

**TOWN OF JAY, FLORIDA**

Management's Discussion and Analysis,  
Audited Financial Statements,  
and Required Supplementary Information

September 30, 2018 and 2017

**DURST JORDAN, CPA, PA**

## TABLE OF CONTENTS

	<b>PAGE</b>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements (GWFS):	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements (FFS):	
Balance Sheet – General Fund	10
Reconciliation of the Balance Sheet – General Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	14
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to Financial Statements	18
<b>Required Supplementary Information:</b>	
Required Supplementary Information for Pension Plans – Florida Retirement System	37
Required Supplementary Information for Pension Plans – Health Insurance Subsidy Program	38
<b>Other Reports and Schedules:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Report on Compliance with Florida Statutes § 218.415	42
Management Letter	43



4459-B Hwy. 90  
Pace, Florida 32571  
Phone: (850) 995-5000  
Fax: (850) 994-4522

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jay, Florida (the Town) as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of September 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019, on our consideration of the Town'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 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 Town's internal control over financial reporting and compliance.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 14 and supplementary pension information on pages 37-38 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.

*Durst & Jordan CPA PA*

Durst Jordan, CPA, PA  
July 31, 2019

**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2018

As management of the Town of Jay, Florida, (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2018 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the Town's financial activities, (c) identify changes in the Town's financial position, and (d) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found on page 8 through 36 of the financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

*Government-wide financial statements* - The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to private-sector business. The statement of net position presents information on all the Town's assets and liabilities, with the difference between the two 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 Town is improving or deteriorating.

The statement of activities presents information showing how the Town'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 in this statement for some items that will only result in cash flows for future fiscal periods.

The government-wide financial statements can be found on pages 8 and 9 of the financial statements.

*Fund financial statements* - A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the operations of the Town are presented in governmental funds and proprietary funds.

**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2018

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

*Government funds* - Government 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 evaluating 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 Town maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The basic governmental fund financial statements can be found on pages 10 and 12 of the financial statements.

*Notes to the Financial Statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 18 of the financial statements.

**GOVERNMENT-WIDE ANALYSIS**

*Condensed financial information* - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The government-wide analysis with condensed financial information is included on the following page:

**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Total assets, excluding capital assets	\$ 179,056	\$ 307,317	\$ 324,971	\$ 515,404	\$ 504,027	\$ 822,721
Capital assets, net of depreciation	2,734,548	2,820,065	4,144,937	3,844,209	6,879,485	6,664,274
Deferred outflows related to pensions	44,835	63,318	89,669	126,636	134,504	189,954
Deferred outflows related to health insurance subsidy	5,208	6,731	10,415	13,462	15,623	20,193
Total assets	<u>\$ 2,963,647</u>	<u>\$ 3,197,431</u>	<u>\$ 4,569,992</u>	<u>\$ 4,499,711</u>	<u>\$ 7,533,639</u>	<u>\$ 7,697,142</u>
Current liabilities	\$ 85,264	\$ 60,471	\$ 63,587	\$ 276,857	\$ 148,851	\$ 337,328
Long-term liabilities	17,492	23,719	5,704	116,268	23,196	139,987
Deferred inflows related to pensions	34,013	22,340	68,027	44,680	102,040	67,020
Deferred inflows related to health insurance subsidy	8,822	5,121	17,643	10,243	26,465	15,364
Net pension liability	74,749	97,416	149,499	194,832	224,248	292,248
Net pension liability related to health insurance subsidy	24,175	29,528	48,350	59,055	72,525	88,583
Total liabilities	<u>244,515</u>	<u>238,595</u>	<u>352,810</u>	<u>701,935</u>	<u>597,325</u>	<u>940,530</u>
Net position:						
Net investment in capital assets	2,712,222	2,790,068	4,144,937	3,781,509	6,857,159	6,571,577
Restricted for road use	1,286	1,284	-	-	1,286	1,284
Unrestricted	5,624	167,484	72,245	16,267	77,869	183,751
Total net position	<u>2,719,132</u>	<u>2,958,836</u>	<u>4,217,182</u>	<u>3,797,776</u>	<u>6,936,314</u>	<u>6,756,612</u>
Total liabilities and net position	<u>\$ 2,963,647</u>	<u>\$ 3,197,431</u>	<u>\$ 4,569,992</u>	<u>\$ 4,499,711</u>	<u>\$ 7,533,639</u>	<u>\$ 7,697,142</u>
Program revenues:						
General government	\$ 21,531	\$ 22,404	\$ -	\$ -	\$ 21,531	\$ 22,404
Culture and recreation	130,745	57,714	-	-	130,745	57,714
Business-type:						
Water service	-	-	157,662	125,288	157,662	125,288
Sewer service	-	-	111,500	102,725	111,500	102,725
Natural gas service	-	-	189,761	169,248	189,761	169,248
Capital grants	-	-	543,101	550,697	543,101	550,697
General revenues:						
Property tax	83,137	98,643	-	-	83,137	98,643
Other	70,016	227,902	162,151	1,102	232,167	229,004
Total revenues	<u>305,429</u>	<u>406,663</u>	<u>1,164,175</u>	<u>949,060</u>	<u>1,469,604</u>	<u>1,355,723</u>
Expenses:						
General government	416,973	427,803	-	-	416,973	427,803
Other	128,160	133,657	-	-	128,160	133,657
Water service	-	-	280,643	248,780	280,643	248,780
Sewer service	-	-	181,794	169,846	181,794	169,846
Natural gas service	-	-	282,332	255,742	282,332	255,742
Total expenses	<u>545,133</u>	<u>561,460</u>	<u>744,769</u>	<u>674,368</u>	<u>1,289,902</u>	<u>1,235,828</u>
Change in net position	<u>\$ (239,704)</u>	<u>\$ (154,797)</u>	<u>\$ 419,406</u>	<u>\$ 274,692</u>	<u>\$ 179,702</u>	<u>\$ 119,895</u>

**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2018

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

*Governmental fund* - The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2018, the Town's governmental fund reported combined ending fund balance of \$101,478.

As discussed in Note 1 to the financial statements, the Town maintains a water fund, a sewer fund, and a natural gas fund. As of September 30, 2018, the proprietary funds had a net position totaling \$4,217,182.

**BUDGETARY HIGHLIGHTS**

There were several variances between actual results and budgeted amounts. Variances in general fund revenues resulted in \$158,254 less revenue collected than budgeted. General fund expenses were \$197,198 less than budgeted. Overall, the budgeted change in fund balance exceeded the actual change in fund balance by \$153,002.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital assets* - the Town's investment in capital assets for its governmental activities as of September 30, 2018, amounted to \$2,712,222 (net of accumulated depreciation and debt acquired to purchase or construct these capital assets). Business type capital assets amounted to \$4,144,937 (net of accumulated depreciation and debt acquired to purchase or construct these capital assets). This investment in capital assets includes land, buildings, furniture, fixtures and equipment, vehicles, computer software, water, sewer, and natural gas distribution systems, and construction in progress.

*Debt* - The Town's long-term debt for governmental funds consists of \$2,852 for compensated absences, and a \$22,326 note payable for the purchase of a mini-excavator. The Town's long-term debt for governmental funds also includes \$98,924 for net pension liability as a result of the Town's adoption of GASB No. 68, as discussed in Note 1 of these financial statements. These amounts are payable with future financial resources and are therefore shown as reconciling items from the governmental funds balance sheet to the statement of net position. Long-term debt in the proprietary funds consists of \$5,704 for compensated absences and \$197,849 for net pension liability.



**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2018

**ECONOMIC FACTORS**

Funding for the Town is primarily received from taxes and from sales of water, sewer, and natural gas. See Note 1 of the financial statements for details.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Jay, Florida, Post Office Box 66, Jay, Florida 32565.

## **BASIC FINANCIAL STATEMENTS**

**Town of Jay, Florida**  
**Statements of Net Position**  
As of September 30, 2018 and 2017

	2018			2017
	Governmental Activities	Business-type Activities	Total	Comparative Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 18,004	\$ 31,366	\$ 49,370	\$ 91,910
Certificates of deposit	119,898	220,356	340,254	444,439
Accounts receivable	4,235	32,240	36,475	236,751
Unbilled receivables	-	29,743	29,743	28,762
Prepaid items	5,633	11,266	16,899	19,575
Due from other funds	30,000	-	30,000	-
Total current assets	<u>177,770</u>	<u>324,971</u>	<u>502,741</u>	<u>821,437</u>
<b>Non-Current Assets:</b>				
Restricted cash	1,286	-	1,286	1,284
Capital assets:				
Assets not being depreciated	233,499	22,174	255,673	475,824
Assets being depreciated, net	2,501,049	4,122,763	6,623,812	6,188,450
Total non-current assets	<u>2,735,834</u>	<u>4,144,937</u>	<u>6,880,771</u>	<u>6,665,558</u>
<b>Total Assets</b>	<u>2,913,604</u>	<u>4,469,908</u>	<u>7,383,512</u>	<u>7,486,995</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	44,835	89,669	134,504	189,954
Deferred outflows related to health insurance subsidy	5,208	10,415	15,623	20,193
Total assets and deferred outflows	<u>\$ 2,963,647</u>	<u>\$ 4,569,992</u>	<u>\$ 7,533,639</u>	<u>\$ 7,697,142</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 76,194	\$ 14,822	\$ 91,016	\$ 278,843
Accrued expenses	1,384	2,768	4,152	4,150
Note payable, current portion	7,686	-	7,686	38,212
Due to other funds	-	30,000	30,000	-
Customer deposits	-	15,997	15,997	16,123
Total current liabilities	<u>85,264</u>	<u>63,587</u>	<u>148,851</u>	<u>337,328</u>
<b>Non-Current Liabilities:</b>				
Compensated absences	2,852	5,704	8,556	4,067
Line of credit	-	-	-	81,435
Note payable, less current portion	14,640	-	14,640	54,485
Net pension liability	74,749	149,499	224,248	292,248
Net pension liability related to health insurance subsidy	24,175	48,350	72,525	88,583
Total non-current liabilities	<u>116,416</u>	<u>203,553</u>	<u>319,969</u>	<u>520,818</u>
Total liabilities	<u>201,680</u>	<u>267,140</u>	<u>468,820</u>	<u>858,146</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	34,013	68,027	102,040	67,020
Deferred inflows related to health insurance subsidy	8,822	17,643	26,465	15,364
Total liabilities and deferred inflows	<u>244,515</u>	<u>352,810</u>	<u>597,325</u>	<u>940,530</u>
<b>Net Position:</b>				
Net investment in capital assets	2,712,222	4,144,937	6,857,159	6,571,577
Restricted for road use	1,286	-	1,286	1,284
Unrestricted	5,624	72,245	77,869	183,751
Total net position	<u>2,719,132</u>	<u>4,217,182</u>	<u>6,936,314</u>	<u>6,756,612</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 2,963,647</u>	<u>\$ 4,569,992</u>	<u>\$ 7,533,639</u>	<u>\$ 7,697,142</u>

The accompanying notes are an integral part of these financial statements.

**Town of Jay, Florida**  
**Statements of Activities**  
For the years ended September 30, 2018 and 2017

		2018			Net (Expense) Revenue and Changes in Net Position			2017 Comparative Total
		Program Revenues			Governmental Activities	Business-Type Activities	Total	
Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services				Total	
<b>Functions:</b>								
<b>Governmental:</b>								
General government	\$ 416,973	\$ -	\$ -	\$ 21,531	\$ (395,442)		\$ (395,442)	\$ (405,399)
Public safety	270	-	-	-	(270)		(270)	-
Transportation	89,311	-	-	-	(89,311)		(89,311)	(91,851)
Culture and recreation	38,579	28,578	-	102,167	92,166		92,166	15,908
	<u>545,133</u>	<u>28,578</u>	<u>-</u>	<u>123,698</u>	<u>(392,857)</u>		<u>\$ (392,857)</u>	<u>\$ (481,342)</u>
<b>Business-type:</b>								
Water service	280,643	-	543,101	157,662		\$ 420,120	420,120	437,205
Sewer service	181,794	-	-	111,500		(70,294)	(70,294)	(67,121)
Natural gas service	282,332	-	-	189,761		(92,571)	(92,571)	(86,494)
	<u>744,769</u>	<u>-</u>	<u>543,101</u>	<u>458,923</u>		<u>257,255</u>	<u>257,255</u>	<u>283,590</u>
Total Town of Jay	<u>\$ 1,289,902</u>	<u>\$ 28,578</u>	<u>\$ 543,101</u>	<u>\$ 582,621</u>	<u>(392,857)</u>	<u>257,255</u>	<u>(135,602)</u>	<u>(197,752)</u>
<b>General Revenues:</b>								
Ad valorem taxes					83,137	-	83,137	98,643
Local option gas tax					30,420	-	30,420	29,728
Franchise fees					51,654	-	51,654	49,824
Utility service tax					12,393	-	12,393	15,095
Communication service tax					7,288	-	7,288	7,483
State shared revenues					87,552	-	87,552	79,529
Royalties					1,602	-	1,602	11,102
Earnings on investments					332	480	812	1,040
Gain on sale of assets					6,900	2,000	8,900	1,000
Miscellaneous revenue					20,721	10,825	31,546	34,203
Transfers					(148,846)	148,846	-	-
Total general revenues and transfers					<u>153,153</u>	<u>162,151</u>	<u>315,304</u>	<u>327,647</u>
Change in net position					(239,704)	419,406	179,702	129,895
Net position - beginning of year					<u>2,958,836</u>	<u>3,797,776</u>	<u>6,756,612</u>	<u>6,626,717</u>
Net position - end of year					<u>\$ 2,719,132</u>	<u>\$ 4,217,182</u>	<u>\$ 6,936,314</u>	<u>\$ 6,756,612</u>

The accompanying notes are an integral part of these financial statements.

**Town of Jay, Florida**  
 Balance Sheets - General Fund  
 As of September 30, 2018 and 2017

	<b>ASSETS</b>	
	2018	2017
<b>Assets:</b>		
Cash and cash equivalents	\$ 18,004	\$ 69,059
Restricted cash	1,286	1,284
Certificates of deposit	119,898	224,549
Accounts receivable	4,235	5,902
Prepaid expenses	5,633	6,523
Due from other funds	30,000	-
	<u>179,056</u>	<u>307,317</u>
<b>Total Assets</b>	<u>\$ 179,056</u>	<u>\$ 307,317</u>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>		
Accounts payable	\$ 76,194	\$ 51,455
Accrued liabilities	1,384	1,382
Total liabilities	<u>77,578</u>	<u>52,837</u>
<b>Fund Balances:</b>		
Restricted for road use	1,286	1,284
Unrestricted:		
Unassigned	100,192	253,196
Total fund balances	<u>101,478</u>	<u>254,480</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 179,056</u>	<u>\$ 307,317</u>

The accompanying notes are an integral part of the financial statements.

**Town of Jay, Florida**

Reconciliation of the Balance Sheet - General Fund to the Statement of Net Position  
September 30, 2018

**Total Fund Balances - General Fund** \$ 101,478

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund. The cost of the assets is \$5,511,610 in the general fund. The cost of the assets is \$5,511,610 less accumulated depreciation of \$2,777,062. 2,734,548

Deferred outflows related to pensions 50,043

Deferred inflows related to pensions (42,835)

Long-term liabilities (including certain accounts payable, compensated absences, and unfunded post employment and pension obligations) are not due and payable in the current period and therefore are not reported as liabilities in the general fund. (124,102)

**Total Net Position - Governmental Activities** \$ 2,719,132

**Town of Jay, Florida**  
**Statements of Revenues, Expenditures, and Changes in Fund Balances - General Fund**  
For the years ended September 30, 2018 and 2017

	2018	2017
<b>Revenues:</b>		
Ad valorem taxes	\$ 83,137	\$ 98,643
Local option gas tax	30,420	29,728
Franchise fees	51,654	49,824
Utility service tax	12,393	15,095
Communication service tax	7,288	7,483
Licenses and permits	1,032	1,614
State shared revenue	87,552	79,529
Charges for services	122,666	74,039
Intergovernmental	28,578	4,465
Royalties	1,602	11,102
Miscellaneous	21,053	34,283
Total revenues	447,375	405,805
<b>Expenditures:</b>		
Current:		
General government	256,438	249,838
Public safety	270	-
Transportation	89,311	91,851
Culture and recreation	38,579	41,806
Capital outlay	73,833	164,085
Total expenditures	458,431	547,580
Excess of revenues over expenditures	(11,056)	(141,775)
<b>Other Financing Sources (Uses):</b>		
Proceeds from sale of assets	6,900	1,000
Transfer in	30,000	64,184
Transfer out	(178,846)	(64,326)
Total other financing sources (uses)	(141,946)	858
Net change in fund balances	(153,002)	(140,917)
<b>Fund Balances:</b>		
Beginning of year	254,480	395,397
End of year	\$ 101,478	\$ 254,480

The accompanying notes are an integral part of these financial statements.

**Town of Jay, Florida**  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances - General Fund to the Statement of Activities  
 For the year ended September 30, 2018

**Net Change in Fund Balances - General Fund** \$ (153,002)

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

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the general fund, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 2,852

Long-term obligations including net pension liability are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the general fund because they do not require the use of current financial resources. This is the net change in the net pension related inflows/outflows and net liability during the year (GASB No. 68 adjustment). (4,037)

In the general fund, only proceeds from the sale of fixed assets are recognized. However, in the statement of activities, gains and losses on disposal of assets are recognized. This amount is net book value of the assets that were sold. -

Capital outlays are reported in the general fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$159,350) exceeds capital outlay (\$73,833) in the current period. (85,517)

**Change in Net Position - Governmental Activities** \$ (239,704)

The accompanying notes are an integral part of these financial statements.



**Town of Jay, Florida**  
 Statements of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual - General Fund  
 For the years ended September 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ 172,892	\$ 172,892	\$ 184,892	\$ 12,000	\$ 208,259	\$ 208,259	\$ 200,773	\$ (7,486)
Licenses and permits	1,000	1,000	1,032	32	1,000	1,000	1,614	614
Charges for services	25,000	25,000	122,666	97,666	25,000	25,000	74,039	49,039
State shared revenue	40,000	40,000	87,552	47,552	49,000	79,000	79,529	529
Intergovernmental	235,117	235,117	28,578	(206,539)	190,750	190,750	4,465	(186,285)
Royalties	36,620	36,620	1,602	(35,018)	36,620	36,620	11,102	(25,518)
Miscellaneous	95,000	95,000	21,053	(73,947)	95,000	95,000	34,283	(60,717)
Total revenues	<u>605,629</u>	<u>605,629</u>	<u>447,375</u>	<u>(158,254)</u>	<u>605,629</u>	<u>635,629</u>	<u>405,805</u>	<u>(229,824)</u>
<b>Expenditures:</b>								
Current:								
General government	477,429	477,429	256,438	220,991	477,429	476,208	249,838	226,370
Public safety	-	-	270	(270)	-	-	-	-
Transportation	80,750	80,750	89,311	(8,561)	80,750	94,750	91,851	2,899
Culture and recreation	47,450	47,450	38,579	8,871	47,450	47,450	41,806	5,644
Capital outlay	50,000	50,000	73,833	(23,833)	50,000	37,221	164,085	(126,864)
Total expenditures	<u>655,629</u>	<u>655,629</u>	<u>458,431</u>	<u>197,198</u>	<u>655,629</u>	<u>655,629</u>	<u>547,580</u>	<u>108,049</u>
Excess of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(11,056)</u>	<u>38,944</u>	<u>(50,000)</u>	<u>(20,000)</u>	<u>(141,775)</u>	<u>(121,775)</u>
<b>Other Financing Sources (Uses):</b>								
Proceeds from sale of assets	-	-	6,900	6,900	-	-	1,000	1,000
Transfers, net	50,000	50,000	(148,846)	(198,846)	50,000	20,000	(142)	(20,142)
Total other financing sources and (uses)	<u>50,000</u>	<u>50,000</u>	<u>(141,946)</u>	<u>(191,946)</u>	<u>50,000</u>	<u>20,000</u>	<u>858</u>	<u>(19,142)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(153,002)</u>	<u>\$ (153,002)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(140,917)</u>	<u>\$ (140,917)</u>
<b>Fund Balances:</b>								
Beginning of year			<u>254,480</u>				<u>395,397</u>	
End of year			<u>\$ 101,478</u>				<u>\$ 254,480</u>	

The accompanying notes are an integral part of these financial statements.

**Town of Jay, Florida**  
 Statements of Net Position - Proprietary Funds  
 For the years ended September 30, 2018 and 2017

	2018			2017
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 31,316	\$ 50	\$ 31,366	\$ 22,851
Certificates of deposit	-	220,356	220,356	219,890
Accounts receivable	28,090	4,150	32,240	230,849
Unbilled receivables	21,316	8,427	29,743	28,762
Prepaid items	5,634	5,632	11,266	13,052
Total current assets	<u>86,356</u>	<u>238,615</u>	<u>324,971</u>	<u>515,404</u>
<b>Non-Current Assets:</b>				
Capital assets:				
Assets not being depreciated	22,174	-	22,174	242,325
Assets being depreciated, net	3,869,656	253,107	4,122,763	3,601,884
Total non-current assets	<u>3,891,830</u>	<u>253,107</u>	<u>4,144,937</u>	<u>3,844,209</u>
Total assets	<u>3,978,186</u>	<u>491,722</u>	<u>4,469,908</u>	<u>4,359,613</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	44,834	44,835	89,669	126,636
Deferred outflows related to health insurance subsidy	5,208	5,207	10,415	13,462
Total assets and deferred outflows	<u>\$ 4,028,228</u>	<u>\$ 541,764</u>	<u>\$ 4,569,992</u>	<u>\$ 4,499,711</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 9,480	\$ 5,342	\$ 14,822	\$ 227,388
Accrued expenses	1,384	1,384	2,768	2,768
Note payable, current portion	-	-	-	30,578
Due to other funds	-	30,000	30,000	-
Customer deposits	12,170	3,827	15,997	16,123
Total current liabilities	<u>23,034</u>	<u>40,553</u>	<u>63,587</u>	<u>276,857</u>
<b>Non-Current Liabilities:</b>				
Compensated absences	2,852	2,852	5,704	2,711
Line of credit	-	-	-	81,435
Note payable, less current portion	-	-	-	32,122
Net pension liability	74,750	74,749	149,499	194,832
Net pension liability related to health insurance subsidy	24,176	24,174	48,350	59,055
Total non-current liabilities	<u>101,778</u>	<u>101,775</u>	<u>203,553</u>	<u>370,155</u>
Total liabilities	<u>124,812</u>	<u>142,328</u>	<u>267,140</u>	<u>647,012</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	34,014	34,013	68,027	44,680
Deferred inflows related to health insurance subsidy	8,822	8,821	17,643	10,243
Total liabilities and deferred inflows	<u>167,648</u>	<u>185,162</u>	<u>352,810</u>	<u>701,935</u>
<b>Net Position:</b>				
Net investment in capital assets	3,891,830	253,107	4,144,937	3,781,509
Unrestricted	(31,250)	103,495	72,245	16,267
Total net position	<u>3,860,580</u>	<u>356,602</u>	<u>4,217,182</u>	<u>3,797,776</u>
Total liabilities and net position	<u>\$ 4,028,228</u>	<u>\$ 541,764</u>	<u>\$ 4,569,992</u>	<u>\$ 4,499,711</u>

The accompanying notes are an integral part of these financial statements.

**Town of Jay, Florida**

Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds  
For the years ended September 30, 2018 and 2017

	2018			2017
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
<b>OPERATING REVENUE</b>				
Charges for service	\$ 269,162	\$ 189,761	\$ 458,923	392,311
Other operating income	6,857	3,970	10,827	4,950
Total operating revenue	<u>276,019</u>	<u>193,731</u>	<u>469,750</u>	<u>397,261</u>
<b>OPERATING EXPENSES</b>				
Personnel services	116,525	102,442	218,967	203,449
Contractual services	12,435	-	12,435	1,799
Materials and supplies	474	98,603	99,077	84,181
Professional services	9,730	9,730	19,460	16,845
Repairs and maintenance	79,015	16,519	95,534	83,417
Office and utilities	69,384	4,165	73,549	55,170
Insurance expense	19,914	19,162	39,076	41,038
Depreciation and amortization	145,860	13,735	159,595	143,329
Miscellaneous expense	406	10,617	11,023	4,469
Pension expense	7,364	7,359	14,723	28,251
Total operating expenses	<u>461,107</u>	<u>282,332</u>	<u>743,439</u>	<u>661,948</u>
Operating loss	<u>(185,088)</u>	<u>(88,601)</u>	<u>(273,689)</u>	<u>(264,687)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest income	14	466	480	515
Interest expense	(1,332)	-	(1,332)	(2,420)
Sale of capital assets	2,000	-	2,000	-
Miscellaneous income	-	-	-	445
Total nonoperating revenue (expenses)	<u>682</u>	<u>466</u>	<u>1,148</u>	<u>(1,460)</u>
Loss before contributions and transfers	(184,406)	(88,135)	(272,541)	(266,147)
<b>CAPITAL CONTRIBUTIONS</b>	543,101	-	543,101	550,697
<b>TRANSFERS IN</b>	<u>123,025</u>	<u>25,821</u>	<u>148,846</u>	<u>142</u>
Changes in net position	481,720	(62,314)	419,406	284,692
Net position - beginning of year	<u>3,378,860</u>	<u>418,916</u>	<u>3,797,776</u>	<u>3,513,084</u>
Net position - end of year	<u>\$ 3,860,580</u>	<u>\$ 356,602</u>	<u>\$ 4,217,182</u>	<u>3,797,776</u>

The accompanying notes are an integral part of these financial statements.

**Town of Jay, Florida**  
**Statements of Cash Flows - Proprietary Funds**  
For the years ended September 30, 2018 and 2017

	2018			2017
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 459,959	\$ 207,293	\$ 667,252	\$ 405,791
Cash paid to employees for services	(115,029)	(100,945)	(215,974)	(203,660)
Cash paid to suppliers for goods and services	(398,765)	(162,169)	(560,934)	(212,714)
Net cash used in operating activities	<u>(53,835)</u>	<u>(55,821)</u>	<u>(109,656)</u>	<u>(10,583)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfer in	141,846	55,821	197,667	64,326
Transfer out	(18,821)	-	(18,821)	(81,984)
Net cash (used in) provided by non-capital financing activities	<u>123,025</u>	<u>55,821</u>	<u>178,846</u>	<u>(17,658)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(460,323)	-	(460,323)	(468,420)
Proceeds from sale of assets	2,000	-	2,000	-
Interest paid	(1,332)	-	(1,332)	(2,420)
Line of credit proceeds	-	-	-	81,435
Principal payment of note payable	(144,135)	-	(144,135)	(30,386)
Capital contributions - grant	543,101	-	543,101	344,027
Net cash used in capital and related financing activities	<u>(60,689)</u>	<u>-</u>	<u>(60,689)</u>	<u>(75,764)</u>
<b>Cash Flows from Investing Activities:</b>				
Purchases of investments	-	-	-	-
Redemption of investments	-	-	-	64,184
Interest received	14	-	14	-
Net cash provided by investing activities	<u>14</u>	<u>-</u>	<u>14</u>	<u>64,184</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>8,515</b>	<b>-</b>	<b>8,515</b>	<b>(39,821)</b>
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<b>22,801</b>	<b>50</b>	<b>22,851</b>	<b>62,672</b>
<b>Cash and Cash Equivalents - End of the Year</b>	<b><u>\$ 31,316</u></b>	<b><u>\$ 50</u></b>	<b><u>\$ 31,366</u></b>	<b><u>\$ 22,851</u></b>
<b>Displayed As:</b>				
Cash and cash equivalents	\$ 31,316	\$ 50	\$ 31,366	\$ 22,851
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating loss	(185,088)	(88,601)	(273,689)	(274,687)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities -				
Depreciation and amortization expense	145,860	13,735	159,595	143,329
Changes in operating assets and liabilities:				
Accounts receivable and unbilled receivables	184,549	13,079	197,628	15,860
Prepaid items	894	892	1,786	(244)
Accounts payable	(208,301)	(4,265)	(212,566)	87,863
Accrued expenses	-	-	-	(211)
Compensated absences	1,496	1,497	2,993	(9,672)
Customer deposits	(609)	483	(126)	(1,072)
Net pension liability	(22,666)	(22,667)	(45,333)	(46,353)
Net pension liability related to health insurance subsidy	(5,352)	(5,353)	(10,705)	(11,434)
Deferred inflows related to pensions	11,674	11,673	23,347	3,170
Deferred inflows related to health insurance subsidy	3,700	3,700	7,400	-
Deferred outflows related to pensions	18,484	18,483	36,967	82,868
Deferred outflows related to health insurance subsidy	1,524	1,523	3,047	-
Total adjustments	<u>131,253</u>	<u>32,780</u>	<u>164,033</u>	<u>264,104</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ (53,835)</u></b>	<b><u>\$ (55,821)</u></b>	<b><u>\$ (109,656)</u></b>	<b><u>\$ (10,583)</u></b>

The accompanying notes are an integral part of these financial statements.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) was established in April 1984 to promulgate standards of financial accounting and reporting with respect to activities and transactions of states and local governments. The GASB is the successor organization to the National Council on Governmental Accounting (NCGA). GASB Statement 1 states that all NCGA Statements and Interpretations heretofore issued and in effect at July 1984 are considered to be generally accepted accounting principles and are continued in force until amended by sequent GASB pronouncements. Accordingly, these Statements have been applied in the preparation of these financial statements.

GASB Statement 14, “The Financial Reporting Entity”, was issued to provide the criteria to be used in determining what governmental functions, activities, and organizations should be included in a governmental reporting entity. In developing these criteria, the GASB assumed that all functions of government are considered to be responsible to elected officials at the federal, state, or local level. Therefore, all functions of government must be a part of federal, state, or local government and should be reported at the lowest level of legislative authority.

Statement 14 requires that financial operations of governmental departments, agencies, commissions, or authorities over which the governmental unit’s elected officials have oversight responsibility be included in the reporting entity’s financial statements. In determining whether elected officials have oversight responsibility, Statement 14 identifies certain criteria to be considered. These criteria included, but are not limited to, selection of the governing body, designation of management, ability to influence operations, and accountability over fiscal matters.

Based on the foregoing criteria, there are no other organizations which should be considered for inclusion in the Town of Jay, Florida’s (the Town’s) financial statements.

B. Basis of Presentation

*Government-Wide Statements:* The statement of net position and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. These statements distinguish between *governmental* and *business-type activities* of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Program revenues include 1) fees, fines, and charges paid by recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange truncations or ancillary activities.

The Town reports the following major governmental fund:

*General Fund:* This is the Town's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. All general property taxes, fines, various permits, and certain intergovernmental revenues are recorded in this fund. Typical expenditures are for administration, planning, public service, public safety, streets and drainage, and parks and recreation.

The Town reports the following major enterprise funds:

*Water Fund:* This fund accounts for the operation, maintenance, and development of the Town's water supply distribution system.

*Sewer Fund:* This fund accounts for the operation, maintenance, and development of the Town's wastewater system.

*Natural Gas Fund:* This fund accounts for the operation, maintenance, and development of the Town's natural gas distribution system.

C. Measurement Focus, Basis of Accounting

*Government-Wide and Proprietary Fund Financial Statements:* The government-wide financial statements are reported using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, included property taxes, grants, and donations.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Governmental Fund Financial Statements:* Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized when it becomes measurable and available to finance expenditures of the fiscal period. Primary revenue, including taxes, intergovernmental revenue, charges for services, rents and interest, is treated as susceptible to accrual under the modified accrual basis. Other revenue sources are not considered measurable and available and are not treated as susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the programs, followed by categorical block grants, and then by general revenues.

As allowed by the GASB, the Town has elected not to adopt Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

*Budgetary Basis of Accounting:* Revenue and expenditures are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the Town's operations.

Budgets have been adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund. Enterprise Funds are budgeted on a limited non-GAAP basis for management purposes. The Town Clerk is authorized to transfer amounts between sub-objects and objects; however, any revisions that increase the total appropriation of the General Fund must be approved by the Town Council. All budget amounts presented in the financial statements are as originally adopted or authorized by the Town Council.

D. Restricted and Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Within the unrestricted category, committed resources are used first, and then assigned resources, if any, followed by unassigned resources as needed.

E. Assets, Liabilities, and Equity

*Cash and Cash Equivalents:* For purposes of the statements of cash flows, cash and cash equivalents are considered to be all funds available upon demand or which are highly liquid in nature. Only investments with original maturities of three months or less are included in cash equivalents.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Investments:* Investments are held in certificates of deposit and are stated at cost plus accrued interest, which approximates market value.

*Property Tax Calendar:* Santa Rosa County, Florida officials perform all appraisals, assessments, and collections of Town property taxes as agent for the Town. Property valuations are determined each year as of January 1. All property taxes become due and payable on November 1. The collection period is from November 1 through March 31, with discounts allowed of 4, 3, 2 and 1 percent for early payment in November through February, respectively. All taxes become delinquent on April 1 in the year following assessment, and tax certificates are sold on all real property with unpaid taxes as of June 1. Therefore, property tax recognition takes place during the fiscal year of assessment. The balance of delinquent assessments was not considered available and consequently was not accrued.

*Capital Assets:* Purchased or constructed assets are reported at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair value on the date of the donation. General infrastructure assets acquired prior to October 1, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water and sewer distribution system	10 – 40 years
Gas distribution system	40 years
Infrastructure	40 years
Building improvements	10 – 40 years
Improvements other than buildings	10 – 20 years
Major moveable equipment	10 years
Office equipment	5 – 10 years
Vehicles	5 – 10 years

The Town capitalized interest on borrowings used to finance the construction of fixed assets. However, when the expense during construction is netted against the related income, the resulting amount is typically immaterial.

*Compensated Absences:* The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently 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.

*Unbilled Utility Services:* All utility billing is performed on a cyclical basis which gives rise to unbilled gas, water, and sewer services at the end of any given period. The Town has recorded estimated accounts receivable and the related revenues, based on the number of days of unbilled services as of the end of the fiscal year.



**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Contributions:* Capital contributions consist of a construction grants and are recognized in the statements of revenues, expenses, and changes in net position when earned.

*Significant Customers:* The Town has three natural gas customers with revenues totaling approximately 35% of total gas revenues.

*Estimates:* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Comparative data and Reclassifications:* Comparative total data for the prior year has been presented in order to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

F. Net Pension Liability

The government-wide and proprietary fund financial statements net pension liability represents the Town's proportionate share of the net pension liability of the cost-sharing pension plan in which it participates. The Town participates in the Florida Retirement System (FRS) and the Health Insurance Subsidy Program (HIS) which are administered by the Florida Division of Retirement. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, additions to/deductions, and information about the fiduciary's net position have been determined on the same basis as they are reported by this cost-sharing plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The government-wide financial statements include the liability of all plan participants.

**NOTE 2 – CASH AND INVESTMENTS**

All cash resources of the Town are placed in banks that are qualified as a public depository as required by the Florida Security for Public Deposits Act. The State Treasurer is required by this law to ensure that the Town's funds are entirely collateralized throughout the fiscal year. Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral to the total governmental deposits held by the bank at the end of each calendar quarter. In the event of failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository are assessed against other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

At September 30, 2018, the carrying amount of the Town's deposits was \$440,215 all of which was placed in banks that qualify as public depositories.

Restricted cash in the general fund consists of revenues collected for road construction and repairs.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

Florida Statutes authorize the Town to invest in direct obligations of the U.S. Treasury, interest-bearing time deposits or savings accounts in qualified public depositories as defined in 280.2, Florida Statutes, Securities and Exchange Commission register money market funds with the highest credit quality rating from a nationally recognized rating agency, and the Local Government Surplus Funds Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in 163.101, Florida Statutes. The Town’s investments consist of certificates of deposit and are included in deposits above.

**NOTE 3 – ACCOUNTS RECEIVABLE**

General Fund accounts receivable include franchise fees and taxes due from other entities. Accounts receivable in the business-type activities funds are amounts due from customers representing charges for services and grants receivable. Allowances for doubtful accounts are estimated by management based on past collection experience and other information available to them at the balance sheet date. At September 30, 2018, accounts receivable balances in the business-type activities funds, net of allowances for doubtful accounts, were as follows:

Accounts Receivable – Water	\$	16,892
Less Water Allowance		(1,600)
Accounts Receivable – Sewer		13,898
Less Sewer Allowance		(1,100)
Accounts Receivable – Natural Gas		5,650
Less Gas Allowance		(1,500)
		\$ 32,240

Based on *Governmental Accounting Standards*, bad debt for uncollectible accounts receivable was written off against revenue as follows:

Bad Debt – Water	\$	4,582
Bad Debt – Sewer		7,631
Bad Debt – Natural Gas		4,757
		\$ 16,970

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 4 – CAPITAL ASSETS**

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

<b>Governmental Activities:</b>	<u>Balance 10/1/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/18</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 217,165	\$ -	\$ -	\$ 217,165
Construction in progress	16,334	-	-	16,334
<b>Total capital assets not being depr.</b>	<u>233,499</u>	<u>-</u>	<u>-</u>	<u>233,499</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,036,383	-	-	1,036,383
Improvements other than buildings	3,800,601	3,265	-	3,803,866
Machinery and equipment	540,282	70,568	(172,988)	437,862
Total capital assets being depreciated	<u>5,377,266</u>	<u>73,833</u>	<u>(172,988)</u>	<u>5,278,111</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(710,251)	(25,182)	-	(735,433)
Improvements other than buildings	(1,627,131)	(111,985)	-	(1,739,116)
Machinery and equipment	(453,318)	(22,183)	172,988	(302,513)
Total accumulated depreciation	<u>(2,790,700)</u>	<u>(159,350)</u>	<u>172,988</u>	<u>(2,777,062)</u>
<b>Total capital assets being depr., net</b>	<u>2,586,566</u>	<u>(85,517)</u>	<u>-</u>	<u>2,501,049</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,820,065</u>	<u>\$ (85,517)</u>	<u>\$ -</u>	<u>\$ 2,734,548</u>

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 4 – CAPITAL ASSETS (Continued)**

Capital asset business-type activity for the year ended September 30, 2018, was as follows:

<b>Business-type Activities:</b>	<u>Balance 10/1/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/18</u>
<i>Water -</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,024	\$ -	\$ -	\$ 15,024
Construction in progress	<u>227,301</u>	<u>402,464</u>	<u>(622,615)</u>	<u>7,150</u>
<b>Total capital assets not being depr.</b>	<u>242,325</u>	<u>402,464</u>	<u>(622,615)</u>	<u>22,174</u>
<i>Capital assets being depreciated:</i>				
Buildings	942	-	-	942
Water plant	2,152,716	632,240	-	2,784,956
Improvements other than buildings	1,384,175	-	-	1,384,175
Machinery and equipment	<u>71,480</u>	<u>4,194</u>	<u>(20,375)</u>	<u>55,299</u>
Total capital assets being depreciated	3,609,313	636,434	(20,375)	4,225,372
<i>Less accumulated depreciation for:</i>				
Buildings	(942)	-	-	(942)
Water plant	(452,701)	(58,573)	-	(511,274)
Improvements other than buildings	(735,374)	(34,605)	-	(769,979)
Machinery and equipment	<u>(69,367)</u>	<u>(509)</u>	<u>20,375</u>	<u>(49,501)</u>
Total accumulated depreciation	<u>(1,258,384)</u>	<u>(93,687)</u>	<u>20,375</u>	<u>(1,331,696)</u>
<b>Total capital assets being depr., net</b>	<u>2,350,929</u>	<u>542,747</u>	<u>-</u>	<u>2,893,676</u>
<b>Water capital assets, net</b>	<u>2,593,254</u>	<u>945,211</u>	<u>(622,615)</u>	<u>2,915,850</u>
<i>Sewer -</i>				
Sewer plant	2,259,954	44,040	-	2,303,994
Less accumulated depreciation	<u>(1,275,841)</u>	<u>(52,173)</u>	<u>-</u>	<u>(1,328,014)</u>
<b>Sewer capital assets, net</b>	<u>984,113</u>	<u>(8,133)</u>	<u>-</u>	<u>975,980</u>
<i>Natural Gas -</i>				
<i>Capital assets being depreciated:</i>				
Natural gas plant	745,163	-	-	745,163
Machinery and equipment	<u>43,974</u>	<u>-</u>	<u>(7,699)</u>	<u>36,275</u>
<b>Total capital assets being depreciated</b>	<u>789,137</u>	<u>-</u>	<u>(7,699)</u>	<u>781,438</u>

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 4 – CAPITAL ASSETS (Continued)**

<b>Business-type Activities (continued):</b>	Balance 10/1/17	Increases	Decreases	Balance 9/30/18
<i>Less accumulated depreciation for:</i>				
Natural gas plant	\$ (478,321)	\$ (13,735)	\$ -	\$ (492,056)
Machinery and equipment	(43,974)	-	7,699	(36,275)
Total accumulated depreciation	(522,295)	(13,735)	7,699	(528,331)
<b>Natural gas capital assets, net</b>	<u>266,842</u>	<u>(13,735)</u>	<u>-</u>	<u>253,107</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 3,844,209</u>	<u>\$ 923,343</u>	<u>\$ (622,615)</u>	<u>\$ 4,144,937</u>

**NOTE 5 – LONG-TERM LIABILITES**

Changes in long-term liabilities for the year ended September 30, 2018, were as follows:

	Balance 10/1/2017	Increase (Decrease)	Balance 9/30/18
<b>Governmental activities:</b>			
Compensated absences	\$ 1,356	\$ 1,496	\$ 2,852
Note payable, less current portion	22,363	(7,723)	14,640
Net pension liability	97,416	(22,667)	74,749
Net pension liability related to health insurance subsidy	29,528	(5,353)	24,175
	<u>\$ 150,663</u>	<u>\$ (34,247)</u>	<u>\$ 116,416</u>
<b>Business-type activities:</b>			
Water -			
Compensated absences	\$ 678	\$ 748	\$ 1,426
Line of credit	81,435	(81,435)	-
Note payable, less current portion	32,122	(32,122)	-
Net pension liability	48,708	(11,333)	37,375
Net pension liability related to health insurance subsidy	14,764	(2,676)	12,088
	<u>177,707</u>	<u>(126,818)</u>	<u>50,889</u>
Sewer -			
Compensated absences	678	748	1,426
Net pension liability	48,708	(11,333)	37,375
Net pension liability related to health insurance subsidy	14,764	(2,676)	12,088
	<u>64,150</u>	<u>(13,261)</u>	<u>50,889</u>
Natural Gas -			
Compensated absences	1,355	1,497	2,852
Net pension liability	97,416	(22,667)	74,749
Net pension liability related to health insurance subsidy	29,527	(5,353)	24,174
	<u>128,298</u>	<u>(26,523)</u>	<u>101,775</u>
<b>Total business-type activities</b>	<u>\$ 370,155</u>	<u>\$ (166,602)</u>	<u>\$ 203,553</u>

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 5 – LONG-TERM LIABILITES (Continued)**

On June 15, 2016, the Town borrowed \$39,258 from a financial institution to purchase a mini-excavator. Terms of the loan included an interest rate at 3.58% with monthly payments of \$706 through June 2021.

The annual requirements to amortize the general fund note payable outstanding at September 30, 2018 is as follows:

Years Ending September 30,	Principal	Interest	Total
2019	\$ 7,686	\$ 677	\$ 8,363
2020	8,078	396	8,474
2021	6,562	101	6,663
	<u>22,326</u>	<u>\$ 1,174</u>	<u>\$ 23,500</u>
Less current portion	<u>(7,686)</u>		
	<u>\$ 14,640</u>		

On November 28, 2011, the Town borrowed \$200,000 from a financial institution. Terms of the loan included an interest rate at 3.58% with annual payments of \$32,807 through November 2018. The loan was paid off in the current year.

On April 21, 2017, the Town signed a line of credit agreement with the maximum outstanding principal balance of \$100,000 from a financial institution. Terms of the loan include a variable interest rate based on the WSJ Prime Rate with a floor of 4.00% due monthly. The line of credit was paid off in the current year. The line of credit matured on October 21, 2018.

**NOTE 6 – PENSION PLAN**

The Town participates in the Florida Retirement System (FRS) which is a cost sharing multiple employer contributory retirement system administered by the State of Florida (State). The FRS was established in 1970 by Chapter 121, Florida Statutes. In 2002, the FRS was amended to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. Rules governing the operation and administration of the system may be found in Chapter 60S of the Florida Administrative Code. Chapter 112, Florida Statutes established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any state-administered retirement system in paying the cost of health insurance.

The State of Florida Retirement System issues a publicly available stand-alone financial report (CAFR) which includes financial statements and required supplementary information. Also available are the pension systems actuarial reports to support the schedules of employer allocations and schedules of pension amounts by employer. These reports are available on the division's website at <http://www.dms.myflorida.com> or by email at [rep@dms.myflorida.com](mailto:rep@dms.myflorida.com).

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 6 – PENSION PLAN (Continued)**

The CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services  
Division of Retirement  
Research and Education Section  
P.O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll free 877-377-1737

FRS Membership and Plan Benefits - The FRS Pension Plan provides retirement and disability benefits, death benefits, and survivor's benefits. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are established by State Statutes. Retirement benefits are based on a formula comprised of age, average compensation, length of FRS service, and membership class. Average compensation is computed as the average of an individual's five highest years of earnings for employees hired before July 1, 2011 or eight highest years of earnings for employees hired on or after July 1, 2011. The amount of benefit payments is also affected by the retirement income option chosen by the plan participant.

Substantially all Town employees are covered by the Florida Retirement System. The employees' contribution rate is 3%. All Town employees working in a regularly established position are required to participate in the service, or at age 62 with 6 years of credited service, are entitled to a benefit, payable monthly for life equal to 1.6% of their average final compensation for each year of credited service.

Pension plan participants may choose to receive benefit in retirement under one of four options which will include a 3% cost-of-living adjustment each July (adjustments are only applicable for FRS service earned prior to July 1, 2011).

For employees hired on or after July 1, 2011, the retirement date is 33 years of credited service, regardless of age, or at age 65 with 8 years of credited service. Benefits fully vest upon reaching 10 years of credited service or 8 years if hired on or after July 1, 2011. Vested employees may retire before age 62 or 30 years of credited service, if hired before July 1, 2011, or 65 or 33 years of credited service, if hired on or after July 1, 2011, and receive reduced retirement benefits.

If a pension plan participant leaves FRS-covered employment, the pension plan benefit is frozen until the employee returns to FRS-covered employment or begins receiving early or normal retirement benefit.

The Deferred Retired Option Program (DROP) is available under the FRS Pension Plan when the member first reached normal retirement. Under the Plan, a member is allowed to defer receipt of monthly benefit payments while continuing employment with the Town. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 6 – PENSION PLAN (Continued)**

HIS Membership and Plan Benefits - The HIS membership is available to all members within the FRS and defined contribution investment plan. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$160 per month, pursuant to section 112.363 Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Contribution Requirements - The Town is required to contribute at an actuarially determined rate; these rates are a percent of annual covered payroll. Employees are required to contribute 3% of their annual salary, while members participating in DROP are not required to make the 3% contribution. The employer contribution rates at September 30, 2018 were 8.26% for regular participants and 48.70% for elected officials. Contributions for the employer and employee portions for the years ending September 30, 2018 and 2017 were \$30,982 and \$34,197, respectively, which meet the required contributions for each year. The HIS required contribution rate is 1.66% for both the 2018 and 2017 FRS plan years. This contribution when combined with the employee contribution is expected to finance the cost of the benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

*Governmental Accounting Standards Board (GASB) Statement No. 68 Adoption*

As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), this report includes the allocation of the collective net pension liability and associated pension expense, deferred outflows of resources, and deferred inflows of resources for each of the participating employers in the system's defined benefit plans:

*Governmental Accounting Standards Board (GASB) Statement No. 68*

The Town participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as required in 2015. GASB 68 requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The Town's proportionate share of the net pension liabilities at September 30, 2018 and 2017 were \$296,774 and \$380,831, respectively, which have been recorded as obligations on the financial statements.



**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 6 – PENSION PLAN (Continued)**

*Basis of Accounting*

Employers participating in FRS Pension Plan and HIS Program are required to report pension information in their financial statements for fiscal period beginning on or after June 15, 2014, in accordance with GASB 68. The Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (pension allocation schedules) and notes to the schedules, along with the system's CAFR, provide employers with the required information for reporting.

The underlying financial information used to prepare the pension allocation schedules is based on the system's records. The financial statements for the defined benefit plans are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States. The system's financial statements are available online or by contacting the division. There have been no significant changes since the publication of the financial statements.

*Employer Contributions*

Contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Employee contributions required pursuant to section 121.71 (3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as a required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial states and in the pension allocation schedules for the defined benefit plans represent contributions specific to each defined benefit plans and do not equal total blended contributions remitted by the employer.

*Use of Estimates*

The preparation of these schedules, and the associated financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and changes therein, including appropriate disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 6 – PENSION PLAN (Continued)**

*Net Pension Liability*

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2018, are shown below (in thousands):

	FRS	HIS
Total Pension Liability	\$ 191,317,399	\$ 10,816,576
Plan Fiduciary Net Position	<u>(161,196,881)</u>	<u>(232,463)</u>
Net Pension Liability	<u>\$ 30,120,518</u>	<u>\$ 10,584,113</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	2.15%
---	--------	-------

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' GASB 67 valuations dated June 30, 2018. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Each plan's fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

*Basis for Allocation*

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's fiscal years ended June 30, 2013, through June 30, 2018, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2018, in addition to contributions from employers, the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amount applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 6 – PENSION PLAN (Continued)**

*Actuarial Methods and Assumptions*

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan’s GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.00%. The 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 discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information).

The following changes in actuarial assumptions occurred in 2018:

- FRS: The long-term expected rate of return was decreased from 7.10% to 7.00%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.

*Sensitivity Analysis*

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2018.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 409,262	\$ 224,248	\$ 70,583	\$ 82,602	\$ 72,526	\$ 64,126

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 6 – PENSION PLAN (Continued)**

*Pension Expense and Deferred Outflows/(Inflows) of Resources*

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years

Employer contributions to the pension plans from employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2018, was 6.4 years for FRS and 7.2 years HIS.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS		Town Total
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow (Inflow)
Differences between expected and actual experience	\$ 18,997	\$ (690)	\$ 1,110	\$ (123)	\$ 19,294
Changes in assumptions	73,273	-	8,066	(7,668)	73,671
Net difference between projected and actual earnings on pension plan investments	-	(17,326)	44	-	(17,282)
Employer-specific amounts due to changes in employer proportion	36,375	(84,023)	5,397	(18,674)	(60,925)
Town contributions subsequent to the measurement date	5,859	-	1,006	-	6,865
	\$ 134,504	\$ (102,039)	\$ 15,623	\$ (26,465)	\$ 21,623

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 6 – PENSION PLAN (Continued)**

The \$6,865 reported as deferred outflows related to pensions resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending Sept. 30,	FRS	HIS	Town Total Deferred Outflow (Deferred Inflow)
2019	\$ 28,770	\$ 998	\$ 29,768
2020	19,634	994	20,628
2021	2,738	696	3,434
2022	13,074	156	13,230
2023	8,742	(971)	7,771
Thereafter	1,297	(444)	853
	<u>\$ 74,255</u>	<u>\$ 1,429</u>	<u>\$ 75,684</u>

**NOTE 7 – RISK MANAGEMENT**

The Town accounts for claims and adjustments in accordance with GASB Statement No. 10. When it is probable that a claim liability has been incurred at year end and the amount of the loss can be reasonably estimated, the Town records the estimated loss net of any insurance coverage. If claims will not be liquidated from currently available expendable resources, they are recorded in the general long-term debt group of accounts.

The Town participates in a public entity risk pool, the Florida Municipal Insurance Trust, through the Florida League of Cities for general and professional liability, automobile, property, allied coverage and workers compensation. Insurance settlements have not exceeded insurance coverage and there have been no significant reductions in insurance coverage for each of the past three fiscal years.

The pool has an obligation to the Town to pay claims as follows:

*General/Professional Liability:* after the Town’s payment of a deductible, any claim legally owed by the Town resulting from a wrongful act with the limits of \$100,000 each person and \$200,000 each occurrence.

*Automobile:* after the Town’s payment of a deductible, any claim legally owed by the Town resulting from accidents in the Town’s automobiles with the limits of \$100,000 each person and \$200,000 each occurrence.

*Property and Allied Coverage:* after the Town’s payment of a deductible, any workers’ compensation claim legally owed by the Town pursuant to the Florida Workers Compensation Act with the limits of \$1,000,000 for each accident or disease, and \$1,000,000 aggregate.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

The Town’s responsibility to the pool is to pay the required premiums, report claims, and provide assistance necessary to process the claims. The pool is not allowed to make additional assessments to the participants.

**NOTE 8 – INTERFUND TRANSFERS**

During the year ended September 30, 2018, the Town made net transfers from the General Fund to the Proprietary Funds totaling \$148,846. The transfer was used to cover expenses in the Proprietary Funds.

**NOTE 9 – OPERATING LEASE**

The Town owns land and a building which is leased to the U.S. Postal Service for use as a post office. The original lease was for a period of ten years at \$20,000 per year and is renewable in increments of four consecutive five-year terms. A new lease was signed effective May 1, 2019 with an expiration date of April 30, 2024, for a total of five years. The new annual rental amount will be \$22,000. Rental income for the year ended September 30, 2018 totaled \$20,000. Future rentals will be as follows:

Year Ending September 30,		
2019	\$	20,836
2020		22,000
2021		22,000
2022		22,000
2023		22,000
Thereafter		<u>12,833</u>
	<u>\$</u>	<u>121,669</u>

**NOTE 10 – DEFERRED COMPENSATION**

The Town has a deferred compensation plan intended to be an eligible state deferred compensation plan under Section 457 of the Internal Revenue Code. The plan is administered by Nationwide Retirement Solutions, Inc.

The plan, available to all Town employees, permits employees to defer a portion of their salary until future years. The deferred compensation accounts are not distributed to employees until termination of service, death, or unforeseeable emergency. The Town makes no matching contributions to the plan. The plan’s total assets as of September 30, 2018 were \$94,152.

**NOTE 11 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS**

*Grant Contingencies:*

The Town has received various state and federal grants. The disbursement of funds received under these grants is subject to review and audit by grantor agencies. Any disbursements disallowed by the grantor could become liabilities of the Town.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2018 and 2017

**NOTE 11 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS  
(CONTINUED)**

*Land Commitments:*

The Town has entered into an agreement with Santa Rosa County, Florida (the County) under which 40 acres of land was deeded to the Town to be used exclusively for an industrial development. The Town is required to reimburse the County the purchase price of the land, \$90,000, on a pro-rata basis when any or all of the land is sold or leased. As of September 30, 2018, the Town has sold land resulting in a liability in amount of \$16,425 which is recorded in accounts payable.

*Breitburn Contingency:*

The Town received a letter from Breitburn Operating LP stating that the Town owes them money related to capital costs and lease operating expenses for their working interest in the Jay-LEC Unit back to 2011. The liability would be approximately \$140,000. The Town currently receives monthly royalties from Breitburn. In the letter, they explained that the capital costs and lease operating expenses will be recouped from the monthly royalty revenue checks. It is not yet determinable if Breitburn can demand the money owed at any time or if the Town will have to pay out of pocket if royalties are no longer high enough to cover monthly reimbursement costs. Therefore, a liability is not recorded as of September 30, 2018 while royalties are recorded net of these expenses.

*Large Gas Customer Litigation:*

The Town is potentially liable for overbilling a large gas customer over several years. Based on a letter from the Town's attorney, the claim against the town is \$400,000. This amount has not been proven. There are still discussions and investigations going on to determine if there should be a liability, and if so, how much. Therefore, a liability is not recorded as of September 30, 2018.

*Other Claims and Contingencies:*

The Town is contingently liable with respect to lawsuits and environmental other claims incidental to the ordinary course of its operations. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the Town.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Town of Jay, Florida**  
Required Supplementary Information for Pension Plans  
Florida Retirement System  
Last 10 Fiscal Years\*

	2018	2017	2016	2015	2014
<b>Schedule of Proportionate Share of Net Pension Liability:</b>					
Town of Jay's proportion of the net pension liability (asset)	0.000744502%	0.000988013%	0.001432776%	0.001424591%	0.001171288%
Town of Jay's proportionate share of net pension liability (asset)	\$ 224,248	\$ 292,248	\$ 361,777	\$ 184,005	\$ 71,466
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%
<b>Schedule of Contributions:</b>					
Contractually required contribution	\$ 21,218	\$ 25,720	\$ 34,941	\$ 34,733	\$ 25,656
Contributions in relation to the contractually required contribution	21,218	25,720	34,941	34,733	25,656
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\*Data was unavailable prior to 2014

**Town of Jay, Florida**  
 Required Supplementary Information for Pension Plans  
 Health Insurance Subsidy Program  
 Last 10 Fiscal Years\*

	2018	2017	2016	2015	2014
<b>Schedule of Proportionate Share of Net Pension Liability:</b>					
Town of Jay's proportion of the net pension liability (asset)	0.000685230%	0.000828458%	0.000907217%	0.000810865%	0.000807886%
Town of Jay's proportionate share of net pension liability (asset)	\$ 72,526	\$ 88,583	\$ 105,732	\$ 82,695	\$ 75,539
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%
<b>Schedule of Contributions:</b>					
Contractually required contribution	\$ 3,716	\$ 4,384	\$ 4,650	\$ 3,100	\$ 2,768
Contributions in relation to the contractually required contribution	3,716	4,384	4,650	3,100	2,768
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -

\*Data was unavailable prior to 2014

## **OTHER REPORTS AND SCHEDULES**



4459-B Hwy. 90  
Pace, Florida 32571  
Phone: (850) 995-5000  
Fax: (850) 994-4522

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jay, Florida (the Town), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and we have issued our report thereon dated July 31, 2019.

**Internal Control Over Financial Reporting**

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

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

Reportable Condition 18-1: Billing & Meter Reading (Significant Deficiency)

*Auditor's Comment:*

Significant deficiencies in controls over billing were found. Billing adjustments are made frequently due to the inaccuracy of meter reading and human error. Billing errors could materially affect the financial statements. Internal controls over billing and meter reading could be strengthened by installing radio read meters and having the Billing Clerk review an outlier report or perform a comparison to historical billing amounts.

*Management's Response:*

The Town is in the process of installing radio read meters. The Billing Clerk was also replaced and will review customer bills more carefully for reasonableness.

Reportable Condition 18-2: Monitoring Cash Balances and Fund Balances (Significant Deficiency)

*Auditor's Comment:*

Significant deficiencies in controls over cash and fund balances were found. After audit adjustments were made, there were funds with negative cash balances and funds with negative fund balances. Additional adjustments were made to record transfers between funds to cover deficiencies. Cash and fund balances should be monitored periodically to ensure that there are no issues with liquidity or unrestricted fund balances.

*Management's Response:*

The Town is in the process of revising the budget process for each fund. The Town also hired an Operations Manager to monitor income and expenses for each fund and improve transaction classifications to the appropriate fund.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified one deficiencies in internal control that we consider to be material weaknesses as described below. Material weaknesses may exist that have not been identified.

Reportable Condition 18-3: Financial Close & Reporting (Material Weakness)

*Auditor's Comment:*

Material weaknesses in controls over year-end financial reporting were found. Year-end financial statements presented to be audited should be free of significant adjustments in order to comply with generally accepted accounting principles. Material adjustments were needed to record fixed asset additions and disposals, record depreciation, record accounts receivable and accounts payable, write-off bad debt, record pension adjustments, and to properly record transfers between funds. Significant adjustments were needed in other accounts to properly reflect significant financial statement line items. Monthly or quarterly reconciliations of key financial accounts should be done to minimize the adjustments at year end.

*Management's Response:*

Reconciliations of key financial accounts will be performed on a regular basis to minimize the adjustments at year end.

Reportable Condition 18-4: Bank Reconcilements (Material Weakness)

*Auditor's Comment:*

Material weaknesses in controls over bank reconcilements were found. Bank statements are not properly reconciled monthly. There were manual adjustments made each month to reconcile the bank statements, but errors were never corrected.

*Management's Response:*

The Town has contracted with a third-party accountant to make sure that bank accounts are reconciled properly and timely.

### **Compliance and Other Matters**

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

### **The Town's Response to Findings**

The Town's responses to the findings identified in our audit are described above. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Durst Jordan, CPA, PA  
July 31, 2019



4459-B Hwy. 90  
Pace, Florida 32571  
Phone: (850) 995-5000  
Fax: (850) 994-4522

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
FLORIDA STATUTES § 218.415

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

We have examined the Town of Jay, Florida's (the "Town") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

This report is intended solely for the information and use of the Town and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Durst & Jordan CPA PA*

Durst Jordan, CPA, PA  
July 31, 2019



4459-B Hwy. 90  
Pace, Florida 32571  
Phone: (850) 995-5000  
Fax: (850) 994-4522

## MANAGEMENT LETTER

To the Honorable Mayor and Members of the Town Council  
Town of Jay, FL

### Report on the Financial Statements

We have audited the combined financial statements of the Town of Jay, FL (the Town) as of and for the year ended September 30, 2018 and have issued our report thereon dated July 31, 2019.

### Auditor's Responsibility

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

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated July 31, 2019, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

Prior year audit findings related to material weaknesses in controls over year-end financial reporting and significant deficiencies in controls over billing still apply. See *Other Matters* below.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The official title for the Town is disclosed in the notes to the financial statements. The Town was established pursuant to the provisions of Chapter 19917, Laws of Florida, Special Acts of 1939. The Town includes no component units.



## **Financial Condition**

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined these two reports were in agreement.

## **Other Matters**

Section 10.554(1)(i)2., Rules of Auditor General, requires that we address in the management letter any recommendations to improve financial management.

**Finding #2018-01:** In connection with our audit, material weaknesses in controls over year-end financial reporting were found in the prior year and still exist in the current year. Year-end financial statements presented to be audited should be free of significant adjustments in order to comply with generally accepted accounting principles. Material adjustments were needed to record fixed asset additions and disposals, record depreciation, record accounts receivable and accounts payable, write-off bad debt, record pension adjustments, properly record transfers between funds, etc. Significant adjustments were needed in other accounts to properly reflect significant financial statement line items. Monthly or quarterly reconciliations of key financial accounts should be done to minimize the adjustments at year end.

**Finding #2018-02:** Significant deficiencies in controls over billing were found in the prior year and still exist in the current year. Billing adjustments are made frequently due to the inaccuracy of meter reading and human error. Billing errors could materially affect the financial statements. Internal controls over billing and meter reading could be strengthened by installing radio read meters and having the Billing Clerk review an outlier report or perform a comparison to historical billing amounts. The Town is in the process of installing radio read meters. The Billing Clerk was also replaced and will review customer bills more carefully for reasonableness.

**Finding #2018-03:** Significant deficiencies in controls over cash and fund balances were found. After audit adjustments were made, there were funds with negative cash balances and funds with negative fund balances. Additional adjustments were made to record transfers between funds to cover deficiencies. Cash and fund balances should be monitored periodically to ensure that there are no issues with liquidity or unrestricted fund balances.

**Finding #2018-04:** Material weaknesses in controls over bank reconciliations were found. Bank statements are not properly reconciled monthly. There were manual adjustments made each month to reconcile the bank statements, but errors were never corrected.

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

The Auditor General requires that we address the Town's compliance with guidelines regarding the investment of public funds during the year ended. In connection with our audit, we have determined that the Town complied, in all material respects, with those requirements.

#### **Purpose of this Letter**

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

*Durst & Jordan CPA PA*

Durst Jordan, CPA, PA  
July 31, 2019