

TOWN OF JAY, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 4-8 and 15 and supplementary pension information on pages 38-39 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 March 19, 2021, on our consideration of the Town of Jay, Florida’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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Jay, Florida’s 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 of Jay, Florida’s internal control over financial reporting and compliance.

Durst & Jordan CPA PA

Durst Jordan, CPA, PA
March 19, 2021



Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2020

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, 2020 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 Town's financial statements.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of the Town exceeded total liabilities and deferred inflows by \$7,455,402 (net position). Of this amount, a deficit of \$122,288 is unrestricted for business-type activities. Total net position includes \$2,709,951 of net investment on capital assets in the governmental activities and \$4,823,337 in the business-type activities.
- Revenues for governmental activities decreased by \$144,678 or 20%, primarily from a decrease in grants. Expenses (excluding transfers) increased by \$48,199 or 8%, primarily from an increase in salaries, lobbying expenses, and bookkeeping services.
- Revenues (excluding transfers) for business-type activities increased by \$473,882 or 57%, primarily from an increase in capital grant revenues. Expenses increased by \$52,781 or 6%, primarily from an increase in salaries and well maintenance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The focus of financial statements is on both the Town as a whole (government-wide) and on individual funds. Both perspectives allow the user to address relevant questions, broaden a basis for comparison, and enhance the Town's accountability.

BASIC FINANCIAL STATEMENTS

The basic financial statements of the Town consist of (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. A brief description of these different reporting sections follows.

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. Two statements, the statement of net position and the statement of activities, are utilized to provide information on a government-wide basis.

The statement of net position presents information on all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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.

Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2020

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 distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund financial statements provide more detailed information than the government-wide financial statements. Governmental fund financial statements provide information on the assets and liabilities of the general fund, changes in current financial resources (revenue and expenditures) and current available resources. The proprietary fund financial statements provide information on all assets and liabilities of the fund, changes in the economic resources (revenues and expenses) and total economic resources available. In the case of governmental funds, outlays for long-lived assets are reported as expenditures, and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. A reconciliation is provided to facilitate a comparison between the fund financial statements and the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional detail concerning the financial activities and financial balances of the Town that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Additional information concerning the Town's significant accounting policies, capital assets, and long-term obligations are just a few of the items included in the financial notes.

Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Total assets, excluding capital assets	\$ 197,502	\$ 230,793	\$ 242,905	\$ 522,825	\$ 440,407	\$ 753,618
Capital assets, net of depreciation	2,726,232	2,758,765	4,823,337	4,148,321	7,549,569	6,907,086
Deferred outflows - pensions	32,086	32,726	64,173	65,453	96,259	98,179
Deferred outflows - health insurance subsidy	13,487	7,278	26,976	14,557	40,463	21,835
Total assets	<u>\$ 2,969,307</u>	<u>\$ 3,029,562</u>	<u>\$ 5,157,391</u>	<u>\$ 4,751,156</u>	<u>\$ 8,126,698</u>	<u>\$ 7,780,718</u>
Current liabilities	\$ 39,791	\$ 28,114	\$ 120,710	\$ 242,227	\$ 160,501	\$ 270,341
Long-term liabilities	10,258	9,047	5,825	5,543	16,083	14,590
Deferred inflows - pensions	17,488	27,947	34,976	55,893	52,464	83,840
Deferred inflows - health insurance subsidy	6,174	7,425	12,347	14,850	18,521	22,275
Net pension liability - pensions	104,135	83,160	208,269	166,320	312,404	249,480
Net pension liability - health insurance subsidy	37,108	27,950	74,215	55,899	111,323	83,849
Total liabilities	<u>214,954</u>	<u>183,643</u>	<u>456,342</u>	<u>540,732</u>	<u>671,296</u>	<u>724,375</u>
Net position:						
Net investment in capital assets	2,709,951	2,744,411	4,823,337	4,148,321	7,533,288	6,892,732
Restricted for road use	1,287	1,287	-	-	1,287	1,287
Unrestricted	43,115	100,221	(122,288)	62,103	(79,173)	162,324
Total net position	<u>2,754,353</u>	<u>2,845,919</u>	<u>4,701,049</u>	<u>4,210,424</u>	<u>7,455,402</u>	<u>7,056,343</u>
Total liabilities and net position	<u>\$ 2,969,307</u>	<u>\$ 3,029,562</u>	<u>\$ 5,157,391</u>	<u>\$ 4,751,156</u>	<u>\$ 8,126,698</u>	<u>\$ 7,780,718</u>
Program revenues:						
General government	\$ 50,000	\$ 170,125	\$ -	\$ -	\$ 50,000	\$ 170,125
Culture and recreation	25,000	65,479	-	-	25,000	65,479
Business-type:						
Water service	-	-	294,687	300,790	294,687	300,790
Sewer service	-	-	170,554	169,569	170,554	169,569
Natural gas service	-	-	141,003	228,705	141,003	228,705
Capital grants	-	-	701,420	134,565	701,420	134,565
Transfers in	-	-	57,365	31,889	57,365	31,889
General revenues:						
Property tax	114,784	110,752	-	-	114,784	110,752
Other taxes	213,954	190,389	-	-	213,954	190,389
Other	186,109	197,780	379	532	186,488	198,312
Total revenues	<u>589,847</u>	<u>734,525</u>	<u>1,365,408</u>	<u>866,050</u>	<u>1,955,255</u>	<u>1,600,575</u>
Expenses:						
General government	538,987	474,535	-	-	538,987	474,535
Other	85,061	101,314	-	-	85,061	101,314
Water service	-	-	408,700	314,015	408,700	314,015
Sewer service	-	-	242,816	208,118	242,816	208,118
Natural gas service	-	-	223,267	299,869	223,267	299,869
Transfers out	57,365	31,889	-	-	57,365	31,889
Total expenses	<u>681,413</u>	<u>607,738</u>	<u>874,783</u>	<u>822,002</u>	<u>1,556,196</u>	<u>1,429,740</u>
Change in net position	<u>\$ (91,566)</u>	<u>\$ 126,787</u>	<u>\$ 490,625</u>	<u>\$ 44,048</u>	<u>\$ 399,059</u>	<u>\$ 170,835</u>

Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2020

FINANCIAL ANALYSIS OF THE TOWN

The Town reported positive balances in net position for both governmental and business-type activities. However, for the business-type activities, the unrestricted net position reflects a deficit balance. Capital assets (i.e. land, buildings, and equipment) are utilized to provide services to citizens and therefore are not available for future spending. This investment in capital assets, net of related debt is the largest portion of the Town's total net position. This comprises 101% and 98% of the Town's total net position in 2020 and 2019, respectively.

For the year ended September 30, 2020, expenses for governmental activities exceeded revenues by \$34,201 before transfers. Revenues for business-type activities exceeded expense by \$433,260 before transfers.

Governmental Fund

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. As of September 30, 2020, total assets for the General Fund were \$197,502, and the total liabilities were \$29,706. Unassigned fund balance was \$166,509 and total fund balance was \$167,796.

Proprietary Funds

The Town's Proprietary Fund is the business-type fund reported in the government-wide financial statements. The Town maintains a water fund, a sewer fund, and a natural gas fund. The asset makeup is very capital intensive with capital assets, net of accumulated depreciation, representing 94% of the fund's total assets. The depreciation expense for these funds were \$182,060 for the fiscal year ended September 30, 2020. During fiscal year 2020, these funds had an increase in net position of \$490,625. The total net position of these funds was \$4,701,049 as of September 30, 2020. However, the unrestricted deficit is \$(122,288).

BUDGETARY HIGHLIGHTS

There were several variances between actual results and budgeted amounts. Variances in governmental fund revenues resulted in \$110,683 less revenue collected than budgeted. General fund expenses were \$124,066 less than budgeted. Overall, the budgeted change in fund balance exceeded the actual change in fund balance by \$42,961.

CAPITAL ASSETS

The Town's investment in capital assets for both its governmental activities and business-type activities as of September 30, 2020, was \$7,549,569 (net of accumulated depreciation). 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.

Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2020

DEBT MANAGEMENT

The Town's debt for governmental funds consists of a \$6,813 note payable for the purchase of a mini-excavator and a \$9,468 note payable for a John Deere lawnmower. Principal repayments during the year on notes payable totaled \$8,329.

OTHER FINANCIAL INFORMATION

Local governments, such as this town, primarily rely on property and a limited array of permitted other taxes such as gasoline and utility service taxes along with fees such as franchise and occupational license fees for its governmental activities. There are also a limited number of state-shared revenues and grants from both the state and federal governments. The Town's business-type, and to a much lesser degree certain governmental activities, such as recreation, obtain funding by charging fees for the services.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning this report or requests for additional information should be addressed to:

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, 2020 and 2019

	2020			2019
	Governmental Activities	Business-type Activities	Total	Comparative Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 60,253	\$ 54,515	\$ 114,768	\$ 106,918
Certificates of deposit	120,132	67,431	187,563	220,888
Accounts receivable	9,059	84,588	93,647	337,871
Unbilled receivables	-	22,826	22,826	26,206
Prepaid items	6,771	13,545	20,316	18,448
Due from other funds	-	-	-	42,000
Total current assets	<u>196,215</u>	<u>242,905</u>	<u>439,120</u>	<u>752,331</u>
Non-Current Assets				
Restricted cash	1,287	-	1,287	1,287
Capital assets:				
Assets not being depreciated	217,165	39,004	256,169	350,754
Assets being depreciated, net	2,509,067	4,784,333	7,293,400	6,556,332
Total non-current assets	<u>2,727,519</u>	<u>4,823,337</u>	<u>7,550,856</u>	<u>6,908,373</u>
Total Assets	2,923,734	5,066,242	7,989,976	7,660,704
Deferred Outflows of Resources				
Deferred outflows - pensions	32,086	64,173	96,259	98,179
Deferred outflows - health insurance subsidy	13,487	26,976	40,463	21,835
Total assets and deferred outflows	<u>\$ 2,969,307</u>	<u>\$ 5,157,391</u>	<u>\$ 8,126,698</u>	<u>\$ 7,780,718</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 27,548	\$ 95,893	\$ 123,441	\$ 196,294
Accrued expenses	2,158	4,650	6,808	4,152
Note payable, current portion	10,085	-	10,085	8,078
Due to other funds	-	-	-	42,000
Customer deposits	-	20,167	20,167	19,817
Total current liabilities	<u>39,791</u>	<u>120,710</u>	<u>160,501</u>	<u>270,341</u>
Non-Current Liabilities				
Compensated absences	4,062	5,825	9,887	8,314
Note payable, less current portion	6,196	-	6,196	6,276
Net pension liability - pensions	104,135	208,269	312,404	249,480
Net pension liability - health insurance subsidy	37,108	74,215	111,323	83,849
Total non-current liabilities	<u>151,501</u>	<u>288,309</u>	<u>439,810</u>	<u>347,919</u>
Total liabilities	191,292	409,019	600,311	618,260
Deferred Inflows of Resources				
Deferred inflows - pensions	17,488	34,976	52,464	83,840
Deferred inflows - health insurance subsidy	6,174	12,347	18,521	22,275
Total liabilities and deferred inflows	<u>214,954</u>	<u>456,342</u>	<u>671,296</u>	<u>724,375</u>
Net Position:				
Net investment in capital assets	2,709,951	4,823,337	7,533,288	6,892,732
Restricted for road use	1,287	-	1,287	1,287
Unrestricted (deficit)	43,115	(122,288)	(79,173)	162,324
Total net position	<u>2,754,353</u>	<u>4,701,049</u>	<u>7,455,402</u>	<u>7,056,343</u>
Total Liabilities and Net Position	<u>\$ 2,969,307</u>	<u>\$ 5,157,391</u>	<u>\$ 8,126,698</u>	<u>\$ 7,780,718</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, 2020 and 2019

		2020			Net (Expense) Revenue and Changes in Net Position			
		Program Revenues						
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Governmental Activities	Business- Type Activities	Total	2019 Comparative Total
Governmental								
General government	\$ 538,987	\$ 50,000	\$ -	\$ -	\$ (488,987)		\$ (488,987)	\$ (304,410)
Transportation	57,622	-	-	-	(57,622)		(57,622)	(62,567)
Culture and recreation	27,439	-	-	25,000	(2,439)		(2,439)	26,732
	<u>624,048</u>	<u>50,000</u>	<u>-</u>	<u>25,000</u>	<u>(549,048)</u>		<u>\$ (549,048)</u>	<u>\$ (340,245)</u>
Business-type								
Water service	408,700	-	701,420	294,687		\$ 587,407	587,407	121,340
Sewer service	242,816	-	-	170,554		(72,262)	(72,262)	(38,549)
Natural gas service	223,267	-	-	141,003		(82,264)	(82,264)	(71,164)
	<u>874,783</u>	<u>-</u>	<u>701,420</u>	<u>606,244</u>		<u>432,881</u>	<u>432,881</u>	<u>11,627</u>
Total Town of Jay	<u>\$ 1,498,831</u>	<u>\$ 50,000</u>	<u>\$ 701,420</u>	<u>\$ 631,244</u>	<u>(549,048)</u>	<u>432,881</u>	<u>(116,167)</u>	<u>(328,618)</u>
General Revenues								
					114,784	-	114,784	110,752
					29,308	-	29,308	31,041
					54,204	-	54,204	56,851
					124,527	-	124,527	95,002
					5,915	-	5,915	7,495
					2,552	-	2,552	3,376
					105,983	-	105,983	100,406
					-	379	379	772
					1,021	-	1,021	2,250
					76,553	-	76,553	91,508
					(57,365)	57,365	-	-
					<u>457,482</u>	<u>57,744</u>	<u>515,226</u>	<u>499,453</u>
					(91,566)	490,625	399,059	170,835
					2,845,919	4,210,424	7,056,343	6,885,508
					<u>\$ 2,754,353</u>	<u>\$ 4,701,049</u>	<u>\$ 7,455,402</u>	<u>\$ 7,056,343</u>

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

Town of Jay, Florida
Balance Sheets - Governmental Funds
As of September 30, 2020 and 2019

	2020	2019
ASSETS		
Assets		
Cash and cash equivalents	\$ 60,253	\$ 39,123
Restricted cash	1,287	1,287
Certificates of deposit	120,132	-
Accounts receivable	9,059	154,235
Prepaid expenses	6,771	6,148
Due from other funds	-	30,000
	<u> </u>	<u> </u>
Total Assets	<u>\$ 197,502</u>	<u>\$ 230,793</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 27,548	\$ 18,652
Accrued liabilities	2,158	1,384
Total liabilities	<u>29,706</u>	<u>20,036</u>
Fund Balances		
Restricted for road use	1,287	1,287
Unrestricted:		
Unassigned	166,509	209,470
Total fund balances	<u>167,796</u>	<u>210,757</u>
Total Liabilities and Fund Balances	<u>\$ 197,502</u>	<u>\$ 230,793</u>

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, 2020

Total Fund Balances - General Fund	\$ 167,796
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund. The cost of the assets is \$5,786,608 in the general fund. The cost of the assets is \$5,786,608 less accumulated depreciation of \$3,060,376.	2,726,232
Deferred outflows related to pensions	45,573
Deferred inflows related to pensions	(23,662)
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>(161,586)</u>
Total Net Position - Governmental Activities	<u><u>\$ 2,754,353</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, 2020 and 2019

	2020	2019
Revenues:		
Ad valorem taxes	\$ 114,784	\$ 110,752
Local option gas tax	29,308	31,041
Franchise fees	54,204	56,851
Utility service tax	124,527	95,002
Communication service tax	5,915	7,495
Licenses and permits	2,552	3,376
Intergovernmental	105,983	270,531
Charges for services	75,000	65,479
Miscellaneous	77,844	91,748
Total revenues	<u>590,117</u>	<u>732,275</u>
Expenditures:		
Current:		
General government	347,284	296,736
Transportation	57,622	62,567
Culture and recreation	27,439	38,747
Capital outlay	136,060	187,335
Debt service	8,329	7,972
Total expenditures	<u>576,734</u>	<u>593,357</u>
Excess of revenues over expenditures	13,383	138,918
Other Financing Sources (Uses):		
Proceeds from sale of assets	1,021	2,250
Transfer in	100,000	28,104
Transfer out	(157,365)	(59,993)
Total other financing sources (uses)	<u>(56,344)</u>	<u>(29,639)</u>
Net Change in Fund Balances	(42,961)	109,279
Fund Balance - Beginning of Year	210,757	101,478
Fund Balance - End of Year	<u>\$ 167,796</u>	<u>\$ 210,757</u>

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (42,961)

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	136,060
Current period depreciation	(168,239)
Current period loss on disposal of capital assets, net of proceeds	(354)

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	(1,291)
Current period note payments	8,329
Current period loan proceeds	(10,256)
Current period change in pension liability	(20,975)
Current period change in health insurance subsidy	(9,158)
Current period change in deferred outflow of resources on pensions	(640)
Current period change in deferred inflow of resources on pensions	10,459
Current period change in deferred outflow of resources on health insurance subsidy	6,209
Current period change in deferred inflow of resources on health insurance subsidy	1,251
	1,251

Change in Net Position - Governmental Activities \$ (91,566)

Town of Jay, Florida
 Statements of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Governmental Funds
 For the years ended September 30, 2020 and 2019

	2020				2019			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 354,500	\$ 346,500	\$ 328,738	\$ (17,762)	\$ 282,144	\$ 309,144	\$ 301,141	\$ (8,003)
Licenses and permits	2,200	2,200	2,552	352	1,200	2,000	3,376	1,376
Charges for services	25,000	75,000	75,000	-	25,000	66,000	65,479	(521)
Intergovernmental	74,500	93,500	105,983	12,483	125,600	729,750	270,531	(459,219)
Miscellaneous	93,600	183,600	77,844	(105,756)	71,200	86,200	91,748	5,548
Total revenues	<u>549,800</u>	<u>700,800</u>	<u>590,117</u>	<u>(110,683)</u>	<u>505,144</u>	<u>1,193,094</u>	<u>732,275</u>	<u>(460,819)</u>
Expenditures:								
Current:								
General government	400,100	498,100	347,284	(150,816)	408,644	1,055,394	296,736	(758,658)
Transportation	106,000	61,000	57,622	(3,378)	91,500	65,000	62,567	(2,433)
Culture and recreation	43,700	25,200	27,439	2,239	5,000	78,700	38,747	(39,953)
Capital outlay	-	116,500	136,060	19,560	-	-	187,335	187,335
Debt service	-	-	8,329	8,329	-	-	7,972	7,972
Total expenditures	<u>549,800</u>	<u>700,800</u>	<u>576,734</u>	<u>(124,066)</u>	<u>505,144</u>	<u>1,199,094</u>	<u>593,357</u>	<u>(605,737)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>13,383</u>	<u>13,383</u>	<u>-</u>	<u>(6,000)</u>	<u>138,918</u>	<u>144,918</u>
Other Financing Sources (Uses):								
Proceeds from sale of assets	-	-	1,021	1,021	-	-	2,250	2,250
Transfers, net	-	-	(57,365)	(57,365)	-	-	(31,889)	(31,889)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>(56,344)</u>	<u>(56,344)</u>	<u>-</u>	<u>-</u>	<u>(29,639)</u>	<u>(29,639)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(42,961)</u>	<u>\$ (42,961)</u>	<u>\$ -</u>	<u>\$ (6,000)</u>	<u>109,279</u>	<u>\$ 115,279</u>
Fund Balance - Beginning of Year			<u>210,757</u>				<u>101,478</u>	
Fund Balance - End of Year			<u>\$ 167,796</u>				<u>\$ 210,757</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, 2020 and 2019

	2020			2019
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 54,465	\$ 50	\$ 54,515	\$ 67,795
Certificates of deposit	-	67,431	67,431	220,888
Accounts receivable	34,011	50,577	84,588	183,636
Unbilled receivables	19,253	3,573	22,826	26,206
Due from other funds	-	-	-	12,000
Prepaid items	6,774	6,771	13,545	12,300
Total current assets	<u>114,503</u>	<u>128,402</u>	<u>242,905</u>	<u>522,825</u>
Non-current Assets				
Capital assets:				
Assets not being depreciated	39,004	-	39,004	133,589
Assets being depreciated, net	4,532,313	252,020	4,784,333	4,014,732
Total non-current assets	<u>4,571,317</u>	<u>252,020</u>	<u>4,823,337</u>	<u>4,148,321</u>
Total assets	4,685,820	380,422	5,066,242	4,671,146
Deferred Outflows of Resources				
Deferred outflows - pensions	32,086	32,087	64,173	65,453
Deferred outflows - health insurance subsidy	13,488	13,488	26,976	14,557
Total assets and deferred outflows	<u>\$ 4,731,394</u>	<u>\$ 425,997</u>	<u>\$ 5,157,391</u>	<u>\$ 4,751,156</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 29,334	\$ 66,559	\$ 95,893	\$ 177,642
Accrued expenses	4,650	-	4,650	2,768
Due to other funds	-	-	-	42,000
Customer deposits	15,387	4,780	20,167	19,817
Total current liabilities	<u>49,371</u>	<u>71,339</u>	<u>120,710</u>	<u>242,227</u>
Non-current Liabilities				
Compensated absences	3,464	2,361	5,825	5,543
Net pension liability - pension plan	104,134	104,135	208,269	166,320
Net pension liability - health insurance subsidy	37,108	37,107	74,215	55,899
Total non-current liabilities	<u>144,706</u>	<u>143,603</u>	<u>288,309</u>	<u>227,762</u>
Total liabilities	194,077	214,942	409,019	469,989
Deferred Inflows of Resources				
Deferred inflows - pensions	17,488	17,488	34,976	55,893
Deferred inflows - health insurance subsidy	6,174	6,173	12,347	14,850
Total liabilities and deferred inflows	217,739	238,603	456,342	540,732
Net Position				
Net investment in capital assets	4,571,317	252,020	4,823,337	4,148,321
Unrestricted (deficit)	(57,662)	(64,626)	(122,288)	62,103
Total net position	<u>4,513,655</u>	<u>187,394</u>	<u>4,701,049</u>	<u>4,210,424</u>
Total liabilities and net position	<u>\$ 4,731,394</u>	<u>\$ 425,997</u>	<u>\$ 5,157,391</u>	<u>\$ 4,751,156</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, 2020 and 2019

	2020			2019
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
Operating Revenue				
Charges for service	\$ 456,609	\$ 140,472	\$ 597,081	\$ 695,043
Other operating income	8,632	531	9,163	4,021
Total operating revenue	<u>465,241</u>	<u>141,003</u>	<u>606,244</u>	<u>699,064</u>
Operating Expenses				
Personnel services	220,315	58,115	278,430	216,023
Contractual services	9,076	-	9,076	13,490
Materials and supplies	2,512	77,526	80,038	116,444
Professional services	8,584	8,583	17,167	22,351
Repairs and maintenance	150,420	21,271	171,691	135,436
Office and utilities	57,486	7,100	64,586	76,649
Insurance expense	23,014	23,015	46,029	40,353
Depreciation and amortization	167,257	14,803	182,060	171,199
Miscellaneous expense	-	-	-	540
Pension expense	12,852	12,854	25,706	29,517
Total operating expenses	<u>651,516</u>	<u>223,267</u>	<u>874,783</u>	<u>822,002</u>
Operating loss	<u>(186,275)</u>	<u>(82,264)</u>	<u>(268,539)</u>	<u>(122,938)</u>
Nonoperating Revenue (Expenses)				
Interest income	-	379	379	532
Total nonoperating revenue (expenses)	<u>-</u>	<u>379</u>	<u>379</u>	<u>532</u>
Loss before contributions and transfers	(186,275)	(81,885)	(268,160)	(122,406)
Capital contributions	701,420	-	701,420	134,565
Transfers (out) in	92,515	(35,150)	57,365	31,889
Change in Net Position	607,660	(117,035)	490,625	44,048
Fund Balance - Beginning of Year	3,905,995	304,429	4,210,424	4,166,376
Fund Balance - End of Year	<u>\$ 4,513,655</u>	<u>\$ 187,394</u>	<u>\$ 4,701,049</u>	<u>\$ 4,210,424</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, 2020 and 2019

	2020			2019
	Water & Sewer Fund	Natural Gas Fund	Total	Comparative Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 466,935	\$ 150,897	\$ 617,832	\$ 564,504
Cash paid to employees for services	(216,357)	(59,909)	(276,266)	(216,184)
Cash paid to suppliers for goods and services	(325,898)	(145,683)	(471,581)	(303,762)
Net cash from operating activities	<u>(75,320)</u>	<u>(54,695)</u>	<u>(130,015)</u>	<u>44,558</u>
Cash Flows from Non-Capital Financing Activities				
Payments (to) from other funds	12,000	(42,000)	(30,000)	-
Transfer in	113,448	47,384	160,832	81,265
Transfer out	(20,934)	(82,534)	(103,468)	(49,376)
Net cash from non-capital financing activities	<u>104,514</u>	<u>(77,150)</u>	<u>27,364</u>	<u>31,889</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(636,391)	(22,734)	(659,125)	(83,393)
Capital contributions	594,660	-	594,660	43,375
Net cash from capital and related financing activities	<u>(41,731)</u>	<u>(22,734)</u>	<u>(64,465)</u>	<u>(40,018)</u>
Cash Flows from Investing Activities				
Redemption of certificate of deposit	-	153,457	153,457	-
Interest received	-	379	379	-
Net cash from investing activities	<u>-</u>	<u>153,836</u>	<u>153,836</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(12,537)	(743)	(13,280)	36,429
Cash and Cash Equivalents - Beginning of the Year	67,002	793	67,795	31,366
Cash and Cash Equivalents - End of the Year	<u>\$ 54,465</u>	<u>\$ 50</u>	<u>\$ 54,515</u>	<u>\$ 67,795</u>
Displayed As:				
Cash and cash equivalents	\$ 54,465	\$ 50	\$ 54,515	\$ 67,795
Reconciliation of Operating Loss to Net Cash from Operating Activities:				
Operating loss	(186,275)	(82,264)	(268,539)	(122,938)
Adjustments to reconcile operating loss to net cash from operating activities -				
Depreciation and amortization expense	167,257	14,803	182,060	171,199
Changes in operating assets and liabilities:				
Accounts receivable and unbilled receivables	2,797	8,441	11,238	(138,380)
Prepaid items	(622)	(623)	(1,245)	(1,034)
Accounts payable	(74,184)	(7,565)	(81,749)	102,535
Accrued expenses	3,266	(1,384)	1,882	-
Compensated absences	692	(410)	282	(161)
Customer deposits	(1,103)	1,453	350	3,820
Net pension liability	20,974	20,975	41,949	16,821
Net pension liability related to health insurance subsidy	9,158	9,158	18,316	7,549
Deferred inflows related to pensions	(10,458)	(10,459)	(20,917)	(12,134)
Deferred inflows related to health insurance subsidy	(1,252)	(1,251)	(2,503)	(2,793)
Deferred outflows related to pensions	640	640	1,280	24,216
Deferred outflows related to health insurance subsidy	(6,210)	(6,209)	(12,419)	(4,142)
Total adjustments	<u>110,955</u>	<u>27,569</u>	<u>138,524</u>	<u>167,496</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ (75,320)</u>	<u>\$ (54,695)</u>	<u>\$ (130,015)</u>	<u>\$ 44,558</u>

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

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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 49% 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 to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior year data have been reclassified 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, 2020, the carrying amount of the Town's deposits was \$314,568 all of which was placed in banks that qualify as public depositories.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

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, 2020, accounts receivable balances in the business-type activities funds, net of allowances for doubtful accounts, were as follows:

Accounts Receivable – Water	\$ 21,668
Less Water Allowance	(1,500)
Accounts Receivable – Sewer	15,643
Less Sewer Allowance	(1,800)
Accounts Receivable – Natural Gas	52,077
Less Gas Allowance	(1,500)
	<u>\$ 84,588</u>

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

Bad Debt – Water	\$ 500
Bad Debt – Sewer	400
Bad Debt – Natural Gas	77
	<u>\$ 977</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities:	<u>Balance 10/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/20</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 217,165	\$ -	\$ -	\$ 217,165
Total capital assets not being depr.	217,165	-	-	217,165
<i>Capital assets being depreciated:</i>				
Buildings	1,036,383	-	-	1,036,383
Improvements other than buildings	3,987,974	15,377	-	4,003,351
Machinery and equipment	425,207	120,683	(16,181)	529,709
Total capital assets being depreciated	5,449,564	136,060	(16,181)	5,569,443
<i>Less accumulated depreciation for:</i>				
Buildings	(759,960)	(24,212)	-	(784,172)
Improvements other than buildings	(1,840,636)	(116,050)	-	(1,956,686)
Machinery and equipment	(307,368)	(27,977)	15,827	(319,518)
Total accumulated depreciation	(2,907,964)	(168,239)	15,827	(3,060,376)
Total capital assets being depr., net	<u>2,541,600</u>	<u>(32,179)</u>	<u>(354)</u>	<u>2,509,067</u>
Governmental capital assets, net	<u>\$2,758,765</u>	<u>\$ (32,179)</u>	<u>\$ (354)</u>	<u>\$2,726,232</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset business-type activity for the year ended September 30, 2020, was as follows:

Business-type Activities:	<u>Balance 10/1/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/20</u>
<i>Water -</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,024	\$ -	\$ -	\$ 15,024
Construction in progress	118,565	582,515	(677,100)	23,980
Total capital assets not being depr.	<u>133,589</u>	<u>582,515</u>	<u>(677,100)</u>	<u>39,004</u>
<i>Capital assets being depreciated:</i>				
Buildings	942	-	-	942
Water plant	2,835,881	921,427	-	3,757,308
Improvements other than buildings	1,384,175	-	-	1,384,175
Machinery and equipment	55,299	-	-	55,299
Total capital assets being depreciated	<u>4,276,297</u>	<u>921,427</u>	<u>-</u>	<u>5,197,724</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(942)	-	-	(942)
Water plant	(581,121)	(79,411)	-	(660,532)
Improvements other than buildings	(804,583)	(34,604)	-	(839,187)
Machinery and equipment	(50,710)	(1,208)	-	(51,918)
Total accumulated depreciation	<u>(1,437,356)</u>	<u>(115,223)</u>	<u>-</u>	<u>(1,552,579)</u>
Total capital assets being depr., net	<u>2,838,941</u>	<u>806,204</u>	<u>-</u>	<u>3,645,145</u>
Water capital assets, net	<u>2,972,530</u>	<u>1,388,719</u>	<u>(677,100)</u>	<u>3,684,149</u>
<i>Sewer -</i>				
Sewer plant	2,311,461	7,500	-	2,318,961
Less accumulated depreciation	<u>(1,379,759)</u>	<u>(52,034)</u>	<u>-</u>	<u>(1,431,793)</u>
Sewer capital assets, net	<u>931,702</u>	<u>(44,534)</u>	<u>-</u>	<u>887,168</u>
<i>Natural Gas -</i>				
<i>Capital assets being depreciated:</i>				
Natural gas plant	745,163	22,734	-	767,897
Machinery and equipment	40,052	-	-	40,052
Total capital assets being depreciated	<u>785,215</u>	<u>22,734</u>	<u>-</u>	<u>807,949</u>
<i>Less accumulated depreciation for:</i>				
Natural gas plant	(505,792)	(14,462)	-	(520,254)
Machinery and equipment	(35,334)	(341)	-	(35,675)
Total accumulated depreciation	<u>(541,126)</u>	<u>(14,803)</u>	<u>-</u>	<u>(555,929)</u>
Natural gas capital assets, net	<u>244,089</u>	<u>7,931</u>	<u>-</u>	<u>252,020</u>
Business-type activities capital assets, net	<u>\$4,148,321</u>	<u>\$1,352,116</u>	<u>\$(677,100)</u>	<u>\$4,823,337</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

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.

On June 19, 2020, the Town financed a John Deere lawnmower for \$10,256. Terms of the loan include an interest rate at 5.75% with monthly payments of \$311 through June 2023.

The annual requirements to amortize the general fund note payable outstanding at September 30, 2020 is as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 10,085	\$ 571	\$ 10,656
2022	3,465	266	3,731
2023	2,731	66	2,797
	<u>16,281</u>	<u>\$ 903</u>	<u>\$ 17,184</u>
Less current portion	<u>(10,085)</u>		
	<u>\$ 6,196</u>		

NOTE 6 – INTERFUND TRANSFERS

During the year ended September 30, 2020, the Town made net transfers from the General Fund to the Proprietary Funds totaling \$57,365. The transfer was used to cover expenses in the Proprietary Funds.

NOTE 7 – FINANCIAL CONDITION

At September 30, 2020, there was a deficit in unrestricted fund balance in the Water Fund and Sewer Fund of \$(57,662) and the Natural Gas Fund of \$(64,626). Significant transfers are made between funds of the Town. The Town plans to transfer excess funds when and if available in subsequent fiscal years to replenish these funds. See finding 2020-2 referenced in the accompanying schedule of findings and responses for additional information on status of financial condition.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 8 – 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.
- 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, 2020, 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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 8 – PENSION PLAN (Continued)

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.

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, 2020 were 10.00% for regular participants and 49.18% for elected officials. Contributions for the employer and employee portions for the years ending September 30, 2020 and 2019 were \$58,006 and \$42,055, respectively, which meet the required contributions for each year. The HIS required contribution rate is 1.66% for both the 2020 and 2019 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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 8 – PENSION PLAN (Continued)

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, 2020, are shown below (in thousands):

	FRS	HIS
Total Pension Liability	\$ 204,909,739	\$ 12,588,098
Plan Fiduciary Net Position	(161,568,265)	(378,261)
Net Pension Liability	\$ 43,341,474	\$ 12,209,837
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.85%	3.00%

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, 2020. 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. Update procedures were not used.

The total pension liability for the HIS was determined by the plan’s actuary and reported in the plan’s GASB 67 valuation as of June 30, 2020. 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, 2020 and 2019 was \$423,727 and \$333,329, respectively, which have been recorded as obligations on the financial statements.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 8 – PENSION PLAN (Continued)

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, 2020, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2020, 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.

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 2.40%. 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 6.80%. 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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 8 – PENSION PLAN (Continued)

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table.

The following changes in actuarial assumptions occurred in 2020:

- FRS: The long-term expected rate of return was decreased from 6.90% to 6.80%.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 3.50% to 2.21%, 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.

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, 2020.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
\$ 498,856	\$ 312,404	\$ 156,678	\$ 128,685	\$ 111,323	\$ 97,113

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

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 8 – PENSION PLAN (Continued)

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, 2020, was 5.9 years for FRS and 7.2 years HIS.

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

	FRS		HIS	
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 11,956	\$ -	\$ 4,554	\$ (86)
Changes in assumptions	56,555	-	11,970	(6,473)
Net difference between projected and actual earnings on pension plan investments	18,601	-	89	-
Employer-specific amounts due to changes in employer proportion	2,134	(52,464)	22,547	(11,962)
Town contributions subsequent to the measurement date	7,013	-	1,303	-
	<u>\$ 96,259</u>	<u>\$(52,464)</u>	<u>\$ 40,463</u>	<u>\$(18,521)</u>

Deferred outflows of resources related to the Town's contributions paid subsequent to the measurement date and prior to the Town's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. 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 Expense	HIS Expense
2021	\$ 17,952	\$ 2,783
2022	27,959	2,064
2023	23,765	564
2024	14,207	1,310
2025	3,229	1,783
Thereafter	-	1,550
	<u>\$ 87,112</u>	<u>\$ 10,054</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 8 – PENSION PLAN (Continued)

Additional Financial and Actuarial Information

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer is located in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2020. The system's CAFR and the actuarial valuation reports referenced herein are available online at:

http://www.dms.myflorida.com/workforce_operations/retirement/publications

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 9 – RISK MANAGEMENT

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

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

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

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

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

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

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 9 – RISK MANAGEMENT (CONTINUED)

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

NOTE 10 – 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, 2020 totaled \$22,000.

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 June 1, 2018 to May 31, 2021. Rental income for the year ended September 30, 2020 totaled \$45,000.

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

Year Ending September 30,	
2021	\$ 67,000
2022	22,000
2023	22,000
2024	12,833
	<u>\$ 123,833</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 prior year which were amortized over the remaining lease term.

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,	
2021	\$ 3,096
2022	3,096
2023	3,096
2024	1,290
	<u>\$ 10,578</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 11 – 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, 2020 were \$55,634.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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, 2020, the Town has sold land resulting in a liability in amount of \$6,750 which is recorded in accounts payable.

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.

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, 2020 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 prior year. A corresponding receivable for unpaid gas services of approximately \$46,000 was also recorded as of September 30, 2020.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2020 and 2019

NOTE 12 – COMMITMENTS AND CONTINGENCIES (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 13 – RELATED PARTY TRANSACTIONS

The Town makes several purchases throughout the year from two businesses owned by the Town's Mayor, Shon Owens. As of the years ended September 30, 2020 and 2019, purchases from these businesses totaled \$14,118 and \$13,098, respectively. These purchases were for various repairs and maintenance and building projects. Amounts paid were comparable to other customers who are not related parties. These expenses were in the normal course of business for the Town.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of Proportionate Share of Net Pension Liability:							
Town of Jay's proportion of the net pension liability	0.000720796%	0.000724416%	0.000744502%	0.000988013%	0.001432776%	0.001424591%	0.001171288%
Town of Jay's proportionate share of net pension liability	\$ 312,404	\$ 249,479	\$ 224,248	\$ 292,248	\$ 361,777	\$ 184,005	\$ 71,466
Town of Jay's covered payroll	321,538	268,811	228,692	258,107	297,587	260,420	246,874
Town of Jay's proportionate share of net pension liability as a percentage of its covered payroll	97.16%	92.81%	98.06%	113.23%	121.57%	70.66%	28.95%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Schedule of Contributions:							
Contractually required contribution	23,949	22,462	21,218	25,720	34,941	34,733	25,656
Contributions in relation to the contractually required contribution	<u>23,949</u>	<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>	<u>\$ -</u>
Town of Jay's covered payroll	\$ 321,538	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	7.45%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of Proportionate Share of Net Pension Liability:							
Town of Jay's proportion of the net pension liability	0.000911751%	0.000749391%	0.000685230%	0.000828458%	0.000907217%	0.000810865%	0.000807886%
Town of Jay's proportionate share of net pension liability	\$ 111,323	\$ 83,849	\$ 72,526	\$ 88,583	\$ 105,732	\$ 82,695	\$ 75,539
Town of Jay's covered payroll	321,538	268,811	228,692	258,107	297,587	260,420	246,874
Town of Jay's proportionate share of net pension liability as a percentage of its covered payroll	34.62%	31.19%	31.71%	34.32%	35.53%	31.75%	30.60%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%
Schedule of Contributions:							
Contractually required contribution	5,254	4,161	3,716	4,384	4,650	3,100	2,768
Contributions in relation to the contractually required contribution	5,254	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>	<u>\$ -</u>
Town of Jay's covered payroll	\$ 321,538	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	1.63%	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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings* as **Finding 2020-01** which we consider to be a material weakness.

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 response to the findings identified in our audit is described in the accompanying *Schedule of Findings*. The Town's response was 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

Durst Jordan, CPA, PA

March 19, 2021



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

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

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

We have examined the Town of Jay, Florida's (the Town) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2020, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

This report is intended solely for the information and use of the Town and the Florida Auditor General 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
March 19, 2021



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, 2020 and have issued our report thereon dated March 19, 2021.

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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 19, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that 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 the prior year audit finding related to material weaknesses in controls over year-end financial reporting. This is the fourth consecutive year that the material weakness in controls over year-end financial reporting is a finding.

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 us to apply appropriate procedures and communicate 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 to identify 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 as of September 30, 2020. 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. We have noted deteriorating financial conditions, which are outlined in our **Finding 2020-02** in the accompanying *Schedule of Findings*.

Section 10.554(1)(i)2., Rules of Auditor General, requires that we address in the management letter any recommendations to improve financial management. Recommendation are outlined in our **Finding 2020-01** in the accompanying *Schedule of Findings*.

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 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

Durst Jordan, CPA, PA
March 19, 2021

Town of Jay, Florida
Schedule of Findings and Responses
For the year ended September 30, 2020

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting: Material weakness(es) identified? **Yes**

Reportable condition(s) identified not considered to be material weaknesses? **No**

Noncompliance material to financial statements noted? **No**

Section II: Financial Statement Findings

Finding #2020-1: Material Adjustments

Criteria or Specific Requirement

Year-end financial statements presented to be audited should be free of significant adjustments in order to comply with generally accepted accounting principles.

Cause

Key financial accounts are not being reconciled periodically.

Effect

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.

Recommendation

We recommend that monthly or quarterly reconciliations of key financial accounts should be done to minimize the adjustments at year end.

Management Response

The Town is in a transition process. The prior Clerk retired, and the Town changed accounting personnel. The Town also recently hired an Operations Manager to draft the budget and oversee the financial process. The Town will discuss journal entries from this audit with the auditor to reduce the number of adjusting journal entries for the next audit. However, the Town does not have the budget to have a CPA on staff. Therefore, it is expected that journal entries will be necessary going forward due to accounting complexity.

Town of Jay, Florida
Schedule of Findings and Responses
For the year ended September 30, 2020

Finding #2020-2: Financial Condition

Criteria or Specific Requirement

At September 30, 2020, there was a deficit in unrestricted fund balance in the Water Fund and Sewer Fund of \$(57,662) and the Natural Gas Fund of \$(64,626). Unrestricted fund balances should be positive in all funds.

Cause

These funds are not generating operating income.

Effect

The Town's overall financial condition demonstrates signs of a deteriorating financial condition.

Recommendation

We recommend the Town develop long and short-term financial plans to improve its financial condition. The financial plans should include: (1) a review of the budget including depreciation and capital needs; (2) a system for monitoring revenues and expenditures; (3) budget reserves to provide for future capital needs and unexpected costs; and (4) projected revenues sufficient to cover projected costs. The Town should analyze existing rate structures for proprietary operations to determine their sufficiency in covering expenses and should explore all available options to increase its revenues or decrease expenditures.

Management Response

The Town is aware of the deteriorating financial condition. The Town was not including depreciation expense in the budget. Depreciation expense will be included in future budgets. The Town has been focusing on obtaining grants, but these grants are used for capital projects which does not increase operating income. The Town will evaluate each fund and discuss options to increase revenues or decrease expenses. Once this is resolved, the Town will be able to set aside reserves for each fund.