

**TOWN OF JAY, FLORIDA**

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

September 30, 2019 and 2018

**DURST JORDAN, CPA, PA**

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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

### Report on the Financial Statements

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020, 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.

*Durst & Jordan CPA PA*

Durst Jordan, CPA, PA  
May 27, 2020



**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2019

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, 2019 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.

*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.

**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2019

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

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 funds 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, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Total assets, excluding capital assets	\$ 230,793	\$ 179,056	\$ 522,825	\$ 334,450	\$ 753,618	\$ 513,506
Capital assets, net of depreciation	2,758,765	2,734,548	4,148,321	4,144,937	6,907,086	6,879,485
Deferred outflows - pensions	32,726	44,835	65,453	89,669	98,179	134,504
Deferred outflows - health insurance subsidy	7,278	5,208	14,557	10,415	21,835	15,623
<b>Total assets</b>	<b>\$ 3,029,562</b>	<b>\$ 2,963,647</b>	<b>\$ 4,751,156</b>	<b>\$ 4,579,471</b>	<b>\$ 7,780,718</b>	<b>\$ 7,543,118</b>
Current liabilities	\$ 28,114	\$ 85,264	\$ 242,227	\$ 123,872	\$ 270,341	\$ 209,136
Long-term liabilities	9,047	17,492	5,543	5,704	14,590	23,196
Deferred inflows - pensions	27,947	34,013	55,893	68,027	83,840	102,040
Deferred inflows - health insurance subsidy	7,425	8,822	14,850	17,643	22,275	26,465
Net pension liability	83,160	74,749	166,320	149,499	249,480	224,248
Net pension liability - health insurance subsidy	27,950	24,175	55,899	48,350	83,849	72,525
<b>Total liabilities</b>	<b>183,643</b>	<b>244,515</b>	<b>540,732</b>	<b>413,095</b>	<b>724,375</b>	<b>657,610</b>
Net position:						
Net investment in capital assets	2,744,411	2,712,222	4,148,321	4,144,937	6,892,732	6,857,159
Restricted for road use	1,287	1,286	-	-	1,287	1,286
Unrestricted	100,221	5,624	62,103	21,439	162,324	27,063
<b>Total net position</b>	<b>2,845,919</b>	<b>2,719,132</b>	<b>4,210,424</b>	<b>4,166,376</b>	<b>7,056,343</b>	<b>6,885,508</b>
<b>Total liabilities and net position</b>	<b>\$ 3,029,562</b>	<b>\$ 2,963,647</b>	<b>\$ 4,751,156</b>	<b>\$ 4,579,471</b>	<b>\$ 7,780,718</b>	<b>\$ 7,543,118</b>
Program revenues:						
General government	\$ 170,125	\$ 21,531	\$ -	\$ -	\$ 170,125	\$ 21,531
Culture and recreation	65,479	130,745	-	-	65,479	130,745
Business-type:						
Water service	-	-	300,790	157,662	300,790	157,662
Sewer service	-	-	169,569	111,500	169,569	111,500
Natural gas service	-	-	228,705	187,888	228,705	187,888
Capital grants	-	-	134,565	543,101	134,565	543,101
Transfers in	-	-	31,889	155,268	31,889	155,268
General revenues:						
Property tax	110,752	83,137	-	-	110,752	83,137
Other taxes	190,389	101,755	-	-	190,389	101,755
Other	197,780	117,107	532	13,305	198,312	130,412
<b>Total revenues</b>	<b>734,525</b>	<b>454,275</b>	<b>866,050</b>	<b>1,168,724</b>	<b>1,600,575</b>	<b>1,622,999</b>
Expenses:						
General government	474,535	452,058	-	-	474,535	452,058
Other	101,314	86,653	-	-	101,314	86,653
Water service	-	-	314,015	278,536	314,015	278,536
Sewer service	-	-	208,118	196,531	208,118	196,531
Natural gas service	-	-	299,869	276,125	299,869	276,125
Transfers out	31,889	155,268	-	-	31,889	155,268
<b>Total expenses</b>	<b>607,738</b>	<b>693,979</b>	<b>822,002</b>	<b>751,192</b>	<b>1,429,740</b>	<b>1,445,171</b>
Change in net position	<b>\$ 126,787</b>	<b>\$ (239,704)</b>	<b>\$ 44,048</b>	<b>\$ 417,532</b>	<b>\$ 170,835</b>	<b>\$ 177,828</b>



**Town of Jay, Florida**  
Management's Discussion and Analysis  
September 30, 2019

**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, 2019, the Town's governmental fund reported combined ending fund balance of \$210,757.

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, 2019, the proprietary funds had a net position totaling \$4,210,424.

**BUDGETARY HIGHLIGHTS**

There were several variances between actual results and budgeted amounts. Variances in governmental fund revenues resulted in \$460,819 less revenue collected than budgeted. General fund expenses were \$605,737 less than budgeted. Overall, the actual change in fund balance exceeded the budgeted change in fund balance by \$115,279.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital assets* - the Town's investment in capital assets for its governmental activities as of September 30, 2019, amounted to \$2,744,411 (net of accumulated depreciation and debt acquired to purchase or construct these capital assets). Business type capital assets amounted to \$4,148,321 (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 \$2,771 for compensated absences, and a \$14,354 note payable for the purchase of a mini-excavator. The Town's long-term debt for governmental funds also includes \$111,110 for net pension liability as a result 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 \$5,543 for compensated absences and \$222,219 for net pension liability.

**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 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, 2019 and 2018

	2019			2018
	Governmental Activities	Business-type Activities	Total	Comparative Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 39,123	\$ 67,795	\$ 106,918	\$ 49,370
Certificates of deposit	-	220,888	220,888	340,254
Accounts receivable	154,235	183,636	337,871	45,954
Unbilled receivables	-	26,206	26,206	29,743
Prepaid items	6,148	12,300	18,448	16,899
Due from other funds	30,000	12,000	42,000	30,000
Total current assets	<u>229,506</u>	<u>522,825</u>	<u>752,331</u>	<u>512,220</u>
<b>Non-Current Assets:</b>				
Restricted cash	1,287	-	1,287	1,286
Capital assets:				
Assets not being depreciated	217,165	133,589	350,754	255,673
Assets being depreciated, net	2,541,600	4,014,732	6,556,332	6,623,812
Total non-current assets	<u>2,760,052</u>	<u>4,148,321</u>	<u>6,908,373</u>	<u>6,880,771</u>
<b>Total Assets</b>	<u>2,989,558</u>	<u>4,671,146</u>	<u>7,660,704</u>	<u>7,392,991</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	32,726	65,453	98,179	134,504
Deferred outflows - health insurance subsidy	7,278	14,557	21,835	15,623
Total assets and deferred outflows	<u>\$ 3,029,562</u>	<u>\$ 4,751,156</u>	<u>\$ 7,780,718</u>	<u>\$ 7,543,118</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 18,652	\$ 177,642	\$ 196,294	\$ 151,301
Accrued expenses	1,384	2,768	4,152	4,152
Note payable, current portion	8,078	-	8,078	7,686
Due to other funds	-	42,000	42,000	30,000
Customer deposits	-	19,817	19,817	15,997
Total current liabilities	<u>28,114</u>	<u>242,227</u>	<u>270,341</u>	<u>209,136</u>
<b>Non-Current Liabilities:</b>				
Compensated absences	2,771	5,543	8,314	8,556
Note payable, less current portion	6,276	-	6,276	14,640
Net pension liability	83,160	166,320	249,480	224,248
Net pension liability - health insurance subsidy	27,950	55,899	83,849	72,525
Total non-current liabilities	<u>120,157</u>	<u>227,762</u>	<u>347,919</u>	<u>319,969</u>
Total liabilities	<u>148,271</u>	<u>469,989</u>	<u>618,260</u>	<u>529,105</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	27,947	55,893	83,840	102,040
Deferred inflows - health insurance subsidy	7,425	14,850	22,275	26,465
Total liabilities and deferred inflows	<u>183,643</u>	<u>540,732</u>	<u>724,375</u>	<u>657,610</u>
<b>Net Position:</b>				
Net investment in capital assets	2,744,411	4,148,321	6,892,732	6,857,159
Restricted for road use	1,287	-	1,287	1,286
Unrestricted	100,221	62,103	162,324	27,063
Total net position	<u>2,845,919</u>	<u>4,210,424</u>	<u>7,056,343</u>	<u>6,885,508</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 3,029,562</u>	<u>\$ 4,751,156</u>	<u>\$ 7,780,718</u>	<u>\$ 7,543,118</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, 2019 and 2018

		2019			Net (Expense) Revenue and Changes in Net Position			2018
		Program Revenues						Comparative
Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Governmental Activities	Business-Type Activities	Total	Total	
<b>Functions:</b>								
<b>Governmental:</b>								
General government	\$ 474,535	\$ 20,125	\$ 150,000	\$ -	\$ (304,410)	\$ (304,410)	\$ (430,527)	
Public safety	-	-	-	-	-	-	(270)	
Transportation	62,567	-	-	-	(62,567)	(62,567)	(55,690)	
Culture and recreation	38,747	-	-	65,479	26,732	26,732	47,885	
	<u>575,849</u>	<u>20,125</u>	<u>150,000</u>	<u>65,479</u>	<u>(340,245)</u>	<u>\$ (340,245)</u>	<u>\$ (438,602)</u>	
<b>Business-type:</b>								
Water service	314,015	-	134,565	300,790	\$ 121,340	121,340	422,227	
Sewer service	208,118	-	-	169,569	(38,549)	(38,549)	(85,031)	
Natural gas service	299,869	-	-	228,705	(71,164)	(71,164)	(88,237)	
	<u>822,002</u>	<u>-</u>	<u>134,565</u>	<u>699,064</u>	<u>11,627</u>	<u>11,627</u>	<u>248,959</u>	
Total Town of Jay	<u>\$ 1,397,851</u>	<u>\$ 20,125</u>	<u>\$ 284,565</u>	<u>\$ 764,543</u>	<u>(340,245)</u>	<u>11,627</u>	<u>(328,618)</u>	
<b>General Revenues:</b>								
				110,752	-	110,752	83,137	
				31,041	-	31,041	30,420	
				56,851	-	56,851	51,654	
				95,002	-	95,002	12,393	
				7,495	-	7,495	7,288	
				3,376	-	3,376	1,032	
				100,406	-	100,406	88,122	
				240	532	772	812	
				2,250	-	2,250	8,900	
				91,508	-	91,508	83,713	
				(31,889)	31,889	-	-	
			Total general revenues and transfers	<u>467,032</u>	<u>32,421</u>	<u>499,453</u>	<u>367,471</u>	
			Change in net position	126,787	44,048	170,835	177,828	
			Net position - beginning of year	<u>2,719,132</u>	<u>4,166,376</u>	<u>6,885,508</u>	<u>6,707,680</u>	
			Net position - end of year	<u>\$ 2,845,919</u>	<u>\$ 4,210,424</u>	<u>\$ 7,056,343</u>	<u>\$ 6,885,508</u>	

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

**Town of Jay, Florida**  
 Balance Sheets - Governmental Funds  
 As of September 30, 2019 and 2018

<b>ASSETS</b>		
	2019	2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 39,123	\$ 18,004
Restricted cash	1,287	1,286
Certificates of deposit	-	119,898
Accounts receivable	154,235	4,235
Prepaid expenses	6,148	5,633
Due from other funds	30,000	30,000
<b>Total Assets</b>	<b>\$ 230,793</b>	<b>\$ 179,056</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 18,652	\$ 76,194
Accrued liabilities	1,384	1,384
Total liabilities	20,036	77,578
<b>Fund Balances:</b>		
Restricted for road use	1,287	1,286
Unrestricted:		
Unassigned	209,470	100,192
Total fund balances	210,757	101,478
<b>Total Liabilities and Fund Balances</b>	<b>\$ 230,793</b>	<b>\$ 179,056</b>

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

**Town of Jay, Florida**

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position  
September 30, 2019

<b>Total Fund Balances - General Fund</b>	\$ 210,757
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
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 \$5,666,729 in the general fund. The cost of the assets is \$5,666,729 less accumulated depreciation of \$2,907,964.	2,758,765
Deferred outflows related to pensions	40,004
Deferred inflows related to pensions	(35,372)
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.	<u>(128,235)</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 2,845,919</u></u>

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

## Town of Jay, Florida

### Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the years ended September 30, 2019 and 2018

	2019	2018
<b>Revenues:</b>		
Ad valorem taxes	\$ 110,752	\$ 83,137
Local option gas tax	31,041	30,420
Franchise fees	56,851	51,654
Utility service tax	95,002	12,393
Communication service tax	7,495	7,288
Licenses and permits	3,376	1,032
Intergovernmental	270,531	126,880
Charges for services	65,479	50,000
Miscellaneous	91,748	84,571
Total revenues	732,275	447,375
<b>Expenditures:</b>		
Current:		
General government	296,736	276,883
Public safety	-	270
Transportation	62,567	55,690
Culture and recreation	38,747	30,693
Capital outlay	187,335	73,833
Debt service	7,972	14,640
Total expenditures	593,357	452,009
Excess of revenues over expenditures	138,918	(4,634)
<b>Other Financing Sources (Uses):</b>		
Proceeds from sale of assets	2,250	6,900
Transfer in	28,104	30,000
Transfer out	(59,993)	(185,268)
Total other financing sources (uses)	(29,639)	(148,368)
Net change in fund balances	109,279	(153,002)
<b>Fund Balances:</b>		
Beginning of year	101,478	254,480
End of year	\$ 210,757	\$ 101,478

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 - Governmental Funds to the Statement of Activities  
 For the year ended September 30, 2019

**Net Change in Fund Balances - Total Governmental Funds** \$ 109,279

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Current period investment in capital assets	187,335
Current period depreciation	(163,118)
Current period loss on disposal of capital assets, net of proceeds	-

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).

Current period change in compensated absences	81
Current period note payments	7,972
Current period change in pension liability	(8,411)
Current period change in health insurance subsidy	(3,775)
Current period change in deferred outflow of resources on pensions	(12,109)
Current period change in deferred inflow of resources on pensions	6,066
Current period change in deferred outflow of resources on health insurance subsidy	2,070
Current period change in deferred inflow of resources on health insurance subsidy	1,397

**Change in Net Position - Governmental Activities** \$ 126,787

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 - Governmental Funds**  
**For the years ended September 30, 2019 and 2018**

	2019				2018			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ 282,144	\$ 309,144	\$ 301,141	\$ (8,003)	\$ 172,892	\$ 172,892	\$ 184,892	\$ 12,000
Licenses and permits	1,200	2,000	3,376	1,376	1,000	1,000	1,032	32
Charges for services	25,000	66,000	65,479	(521)	25,000	25,000	122,666	97,666
Intergovernmental	125,600	729,750	270,531	(459,219)	275,117	275,117	116,130	(158,987)
Miscellaneous	71,200	86,200	91,748	5,548	131,620	131,620	22,655	(108,965)
Total revenues	<u>505,144</u>	<u>1,193,094</u>	<u>732,275</u>	<u>(460,819)</u>	<u>605,629</u>	<u>605,629</u>	<u>447,375</u>	<u>(158,254)</u>
<b>Expenditures:</b>								
Current:								
General government	408,644	1,055,394	296,736	(758,658)	477,429	477,429	276,883	(200,546)
Public safety	-	-	-	-	-	-	270	270
Transportation	91,500	65,000	62,567	(2,433)	80,750	80,750	55,690	(25,060)
Culture and recreation	5,000	78,700	38,747	(39,953)	47,450	47,450	30,693	(16,757)
Capital outlay	-	-	187,335	187,335	50,000	50,000	73,833	23,833
Debt service	-	-	7,972	7,972	-	-	14,640	14,640
Total expenditures	<u>505,144</u>	<u>1,199,094</u>	<u>593,357</u>	<u>(605,737)</u>	<u>655,629</u>	<u>655,629</u>	<u>452,009</u>	<u>(203,620)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(6,000)</u>	<u>138,918</u>	<u>144,918</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(4,634)</u>	<u>45,366</u>
<b>Other Financing Sources (Uses):</b>								
Proceeds from sale of assets	-	-	2,250	2,250	-	-	6,900	6,900
Transfers, net	-	-	(31,889)	(31,889)	50,000	50,000	(155,268)	(205,268)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(29,639)</u>	<u>(29,639)</u>	<u>50,000</u>	<u>50,000</u>	<u>(148,368)</u>	<u>(198,368)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (6,000)</u>	<u>109,279</u>	<u>\$ 115,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(153,002)</u>	<u>\$ (153,002)</u>
<b>Fund Balances:</b>								
Beginning of year			<u>101,478</u>				<u>254,480</u>	
End of year			<u>\$ 210,757</u>				<u>\$ 101,478</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, 2019 and 2018

	2019			2018
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 67,002	\$ 793	\$ 67,795	\$ 31,366
Certificates of deposit	-	220,888	220,888	220,356
Accounts receivable	124,893	58,743	183,636	41,719
Unbilled receivables	22,358	3,848	26,206	29,743
Due from other funds	12,000	-	12,000	-
Prepaid items	6,152	6,148	12,300	11,266
Total current assets	<u>232,405</u>	<u>290,420</u>	<u>522,825</u>	<u>334,450</u>
<b>Non-Current Assets:</b>				
Capital assets:				
Assets not being depreciated	133,589	-	133,589	22,174
Assets being depreciated, net	3,770,643	244,089	4,014,732	4,122,763
Total non-current assets	<u>3,904,232</u>	<u>244,089</u>	<u>4,148,321</u>	<u>4,144,937</u>
Total assets	<u>4,136,637</u>	<u>534,509</u>	<u>4,671,146</u>	<u>4,479,387</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	32,726	32,727	65,453	89,669
Deferred outflows - health insurance subsidy	7,278	7,279	14,557	10,415
Total assets and deferred outflows	<u>\$ 4,176,641</u>	<u>\$ 574,515</u>	<u>\$ 4,751,156</u>	<u>\$ 4,579,471</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 103,518	\$ 74,124	\$ 177,642	\$ 75,107
Accrued expenses	1,384	1,384	2,768	2,768
Due to other funds	-	42,000	42,000	30,000
Customer deposits	16,490	3,327	19,817	15,997
Total current liabilities	<u>121,392</u>	<u>120,835</u>	<u>242,227</u>	<u>123,872</u>
<b>Non-Current Liabilities:</b>				
Compensated absences	2,772	2,771	5,543	5,704
Net pension liability	83,160	83,160	166,320	149,499
Net pension liability - health insurance subsidy	27,950	27,949	55,899	48,350
Total non-current liabilities	<u>113,882</u>	<u>113,880</u>	<u>227,762</u>	<u>203,553</u>
Total liabilities	<u>235,274</u>	<u>234,715</u>	<u>469,989</u>	<u>327,425</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	27,946	27,947	55,893	68,027
Deferred inflows - health insurance subsidy	7,426	7,424	14,850	17,643
Total liabilities and deferred inflows	<u>270,646</u>	<u>270,086</u>	<u>540,732</u>	<u>413,095</u>
<b>Net Position:</b>				
Net investment in capital assets	3,904,232	244,089	4,148,321	4,144,937
Unrestricted	1,763	60,340	62,103	21,439
Total net position	<u>3,905,995</u>	<u>304,429</u>	<u>4,210,424</u>	<u>4,166,376</u>
Total liabilities and net position	<u>\$ 4,176,641</u>	<u>\$ 574,515</u>	<u>\$ 4,751,156</u>	<u>\$ 4,579,471</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, 2019 and 2018

	2019			2018
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
<b>OPERATING REVENUE</b>				
Charges for service	\$ 467,077	\$ 227,966	\$ 695,043	\$ 457,050
Other operating income	3,282	739	4,021	10,827
Total operating revenue	<u>470,359</u>	<u>228,705</u>	<u>699,064</u>	<u>467,877</u>
<b>OPERATING EXPENSES</b>				
Personnel services	120,010	96,013	216,023	218,967
Contractual services	13,490	-	13,490	12,435
Materials and supplies	3,376	113,068	116,444	108,994
Professional services	11,176	11,175	22,351	29,377
Repairs and maintenance	109,108	26,328	135,436	89,455
Office and utilities	69,222	7,427	76,649	66,216
Insurance expense	23,118	17,235	40,353	39,076
Depreciation and amortization	157,406	13,793	171,199	159,595
Miscellaneous expense	469	71	540	11,023
Pension expense	14,758	14,759	29,517	14,723
Total operating expenses	<u>522,133</u>	<u>299,869</u>	<u>822,002</u>	<u>749,861</u>
Operating loss	<u>(51,774)</u>	<u>(71,164)</u>	<u>(122,938)</u>	<u>(281,984)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest income	-	532	532	480
Interest expense	-	-	-	(1,332)
Sale of capital assets	-	-	-	2,000
Total nonoperating revenue (expenses)	<u>-</u>	<u>532</u>	<u>532</u>	<u>1,148</u>
Loss before contributions and transfers	(51,774)	(70,632)	(122,406)	(280,836)
<b>CAPITAL CONTRIBUTIONS</b>	134,565	-	134,565	543,101
<b>TRANSFERS (OUT) IN</b>	<u>(37,376)</u>	<u>69,265</u>	<u>31,889</u>	<u>155,268</u>
<b>Changes in net position</b>	45,415	(1,367)	44,048	417,533
Net position - beginning of year	<u>3,860,580</u>	<u>305,796</u>	<u>4,166,376</u>	<u>3,748,843</u>
<b>Net position - end of year</b>	<u>\$ 3,905,995</u>	<u>\$ 304,429</u>	<u>\$ 4,210,424</u>	<u>\$ 4,166,376</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, 2019 and 2018

	2019			2018
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 376,834	\$ 187,670	\$ 564,504	\$ 667,252
Cash paid to employees for services	(120,090)	(96,094)	(216,184)	(215,974)
Cash paid to suppliers for goods and services	(136,439)	(167,323)	(303,762)	(560,934)
Net cash from operating activities	<u>120,305</u>	<u>(75,747)</u>	<u>44,558</u>	<u>(109,656)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Transfer in	-	81,265	81,265	197,667
Transfer out	(49,376)	-	(49,376)	(18,821)
Net cash from non-capital financing activities	<u>(49,376)</u>	<u>81,265</u>	<u>31,889</u>	<u>178,846</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(78,618)	(4,775)	(83,393)	(460,323)
Proceeds from sale of assets	-	-	-	2,000
Interest paid	-	-	-	(1,332)
Principal payment of note payable	-	-	-	(144,135)
Capital contributions - grant	43,375	-	43,375	543,101
Net cash from capital and related financing activities	<u>(35,243)</u>	<u>(4,775)</u>	<u>(40,018)</u>	<u>(60,689)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest received	-	-	-	14
Net cash from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>
<b>Net Change in Cash and Cash Equivalents</b>	35,686	743	36,429	8,515
<b>Cash and Cash Equivalents - Beginning of the Year</b>	31,316	50	31,366	22,851
<b>Cash and Cash Equivalents - End of the Year</b>	<u>\$ 67,002</u>	<u>\$ 793</u>	<u>\$ 67,795</u>	<u>\$ 31,366</u>
<b>Displayed As:</b>				
Cash and cash equivalents	\$ 67,002	\$ 793	\$ 67,795	\$ 31,366
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities:</b>				
Operating loss	(51,774)	(71,164)	(122,938)	(281,984)
Adjustments to reconcile operating loss to net cash from operating activities -				
Depreciation and amortization expense	157,406	13,793	171,199	159,595
Changes in operating assets and liabilities:				
Accounts receivable and unbilled receivables	(97,845)	(40,535)	(138,380)	199,501
Prepaid items	(518)	(516)	(1,034)	1,786
Accounts payable	94,038	8,497	102,535	(206,144)
Compensated absences	(80)	(81)	(161)	2,993
Customer deposits	4,320	(500)	3,820	(126)
Net pension liability	8,410	8,411	16,821	(45,333)
Net pension liability related to health insurance subsidy	3,774	3,775	7,549	(10,705)
Deferred inflows related to pensions	(6,068)	(6,066)	(12,134)	23,347
Deferred inflows related to health insurance subsidy	(1,396)	(1,397)	(2,793)	7,400
Deferred outflows related to pensions	12,108	12,108	24,216	36,967
Deferred outflows related to health insurance subsidy	(2,070)	(2,072)	(4,142)	3,047
Total adjustments	<u>172,079</u>	<u>(4,583)</u>	<u>167,496</u>	<u>172,328</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 120,305</u>	<u>\$ (75,747)</u>	<u>\$ 44,558</u>	<u>\$ (109,656)</u>

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

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**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.

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.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

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

**B. Basis of Presentation (Continued)**

*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, 2019 and 2018

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

C. Measurement Focus, Basis of Accounting (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, 2019 and 2018

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

**E. Assets, Liabilities, and Equity (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:* The Town’s capitalization policy is to capitalize all costs for items \$2,500 or more unless the item is a component of a project. 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.

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, 2019 and 2018

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

E. Assets, Liabilities, and Equity (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 one natural gas customer with revenues totaling approximately 34% 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, 2019, the carrying amount of the Town's deposits was \$340,156 all of which was placed in banks that qualify as public depositories.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

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

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

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, 2019, accounts receivable balances in the business-type activities funds, net of allowances for doubtful accounts, were as follows:

Accounts Receivable – Water	\$ 22,166
Less Water Allowance	(1,600)
Accounts Receivable – Sewer	15,037
Less Sewer Allowance	(1,900)
Accounts Receivable – Natural Gas	60,243
Less Gas Allowance	(1,500)
Grants Receivable	91,190
	\$ 183,636

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

Bad Debt – Water	\$ 930
Bad Debt – Sewer	3,956
Bad Debt – Natural Gas	76,519
	\$ 81,405

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**NOTE 4 – CAPITAL ASSETS**

Capital asset governmental activity for the year ended September 30, 2019, was as follows:

<b>Governmental Activities:</b>	<u>Balance 10/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/19</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 217,165	\$ -	\$ -	\$ 217,165
Construction in progress	16,334	165,230	(181,564)	-
<b>Total capital assets not being depr.</b>	<u>233,499</u>	<u>165,230</u>	<u>(181,564)</u>	<u>217,165</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,036,383	-	-	1,036,383
Improvements other than buildings	3,803,866	194,022	(9,914)	3,987,974
Machinery and equipment	437,862	9,647	(22,302)	425,207
Total capital assets being depreciated	<u>5,278,111</u>	<u>203,669</u>	<u>(32,216)</u>	<u>5,449,564</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(735,433)	(24,527)	-	(759,960)
Improvements other than buildings	(1,739,116)	(111,434)	9,914	(1,840,636)
Machinery and equipment	(302,513)	(27,157)	22,302	(307,368)
Total accumulated depreciation	<u>(2,777,062)</u>	<u>(163,118)</u>	<u>32,216</u>	<u>(2,907,964)</u>
<b>Total capital assets being depr., net</b>	<u>2,501,049</u>	<u>(40,551)</u>	<u>-</u>	<u>2,541,600</u>
<b>Governmental capital assets, net</b>	<u>\$2,734,548</u>	<u>\$ 205,781</u>	<u>\$(181,564)</u>	<u>\$2,758,765</u>

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

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

Capital asset business-type activity for the year ended September 30, 2019, was as follows:

<b>Business-type Activities:</b>	<u>Balance 10/1/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/19</u>
<i>Water -</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,024	\$ -	\$ -	\$ 15,024
Construction in progress	7,150	111,415	-	118,565
<b>Total capital assets not being depr.</b>	<u>22,174</u>	<u>111,415</u>	<u>-</u>	<u>133,589</u>
<i>Capital assets being depreciated:</i>				
Buildings	942	-	-	942
Water plant	2,784,956	50,925	-	2,835,881
Improvements other than buildings	1,384,175	-	-	1,384,175
Machinery and equipment	55,299	-	-	55,299
Total capital assets being depreciated	<u>4,225,372</u>	<u>50,925</u>	<u>-</u>	<u>4,276,297</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(942)	-	-	(942)
Water plant	(511,274)	(69,847)	-	(581,121)
Improvements other than buildings	(769,979)	(34,604)	-	(804,583)
Machinery and equipment	(49,501)	(1,209)	-	(50,710)
Total accumulated depreciation	<u>(1,331,696)</u>	<u>(105,660)</u>	<u>-</u>	<u>(1,437,356)</u>
<b>Total capital assets being depr., net</b>	<u>2,893,676</u>	<u>(54,735)</u>	<u>-</u>	<u>2,838,941</u>
<b>Water capital assets, net</b>	<u>2,915,850</u>	<u>56,680</u>	<u>-</u>	<u>2,972,530</u>
<i>Sewer -</i>				
Sewer plant	2,303,994	7,467	-	2,311,461
Less accumulated depreciation	<u>(1,328,014)</u>	<u>(51,745)</u>	<u>-</u>	<u>(1,379,759)</u>
<b>Sewer capital assets, net</b>	<u>975,980</u>	<u>(44,278)</u>	<u>-</u>	<u>931,702</u>
<i>Natural Gas -</i>				
<i>Capital assets being depreciated:</i>				
Natural gas plant	745,163	-	-	745,163
Machinery and equipment	36,275	4,775	(998)	40,052
<b>Total capital assets being depreciated</b>	<u>781,438</u>	<u>4,775</u>	<u>(998)</u>	<u>785,215</u>
<i>Less accumulated depreciation for:</i>				
Natural gas plant	\$(492,056)	\$ (13,736)	\$ -	\$(505,792)
Machinery and equipment	<u>(36,275)</u>	<u>(57)</u>	<u>998</u>	<u>(35,334)</u>
Total accumulated depreciation	<u>(528,331)</u>	<u>(13,793)</u>	<u>998</u>	<u>(541,126)</u>
<b>Natural gas capital assets, net</b>	<u>253,107</u>	<u>(9,013)</u>	<u>-</u>	<u>244,089</u>
<b>Business-type activities capital assets, net</b>	<u>\$4,144,937</u>	<u>\$ 3,384</u>	<u>\$ -</u>	<u>\$4,148,321</u>

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

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

Major construction and other contractual commitments outstanding as of September 30, 2019 relate to a waterline project. The amount spent-to-date is \$96,190 with a remaining commitment of approximately \$385,000.

**NOTE 5 – DEBT**

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, 2019 is as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,078	\$ 396	\$ 8,474
2021	6,276	101	6,377
	<u>14,354</u>	<u>\$ 497</u>	<u>\$ 14,851</u>
Less current portion	<u>(8,078)</u>		
	<u>\$ 6,276</u>		

**NOTE 6 – PENSION PLAN**

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:

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a nonintegrated defined contribution plan in lieu of FRS membership.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**NOTE 6 – PENSION PLAN (Continued)**

- The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received 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 \$150 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 may include Medicare.

FRS Membership and Plan Benefits - The FRS Pension Plan is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Normal retirement benefits are available to employees who retire at age 62 or 65 (depending on hire date) with 6 or 8 (depending on hire date) or more years of service, or to those employees who have at least 30 or 33 (depending on hire date) years of creditable service, regardless of age. Retirement age and years of service requirements may vary depending on membership class. Early retirement is available after 6 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five (if enrolled prior to July 1, 2011) or eight (if enrolled on or after July 1, 2011) highest years of earnings.

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 a percentage of their average final compensation for each year of credited service.

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.

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.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**NOTE 6 – PENSION PLAN (Continued)**

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, 2019 were 8.47% for regular participants and 48.82% for elected officials. Contributions for the employer and employee portions for the years ending September 30, 2019 and 2018 were \$42,055 and \$30,982, respectively, which meet the required contributions for each year. The HIS required contribution rate is 1.66% for both the 2019 and 2018 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.

*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.

*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.

*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, 2019, are shown below (in thousands):

	FRS	HIS
Total Pension Liability	\$ 198,012,334	\$ 11,491,044
Plan Fiduciary Net Position	<u>(163,573,726)</u>	<u>(302,045)</u>
Net Pension Liability	<u>\$ 34,438,608</u>	<u>\$ 11,188,999</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 82.61%	 2.63%

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**NOTE 6 – PENSION PLAN (Continued)**

The total pension liability for the FRS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2019. 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.

The HIS actuarial valuation was prepared as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. 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.

The Town's proportionate share of the net pension liabilities at September 30, 2019 and 2018 were \$333,329 and \$296,774, respectively, which have been recorded as obligations on the financial statements.

*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, 2019, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2019, 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, 2019 and 2018

**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 2019 for the period July 1, 2013, through June 30, 2018. 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 6.90%. 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 3.50% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for FRS Pension Plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projections Scale BB tables.

The following changes in actuarial assumptions occurred in 2019:

- FRS: The long-term expected rate of return was decreased from 7.00% to 6.90%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 3.87% to 3.50%.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**NOTE 6 – PENSION PLAN (Continued)**

*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, 2019.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 431,266	\$ 249,480	\$ 97,656	\$ 95,718	\$ 83,849	\$ 73,964

*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, 2019, was 6.4 years for FRS and 7.2 years HIS.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**NOTE 6 – PENSION PLAN (Continued)**

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	\$ 14,797	\$ (155)	\$ 1,018	\$ (103)	\$ 15,557
Changes in assumptions	64,077	-	9,709	(6,853)	66,933
Net difference between projected and actual earnings on pension plan investments	-	(13,802)	54	-	(13,748)
Employer-specific amounts due to changes in employer proportion	13,510	(69,883)	9,836	(15,319)	(61,856)
Town contributions subsequent to the measurement date	5,795	-	1,218	-	7,013
	\$ 98,179	\$ (83,840)	\$ 21,835	\$(22,275)	\$ 13,899

The deferred outflows of resources related to pensions, totaling \$7,013, resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred 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)
2020	\$ 23,543	\$ 1,630	\$ 25,173
2021	7,102	1,305	8,407
2022	17,159	714	17,874
2023	12,944	(519)	12,426
2024	3,338	94	3,433
Thereafter	830	601	1,431
	\$ 64,917	\$ 3,826	\$ 68,743

*Additional Financial and Actuarial Information*

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>.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**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

**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.

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, 2019, the Town made net transfers from the General Fund to the Proprietary Funds totaling \$31,889. The transfer was used to cover expenses in the Proprietary Funds.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**NOTE 9 – LEASES**

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, 2019 totaled \$20,834.

The Town owns the Jay Community Center where it leases three office spaces to Santa Rosa County. The lease is for a period of three years at \$45,000 per year. The lease is effective from March 21, 2018 to March 21, 2020. Rental income for the year ended September 30, 2019 totaled \$45,000.

Future rental income from the leases above will be as follows:

Year Ending September 30,	
2020	\$ 65,836
2021	22,000
2022	22,000
2023	22,000
2024	12,833
	<u>\$ 144,669</u>

The Town leased the Livestock Market from the State of Florida for the sum of one dollar. The term of the lease is from April 1, 2012 to March 31, 2037. At the expiration of the lease, if mutually agreed by both parties, the lease may be renewed at that time, at terms and conditions to be agreed upon. Leasehold improvements of \$165,230 were completed in the current year which were amortized over the remaining lease term, or 17.5 years.

The Town leases the office copier for \$258 per month. The term of the lease is 60 months from March 2019 to February 2024. At the expiration of the lease, if mutually agreed by both parties, the lease may be renewed at that time, at terms and conditions to be agreed upon. Lease payments for the copier will be as follows:

Year Ending September 30,	
2020	\$ 3,096
2021	3,096
2022	3,096
2023	3,096
2024	1,290
	<u>\$ 13,674</u>

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

**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, 2019 were \$92,465.

**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.

*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, 2019, the Town has sold land resulting in a liability in amount of \$6,750 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, 2019 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 approximately \$600,000. However, based on the Town's calculations and discussions with the attorney, the expected liability is approximately \$60,000. This liability was recorded in the financial statements in the current year. A corresponding receivable for unpaid gas services of approximately \$44,000 was also recorded.

**Town of Jay, Florida**  
Notes to the Financial Statements  
September 30, 2019 and 2018

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

*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.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The Town makes several purchases throughout the year from Pittman Building Supply which is owned by the Town’s Mayor, Shon Owens. As of the years ended September 30, 2019 and 2018, purchases from Pittman Building Supply totaled \$13,098 and \$9,531, respectively. These purchases were for various repairs and maintenance and building projects. Amounts paid were comparable to other customers who are not related parties. There are not many building supply stores nearby. These expenses were in the normal course of business for the Town.

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

Based on Note 11 above related to the large gas customer litigation, prior period adjustments were made to reflect amounts that were receivable for unpaid gas bills and payable for overpayments of gas bills in prior years. The effects of the adjustments are shown in the following table:

	9/30/18 Before Adjustments	9/30/19 After Adjustments
<b>Statement of Net Position:</b>		
Accounts receivable	\$ 36,475	\$ 45,954
Accounts payable	91,016	151,301
Net position - unrestricted	77,869	27,063
<b>Statement of Activities:</b>		
Charges for services (gas sales)	188,936	187,063
Change in net position	179,702	177,828
Net position - beginning of year	6,756,612	6,707,680

**REQUIRED SUPPLEMENTARY INFORMATION**



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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Schedule of Proportionate Share of Net Pension Liability:</b>						
Town of Jay's proportion of the net pension liability (asset)	0.000724416%	0.000744502%	0.000988013%	0.001432776%	0.001424591%	0.001171288%
Town of Jay's proportionate share of net pension liability (asset)	\$ 249,479	\$ 224,248	\$ 292,248	\$ 361,777	\$ 184,005	\$ 71,466
Town of Jay's covered payroll	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Town of Jay's proportionate share of net pension liability (asset) as a percentage of its covered payroll	92.81%	98.06%	113.23%	121.57%	70.66%	28.95%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
<b>Schedule of Contributions:</b>						
Contractually required contribution	\$ 22,462	\$ 21,218	\$ 25,720	\$ 34,941	\$ 34,733	\$ 25,656
Contributions in relation to the contractually required contribution	<u>22,462</u>	<u>21,218</u>	<u>25,720</u>	<u>34,941</u>	<u>34,733</u>	<u>25,656</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Jay's covered payroll	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	8.36%	9.28%	9.96%	11.74%	13.34%	10.39%

\*Data was unavailable prior to 2014

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Schedule of Proportionate Share of Net Pension Liability:</b>						
Town of Jay's proportion of the net pension liability (asset)	0.000749391%	0.000685230%	0.000828458%	0.000907217%	0.000810865%	0.000807886%
Town of Jay's proportionate share of net pension liability (asset)	\$ 83,849	\$ 72,526	\$ 88,583	\$ 105,732	\$ 82,695	\$ 75,539
Town of Jay's covered payroll	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Town of Jay's proportionate share of net pension liability (asset) as a percentage of its covered payroll	31.19%	31.71%	34.32%	35.53%	31.75%	30.60%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%
<b>Schedule of Contributions:</b>						
Contractually required contribution	\$ 4,161	\$ 3,716	\$ 4,384	\$ 4,650	\$ 3,100	\$ 2,768
Contributions in relation to the contractually required contribution	4,161	3,716	4,384	4,650	3,100	2,768
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Jay's covered payroll	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	1.55%	1.62%	1.70%	1.56%	1.19%	1.12%

\*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, 2019 and 2018, 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 May 27, 2020.

**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.

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

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 19-1: 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, adjust accounts receivable and accounts payable, 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.

**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

May 27, 2020



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, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2019. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 fiscal year ended September 30, 2019.

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  
May 27, 2020



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, 2019 and have issued our report thereon dated May 27, 2020.

### 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 Reporting Requirements

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 May 27, 2020, 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.

Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except for prior year audit findings related to material weaknesses in controls over year-end financial reporting and significant deficiencies in controls over cash and fund balances. This is the third consecutive year that the material weakness in controls over year-end financial reporting is a finding. See *Financial Condition and Management* 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 and Management

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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. 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.

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 #2019-01:** 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, adjust accounts receivable and accounts payable, 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.

## Additional Matters

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

## 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  
May 27, 2020