned and available for day-to-day operations of the County, \$6,833,995 is restricted for road and bridge expenditures, and \$115,801 is restricted for debt service. The County has nonspendable funds of \$245,344 that consists of prepaid items. Committed fund balance is \$747,662 and restricted fund balance for special revenue funds is \$2,787,253.

There was an increase in the combined fund balance of \$1,157,541 over the prior year. Included in this change is an increase of \$602,821 in the road and bridge fund, a decrease in the debt service fund of \$57,135, an increase of \$1,223,189 in the courthouse restoration fund, an increase in nonmajor governmental funds of \$309,532, and a decrease of \$920,866 in the general fund. The County's fund balance policy for the general fund must maintain at least a three-month reserve. With the previously noted increase, the general fund balance of \$10,228,831 is estimated to be \$6,615,792 over policy.

General Fund Budgetary Highlights

Actual general fund revenues were over final budgeted revenues by \$1,391,075 during the year. This increase is primarily attributable to all revenue departments exceeding the budget projections. Actual general fund expenditures were under the final budgeted expenditures by \$967,480. Actual expenditures exceeded appropriations at the legal level of control for public safety and debt service principal by \$7,376 and \$27,212, respectively.

Capital Assets

At the end of the year, the County's governmental activities funds had invested \$43,920,034 in a variety of capital assets and infrastructure, net of depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

The significant capital asset transactions occurring during the current year were as follows:

- New additions to CIP, including courthouse restoration/upgrades and engineering services, totaling \$2,473,109.
- Road/bridge infrastructure improvements totaling \$1,148,982.
- Purchased new vehicles and equipment totaling \$1,234,795.

More detailed information about the County's capital assets is presented in the notes to the financial statements.

Lee County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2025

Long-Term Debt

At the end of the year, the County reported outstanding bond issuances of \$1,375,000. Principal payments on bonds of \$665,000 were made during the year on these outstanding bonds. During the year, the County entered into a radio tower site lease agreement totaling \$209,800.

More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Economic Factors

The County continues to grow as seen in the increase in assessed property valuations for both residential and commercial entities. The County has continued to solidify the infrastructure of the County by investing in roads and bridges within the County.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's office at Lee County, Texas, 200 S. Main, Room 201, Giddings, Texas 78942.

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BASIC FINANCIAL STATEMENTS

Lee County, Texas
STATEMENT OF NET POSITION
September 30, 2025

	Primary Government Governmental Activities
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 21,389,147
Receivables, net	2,957,432
Prepaid items	245,344
Total Current Assets	24,591,923
Non-Current Assets:	
Net pension asset	368,011
Restricted cash	17,016
Nondepreciable capital assets	15,240,071
Capital assets (net of accumulated depreciation)	28,679,963
Investment in airport	1,903,261
Total Non-Current Assets	46,208,322
Total Assets	70,800,245
<u>Deferred Outflows of Resources</u>	
Pension contributions	594,290
Pension investment experience	49,739
Deferred charge on refunding	5,880
Total Deferred Outflows of Resources	649,909

Lee County, Texas
STATEMENT OF NET POSITION (Continued)
September 30, 2025

	Primary Government Governmental Activities
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 1,578,307
Accrued interest payable	14,012
Due to custodial funds	27,930
Compensated absences, current	373,317
Long-term debt due within one year	812,825
Total Current Liabilities	2,806,391
Non-Current Liabilities:	
OPEB liability	6,368,804
Compensated absences, noncurrent	41,480
Long-term debt due in more than one year	871,202
Total Non-Current Liabilities	7,281,486
Total Liabilities	10,087,877
<u>Deferred Inflows of Resources</u>	
Pension investment earnings	278,625
OPEB changes in assumptions	496,898
OPEB investment experience	538,593
Total Deferred Inflows of Resources	1,314,116
<u>Net Position</u>	
Net investment in capital assets	41,781,603
Restricted	10,105,060
Unrestricted	8,161,498
Total Net Position	\$ 60,048,161

See Notes to Financial Statements.

Lee County, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 5,661,942	\$ 917,807	\$ 340,780	\$ 1,598,465	
Public safety	7,343,109	712,954	541,084	-	
Public works	3,636,294	836,695	26,179	-	
Health and welfare	1,002,837	-	23,871	-	
Culture and recreation	1,931	-	-	-	
Conservation and development	938,971	-	-	-	
Interest and fiscal charges	86,331	-	-	-	
Total Governmental Activities	18,671,415	2,467,456	931,914	1,598,465	
Total Primary Government	\$ 18,671,415	\$ 2,467,456	\$ 931,914	\$ 1,598,465	

General Revenues:

Property taxes

Sales taxes

Other taxes

Investment income

Rents and royalties

Other revenues

Total General Revenues

Change in Net Position

Beginning net position, as previously presented

Implementation of GASB 101

Correction of capital assets

Beginning net position, as adjusted

Ending Net Position

See Notes to Financial Statements.

Net (Expense)
Revenue and
Changes in Net
Position

Governmental
Activities

\$	(2,804,890)
	(6,089,071)
	(2,773,420)
	(978,966)
	(1,931)
	(938,971)
	(86,331)
	(13,673,580)
	(13,673,580)

	14,961,737
	2,025,339
	19,286
	1,137,686
	42,005
	407,764
	18,593,817

	4,920,237
	55,469,635
	(236,129)
	(105,582)
	55,127,924
\$	60,048,161

Lee County, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2025

	General	Road and Bridge	Debt Service
<u>Assets</u>			
Cash and cash equivalents	\$ 10,450,961	\$ 6,884,052	\$ 119,137
Restricted cash	17,016	-	-
Receivables, net	1,930,142	256,520	66,132
Due from other funds	5,298	46,884	2,729
Prepaid items	238,623	6,721	-
Total Assets	\$ 12,642,040	\$ 7,194,177	\$ 187,998
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 865,348	\$ 117,610	\$ 767
Due to other governments	28,302	76	-
Due to custodial fund	27,930	-	-
Due to other funds	71,522	-	5,298
Total Liabilities	993,102	117,686	6,065
<u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	842,238	235,775	66,132
Unavailable revenue - fines and forfeitures	561,785	-	-
Unavailable revenue - grants	16,084	-	-
Total Deferred Inflows of Resources	1,420,107	235,775	66,132
<u>Fund Balances</u>			
Nonspendable:			
Prepaid items	238,623	6,721	-
Restricted:			
Debt service	-	-	115,801
Road and bridge	-	6,833,995	-
Special revenue funds	-	-	-
Committed:			
Capital improvements	-	-	-
Special revenue funds	-	-	-
Unassigned	9,990,208	-	-
Total Fund Balances	10,228,831	6,840,716	115,801
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,642,040	\$ 7,194,177	\$ 187,998

See Notes to Financial Statements.

Courthouse Restoration	Nonmajor Governmental Funds	Total Governmental Funds
\$ 78,258	\$ 3,856,739	\$ 21,389,147
-	-	17,016
696,180	8,458	2,957,432
-	22,269	77,180
-	-	245,344
<u>\$ 774,438</u>	<u>\$ 3,887,466</u>	<u>\$ 24,686,119</u>

\$ 214,013	\$ 352,191	\$ 1,549,929
-	-	28,378
-	-	27,930
-	360	77,180
<u>214,013</u>	<u>352,551</u>	<u>1,683,417</u>

-	-	1,144,145
-	-	561,785
-	-	16,084
<u>-</u>	<u>-</u>	<u>1,722,014</u>

-	-	245,344
-	-	115,801
-	-	6,833,995
-	2,787,253	2,787,253
-	634,290	634,290
-	113,372	113,372
560,425	-	10,550,633
<u>560,425</u>	<u>3,534,915</u>	<u>21,280,688</u>

<u>\$ 774,438</u>	<u>\$ 3,887,466</u>	<u>\$ 24,686,119</u>
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Lee County, Texas
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 21,280,688
Long-term assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	
Nondepreciable capital assets	15,240,071
Depreciable capital assets	54,378,693
Accumulated depreciation	(25,698,730)
The net pension asset is not an available resource and, therefore, is not reported in the funds.	368,011
The investment in airport is considered a long-term investment	1,903,261
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as:	
Unavailable revenue - property taxes	1,144,145
Unavailable revenue - fines and forfeitures	561,785
Unavailable revenue - grants	16,084
Deferred outflows of resources represent a consumption of net position that applies to a future period and is not recognized as an outflow of resources (expense/expenditures) until then	
Pension contributions	594,290
Pension investment experience	49,739
Deferred loss on advance refunding	5,880
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not recognized as an outflow of resources (revenues) until then	
Pension investment earnings	(278,625)
OPEB investment experience	(538,593)
OPEB changes in assumptions	(496,898)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest payable	(14,012)
Bonds, leases, & other liabilities	(1,684,027)
OPEB liability	(6,368,804)
Compensated absences	(414,797)
Net Position of Governmental Activities	\$ 60,048,161

See Notes to Financial Statements.

Lee County, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	General	Road and Bridge	Debt Service
<u>Revenues</u>			
Property taxes	\$ 11,195,111	\$ 2,981,130	\$ 634,710
Sales taxes	1,901,793	123,546	-
Other taxes	19,286	-	-
Fines and forfeitures	660,841	-	-
Charges for services	697,195	836,695	-
Intergovernmental revenue	340,780	26,179	-
Investment income	668,945	297,925	20,483
Rents and royalties	-	42,005	-
Other revenue	180,114	85,272	-
Total Revenues	15,664,065	4,392,752	655,193
<u>Expenditures</u>			
Current:			
General government	5,156,896	-	-
Public safety	7,344,257	-	-
Public works	540,320	4,155,028	-
Health and welfare	766,174	-	-
Culture and recreation	-	-	-
Conservation and development	408,446	-	-
Debt Service:			
Principal	210,218	-	665,000
Interest and fiscal charges	25,844	-	47,328
Total Expenditures	14,452,155	4,155,028	712,328
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,211,910	237,724	(57,135)
<u>Other Financing Sources (Uses)</u>			
Transfers in	23,168	335,854	-
Transfers (out)	(2,454,045)	-	-
Lease issuance	209,800	-	-
Sale of capital assets	88,301	29,243	-
Total Other Financing Sources (Uses)	(2,132,776)	365,097	-
Net Change in Fund Balances	(920,866)	602,821	(57,135)
 Beginning fund balances	 11,149,697	 6,237,895	 172,936
Ending Fund Balances	\$ 10,228,831	\$ 6,840,716	\$ 115,801

See Notes to Financial Statements.

Courthouse Restoration	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 14,810,951
-	-	2,025,339
-	-	19,286
-	-	660,841
-	220,612	1,754,502
1,598,465	548,871	2,514,295
10,912	139,421	1,137,686
-	-	42,005
-	244,790	510,176
<u>1,609,377</u>	<u>1,153,694</u>	<u>23,475,081</u>
-	314,990	5,471,886
-	537,711	7,881,968
-	-	4,695,348
-	228,570	994,744
-	145	145
2,243,957	-	2,652,403
-	-	875,218
-	-	73,172
<u>2,243,957</u>	<u>1,081,416</u>	<u>22,644,884</u>
(634,580)	72,278	830,197
1,857,769	268,924	2,485,715
-	(31,670)	(2,485,715)
-	-	209,800
-	-	117,544
<u>1,857,769</u>	<u>237,254</u>	<u>327,344</u>
1,223,189	309,532	1,157,541
(662,764)	3,225,383	20,123,147
<u>\$ 560,425</u>	<u>\$ 3,534,915</u>	<u>\$ 21,280,688</u>

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Lee County, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total government funds	\$ 1,157,541
Governmental funds report capital outlays 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. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital outlay	5,028,662
Depreciation expense	(2,386,553)
Net effect of capital asset disposals	(169,671)
Change in investment in joint venture	(50,285)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable revenue - property taxes	150,786
Unavailable revenue - fines and forfeitures	52,113
Unavailable revenue - grants	16,084
Bonds and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Principal payment	875,218
Lease issuance	(209,800)
Deferred charge on refunding	(2,938)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net change in compensated absences.	
OPEB expense	(110,533)
Pension expense	635,084
Compensated absences	(55,250)
Accrued interest	(10,221)
Change in Net Position of Governmental Activities	\$ 4,920,237

See Notes to Financial Statements.

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Lee County, Texas
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2025

	<u>County Officials</u>	<u>State Fees</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,378,872	\$ 71,747	\$ 2,450,619
Due from County	-	27,930	27,930
Due from custodial fund	-	13,803	13,803
Total Assets	<u>2,378,872</u>	<u>113,480</u>	<u>2,492,352</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	-	300	300
Due to other entities	2,378,872	-	2,378,872
Due to custodial fund	13,803	-	13,803
Total Liabilities	<u>2,392,675</u>	<u>300</u>	<u>2,392,975</u>
<u>Net Position</u>			
Restricted	(13,803)	113,180	99,377
Total Net Position	<u>\$ (13,803)</u>	<u>\$ 113,180</u>	<u>\$ 99,377</u>

See Notes to Financial Statements.

Lee County, Texas
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2025

		<u>County Officials</u>	<u>State Fees</u>	<u>Total</u>
<u>Additions</u>				
Additions		\$ 39,942,963	\$ 800,810	\$ 40,743,773
Total Additions		<u>39,942,963</u>	<u>800,810</u>	<u>40,743,773</u>
<u>Deductions</u>				
Deductions		42,171,730	795,959	42,967,689
Total Deductions		<u>\$ 42,171,730</u>	<u>\$ 795,959</u>	<u>\$ 42,967,689</u>
Change in Net Position		(2,228,767)	4,851	(2,223,916)
Beginning net position		2,214,964	108,329	2,323,293
Ending Net Position		<u>\$ (13,803)</u>	<u>\$ 113,180</u>	<u>\$ 99,377</u>

See Notes to Financial Statements.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

Lee County, Texas, (the “County”) is an independent government entity created in 1874 from Washington County by an act of the Texas Legislature. The County is governed by Commissioners’ Court, composed of four County Commissioners and the County Judge, all of which are elected officials.

The County’s financial statements include the accounts of all County operations. The County provides a vast array of services including public safety, environmental protections, public transportation, health and welfare, culture and recreation, conservation, public facilities, judicial, legal, and election functions, and general and financial administrative services.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County’s financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *road & bridge fund* is used to account for revenues of property taxes levied and vehicle registration fees for the road & bridge fund. Uses of funds are restricted for the maintenance of roads, bridges, and the operations of related facilities. All precinct operations as well as permanent road monies are accounted for in this fund.

The *debt service fund* is used to account for the payment of interest and principal on all certificate of obligation bonds and other long-term debt of the County. The primary source of revenue for debt service is local property taxes. The County has elected to report the debt service fund as a major fund for reporting purposes.

The *Courthouse Restoration* fund is a capital improvement fund used to account for the restoration of the County's courthouse. The County has elected to report the courthouse restoration fund as a major fund for reporting purposes.

Additionally, the government reports the following fund types:

The *custodial funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

The *special revenue funds* account for resources restricted to, or designated for, specific purposes in a special revenue fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The custodial fund utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, road & bridge fund, courthouse restoration fund, and debt service fund. The capital improvements fund is appropriated on a project-length basis.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within and between departments require the approval of the Commissioners' Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. While all appropriations lapse at year end, surpluses may be re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices.) Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The Local Government Code of Texas authorizes the County to invest in:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) collateral mortgage obligations although significantly limited;
- (4) other obligations, the principal and interest on which are unconditionally guaranteed or insured or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities;
- (5) obligations of state, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
- (6) certificates of deposit issued by state and national banks or savings and loan domiciled in Texas which are:
 - (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
 - (b) secured by obligations of paragraphs (1) to (5) above and that have a market value of not less than the principal amount of the certificates but excluding certain mortgage-backed securities;
 - (c) fully collateralized repurchase agreements, bankers' acceptances, commercial paper, mutual funds, guaranteed investment contracts, and investment pools all of which are required to meet certain restrictive criteria.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets, except for

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives.

<u>Asset Description</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings & improvements	20-50
Machinery & equipment	5-10

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category. It is the deferred charge on refunding and pension outflows reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines and forfeitures, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. *Net position flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. *Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. *Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The commissioners' court is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body has by resolution authorized the county auditor to assign fund balance. The court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The County's policy is to maintain an unassigned fund balance in the general and debt service funds of approximately 25% of budgeted expenditures or debt service to be used during the subsequent fiscal year.

8. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Other Postemployment Benefits*

The County has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The County provides medical and dental benefits to eligible retirees. Effective January 1, 2021, the County pays \$500 of the monthly contribution for the individual medical coverage for retirees; age 50 with 25 years of service at retirement, have been enrolled in the County health insurance program at retirement and at least four years immediately preceding, and not eligible for Medicare at time of retirement. The retiree pays the remainder of the individual contribution and 100% of the contribution for medical dependent coverage and dental coverage. All eligible retirees receive a subsidy at age 65 and older equal to the Plan F Medicare supplement premium. Employees who qualified for original Level 1 benefits at December 31, 2020 still qualify for the benefits retiring after January 1, 2021.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

10. Leases

Lessee: The County is a lessee for lease of vehicles. The lease is noncancellable except in the case of nonappropriation of funds by Commissioners Court. The lease is contingent on the County's appropriation of funds. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

H. Revenues and expenditures/expenses

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property taxes*

Property taxes attach as an enforceable lien on real property and are levied as of October 1st. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Uncollected amounts at year end are reported as deferred revenue. Delinquent property taxes collected within 60 days subsequent to year end were not considered material.

3. *Compensated absences*

The County accounts for vacation and sick leave in accordance with the provisions of GASB Statement No. 101, Compensated Absences.

Under GASB Statement No. 101, the County recognizes a liability for compensated absences for vacation leave that is attributable to services already rendered and for which the County has a present obligation to provide compensation through paid time off or cash settlement. Vacation leave is reported as a liability regardless of whether it is expected to be paid within one year.

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

Sick leave is considered a non-separation benefit and is recognized as a liability only to the extent it is probable that the leave will be used for qualifying absences and the amount can be reasonably estimated. Because unused sick leave is not paid upon separation from

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

employment, the County does not record a liability for sick leave beyond amounts expected to be taken as paid absences in the future.

It is the County's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the County's governmental funds recognize accrued compensated absences when it is paid.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Commissioners' Court prior to the beginning of the year. The legal level of control is the department level for the general fund and road and bridge fund and the fund level for all other funds. The budget cannot be amended without the approval of Commissioners' Court.

Appropriations lapse at the end of the year except in the road and bridge – special revenue fund. Budgets are adopted for all funds. Budgets are adopted on a GAAP basis for all budget funds except for the capital projects fund, which adopts a project length budget. Several supplemental budget appropriations were made for the year ended September 30, 2025.

A. Expenditures Over Appropriations

During the year ended September 30, 2025, public safety and debt service principal expenditures in the general fund exceeded budget appropriations by \$7,376 and \$27,212, respectively.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2025, the County had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity</u>
External investment pool (TexPool)	\$ 1,773,849	51 days
External investment pool (Texas Class)	6,923,529	43 days
	<u>\$ 8,697,378</u>	
Portfolio weighted average maturity		47 days

Interest rate risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Credit risk. State law and the County's investment policy limits investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2025, the County's investments in TexPool and Texas CLASS was rated AAAm by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2025, market values of pledged securities and FDIC insurance exceeded bank balances.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") was created as a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. Finally, Standard & Poor's rate Texas CLASS AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

B. Receivables

The following comprise receivable balances at year end:

	General	Road and Bridge	Debt Service	Courthouse Restoration	Nonmajor Govt.	Total
Taxes receivable	\$ 1,161,584	\$ 256,520	\$ 66,132	\$ -	\$ -	\$ 1,484,236
Fines receivable	8,988,184	-	-	-	-	8,988,184
Grant receivables	28,583	-	-	696,180	-	724,763
Other receivables	178,190	-	-	-	8,458	186,648
Less: allowance	(8,426,399)	-	-	-	-	(8,426,399)
	<u>\$ 1,930,142</u>	<u>\$ 256,520</u>	<u>\$ 66,132</u>	<u>\$ 696,180</u>	<u>\$ 8,458</u>	<u>\$ 2,957,432</u>

C. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2025, follows:

	Beginning Balance	Increases	(Decreases/ Transfers)	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,447,896	\$ -	\$ -	\$ 1,447,896
Construction in progress	11,319,066	2,473,109	-	13,792,175
Total capital assets not being depreciated	<u>12,766,962</u>	<u>2,473,109</u>	<u>-</u>	<u>15,240,071</u>
Other capital assets:				
Infrastructure	20,274,036	1,148,982	-	21,423,018
Buildings & improvements	19,811,722	171,776	(87,753)	19,895,745
Machinery & equipment	11,596,707	1,234,795	(234,297)	12,597,205
Right-to-use assets	597,308	-	(134,583)	462,725
Total other capital assets	<u>52,279,773</u>	<u>2,555,553</u>	<u>(456,633)</u>	<u>54,378,693</u>
Less accumulated depreciation for:				
Buildings & improvements	(7,010,081)	(438,991)	9,019	(7,440,053)
Machinery & equipment	(8,805,919)	(1,199,780)	195,258	(9,810,441)
Infrastructure	(7,486,087)	(606,780)	-	(8,092,867)
Right-to-use assets	(297,052)	(141,002)	82,685	(355,369)
Total accumulated depreciation	<u>(23,599,139)</u>	<u>(2,386,553)</u>	<u>286,962</u>	<u>(25,698,730)</u>
Other capital assets, net	<u>28,680,634</u>	<u>169,000</u>	<u>(169,671)</u>	<u>28,679,963</u>
Total	<u>\$ 41,447,596</u>	<u>\$ 2,642,109</u>	<u>\$ (169,671)</u>	<u>\$ 43,920,034</u>

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Depreciation was charged to governmental functions as follows:

General Government	\$ 316,818
Public Safety	793,576
Public Works	652,636
Health and Welfare	13,494
Conservation and development	610,029
Total Governmental Activities Depreciation Expense	<u>\$ 2,386,553</u>

D. Investment in Airport

The City of Giddings and Lee County co-own and co-operate an airport. Each entity has a 50 percent ownership interest in the airport. The County's share is reported as "investment in airport" on the statement of net position.

The following is the condensed balance sheet and income statement for the airport as of and for the year ended September 30, 2025:

Balance Sheet	
Assets	
Current assets	\$ 674,854
Fixed assets, net	3,589,436
Total Assets	<u>\$ 4,264,290</u>
Liabilities and Retained Earnings	
Accounts payable and accrued liabilities	\$ 336
Due to primary government	353,622
Notes payable	103,810
Total Liabilities	<u>457,768</u>
Retained earnings	3,806,522
Total Liabilities and Retained Earnings	<u>\$ 4,264,290</u>
Lee County Investment in Airport (50%)	<u>\$ 1,903,261</u>

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Income Statement	
<u>Operating Income</u>	
Charges for services	\$ 140,915
Other revenue	39,333
Total Operating Income	<u>180,248</u>
<u>Operating Expenses</u>	
Cost of sales	115,463
Interest expense	4,323
Depreciation	175,172
Total Operating Expenses	<u>294,958</u>
<u>Other Income (Expense)</u>	
Interest income	14,140
Total Other Income (Expense)	<u>14,140</u>
<u>Net Income (Loss)</u>	<u>\$ (100,570)</u>
Net Income (Loss) Attributable to Lee County (50%)	<u>\$ (50,285)</u>

E. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2015 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled \$5,880. Current year amortization expense for governmental activities totaled \$2,938.

F. Long-Term Debt

The following is a summary of changes in the County's total governmental long-term liabilities for the year ended September 30, 2025. In general, the County uses the road and bridge and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
2015 General Obligation Refunding Bond	\$ 2,040,000	\$ -	\$ (665,000)	\$ 1,375,000	\$ 680,000
Lease liabilities	309,445	209,800	(210,218)	309,027	132,825
Total Governmental Activities	<u>\$ 2,349,445</u>	<u>\$ 209,800</u>	<u>\$ (875,218)</u>	<u>\$ 1,684,027</u>	<u>\$ 812,825</u>
Long-term liabilities due in more than one year				<u>\$ 871,202</u>	

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

In September 2015, the County issued \$7,375,000 in bonds, bearing an annual interest rate of 2.32%. Principal payments are due annually on September 1 through September 2027.

In September 2022, the County entered into eight vehicle lease agreements with Enterprise. All eight leases have a term of 4 years, with monthly lease payments ranging from \$1,524 to \$1,651 and interest is stated at 6.96%.

In June 2024, the County entered into a radio tower site lease agreement with Motorola. The lease has a term of ten years, with annual lease payments of \$91,395 and interest is stated at 5.42%. As of September 30, 2024, the lease was not in service. In the current year, a portion of the lease was put into service totaling \$209,800. The in-service portion of the lease has a term of ten years, with annual payments of \$27,727 and a stated interest rate of 5.42%.

Long-term debt obligations of the County as of September 30, 2025, are as follows:

Fiscal Year	GO Refunding Bonds		Total
	Principal	Interest	
2026	\$ 680,000	\$ 31,900	\$ 711,900
2027	695,000	16,124	711,124
Total	\$ 1,375,000	\$ 48,024	\$ 1,423,024

Fiscal Year	Lease Liabilities		Total
	Principal	Interest	
2026	\$ 132,825	\$ 14,850	\$ 147,675
2027	18,177	9,550	27,727
2028	19,162	8,565	27,727
2029	20,201	7,526	27,727
2030	21,295	6,431	27,726
2031-2034	97,367	13,541	110,908
Total	\$ 309,027	\$ 60,463	\$ 369,490

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

G. Other Long-term Liabilities

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the County uses the general fund to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 359,547	\$ 706,285	\$ (651,035)	\$ 414,797	\$ 373,317
Total Governmental Activities	<u>\$ 359,547</u>	<u>\$ 706,285</u>	<u>\$ (651,035)</u>	<u>\$ 414,797</u>	<u>\$ 373,317</u>
 Long-term Liabilities Due in More than One Year				<u>\$ 41,480</u>	

H. Interfund Transactions

Operating transfers between the primary governmental funds during the 2025 year were as follows:

<u>Transfer In:</u>	<u>Transfers (Out):</u>		
	<u>General</u>	<u>Nonmajor Govt</u>	<u>Total</u>
General	\$ -	\$ 23,168	\$ 23,168
Road & Bridge	335,854	-	335,854
Courthouse Restoration	1,857,769	-	1,857,769
Nonmajor govt.	260,422	8,502	268,924
Total	<u>\$ 2,454,045</u>	<u>\$ 31,670</u>	<u>\$ 2,485,715</u>

The composition of interfund balances as of September 30, 2025, is as follows:

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Due to (Payable fund):				
Due from (Receivable fund):	General	Debt Service	Nonmajor Govt.	Total
General	\$ -	\$ 5,298	\$ -	\$ 5,298
Road and Bridge	46,884	-	-	46,884
Debt Service	2,729	-	-	2,729
Nonmajor govt.	21,909	-	360	22,269
Fiduciary funds (net)	27,930	-	-	27,930
	<u>\$ 99,452</u>	<u>\$ 5,298</u>	<u>\$ 360</u>	<u>\$ 105,110</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

I. Restricted Net Position and Fund Balance

The County records restricted and committed fund balances for the following items:

Nonspendable for:

Prepaid items \$ 245,344

Restricted for:

Debt service \$ 115,801
Road and bridge 6,833,995
*Special revenue funds 2,787,253
**Pensions 368,011

Total Restricted \$ 10,105,060

Committed for:

Capital improvements \$ 634,290
Special revenue funds 113,372

Total Committed \$ 747,662

*Restricted by enabling legislation or grant restrictions

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the County carries commercial insurance. In addition, the County participates along with 338 other entities in the Texas Association of Counties Workers' Compensation Self-Insurance Fund. The Texas Association of Counties created this pool in 1974 to insure the County for worker compensation related claims. The County also provides its employees benefits, including

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

medical and life insurance, which the County obtains through the Texas Association of Counties Insurance Trust Fund. This pool purchases commercial insurance at group rates for participants in the pool. The County has no additional risk or responsibility to either of the pools in which it participates, outside of payment of insurance premiums. The County has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

The County reports liabilities when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency, and amount of payout and other economic and social factors. The liability for claims and judgments is reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2025.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the County could result. Although the County does not anticipate that it will have any arbitrage liability, it will periodically engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations, if warranted.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

D. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies.

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The County's deferred compensation plan is administered by a private corporation under contract with the County.

E. Defined Benefit Pension Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive annual financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at: P. O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the Commissioners' Court within the options available in Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ACDR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using a rate of 10.33% for the months of the accounting year in 2025 and 10.00% for the months of the accounting year in 2024.

The Commissioners' Court adopted the rate of 5% as the contribution rate payable by the employee members for calendar year 2025. The Commissioners' Court may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

Contributions (Fiscal Year)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Annual Req. Contribution (ARC)	\$ 707,274	\$ 647,979	\$ 663,052
Contributions Made	(796,641)	(692,675)	(663,052)
Excess / (Deficiency)	<u>\$ 89,367</u>	<u>\$ 44,696</u>	<u>\$ -</u>

Annual Pension Costs

The County's schedule of funding information can be found in the Required Supplemental Information section of this report.

The required contribution rates for fiscal year 2025 were determined as part of the December 31, 2024 actuarial valuation.

Additional information as of the three latest actuarial valuations also follows:

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Valuation Date	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of	Level Percent of	Level Percent of
	payroll, closed	payroll, closed	payroll, closed
Amortization Period	12.8 years	10.5 years	9.3 years
in years			
Asset Valuation Method	5-year Smoothed	5-year Smoothed	5-year Smoothed
	Fund	Fund	Fund
Actuarial Assumptions:			
Investment Rate of	7.5%	7.6%	7.6%
Return *			
Projected Salary	4.70%	4.70%	4.70%
Increases *			
* Includes Inflation at	2.50%	2.50%	2.50%
stated-rate			
Cost-of Living			
Adjustments	0.0%	0.0%	0.0%

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	111
Active employees	136
Total	<u>335</u>

Net Pension Liability (Asset)

The County's Net Pension Liability (Asset) was measured as of December 31, 2024, and the Total Pension Liability (Asset) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TCDRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments is 8.1% gross of administrative expenses. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	8.15%
Global Equities	MSCI World (net) Index	4.00%	5.15%
International Equities – Developed	MSCI World Ex USA (net) Index	6.00%	4.75%
International Equities – Emerging	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index (3)	4.00%	6.80%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	4.95%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-day U.S. Treasury	2.00%	1.10%

- (1) Target asset allocation adopted at the March 2025 TCDRS Board meeting.
(2) Geometric real rates of return in addition to assumed inflation of 2.35%, per Cliffwater's 2025 capital market assumptions.
(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.
(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.6%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Lee County, Texas
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For the Year Ended September 30, 2025

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/23	\$ 26,645,304	\$ 26,085,568	\$ 559,736
Changes for the year:			
Service cost	714,519	-	714,519
Interest on total pension liability ⁽¹⁾	2,028,712	-	2,028,712
Effect of plan changes (2)	-	-	-
Effect on economic/demographic gains or losses	26,134	-	26,134
Effect of assumptions changes or inputs	-	-	-
Refund on contributions	(41,380)	(41,380)	-
Benefit payments	(1,315,956)	(1,315,956)	-
Administrative expense	-	(15,474)	15,474
Member contributions	-	348,319	(348,319)
Net investment income	-	2,652,842	(2,652,842)
Employer contributions	-	719,628	(719,628)
Other ⁽³⁾	-	(8,203)	8,203
Balance at 12/31/24	<u>\$ 28,057,333</u>	<u>\$ 28,425,344</u>	<u>\$ (368,011)</u>

(1) Reflects the change in the liability due to the time value of money. TCERS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the County, calculated using the discount rate of 7.60%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

1% Decrease 6.60%	Current Single Rate Assumption 7.60%	1% Increase 8.60%
\$ 3,095,306	\$ (368,011)	\$ (3,287,488)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the internet at www.tcdrs.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2025, the County recognized pension expense of \$160,426.

At September 30, 2025, the County reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between projected and investment earnings	\$ -	\$ (278,625)
Differences between expected and actual economic experience	49,739	-
Contributions subsequent to the measurement date	594,290	-
Total	\$ 644,029	\$ (278,625)

The County reported \$594,290 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026.

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2025	\$ (203,113)
2026	402,896
2027	(292,266)
2028	(136,403)
2029	-
	\$ (228,886)

Other Postemployment Benefits

The County provides medical and dental benefits to eligible retirees. Effective January 1, 2021, the County pays \$500 of the monthly contribution for the individual medical coverage for retirees; age 50 with 25 years of service at retirement, have been enrolled in the County health insurance program at retirement and at least four years immediately preceding, and not eligible for Medicare at time of retirement. The retiree pays the remainder of the individual contribution and 100% of the contribution for medical dependent coverage and dental coverage. All eligible retirees receive a subsidy at age 65 and older equal to the Plan F Medicare supplement premium. Employees who qualified for original Level 1 benefits at December 31, 2020 still qualify for the benefits retiring after January 1, 2021.

Employees covered by benefit terms

At the September 30, 2024 valuation date (the most recent valuation performed) and a measurement date of September 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	0
Active employees	84
Total	122

Lee County, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

Schedule of Funding Progress

Below is the schedule of funding progress. Ultimately 10 years of funding progress will be presented in the financial statements.

Measurement Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
30-Sep-18	\$ -	\$ 5,616,270	\$ 5,616,270	0.00%	\$ 4,511,731	124.48%
30-Sep-19	\$ -	\$ 6,023,280	\$ 6,023,280	0.00%	\$ 5,041,491	119.47%
30-Sep-20	\$ -	\$ 7,584,072	\$ 7,584,072	0.00%	\$ 4,569,346	165.98%
30-Sep-21	\$ -	\$ 7,976,574	\$ 7,976,574	0.00%	\$ 4,569,346	174.57%
30-Sep-22	\$ -	\$ 5,113,524	\$ 5,113,524	0.00%	\$ 5,076,590	100.73%
30-Sep-23	\$ -	\$ 5,436,313	\$ 5,436,313	0.00%	\$ 5,076,590	107.09%
30-Sep-24	\$ -	\$ 5,980,035	\$ 5,980,035	0.00%	\$ 5,643,002	105.97%
30-Sep-25	\$ -	\$ 6,368,804	\$ 6,368,804	0.00%	\$ 6,966,387	91.42%

Total OPEB Liability

The County's Postemployment Benefits Other Than Pensions Liability for the benefit plan was measured as of September 30, 2025 by use of rollforward procedures, and the Total OPEB Liability was determined by an actuarial valuation as of September 30, 2024.

Actuarial assumptions:

The Total OPEB Liability in the September 30, 2024 actuarial valuation (most recent date available) was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Discount Rate	4.06% (1.56% real rate of return plus 2.50% inflation)

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RPH-2014 Total Table with Projection MP-2021.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

Sensitivity Analysis of the Trend and Discount Rate

GASB 75 requires that a sensitivity analysis of the trend and discount rates used in the valuation. The sensitivity is plus or minus 1% from the base rates used in the valuation. The values shown below are as of September 30, 2025.

Healthcare Trend		
1% Decrease (3.50%)	Current Trend 4.50%	1% Increase (5.50%)
\$ 5,414,482	\$ 6,368,804	\$ 7,592,007

Discount Rate		
1% Increase (5.06%)	Current Discount Rate 4.06%	1% Decrease (3.06%)
\$ 5,494,957	\$ 6,368,804	\$ 7,459,961

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 9/30/2024	\$ 5,980,035
Changes for the year:	
Service Cost	304,322
Interest	251,749
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(167,302)
Net changes	388,769
Balance at 9/30/2025	\$ 6,368,804

Total OPEB Expense

This expense includes the service cost, interest cost, and the amortized amount for each basis required by GASB 75.

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

<u>Total OPEB Expense</u>	<u>Fiscal Year 2025</u>
Service Cost	\$ 304,322
Changes for the year:	
Interest Cost (including interest on Service Cost)	251,749
Change in assumptions	(105,464)
Difference between expected and actual experience	(172,773)
Total OPEB Expense as of 9/30/2025	<u><u>\$ 277,834</u></u>

At September 30, 2025, the County reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ (538,593)
Changes in assumptions	(496,898)
Total	<u><u>\$ (1,035,491)</u></u>

The County reported \$0 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	
2026	\$ (310,688)
2027	(449,039)
2028	(333,163)
2029	33,764
2030	23,635
Thereafter	-
	<u><u>\$ (1,035,491)</u></u>

Lee County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

F. Restatement

The County restated beginning net position due to the implementation of GASB 101, *Compensated Absences*. The County restated beginning net position is as follows:

	Governmental Activities
Prior year ending net position, as reported	\$ 55,469,635
Implementation of GASB 101, <i>Compensated Absences</i>	(236,129)
Correction to capital assets	(105,582)
Restated beginning net position/fund balance	<u>\$ 55,127,924</u>

G. New Accounting Pronouncements

The County adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a “full accrual” basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of \$236,129 as of September 30, 2024.

H. Subsequent Events

There were no material subsequent events through July 24, 2026, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Lee County, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<u>Revenues</u>				
Property taxes	\$ 11,016,027	\$ 11,016,027	\$ 11,195,111	\$ 179,084
Sales taxes	1,543,058	1,543,058	1,901,793	358,735
Other taxes	16,000	16,000	19,286	3,286
Fines and forfeitures	540,000	540,000	660,841	120,841
Charges for services	589,750	589,750	697,195	107,445
Intergovernmental revenue	183,755	183,755	340,780	157,025
Investment income	300,000	300,000	668,945	368,945
Other revenue	84,400	84,400	180,114	95,714
Total Revenues	14,272,990	14,272,990	15,664,065	1,391,075
<u>Expenditures</u>				
General government	5,976,573	5,882,017	5,156,896	725,121
Public safety	7,337,420	7,334,763	7,344,257	(9,494) *
Public works	707,412	729,512	540,320	189,192
Health and welfare	768,500	773,640	766,174	7,466
Conservation and development	397,426	464,742	408,446	56,296
Debt Service:				
Principal	180,644	183,006	210,218	(27,212) *
Interest and fiscal charges	51,660	51,955	25,844	26,111
Total Expenditures	15,419,635	15,419,635	14,452,155	967,480
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,146,645)	(1,146,645)	1,211,910	2,358,555
<u>Other Financing Sources</u>				
<u>(Uses)</u>				
Transfers (out)	(4,330,980)	(4,330,980)	(2,454,045)	1,876,935
Transfers in	253,000	253,000	23,168	(229,832)
Lease issuance	-	-	209,800	209,800
Sale of capital assets	5,500	5,500	88,301	82,801
Total Other Financing				
Sources (Uses)	(4,072,480)	(4,072,480)	(2,132,776)	1,939,704
Net Change in Fund Balance	\$ (5,219,125)	\$ (5,219,125)	(920,866)	\$ 4,298,259
Beginning fund balance			11,149,697	
Ending Fund Balance			\$ 10,228,831	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.
2. * Expenditures were in excess of appropriations at the legal level of control.

Lee County, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended September 30, 2025

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<u>Revenues</u>				
Property taxes	\$ 2,915,156	\$ 2,915,156	\$ 2,981,130	\$ 65,974
Sales taxes	96,000	96,000	123,546	27,546
Charges for services	708,000	708,000	836,695	128,695
Intergovernmental revenue	21,000	21,000	26,179	5,179
Investment income	98,000	98,000	297,925	199,925
Rents and royalties	7,000	7,000	42,005	35,005
Other revenue	421,974	421,974	85,272	(336,702)
Total Revenues	4,267,130	4,267,130	4,392,752	125,622
<u>Expenditures</u>				
Public works	9,025,994	9,011,994	4,155,028	4,856,966
Debt Service:				
Principal	-	7,000	-	7,000
Interest and fiscal charges	-	7,000	-	7,000
Total Expenditures	9,025,994	9,025,994	4,155,028	4,870,966
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(4,758,864)	(4,758,864)	237,724	4,996,588
<u>Other Financing Sources (Uses)</u>				
Transfers in	798,454	798,454	335,854	(462,600)
Transfers (out)	(472,974)	(472,974)	-	472,974
Sale of capital assets	-	-	29,243	29,243
Total Other Financing				
Sources (Uses)	325,480	325,480	365,097	39,617
Net Change in Fund Balance	\$ (4,433,384)	\$ (4,433,384)	602,821	\$ 5,036,205
Beginning fund balance			6,237,895	
Ending Fund Balance			\$ 6,840,716	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

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Lee County, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COURTHOUSE RESTORATION
For the Year Ended September 30, 2025

	<u>Budgeted Amounts Original & Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Intergovernmental	\$ -	\$ 1,598,465	\$ 1,598,465
Investment income	-	10,912	10,912
Total Revenues	<u>-</u>	<u>1,609,377</u>	<u>1,609,377</u>
<u>Expenditures</u>			
Conservation and development	3,500,000	2,243,957	1,256,043
Total Expenditures	<u>3,500,000</u>	<u>2,243,957</u>	<u>1,256,043</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,500,000)</u>	<u>(634,580)</u>	<u>2,865,420</u>
<u>Other Financing Sources</u>			
Transfers in	3,500,000	1,857,769	(1,642,231)
Total Other Financing Sources	<u>3,500,000</u>	<u>1,857,769</u>	<u>(1,642,231)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>1,223,189</u>	<u>\$ 1,223,189</u>
Beginning fund balance		<u>(662,764)</u>	
Ending Fund Balance		<u>\$ 560,425</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Lee County, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

For the Year Ended December 31,

	2024	2023	2022	2021
Total pension liability				
Service cost	\$ 714,519	\$ 630,253	\$ 592,611	\$ 540,919
Interest	2,028,712	1,920,255	1,831,742	1,745,787
Effect of plan changes	-	-	-	-
Differences between expected and actual experience	26,134	100,689	(50,514)	164,184
Changes of assumptions	-	-	-	(150,355)
Benefit payments, including refunds of participant contributions	(1,357,336)	(1,261,212)	(1,232,976)	(1,209,925)
Net change in total pension liability	1,412,029	1,389,985	1,140,863	1,090,610
Total pension liability - beginning	\$ 26,645,304	\$ 25,255,319	\$ 24,114,456	\$ 23,023,846
Total pension liability - ending (a)	\$ 28,057,333	\$ 26,645,304	\$ 25,255,319	\$ 24,114,456
Plan fiduciary net position				
Contributions - employer	\$ 719,628	\$ 686,723	\$ 636,796	\$ 553,397
Contributions - members	348,319	332,393	308,227	276,699
Net investment income	2,652,842	2,606,381	(1,472,090)	4,633,472
Benefit payments, including refunds of participant contributions	(1,357,336)	(1,261,212)	(1,232,976)	(1,209,925)
Administrative expenses	(15,474)	(13,621)	(13,911)	(13,812)
Other	(8,203)	(2,598)	(19,207)	(302)
Net change in plan fiduciary net position	2,339,776	2,348,066	(1,793,161)	4,239,529
Plan fiduciary net position - beginning	26,085,568	23,737,502	25,530,663	21,291,134
Plan fiduciary net position - ending (b)	\$ 28,425,344	\$ 26,085,568	\$ 23,737,502	\$ 25,530,663
Fund's net pension liability(asset) - ending (a)-(b)	\$ (368,011)	\$ 559,736	\$ 1,517,817	\$ (1,416,207)
 Plan fiduciary net position as a percentage of the total pension liability (asset)	 101.31%	 97.90%	 93.99%	 105.87%
Covered payroll	\$ 6,966,387	\$ 6,647,852	\$ 6,164,531	\$ 5,533,990
Fund's net position as a percentage of covered payroll	-5.28%	8.42%	24.62%	-25.59%

2020	2019	2018	2017	2016	2015
\$ 487,456	\$ 470,912	\$ 471,183	\$ 451,439	\$ 448,008	\$ 407,706
1,668,435	1,558,688	1,472,011	1,360,346	1,256,711	1,190,768
-	90,805	-	150,235	-	(50,835)
(3,320)	88,611	(49,623)	73,375	94,226	(137,074)
1,220,145	-	-	110,280	-	171,136
(901,198)	(841,290)	(805,842)	(768,548)	(734,713)	(722,264)
2,471,518	1,367,726	1,087,729	1,377,127	1,064,232	859,437
\$ 20,552,328	\$ 19,184,602	\$ 18,096,873	\$ 16,719,746	\$ 15,655,514	\$ 14,796,077
\$ 23,023,846	\$ 20,552,328	\$ 19,184,602	\$ 18,096,873	\$ 16,719,746	\$ 15,655,514
\$ 262,013	\$ 445,390	\$ 432,560	\$ 420,940	\$ 401,701	\$ 218,299
524,025	259,552	252,075	245,303	234,080	374,672
2,006,158	2,761,273	(323,153)	2,213,410	1,049,163	51,611
(901,198)	(841,290)	(805,842)	(768,548)	(734,713)	(722,264)
(15,579)	(14,800)	(13,505)	(11,487)	(11,381)	(10,209)
(6,083)	(1,962)	(1,878)	(1,479)	72,035	14,544
1,869,336	2,608,163	(459,743)	2,098,139	1,010,885	(73,347)
19,421,798	16,813,635	17,273,378	15,175,239	14,164,354	14,237,701
\$ 21,291,134	\$ 19,421,798	\$ 16,813,635	\$ 17,273,378	\$ 15,175,239	\$ 14,164,354
\$ 1,732,712	\$ 1,130,530	\$ 2,370,967	\$ 823,495	\$ 1,544,507	\$ 1,491,160
92.47%	94.50%	87.64%	95.45%	90.76%	90.48%
\$ 5,240,266	\$ 5,191,039	\$ 5,041,491	\$ 4,906,064	\$ 4,681,455	\$ 4,365,978
33.07%	21.78%	47.03%	16.79%	32.99%	34.15%

Lee County, Texas
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
For the Year Ended September 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined employer contributions	\$ 707,274	\$ 647,979	\$ 663,052	\$ 612,348
Contributions in relation to the actuarially determined contribution	<u>\$ 796,641</u>	<u>\$ 692,675</u>	<u>\$ 663,052</u>	<u>\$ 612,348</u>
Contribution (deficiency) excess	\$ 89,367	\$ 44,696	\$ -	\$ -
Annual covered payroll	\$ 7,711,914	\$ 6,761,023	\$ 6,575,597	\$ 5,975,194
Employer contributions as a percentage of covered payroll	10%	10%	10%	10%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	9.3 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5 Year smoothed market
Inflation	2.5%
Salary Increases	Varies by age and service. 4.7% average, including inflation
Investment Rate of Return	7.50%
Retirement Age	Members who are eligible for service retirement age are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality 135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Other Information:

Notes No changes in plan provisions were reflected in the Schedule.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 543,826	\$ 502,705	\$ 441,515	\$ 377,633	\$ 433,157	\$ 376,901
<u>\$ 543,826</u>	<u>\$ 502,705</u>	<u>\$ 441,515</u>	<u>\$ 430,291</u>	<u>\$ 485,035</u>	<u>\$ 396,467</u>
\$ -	\$ -	\$ -	\$ 52,658	\$ 51,878	\$ 19,566
\$ 5,438,262	\$ 5,223,922	\$ 5,145,858	\$ 5,015,050	\$ 5,653,086	\$ 4,620,824
10%	10%	9%	9%	9%	9%

Lee County, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS RETIREE HEALTHCARE

Year Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Total OPEB liability				
Service cost	\$ 304,322	\$ 219,031	\$ 219,031	\$ 361,833
Interest	251,749	265,770	250,855	185,959
Differences between expected and actual experience	-	(374,350)	-	(483,972)
Changes of assumptions	-	600,573	-	(2,779,773)
Benefit payments, including refunds of participant contributions	(167,302)	(167,302)	(147,097)	(147,097)
Net change in total OPEB liability	388,769	543,722	322,789	(2,863,050)
Total OPEB liability - beginning	\$ 5,980,035	\$ 5,436,313	\$ 5,113,524	\$ 7,976,574
Total OPEB liability - ending	\$ 6,368,804	\$ 5,980,035	\$ 5,436,313	\$ 5,113,524
 Covered payroll	 \$ 6,966,387	 \$ 5,643,002	 \$ 5,076,590	 \$ 5,076,590
County's total OPEB liability as a percentage of covered payroll	91%	106%	107%	101%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u> ¹
\$ 361,833	\$ 290,720	\$ 290,720	\$ 278,261
177,135	253,375	231,582	221,489
-	(308,524)	-	-
-	1,471,687	-	-
(146,466)	(146,466)	(115,292)	(121,202)
<u>392,502</u>	<u>1,560,792</u>	<u>407,010</u>	<u>378,548</u>
\$ 7,584,072	\$ 6,023,280	\$ 5,616,270	\$ 5,237,722
<u>\$ 7,976,574</u>	<u>\$ 7,584,072</u>	<u>\$ 6,023,280</u>	<u>\$ 5,616,270</u> ²
\$ 4,569,346	\$ 4,569,346	\$ 5,041,491	\$ 4,511,731
175%	166%	119%	124%

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***COMBINING STATEMENTS
AND SCHEDULES AND
OTHER SUPPLEMENTARY INFORMATION***

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Economic Development Fund - This fund is used to account for revenue collected for the purpose of economic development within Lee County.

Election Contract - This fund accounts for the revenue collected for the purpose of facilitating local elections

Indigent Care Fund - This fund is used to account for funds dedicated for the healthcare of the indigent within Lee County.

Flood Grant - This fund is used to account for grant funds collected for flood related repairs and maintenance

Law Library Fund - This fund accounts for the operation of a law library for use by members of the Texas Bar Association. Financing is provided from fees assessed in each civil case filed in the County and District Courts.

Recycling Fund - This fund is used to account for recycling expenses incurred by the County.

Court Appointed Attorney Fund - This fund is used to account for funds dedicated to and expenses incurred for court appointed attorneys.

Right of Way Fund - This fund is used for the upkeep and expenses related to the County's right of ways.

Historical Commission Fund - Revenues received by the Historical Commission are recorded in this fund. The purpose of the fund is to preserve the heritage of the Lee County area and to promote its history.

County Clerk Records Management Fund - Fees collected by the County Clerk, as approved by the Texas Legislature, are accounted for in this fund. The requests to expend funds collected are addressed to Commissioners Court.

Hot Check Fund - This fund is used to collect and remit restitution for insufficient checks.

Sheriff's Office Seizure Fund - Funds collected in connection with gambling, drug seizures and forfeitures, for the use of the District Attorney or Sheriff are deposited into this fund.

Hospital District Fund - This fund is used to account for property tax revenue collected and expenses incurred related to the County's now defunct Hospital District. All revenue received in this fund is from past due property taxes. Funds are spent on health and welfare within the County.

Dedicated Funds - Fees collected by the County and District Clerk for various agencies are accumulated in this fund until payment is made.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (continued)

American Rescue Plan - This fund accounts for revenues and expenditures related to the American Rescue Plan grants.

Court Appointed Seizure Fund - Funds collected in connection with gambling, drug seizures and forfeitures, for the use of the District Attorney to help offset the additional costs of the District Clerk's office are recorded in this fund.

Gambling Seizure Fund - This fund accounts for money seized from illegal gambling to be used in for law enforcement expenses.

Hava Grant Fund - This fund accounts for revenues and expenditures related to the Hava Grant.

CARES Act Fund - This fund accounts for revenues and expenditures related to the CARES Act grants.

Fletcher Buildings Fund - This fund accounts for donated money dedicated for the repair and maintenance of the Fletcher buildings

Capital Improvements Fund - Funds dedicated to capital improvement projects are recorded in this fund.

Rural Sheriff's Office Grant - Funds/expenses related to grants received for the sheriff's office are recorded in this fund

Rural Prosecutor's Office Grant - Funds/expenses related to grants received for the prosecutor's office are recorded in this fund

Inmate Phone Time Income - Funds received from inmate phone services are recorded in this fund.

Opioid Abatement Fund - Funds received from settlement proceeds and used for opioid remediation and abatement programs.

Lee County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 2)
September 30, 2025

Special Revenue Funds					
	Economic Development	Election Contract	Indigent Care	Flood Grant	Law Library
<u>Assets</u>					
Cash and cash equivalents	\$ 322,244	\$ 136,475	\$ 222,570	\$ 727	\$ 52,986
Receivables, net	-	-	-	-	1,070
Due from other funds	-	-	-	-	490
Total Assets	\$ 322,244	\$ 136,475	\$ 222,570	\$ 727	\$ 54,546
<u>Liabilities</u>					
Accounts payable and accrued expenses	\$ -	\$ -	\$ 5,466	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	5,466	-	-
<u>Fund Balances</u>					
Restricted	322,244	136,475	217,104	727	54,546
Committed	-	-	-	-	-
Total Fund Balances	322,244	136,475	217,104	727	54,546
Total Liab., Deferred Inflows of Resources, and Fund Balances	\$ 322,244	\$ 136,475	\$ 222,570	\$ 727	\$ 54,546

See Notes to Financial Statements.

Special Revenue Funds

Recycling	Court Appointed Attorney	Right of Way	Historical Commission	County Clerk Records Mgmt.	Rural Sheriff's Office Grant	Rural Prosecutor's Office Grant
\$ 74,490	\$ 208,986	\$ 35,970	\$ 14,173	\$ 110,300	\$ 73,471	\$ 186,652
-	622	-	-	-	-	-
-	937	-	-	4,338	-	-
<u>\$ 74,490</u>	<u>\$ 210,545</u>	<u>\$ 35,970</u>	<u>\$ 14,173</u>	<u>\$ 114,638</u>	<u>\$ 73,471</u>	<u>\$ 186,652</u>
\$ 11,261	\$ 6,000	\$ -	\$ -	\$ 7	\$ 63,596	\$ 1,542
-	-	-	-	-	-	-
<u>11,261</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>63,596</u>	<u>1,542</u>
-	204,545	-	-	114,631	9,875	185,110
63,229	-	35,970	14,173	-	-	-
<u>63,229</u>	<u>204,545</u>	<u>35,970</u>	<u>14,173</u>	<u>114,631</u>	<u>9,875</u>	<u>185,110</u>
<u>\$ 74,490</u>	<u>\$ 210,545</u>	<u>\$ 35,970</u>	<u>\$ 14,173</u>	<u>\$ 114,638</u>	<u>\$ 73,471</u>	<u>\$ 186,652</u>

Lee County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 2)
September 30, 2025

	Special Revenue Funds					
	Hot Check	Sheriff's Office Seizure	Hospital District	Dedicated Funds	Court Atty Special Funds	Inmate Phone Time Income
<u>Assets</u>						
Cash and cash equivalents	\$ 35,491	\$ 28,624	\$ 80	\$ 1,075,077	\$ 357,491	\$ 83,077
Receivables, net	642	-	-	6,124	-	-
Due from other funds	195	-	-	10,304	360	5,645
Total Assets	\$ 36,328	\$ 28,624	\$ 80	\$ 1,091,505	\$ 357,851	\$ 88,722
<u>Liabilities</u>						
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 1,465	\$ 262,094	\$ -
Due to other funds	-	-	-	360	-	-
Total Liabilities	-	-	-	1,825	262,094	-
Fund Balances:						
Restricted	36,328	28,624	80	1,089,680	95,757	88,722
Committed	-	-	-	-	-	-
Total Fund Balances	36,328	28,624	80	1,089,680	95,757	88,722
Total Liab., Deferred Inflows of Resources, and Fund Balances	\$ 36,328	\$ 28,624	\$ 80	\$ 1,091,505	\$ 357,851	\$ 88,722

See Notes to Financial Statements.

Special Revenue Funds

American Rescue Plan	Gambling Seizure	Hava Grant	Opioid Abatement	Fletcher Buildings	Capital Improvements	Total Nonmajor Governmental
\$ 99,474	\$ 5,366	\$ 27,008	\$ 20,495	\$ 51,222	\$ 634,290	\$ 3,856,739
-	-	-	-	-	-	8,458
-	-	-	-	-	-	22,269
<u>\$ 99,474</u>	<u>\$ 5,366</u>	<u>\$ 27,008</u>	<u>\$ 20,495</u>	<u>\$ 51,222</u>	<u>\$ 634,290</u>	<u>\$ 3,887,466</u>
\$ -	\$ -	\$ -	\$ -	\$ 760	\$ -	\$ 352,191
-	-	-	-	-	-	360
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>760</u>	<u>-</u>	<u>352,551</u>
99,474	5,366	27,008	20,495	50,462	-	2,787,253
-	-	-	-	-	634,290	747,662
<u>99,474</u>	<u>5,366</u>	<u>27,008</u>	<u>20,495</u>	<u>50,462</u>	<u>634,290</u>	<u>3,534,915</u>
<u>\$ 99,474</u>	<u>\$ 5,366</u>	<u>\$ 27,008</u>	<u>\$ 20,495</u>	<u>\$ 51,222</u>	<u>\$ 634,290</u>	<u>\$ 3,887,466</u>

Lee County, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (page 1 of 2)

For the Year Ended September 30, 2025

	Special Revenue Funds				
	Economic Development	Election Contract	Indigent Care	Flood Grant	Law Library
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 11,541
Intergovernmental	-	-	23,871	-	-
Investment income	34,683	-	-	9	1,948
Other revenue	23,562	42,670	249	-	-
Total Revenues	58,245	42,670	24,120	9	13,489
Expenditures					
Current:					
General government	18,198	10,037	1,888	-	1,808
Public safety	-	-	-	-	-
Health and welfare	-	-	228,570	-	-
Culture and recreation	-	-	-	-	-
Total Expenditures	18,198	10,037	230,458	-	1,808
Excess (Deficiency) of Revenues Over Expenditures	40,047	32,633	(206,338)	9	11,681
Other Financing Sources (Uses)					
Transfers in	-	-	220,000	-	-
Transfers (out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	220,000	-	-
Net Change in Fund Balances	40,047	32,633	13,662	9	11,681
Beginning fund balances	282,197	103,842	203,442	718	42,865
Ending Fund Balances	\$ 322,244	\$ 136,475	\$ 217,104	\$ 727	\$ 54,546

See Notes to Financial Statements.

Special Revenue Funds

Recycling	Court Appointed Attorney	Right of Way	Historical Commission	County Clerk Records Mgmt	Rural Sheriff's Office Grant	Rural Prosecutor's Office Grant
\$ -	\$ -	\$ -	\$ -	\$ 46,200	\$ -	\$ -
-	-	-	-	-	350,000	175,000
-	8,360	1,437	1,516	12,852	7,713	9,076
19,047	23,738	-	19	-	-	-
<u>19,047</u>	<u>32,098</u>	<u>1,437</u>	<u>1,535</u>	<u>59,052</u>	<u>357,713</u>	<u>184,076</u>
53,710	22,294	-	-	46,720	-	-
-	-	-	-	-	353,002	103,134
-	-	-	-	-	-	-
-	-	-	145	-	-	-
<u>53,710</u>	<u>22,294</u>	<u>-</u>	<u>145</u>	<u>46,720</u>	<u>353,002</u>	<u>103,134</u>
<u>(34,663)</u>	<u>9,804</u>	<u>1,437</u>	<u>1,390</u>	<u>12,332</u>	<u>4,711</u>	<u>80,942</u>
20,000	-	-	500	-	28,424	-
-	-	-	-	-	(23,168)	(8,502)
<u>20,000</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>5,256</u>	<u>(8,502)</u>
(14,663)	9,804	1,437	1,890	12,332	9,967	72,440
77,892	194,741	34,533	12,283	102,299	(92)	112,670
<u>\$ 63,229</u>	<u>\$ 204,545</u>	<u>\$ 35,970</u>	<u>\$ 14,173</u>	<u>\$ 114,631</u>	<u>\$ 9,875</u>	<u>\$ 185,110</u>

Lee County, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS (page 2 of 2)

For the Year Ended September 30, 2025

	Special Revenue Funds					
	Hot Check	Sheriff's Office Seizure	Hospital District	Dedicated Funds	Court Atty Special Funds	Inmate Phone Time Income
<u>Revenues</u>						
Charges for services	\$ 1,924	\$ -	\$ -	\$ 160,947	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Investment income	-	4,713	-	41,877	3,313	-
Other revenue	-	11,593	-	26,221	16,915	66,057
Total Revenues	1,924	16,306	-	229,045	20,228	66,057
<u>Expenditures</u>						
Current:						
General government	8,849	-	-	70,942	8,558	-
Public safety	-	34,374	-	40,506	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total Expenditures	8,849	34,374	-	111,448	8,558	-
Excess (Deficiency) of Revenues Over Expenditures	(6,925)	(18,068)	-	117,597	11,670	66,057
<u>Other Financing Sources (Uses)</u>						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	(6,925)	(18,068)	-	117,597	11,670	66,057
Beginning fund balances	43,253	46,692	80	972,083	84,087	22,665
Ending Fund Balances	\$ 36,328	\$ 28,624	\$ 80	\$ 1,089,680	\$ 95,757	\$ 88,722

Special Revenue Funds

American Rescue Plan	Gambling Seizure	Hava Grant	Opioid Abatement	Fletcher Buildings	Capital Improvements	Total Nonmajor Governmental
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,612
-	-	-	-	-	-	548,871
5,672	1,182	2,958	-	2,112	-	139,421
-	-	-	9,074	5,645	-	244,790
<u>5,672</u>	<u>1,182</u>	<u>2,958</u>	<u>9,074</u>	<u>7,757</u>	<u>-</u>	<u>1,153,694</u>
51,120	-	-	-	9,791	11,075	314,990
-	6,695	-	-	-	-	537,711
-	-	-	-	-	-	228,570
-	-	-	-	-	-	145
<u>51,120</u>	<u>6,695</u>	<u>-</u>	<u>-</u>	<u>9,791</u>	<u>11,075</u>	<u>1,081,416</u>
<u>(45,448)</u>	<u>(5,513)</u>	<u>2,958</u>	<u>9,074</u>	<u>(2,034)</u>	<u>(11,075)</u>	<u>72,278</u>
-	-	-	-	-	-	268,924
-	-	-	-	-	-	(31,670)
-	-	-	-	-	-	237,254
(45,448)	(5,513)	2,958	9,074	(2,034)	(11,075)	309,532
<u>144,922</u>	<u>10,879</u>	<u>24,050</u>	<u>11,421</u>	<u>52,496</u>	<u>645,365</u>	<u>3,225,383</u>
<u>\$ 99,474</u>	<u>\$ 5,366</u>	<u>\$ 27,008</u>	<u>\$ 20,495</u>	<u>\$ 50,462</u>	<u>\$ 634,290</u>	<u>\$ 3,534,915</u>

Lee County, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2025

	Budgeted Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Taxes	\$ 631,379	\$ 634,710	\$ 3,331
Investment income	5,000	20,483	15,483
Total Revenues	<u>636,379</u>	<u>655,193</u>	<u>18,814</u>
<u>Expenditures</u>			
Principal	665,000	665,000	-
Interest and fiscal charges	47,328	47,328	-
Total Expenditures	<u>712,328</u>	<u>712,328</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (75,949)</u>	<u>(57,135)</u>	<u>\$ 18,814</u>
Beginning fund balance		<u>172,936</u>	
Ending Fund Balance		<u>\$ 115,801</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.