

TOWN OF JAY, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2021 AND 2020

DURST JORDAN, CPA, PA

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statements of Net Position	9
Statements of Activities	10
Fund Financial Statements:	
Balance Sheets – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statements of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds	15
Statements of Net Position – Proprietary Funds	16
Statements of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	17
Statements of Cash Flows – Proprietary Funds	18
Notes to Financial Statements	19
Required Supplementary Information:	
Required Supplementary Information for Pension Plans – Florida Retirement System	38
Required Supplementary Information for Pension Plans – Health Insurance Subsidy Program	39
Other Reports and Schedules:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	42
Management Letter	43
Schedule of Findings	45



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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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2021 and 2020, 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 February 16, 2022, 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

February 16, 2022



Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2021

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, 2021 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 \$8,192,691. Of this amount, a total deficit of \$(30,701) is unrestricted. Total net position includes \$2,980,787 of net investment in capital assets in governmental activities and \$5,054,548 in business-type activities.
- Revenues for governmental activities (excluding transfers) increased by \$435,123 or 74%, primarily due to an increase in grants. Expenses (excluding transfers) decreased by \$30,030 or 5%, primarily from a decrease in salaries, pension expense, and repairs & maintenance.
- Revenues (excluding transfers) for business-type activities decreased by \$91,931 or 7%, primarily from a decrease in capital grant revenues offset by new garbage service revenues. Expenses increased by \$34,992 or 4%, primarily from an increase in garbage contract labor for the new garbage service.

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, 2021

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, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Total assets, excluding capital assets	\$ 487,431	\$ 197,502	\$ 352,476	\$ 242,905	\$ 839,907	\$ 440,407
Capital assets, net of depreciation	2,986,789	2,726,232	5,270,548	4,823,337	8,257,337	7,549,569
Deferred outflows - pensions	17,166	32,086	34,333	64,173	51,499	96,259
Deferred outflows - health insurance subsidy	10,161	13,487	20,324	26,976	30,485	40,463
Total assets	\$ 3,501,547	\$ 2,969,307	\$ 5,677,681	\$ 5,157,391	\$ 9,179,228	\$ 8,126,698
Current liabilities	\$ 147,896	\$ 39,791	\$ 216,073	\$ 120,710	\$ 363,969	\$ 160,501
Long-term liabilities	7,844	10,258	217,219	5,825	225,063	16,083
Deferred inflows - pensions	74,620	17,488	149,241	34,976	223,861	52,464
Deferred inflows - health insurance subsidy	7,386	6,174	14,771	12,347	22,157	18,521
Net pension liability - pensions	17,223	104,135	34,447	208,269	51,670	312,404
Net pension liability - health insurance subsidy	33,273	37,108	66,544	74,215	99,817	111,323
Total liabilities	288,242	214,954	698,295	456,342	986,537	671,296
Net position:						
Net investment in capital assets	2,980,787	2,709,951	5,054,548	4,823,337	8,035,335	7,533,288
Restricted for capital projects	188,057	1,287	-	-	188,057	1,287
Unrestricted	44,461	43,115	(75,162)	(122,288)	(30,701)	(79,173)
Total net position	3,213,305	2,754,353	4,979,386	4,701,049	8,192,691	7,455,402
Total liabilities and net position	\$ 3,501,547	\$ 2,969,307	\$ 5,677,681	\$ 5,157,391	\$ 9,179,228	\$ 8,126,698
Program revenues:						
General government	\$ 434,610	\$ 50,000	\$ -	\$ -	\$ 434,610	\$ 50,000
Culture and recreation	50,000	25,000	-	-	50,000	25,000
Business-type:						
Water service	-	-	313,496	294,687	313,496	294,687
Sewer service	-	-	250,401	170,554	250,401	170,554
Natural gas service	-	-	190,251	141,003	190,251	141,003
Garbage service	-	-	108,554	-	108,554	-
Capital grants	-	-	353,410	701,420	353,410	701,420
Transfers in	28,000	-	-	57,365	28,000	57,365
General revenues:						
Property tax	104,826	114,784	-	-	104,826	114,784
Other taxes	246,797	213,954	-	-	246,797	213,954
Other	188,737	186,109	-	379	188,737	186,488
Total revenues	1,052,970	589,847	1,216,112	1,365,408	2,269,082	1,955,255
Expenses:						
General government	542,839	538,987	-	-	542,839	538,987
Other	51,179	85,061	887	-	52,066	85,061
Water service	-	-	358,430	408,700	358,430	408,700
Sewer service	-	-	249,362	242,816	249,362	242,816
Natural gas service	-	-	196,543	223,267	196,543	223,267
Garbage service	-	-	104,553	-	104,553	-
Transfers out	-	57,365	28,000	-	28,000	57,365
Total expenses	594,018	681,413	937,775	874,783	1,531,793	1,556,196
Change in net position	\$ 458,952	\$ (91,566)	\$ 278,337	\$ 490,625	\$ 737,289	\$ 399,059

Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2021

FINANCIAL ANALYSIS OF THE TOWN

The Town reported positive balances in net position for both governmental and business-type activities. However, the total 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 98% and 101% of the Town's total net position in 2021 and 2020, respectively.

For the year ended September 30, 2021, revenues for governmental activities exceeded expenses by \$430,952 before transfers. Revenues for business-type activities exceeded expense by \$306,337 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, 2021, total assets for the General Fund were \$487,431, and the total liabilities were \$144,431. Unassigned fund balance was \$154,943 and total fund balance was \$343,000.

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, sewer fund, natural gas fund, and garbage fund. The asset makeup is very capital intensive with capital assets, net of accumulated depreciation, representing 95% of the fund's total assets. The depreciation expense for these funds were \$207,360 for the fiscal year ended September 30, 2021. During fiscal year 2021, these funds had an increase in net position of \$278,337. The total net position of these funds was \$4,979,386 as of September 30, 2021. However, the unrestricted deficit is \$(75,162).

BUDGETARY HIGHLIGHTS

There were several variances between actual results and budgeted amounts. Variances in governmental fund revenues resulted in \$214 less revenue collected than budgeted. General fund expenses were \$175,418 less than budgeted. Overall, the actual change in fund balance exceeded the budgeted change in fund balance by \$175,204.

CAPITAL ASSETS

The Town's investment in capital assets for both its governmental activities and business-type activities as of September 30, 2021, was \$8,035,335 (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, 2021

DEBT MANAGEMENT

The Town's debt for governmental funds consists of a \$6,002 note payable for a John Deere lawnmower. Principal payments during the year on notes payable totaled \$10,279.

The Town's debt for proprietary funds consists of a \$216,000 bond payable to USDA for funding of a waterline project. Principal payments on this bond begin in 2022.

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, 2021 and 2020

	2021		2020	
	Governmental Activities	Business-type Activities	Total	Comparative Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 350,427	\$ 52,258	\$ 402,685	\$ 114,768
Certificates of deposit	121,278	67,431	188,709	187,563
Accounts receivable	6,991	54,996	61,987	93,647
Unbilled receivables	-	47,357	47,357	22,826
Grant receivable	-	115,536	115,536	-
Prepaid items	7,448	14,898	22,346	20,316
Total current assets	<u>486,144</u>	<u>352,476</u>	<u>838,620</u>	<u>439,120</u>
Non-Current Assets				
Restricted cash	1,287	-	1,287	1,287
Capital assets:				
Assets not being depreciated	364,696	522,178	886,874	256,169
Assets being depreciated, net	<u>2,622,093</u>	<u>4,748,370</u>	<u>7,370,463</u>	<u>7,293,400</u>
Total non-current assets	<u>2,988,076</u>	<u>5,270,548</u>	<u>8,258,624</u>	<u>7,550,856</u>
Total Assets	3,474,220	5,623,024	9,097,244	7,989,976
Deferred Outflows of Resources				
Deferred outflows - pensions	17,166	34,333	51,499	96,259
Deferred outflows - health insurance subsidy	<u>10,161</u>	<u>20,324</u>	<u>30,485</u>	<u>40,463</u>
Total assets and deferred outflows	<u>\$ 3,501,547</u>	<u>\$ 5,677,681</u>	<u>\$ 9,179,228</u>	<u>\$ 8,126,698</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 139,019	\$ 180,844	\$ 319,863	\$ 123,441
Accrued expenses	5,412	8,608	14,020	6,808
Note payable, current portion	3,465	4,087	7,552	10,085
Customer deposits	-	22,534	22,534	20,167
Total current liabilities	<u>147,896</u>	<u>216,073</u>	<u>363,969</u>	<u>160,501</u>
Non-Current Liabilities				
Compensated absences	5,307	5,306	10,613	9,887
Note payable, less current portion	2,537	211,913	214,450	6,196
Net pension liability - pensions	17,223	34,447	51,670	312,404
Net pension liability - health insurance subsidy	<u>33,273</u>	<u>66,544</u>	<u>99,817</u>	<u>111,323</u>
Total non-current liabilities	<u>58,340</u>	<u>318,210</u>	<u>376,550</u>	<u>439,810</u>
Total liabilities	206,236	534,283	740,519	600,311
Deferred Inflows of Resources				
Deferred inflows - pensions	74,620	149,241	223,861	52,464
Deferred inflows - health insurance subsidy	<u>7,386</u>	<u>14,771</u>	<u>22,157</u>	<u>18,521</u>
Total liabilities and deferred inflows	288,242	698,295	986,537	671,296
Net Position				
Net investment in capital assets	2,980,787	5,054,548	8,035,335	7,533,288
Restricted for capital projects	188,057	-	188,057	1,287
Unrestricted (deficit)	<u>44,461</u>	<u>(75,162)</u>	<u>(30,701)</u>	<u>(79,173)</u>
Total net position	<u>3,213,305</u>	<u>4,979,386</u>	<u>8,192,691</u>	<u>7,455,402</u>
Total Liabilities and Net Position	<u>\$ 3,501,547</u>	<u>\$ 5,677,681</u>	<u>\$ 9,179,228</u>	<u>\$ 8,126,698</u>

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

Town of Jay, Florida
Balance Sheets - Governmental Funds
As of September 30, 2021 and 2020

	2021	2020
ASSETS		
Assets		
Cash and cash equivalents	\$ 350,427	\$ 60,253
Restricted cash	1,287	1,287
Certificates of deposit	121,278	120,132
Accounts receivable	6,991	9,059
Prepaid expenses	<u>7,448</u>	<u>6,771</u>
Total Assets	<u>\$ 487,431</u>	<u>\$ 197,502</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 139,019	\$ 27,548
Accrued liabilities	<u>5,412</u>	<u>2,158</u>
Total liabilities	<u>144,431</u>	<u>29,706</u>
Fund Balances		
Restricted for capital projects	188,057	1,287
Unrestricted:		
Unassigned	<u>154,943</u>	<u>166,509</u>
Total fund balances	<u>343,000</u>	<u>167,796</u>
Total Liabilities and Fund Balances	<u>\$ 487,431</u>	<u>\$ 197,502</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, 2021

Total Fund Balances - General Fund \$ 343,000

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 \$6,057,896 in the general fund less accumulated depreciation of \$3,071,107. 2,986,789

Deferred outflows related to pensions 27,327

Deferred inflows related to pensions (82,006)

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. (61,805)

Total Net Position - Governmental Activities \$ 3,213,305

Town of Jay, Florida

Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the years ended September 30, 2021 and 2020

	2021	2020
Revenues:		
Ad valorem taxes	\$ 104,826	\$ 114,784
Local option gas tax	31,387	29,308
Franchise fees	58,639	54,204
Utility service tax	151,040	124,527
Communication service tax	5,731	5,915
Licenses and permits	4,264	2,552
Intergovernmental	551,584	105,983
Charges for services	50,000	75,000
Miscellaneous	79,764	77,844
Total revenues	1,037,235	590,117
Expenditures:		
Current:		
General government	387,650	347,284
Transportation	48,234	57,622
Culture and recreation	2,945	27,439
Capital outlay	444,548	136,060
Debt service	10,279	8,329
Total expenditures	893,656	576,734
Excess of revenues over expenditures	143,579	13,383
Other Financing Sources (Uses):		
Proceeds from sale of assets	3,625	1,021
Transfer in	28,000	100,000
Transfer out	-	(157,365)
Total other financing sources (uses)	31,625	(56,344)
Net Change in Fund Balances	175,204	(42,961)
Fund Balance - Beginning of Year	167,796	210,757
Fund Balance - End of Year	\$ 343,000	\$ 167,796

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 175,204

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	444,548
Current period depreciation	(169,346)
Current period loss on disposal of capital assets, net of proceeds	(14,645)

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	(1,245)
Current period note payments	10,279
Current period change in pension liability	86,912
Current period change in health insurance subsidy	3,835
Current period change in deferred outflow of resources on pensions	(14,920)
Current period change in deferred inflow of resources on pensions	(57,132)
Current period change in deferred outflow of resources on health insurance subsidy	(3,326)
Current period change in deferred inflow of resources on health insurance subsidy	(1,212)
	(1,212)

Change in Net Position - Governmental Activities \$ 458,952

Town of Jay, Florida
 Statements of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Governmental Funds
 For the years ended September 30, 2021 and 2020

	2021				2020			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 335,954	\$ 350,654	\$ 351,623	\$ 969	\$ 354,500	\$ 346,500	\$ 328,738	\$ (17,762)
Licenses and permits	2,400	4,000	4,264	264	2,200	2,200	2,552	352
Charges for services	10,000	50,000	50,000	-	25,000	75,000	75,000	-
Intergovernmental	1,051,300	393,040	551,584	158,544	74,500	93,500	105,983	12,483
Miscellaneous	72,800	243,380	79,764	(163,616)	93,600	183,600	77,844	(105,756)
Total revenues	<u>1,472,454</u>	<u>1,041,074</u>	<u>1,037,235</u>	<u>(3,839)</u>	<u>549,800</u>	<u>700,800</u>	<u>590,117</u>	<u>(110,683)</u>
Expenditures:								
Current:								
General government	1,528,134	584,210	387,650	(196,560)	400,100	498,100	347,284	(150,816)
Transportation	65,300	323,250	48,234	(275,016)	106,000	61,000	57,622	(3,378)
Culture and recreation	39,300	4,000	2,945	(1,055)	43,700	25,200	27,439	2,239
Capital outlay	-	157,614	444,548	286,934	-	116,500	136,060	19,560
Debt service	-	-	10,279	10,279	-	-	8,329	8,329
Total expenditures	<u>1,632,734</u>	<u>1,069,074</u>	<u>893,656</u>	<u>(175,418)</u>	<u>549,800</u>	<u>700,800</u>	<u>576,734</u>	<u>(124,066)</u>
Excess of revenues over expenditures	<u>(160,280)</u>	<u>(28,000)</u>	<u>143,579</u>	<u>171,579</u>	<u>-</u>	<u>-</u>	<u>13,383</u>	<u>13,383</u>
Other Financing Sources (Uses):								
Proceeds from sale of assets	-	-	3,625	3,625	-	-	1,021	1,021
Transfers, net	-	28,000	28,000	-	-	-	(57,365)	(57,365)
Total other financing sources and (uses)	<u>-</u>	<u>28,000</u>	<u>31,625</u>	<u>3,625</u>	<u>-</u>	<u>-</u>	<u>(56,344)</u>	<u>(56,344)</u>
Net Change in Fund Balances	<u>\$ (160,280)</u>	<u>\$ -</u>	<u>175,204</u>	<u>\$ 175,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(42,961)</u>	<u>\$ (42,961)</u>
Fund Balance - Beginning of Year			<u>167,796</u>				<u>210,757</u>	
Fund Balance - End of Year			<u>\$ 343,000</u>				<u>\$ 167,796</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, 2021 and 2020

	2021				2020	
	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total	Comparative Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 44,980	\$ 1,951	\$ 50	\$ 5,277	\$ 52,258	\$ 54,515
Certificates of deposit	-	-	67,431	-	67,431	67,431
Accounts receivable	18,567	14,791	11,180	10,458	54,996	84,588
Unbilled receivables	19,572	19,107	8,678	-	47,357	22,826
Grant receivable	115,536	-	-	-	115,536	-
Prepaid expenses	3,722	3,728	7,448	-	14,898	13,545
Total current assets	<u>202,377</u>	<u>39,577</u>	<u>94,787</u>	<u>15,735</u>	<u>352,476</u>	<u>242,905</u>
Non-current Assets						
Capital assets:						
Assets not being depreciated	522,178	-	-	-	522,178	39,004
Assets being depreciated, net	3,662,841	839,743	245,786	-	4,748,370	4,784,333
Total non-current assets	<u>4,185,019</u>	<u>839,743</u>	<u>245,786</u>	<u>-</u>	<u>5,270,548</u>	<u>4,823,337</u>
Total assets	4,387,396	879,320	340,573	15,735	5,623,024	5,066,242
Deferred Outflows of Resources						
Deferred outflows - pensions	8,583	8,583	17,167	-	34,333	64,173
Deferred outflows - health insurance subsidy	5,081	5,081	10,162	-	20,324	26,976
Total assets and deferred outflows	<u>\$ 4,401,060</u>	<u>\$ 892,984</u>	<u>\$ 367,902</u>	<u>\$ 15,735</u>	<u>\$ 5,677,681</u>	<u>\$ 5,157,391</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	\$ 139,409	\$ 2,846	\$ 26,855	\$ 11,734	\$ 180,844	\$ 95,893
Accrued expenses	4,304	4,304	-	-	8,608	4,650
Note payable, current portion	4,087	-	-	-	4,087	-
Customer deposits	17,659	-	4,875	-	22,534	20,167
Total current liabilities	<u>165,459</u>	<u>7,150</u>	<u>31,730</u>	<u>11,734</u>	<u>216,073</u>	<u>120,710</u>
Non-current Liabilities						
Compensated absences	2,653	2,653	-	-	5,306	5,825
Note payable, less current portion	211,913	-	-	-	211,913	-
Net pension liability - pension plan	8,612	8,612	17,223	-	34,447	208,269
Net pension liability - health insurance subsidy	16,636	16,636	33,272	-	66,544	74,215
Total non-current liabilities	<u>239,814</u>	<u>27,901</u>	<u>50,495</u>	<u>-</u>	<u>318,210</u>	<u>288,309</u>
Total liabilities	405,273	35,051	82,225	11,734	534,283	409,019
Deferred Inflows of Resources						
Deferred inflows - pensions	37,310	37,310	74,621	-	149,241	34,976
Deferred inflows - health insurance subsidy	3,693	3,693	7,385	-	14,771	12,347
Total liabilities and deferred inflows	<u>446,276</u>	<u>76,054</u>	<u>164,231</u>	<u>11,734</u>	<u>698,295</u>	<u>456,342</u>
Net Position						
Net investment in capital assets	3,969,019	839,743	245,786	-	5,054,548	4,823,337
Unrestricted (deficit)	(14,235)	(22,813)	(42,115)	4,001	(75,162)	(122,288)
Total net position	<u>3,954,784</u>	<u>816,930</u>	<u>203,671</u>	<u>4,001</u>	<u>4,979,386</u>	<u>4,701,049</u>
Total liabilities and net position	<u>\$ 4,401,060</u>	<u>\$ 892,984</u>	<u>\$ 367,902</u>	<u>\$ 15,735</u>	<u>\$ 5,677,681</u>	<u>\$ 5,157,391</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, 2021 and 2020

	2021				2020	
	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total	Comparative Total
Operating Revenue						
Charges for service	\$ 303,720	\$ 181,913	\$ 190,247	\$ 108,554	\$ 784,434	\$ 597,081
Other operating income	9,776	68,488	4	-	78,268	9,163
Total operating revenue	<u>313,496</u>	<u>250,401</u>	<u>190,251</u>	<u>108,554</u>	<u>862,702</u>	<u>606,244</u>
Operating Expenses						
Personnel services	130,755	119,780	10,899	-	261,434	278,430
Contractual services	2,558	8,403	-	104,553	115,514	9,076
Materials and supplies	2,788	233	145,779	-	148,800	80,038
Professional services	3,725	3,725	7,450	-	14,900	17,167
Repairs and maintenance	67,466	41,239	21,835	-	130,540	171,691
Office and utilities	20,965	30,746	8,237	-	59,948	64,586
Insurance expense	(324)	(324)	(648)	-	(1,296)	46,029
Depreciation and amortization	137,575	52,638	17,147	-	207,360	182,060
Pension (income)expense	(7,078)	(7,078)	(14,156)	-	(28,312)	25,706
Total operating expenses	<u>358,430</u>	<u>249,362</u>	<u>196,543</u>	<u>104,553</u>	<u>908,888</u>	<u>874,783</u>
Operating loss	<u>(44,934)</u>	<u>1,039</u>	<u>(6,292)</u>	<u>4,001</u>	<u>(46,186)</u>	<u>(268,539)</u>
Nonoperating Revenue (Expenses)						
Interest income	-	-	-	-	-	379
Sale of capital assets	-	(887)	-	-	(887)	-
Total nonoperating revenue (expenses)	<u>-</u>	<u>(887)</u>	<u>-</u>	<u>-</u>	<u>(887)</u>	<u>379</u>
Loss before contributions and transfers	(44,934)	152	(6,292)	4,001	(47,073)	(268,160)
Capital contributions	353,410	-	-	-	353,410	701,420
Transfers (out) in	<u>(22,569)</u>	<u>(28,000)</u>	<u>22,569</u>	<u>-</u>	<u>(28,000)</u>	<u>57,365</u>
Change in Net Position	285,907	(27,848)	16,277	4,001	278,337	490,625
Fund Balance - Beginning of Year	<u>3,668,877</u>	<u>844,778</u>	<u>187,394</u>	<u>-</u>	<u>4,701,049</u>	<u>4,210,424</u>
Fund Balance - End of Year	<u>\$ 3,954,784</u>	<u>\$ 816,930</u>	<u>\$ 203,671</u>	<u>\$ 4,001</u>	<u>\$ 4,979,386</u>	<u>\$ 4,701,049</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, 2021 and 2020

	2021				2020	
	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total	Comparative Total
Cash Flows from Operating Activities						
Cash received from customers	\$ 194,594	\$ 237,265	\$ 237,011	\$ 98,096	\$ 766,966	\$ 617,832
Cash paid to employees for services	(127,855)	(116,880)	(13,260)	-	(257,995)	(276,266)
Cash paid to suppliers for goods and services	(3,939)	(84,334)	(235,408)	(92,819)	(416,500)	(471,581)
Net cash from operating activities	<u>62,800</u>	<u>36,051</u>	<u>(11,657)</u>	<u>5,277</u>	<u>92,471</u>	<u>(130,015)</u>
Cash Flows from Non-Capital Financing Activities						
Payments (to) from other funds	-	-	-	-	-	(30,000)
Transfer in	-	-	22,569	-	22,569	160,832
Transfer out	(22,569)	(28,000)	-	-	(50,569)	(103,468)
Net cash from non-capital financing activities	<u>(22,569)</u>	<u>(28,000)</u>	<u>22,569</u>	<u>-</u>	<u>(28,000)</u>	<u>27,364</u>
Cash Flows from Capital and Related Financing Activities						
Acquisition and construction of capital assets	(503,590)	(6,100)	(10,912)	-	(520,602)	(659,125)
Loan proceeds	216,000	-	-	-	216,000	-
Capital contributions	237,874	-	-	-	237,874	594,660
Net cash from capital and related financing activities	<u>(49,716)</u>	<u>(6,100)</u>	<u>(10,912)</u>	<u>-</u>	<u>(66,728)</u>	<u>(64,465)</u>
Cash Flows from Investing Activities						
Redemption of certificate of deposit	-	-	-	-	-	153,457
Interest received	-	-	-	-	-	379
Net cash from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,836</u>
Net Change in Cash and Cash Equivalents	(9,485)	1,951	-	5,277	(2,257)	(13,280)
Cash and Cash Equivalents - Beginning of the Year	54,465	-	50	-	54,515	67,795
Cash and Cash Equivalents - End of the Year	<u>\$ 44,980</u>	<u>\$ 1,951</u>	<u>\$ 50</u>	<u>\$ 5,277</u>	<u>\$ 52,258</u>	<u>\$ 54,515</u>
Displayed As:						
Cash and cash equivalents	\$ 44,980	\$ 1,951	\$ 50	\$ 5,277	\$ 52,258	\$ 54,515
Reconciliation of Operating Loss to Net Cash from Operating Activities:						
Operating income (loss)	(44,934)	1,039	(6,292)	4,001	(46,186)	(268,539)
Adjustments to reconcile operating loss to net cash from operating activities -						
Depreciation and amortization expense	137,575	52,638	17,147	-	207,360	182,060
Changes in operating assets and liabilities:						
Accounts receivable and unbilled receivables	(121,174)	(13,136)	46,665	(10,458)	(98,103)	11,238
Grant receivable						
Prepaid items	(338)	(338)	(677)	-	(1,353)	(1,245)
Accounts payable	93,577	26	(52,078)	11,734	53,259	(81,749)
Accrued expenses	1,979	1,979	-	-	3,958	1,882
Compensated absences	921	921	(2,361)	-	(519)	282
Customer deposits	2,272	-	95	-	2,367	350
Net pension liability	(43,455)	(43,455)	(86,912)	-	(173,822)	41,949
Net pension liability related to health insurance subsidy	(1,918)	(1,918)	(3,835)	-	(7,671)	18,316
Deferred inflows related to pensions	28,566	28,566	57,133	-	114,265	(20,917)
Deferred inflows related to health insurance subsidy	606	606	1,212	-	2,424	(2,503)
Deferred outflows related to pensions	7,460	7,460	14,920	-	29,840	1,280
Deferred outflows related to health insurance subsidy	1,663	1,663	3,326	-	6,652	(12,419)
Total adjustments	<u>107,734</u>	<u>35,012</u>	<u>(5,365)</u>	<u>1,276</u>	<u>138,657</u>	<u>138,524</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ 62,800</u>	<u>\$ 36,051</u>	<u>\$ (11,657)</u>	<u>\$ 5,277</u>	<u>\$ 92,471</u>	<u>\$ (130,015)</u>

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

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Town

The Town of Jay, Florida, (the Town) is a political subdivision of the State and was incorporated in 1951. The Town provides general government, parks and recreation, and public works services to its residents. In addition, the Town operates water, sewer, gas, and sanitation enterprises.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

Below is a summary of the more significant accounting policies of the Town.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town as the primary government.

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.

C. 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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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.

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.

Garbage Fund: This fund accounts for the operation of the Town's garbage service.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

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.

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. 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.

E. 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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities, and Equity (Continued)

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.

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

Significant Customers: The Town has two natural gas customer with revenues totaling approximately 21% 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.

G. 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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

At September 30, 2021, the carrying amount of the Town’s deposits was \$627,737 all of which was placed in banks that qualify as public depositories.

Restricted cash in the general fund consists of revenues collected for capital projects.

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, 2021, accounts receivable balances in the business-type activities funds, net of allowances for doubtful accounts, were as follows:

Accounts Receivable – Water	\$ 20,067
Less Water Allowance	(1,500)
Accounts Receivable – Sewer	16,591
Less Sewer Allowance	(1,800)
Accounts Receivable – Natural Gas	12,680
Less Gas Allowance	(1,500)
Accounts Receivable – Garbage	11,958
Less Gas Allowance	(1,500)
	<u>\$ 54,966</u>

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

Bad Debt – Water	\$ 2,125
Bad Debt – Sewer	1,796
Bad Debt – Natural Gas	239
Bad Debt – Garbage	594
	<u>\$ 4,754</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 4 – CAPITAL ASSETS

Capital asset governmental activity for the year ended September 30, 2021, was as follows:

Governmental Activities:	<u>Balance 10/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/21</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 217,165	\$ -	\$ (14,114)	\$ 203,051
Construction in progress	-	161,645	-	161,645
Total capital assets not being depr.	<u>217,165</u>	<u>161,645</u>	<u>(14,114)</u>	<u>364,696</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,036,383	-	-	1,036,383
Improvements other than buildings	4,003,351	280,318	(112,487)	4,171,182
Machinery and equipment	<u>529,709</u>	<u>2,585</u>	<u>(46,659)</u>	<u>485,635</u>
Total capital assets being depreciated	5,569,443	282,903	(159,146)	5,693,200
<i>Less accumulated depreciation for:</i>				
Buildings	(784,172)	(15,647)	-	(799,819)
Improvements other than buildings	(1,956,686)	(122,465)	112,487	(1,966,664)
Machinery and equipment	<u>(319,518)</u>	<u>(31,234)</u>	<u>46,128</u>	<u>(304,624)</u>
Total accumulated depreciation	<u>(3,060,376)</u>	<u>(169,346)</u>	<u>158,615</u>	<u>(3,071,107)</u>
Total capital assets being depr., net	<u>2,509,067</u>	<u>113,557</u>	<u>(531)</u>	<u>2,622,093</u>
Governmental capital assets, net	<u>\$2,726,232</u>	<u>\$ 275,202</u>	<u>\$ (14,645)</u>	<u>\$2,986,789</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset business-type activity for the year ended September 30, 2021, was as follows:

Business-type Activities:	<u>Balance 10/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/21</u>
<i>Water -</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,024	\$ -	\$ -	\$ 15,024
Construction in progress	23,980	595,273	(112,099)	507,154
Total capital assets not being depr.	<u>39,004</u>	<u>595,273</u>	<u>(112,099)</u>	<u>522,178</u>
<i>Capital assets being depreciated:</i>				
Buildings	942	-	-	942
Water plant	3,757,308	114,864	-	3,872,172
Improvements other than buildings	1,384,175	-	-	1,384,175
Machinery and equipment	55,299	40,406	-	95,705
Total capital assets being depreciated	<u>5,197,724</u>	<u>155,270</u>	<u>-</u>	<u>5,352,994</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(942)	-	-	(942)
Water plant	(660,532)	(99,790)	-	(760,322)
Improvements other than buildings	(839,187)	(34,604)	-	(873,791)
Machinery and equipment	(51,918)	(3,180)	-	(55,098)
Total accumulated depreciation	<u>(1,552,579)</u>	<u>(137,574)</u>	<u>-</u>	<u>(1,690,153)</u>
Total capital assets being depr., net	<u>3,645,145</u>	<u>17,696</u>	<u>-</u>	<u>3,662,841</u>
Water capital assets, net	<u>3,684,149</u>	<u>612,969</u>	<u>(112,099)</u>	<u>4,185,019</u>
<i>Sewer -</i>				
Sewer plant	2,318,961	6,100	(4,436)	2,320,625
Less accumulated depreciation	<u>(1,431,793)</u>	<u>(52,638)</u>	<u>3,549</u>	<u>(1,480,882)</u>
Sewer capital assets, net	<u>887,168</u>	<u>(46,538)</u>	<u>(887)</u>	<u>839,743</u>
<i>Natural Gas -</i>				
<i>Capital assets being depreciated:</i>				
Natural gas plant	767,897	6,839	-	774,736
Machinery and equipment	40,052	4,073	-	44,125
Total capital assets being depreciated	<u>807,949</u>	<u>10,912</u>	<u>-</u>	<u>818,861</u>
<i>Less accumulated depreciation for:</i>				
Natural gas plant	(520,254)	(16,465)	-	(536,719)
Machinery and equipment	<u>(35,675)</u>	<u>(681)</u>	<u>-</u>	<u>(36,356)</u>
Total accumulated depreciation	<u>(555,929)</u>	<u>(17,146)</u>	<u>-</u>	<u>(573,075)</u>
Natural gas capital assets, net	<u>252,020</u>	<u>(6,234)</u>	<u>-</u>	<u>245,786</u>
Business-type activities capital assets, net	<u>\$4,823,337</u>	<u>\$ 560,197</u>	<u>\$(112,986)</u>	<u>\$5,270,548</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 5 – DEBT

On June 15, 2016, the Town borrowed \$39,258 from a financial institution to purchase a mini-excavator. This loan was paid off in the current year.

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.

On June 7, 2021, the Town was issued a bond for \$216,000 as part of the USDA waterline project to finance acquisition, construction, and equipping of additions and extensions to the water system. Terms of the loan include an interest rate at 1.375% with annual payments based on the bond note schedule through June 11, 2062.

The annual requirements to amortize the general fund note payable outstanding at September 30, 2021 is as follows:

Years Ending September 30,	Principal	Interest	Total
2022	\$ 7,552	\$ 3,236	\$ 10,788
2023	6,680	2,980	9,660
2024	4,192	2,864	7,056
2025	4,258	2,799	7,057
2026	4,316	2,740	7,056
Thereafter	195,004	51,881	246,885
	<u>222,002</u>	<u>\$ 66,500</u>	<u>\$ 288,502</u>
Less current portion	<u>(7,552)</u>		
	<u>\$ 214,450</u>		

NOTE 6 – INTERFUND TRANSFERS

During the year ended September 30, 2021, the Town made net transfers from the Proprietary Funds to the General Fund totaling \$28,000. The Town Council approved this transfer for park renovations.

NOTE 7 – FINANCIAL CONDITION

At September 30, 2021, there was a deficit in unrestricted fund balance in the Water Fund of \$(14,235), Sewer Fund of \$(22,813), and the Natural Gas Fund of \$(42,115). The Town plans to transfer excess funds when and if available in subsequent fiscal years to replenish these funds. See **Finding 2021-2** 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, 2021 and 2020

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, 2021, 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, 2021 and 2020

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, 2021 were 10.82% for regular participants and 51.42% for elected officials. Contributions for the employer and employee portions for the years ending September 30, 2021 and 2020 were \$45,465 and \$58,006, respectively, which meet the required contributions for each year. The HIS required contribution rate is 1.66% for both the 2021 and 2020 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, 2021 and 2020

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, 2021, are shown below (in thousands):

	FRS	HIS
Total Pension Liability	\$ 209,636,046	\$ 12,719,121
Plan Fiduciary Net Position	(202,082,183)	(452,618)
Net Pension Liability	\$ 7,553,863	\$ 12,266,503
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 96.40%	 3.56%

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, 2021. 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, 2021. 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, 2021 and 2020 was \$151,487 and \$423,727, respectively, which have been recorded as obligations on the financial statements.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

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, 2021, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2021, 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 ACFR 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, 2021 and 2020

NOTE 8 – PENSION PLAN (Continued)

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% 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 2021:

- FRS: Decreasing the maximum amortization period to 20 years for all current and future amortization bases.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 2.21% to 2.16%.

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, 2021.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
\$ 231,073	\$ 51,670	\$ (98,290)	\$ 115,399	\$ 99,818	\$ 87,052

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, 2021 and 2020

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, 2021, was 5.7 years for FRS and 6.4 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	\$ 8,856	\$ -	\$ 3,340	\$ (42)
Changes in assumptions	35,355	-	7,843	(4,113)
Net difference between projected and actual earnings on pension plan investments	-	(180,264)	104	-
Employer-specific amounts due to changes in employer proportion	72	(43,597)	17,920	(18,003)
Town contributions subsequent to the measurement date	7,216	-	1,277	-
	<u>\$ 51,499</u>	<u>\$(223,861)</u>	<u>\$ 30,484</u>	<u>\$(22,158)</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
2022	\$ (23,962)	\$ 1,965
2023	(27,942)	626
2024	(37,013)	1,291
2025	(47,429)	1,714
2026	293	1,282
Thereafter	-	255
	<u>\$ (136,053)</u>	<u>\$ 7,133</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

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 ACFR for the fiscal year ended June 30, 2021. The system's ACFR and the actuarial valuation reports referenced herein are available online at:

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

The ACFR 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, 2021 and 2020

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, 2021 totaled \$22,000.

The Town owns the Jay Community Center where it leases three office spaces to Santa Rosa County (SRC). The original lease was for a period of three years at \$45,000 per year from June 1, 2018 through May 31, 2021. The lease allowed for a two-year renewal. The Town and SRC agreed to renew the lease for the community center for an additional two years beginning June 1, 2021 through May 31, 2023. Rental income for the year ended September 30, 2021 totaled \$45,000.

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

Year Ending September 30,		
2022	\$	67,000
2023		52,000
2024		<u>12,833</u>
	\$	<u><u>131,833</u></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 2019 which are 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,		
2022	\$	3,096
2023		3,096
2024		<u>1,290</u>
	\$	<u><u>7,482</u></u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

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, 2021 were \$53,560.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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 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. The amount remaining per the letter as of September 30, 2021 is \$117,663. A liability is not recorded as of September 30, 2021 while royalties are recorded net of these expenses.

Large Gas Customer Litigation:

In prior years, the Town disclosed that they were potentially liable for overbilling a large gas customer over several years. In the current year, the Town came to an agreement with the customer that they have a \$12,374 credit balance as of September 30, 2021. Gas charges for this customer will be applied to this credit. Once the credit is fully expended, the customer will begin paying monthly gas bills.

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.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 13 – RELATED PARTY TRANSACTIONS

The Town makes several purchases throughout the year from businesses owned by the Town's Mayor. As of the years ended September 30, 2021 and 2020, purchases from these businesses totaled \$23,724 and \$14,118, respectively. These purchases were for various repairs and maintenance and building projects. 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*

	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of Proportionate Share of Net Pension Liability:								
Town of Jay's proportion of the net pension liability	0.000684024%	0.000720796%	0.000724416%	0.000744502%	0.000988013%	0.001432776%	0.001424591%	0.001171288%
Town of Jay's proportionate share of net pension liability	\$ 51,670	\$ 312,404	\$ 249,479	\$ 224,248	\$ 292,248	\$ 361,777	\$ 184,005	\$ 71,466
Town of Jay's covered payroll	286,546	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	18.03%	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	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Schedule of Contributions:								
Contractually required contribution	26,058	23,949	22,462	21,218	25,720	34,941	34,733	25,656
Contributions in relation to the contractually required contribution	26,058	23,949	22,462	21,218	25,720	34,941	34,733	25,656
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Jay's covered payroll	\$ 286,546	\$ 321,538	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	9.09%	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*

	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of Proportionate Share of Net Pension Liability:								
Town of Jay's proportion of the net pension liability	0.000000000%	0.000911751%	0.000749391%	0.000685230%	0.000828458%	0.000907217%	0.000810865%	0.000807886%
Town of Jay's proportionate share of net pension liability	\$ 99,818	\$ 111,323	\$ 83,849	\$ 72,526	\$ 88,583	\$ 105,732	\$ 82,695	\$ 75,539
Town of Jay's covered payroll	286,546	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	34.83%	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	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%
Schedule of Contributions:								
Contractually required contribution	4,783	5,254	4,161	3,716	4,384	4,650	3,100	2,768
Contributions in relation to the contractually required contribution	4,783	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>	<u>\$ -</u>
Town of Jay's covered payroll	\$ 286,546	\$ 321,538	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	1.67%	1.63%	1.55%	1.62%	1.70%	1.56%	1.19%	1.12%

*Data was unavailable prior to 2014

OTHER REPORTS AND SCHEDULES



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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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 16, 2022.

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 2021-01** 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.

A handwritten signature in black ink that reads "Durst Jordan CPA, PA". The signature is written in a cursive, flowing style.

Durst Jordan, CPA, PA

February 16, 2022



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**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, 2021, 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, 2021.

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
February 16, 2022



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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, 2021 and have issued our report thereon dated February 16, 2022.

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 February 16, 2022, 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 2021-02** 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. Recommendations are outlined in **Finding 2021-01** 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
February 16, 2022

Town of Jay, Florida
Schedule of Findings and Responses
For the year ended September 30, 2021

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 #2021-1: 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 prior audit adjustments be reviewed and discussed to reduce the adjustments made by auditors.

Management Response

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.

Finding #2021-2: Financial Condition

Criteria or Specific Requirement

At September 30, 2021, there was a deficit in unrestricted fund balance in the Water Fund of \$(14,235), Sewer Fund of \$(22,813), and the Natural Gas Fund of \$(42,115). Unrestricted fund balances should be positive in all funds.

Town of Jay, Florida
Schedule of Findings and Responses
For the year ended September 30, 2021

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 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.