

TOWN OF JAY, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2022 AND 2021

DURST JORDAN, CPA, PA

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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 Audit of the Financial Statements

Opinions

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2022 and 2021 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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.

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative*

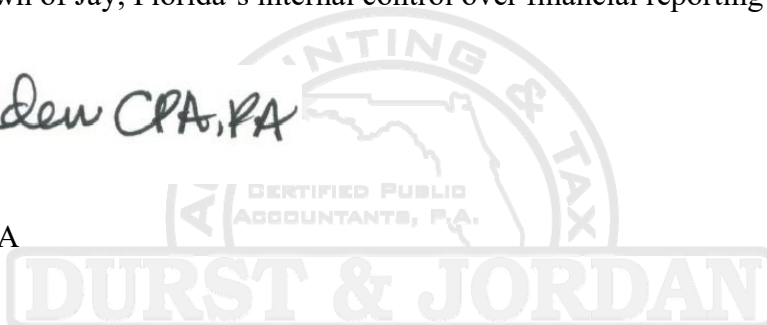
Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of the Town of Jay, Florida’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Jay, Florida’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jay, Florida’s internal control over financial reporting and compliance.

Durst Jordan CPA, PA

Durst Jordan, CPA, PA
March 22, 2023



Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2022

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, 2022 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 \$10,587,131. Of this amount, \$249,798 is unrestricted. Total net position includes \$2,829,121 of net investment in capital assets in governmental activities and \$6,133,383 in business-type activities.
- Revenues for governmental activities (excluding transfers) increased by \$746,759 or 73%, primarily due to an increase in grants. Expenses (excluding transfers) increased by \$56,726 or 10%, primarily from a \$40,000 expense for land development codes.
- Revenues (excluding transfers) for business-type activities increased by \$1,061,483 or 87%, primarily from an increase in capital grant revenues. Expenses increased by \$135,045 or 15%, primarily from increases in garbage contract labor, salaries, depreciation, and pension expense.

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, 2022

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, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Total assets, excluding capital assets	\$ 1,866,217	\$ 810,321	\$ 689,098	\$ 352,476	\$ 2,555,315	\$ 1,162,797
Capital assets, net of depreciation	2,847,025	2,986,789	6,944,099	5,270,548	9,791,124	8,257,337
Deferred outflows - pensions	23,335	17,166	46,672	34,333	70,007	51,499
Deferred outflows - health insurance subsidy	9,467	10,161	18,936	20,324	28,403	30,485
Total assets	<u>\$ 4,746,044</u>	<u>\$ 3,824,437</u>	<u>\$ 7,698,805</u>	<u>\$ 5,677,681</u>	<u>\$ 12,444,849</u>	<u>\$ 9,502,118</u>
		-				
Current liabilities	\$ 11,855	\$ 147,896	\$ 412,883	\$ 216,073	\$ 424,738	\$ 363,969
Long-term liabilities	3,703	7,844	806,942	217,219	810,645	225,063
Deferred inflows - leases	222,106	282,210	-	-	222,106	282,210
Deferred inflows - pensions	7,746	74,620	15,493	149,241	23,239	223,861
Deferred inflows - health insurance subsidy	9,290	7,386	18,579	14,771	27,869	22,157
Net pension liability - pensions	85,660	17,223	171,320	34,447	256,980	51,670
Net pension liability - health insurance subsidy	30,714	33,273	61,427	66,544	92,141	99,817
Total liabilities	<u>371,074</u>	<u>570,452</u>	<u>1,486,644</u>	<u>698,295</u>	<u>1,857,718</u>	<u>1,268,747</u>
Net position:						
Net investment in capital assets	2,829,121	2,980,787	6,133,383	5,054,548	8,962,504	8,035,335
Restricted for capital projects	1,318,829	188,057	56,000	-	1,374,829	188,057
Unrestricted	227,020	85,141	22,778	(75,162)	249,798	9,979
Total net position	<u>4,374,970</u>	<u>3,253,985</u>	<u>6,212,161</u>	<u>4,979,386</u>	<u>10,587,131</u>	<u>8,233,371</u>
Total liabilities and net position	<u>\$ 4,746,044</u>	<u>\$ 3,824,437</u>	<u>\$ 7,698,805</u>	<u>\$ 5,677,681</u>	<u>\$ 12,444,849</u>	<u>\$ 9,502,118</u>
Program revenues:						
General government	\$ 1,222,743	\$ 434,610	\$ -	\$ -	\$ 1,222,743	\$ 434,610
Culture and recreation	3,755	50,000	-	-	3,755	50,000
Business-type:						
Water service	-	-	339,932	313,496	339,932	313,496
Sewer service	-	-	307,332	250,401	307,332	250,401
Natural gas service	-	-	195,866	190,251	195,866	190,251
Garbage service	-	-	156,437	108,554	156,437	108,554
Capital grants	-	-	1,277,200	353,410	1,277,200	353,410
Transfers in	-	28,000	-	-	-	28,000
General revenues:						
Property tax	153,178	104,826	-	-	153,178	104,826
Other taxes	252,498	246,797	-	-	252,498	246,797
Other	139,555	188,737	828	-	140,383	188,737
Total revenues	<u>1,771,729</u>	<u>1,052,970</u>	<u>2,277,595</u>	<u>1,216,112</u>	<u>4,049,324</u>	<u>2,269,082</u>
Expenses:						
General government	608,829	542,839	-	-	608,829	542,839
Other	41,915	51,179	-	887	41,915	52,066
Water service	-	-	397,103	358,430	397,103	358,430
Sewer service	-	-	281,815	249,362	281,815	249,362
Natural gas service	-	-	216,680	196,543	216,680	196,543
Garbage service	-	-	149,222	104,553	149,222	104,553
Transfers out	-	-	-	28,000	-	28,000
Total expenses	<u>650,744</u>	<u>594,018</u>	<u>1,044,820</u>	<u>937,775</u>	<u>1,695,564</u>	<u>1,531,793</u>
Change in net position	<u>\$ 1,120,985</u>	<u>\$ 458,952</u>	<u>\$ 1,232,775</u>	<u>\$ 278,337</u>	<u>\$ 2,353,760</u>	<u>\$ 737,289</u>

Town of Jay, Florida
Management's Discussion and Analysis
September 30, 2022

FINANCIAL ANALYSIS OF THE TOWN

The Town reported positive balances in net position for both governmental and business-type activities. 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 84% and 98% of the Town's total net position in 2022 and 2021, respectively.

For the year ended September 30, 2022, revenues for governmental activities exceeded expenses by \$1,120,985 before transfers. Revenues for business-type activities exceeded expense by \$1,232,775 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, 2022, total assets for the General Fund were \$1,603,543, and the total liabilities were \$9,205. Unassigned fund balance was \$275,509 and total fund balance was \$1,594,338.

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 91% of the fund's total assets. The depreciation expense for these funds was \$219,987 for the fiscal year ended September 30, 2022. During fiscal year 2022, these funds had an increase in net position of \$1,232,775. The total net position of these funds was \$6,212,161 as of September 30, 2022. The unrestricted net position is \$22,778.

BUDGETARY HIGHLIGHTS

There were several variances between actual results and budgeted amounts. Variances in governmental fund revenues resulted in \$869,631 more revenue collected than budgeted. General fund expenses were \$379,107 less than budgeted. Overall, the actual change in fund balance exceeded the budgeted change in fund balance by \$1,251,338.

CAPITAL ASSETS

The Town's investment in capital assets for both its governmental activities and business-type activities as of September 30, 2022, was \$8,962,504 (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, 2022

DEBT MANAGEMENT

The Town's debt for governmental funds consists of a \$2,650 note payable for a John Deere lawnmower. Principal payments during the year on notes payable totaled \$3,352.

The Town's debt for proprietary funds consists of a \$211,913 bond payable to USDA for funding of a waterline project and a \$598,803 loan payable for gas line improvements. Principal payments during the year on notes payable totaled \$4,087.

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, 2022 and 2021

	2022			2021
	Governmental Activities	Business-type Activities	Total	Comparative Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,457,843	\$ 501,868	\$ 1,959,711	\$ 402,685
Certificates of deposit	121,673	68,259	189,932	188,709
Accounts receivable	15,710	51,410	67,120	61,987
Unbilled receivables	-	53,500	53,500	47,357
Grant receivable	-	-	-	115,536
Lease receivable, current portion	62,640	-	62,640	60,216
Prepaid items	7,030	14,061	21,091	22,346
Total current assets	<u>1,664,896</u>	<u>689,098</u>	<u>2,353,994</u>	<u>898,836</u>
Non-Current Assets				
Restricted cash	1,287	-	1,287	1,287
Lease receivable, less current portion	200,034	-	200,034	262,674
Capital assets:				
Assets not being depreciated	394,151	15,024	409,175	886,874
Assets being depreciated, net	2,452,874	6,929,075	9,381,949	7,370,463
Total non-current assets	<u>3,048,346</u>	<u>6,944,099</u>	<u>9,992,445</u>	<u>8,521,298</u>
Total Assets	4,713,242	7,633,197	12,346,439	9,420,134
Deferred Outflows of Resources				
Deferred outflows - pensions	23,335	46,672	70,007	51,499
Deferred outflows - health insurance subsidy	9,467	18,936	28,403	30,485
Total assets and deferred outflows	<u>\$ 4,746,044</u>	<u>\$ 7,698,805</u>	<u>\$ 12,444,849</u>	<u>\$ 9,502,118</u>
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 6,015	\$ 366,399	\$ 372,414	\$ 319,863
Accrued expenses	3,190	13,154	16,344	14,020
Note payable, current portion	2,650	7,476	10,126	7,552
Customer deposits	-	25,854	25,854	22,534
Total current liabilities	<u>11,855</u>	<u>412,883</u>	<u>424,738</u>	<u>363,969</u>
Non-Current Liabilities				
Compensated absences	3,703	3,702	7,405	10,613
Note payable, less current portion	-	803,240	803,240	214,450
Net pension liability - pensions	85,660	171,320	256,980	51,670
Net pension liability - health insurance subsidy	30,714	61,427	92,141	99,817
Total non-current liabilities	<u>120,077</u>	<u>1,039,689</u>	<u>1,159,766</u>	<u>376,550</u>
Total liabilities	131,932	1,452,572	1,584,504	740,519
Deferred Inflows of Resources				
Deferred inflows - leases	222,106	-	222,106	282,210
Deferred inflows - pensions	7,746	15,493	23,239	223,861
Deferred inflows - health insurance subsidy	9,290	18,579	27,869	22,157
Total liabilities and deferred inflows	<u>371,074</u>	<u>1,486,644</u>	<u>1,857,718</u>	<u>1,268,747</u>
Net Position				
Net investment in capital assets	2,829,121	6,133,383	8,962,504	8,035,335
Restricted for capital projects	1,318,829	56,000	1,374,829	188,057
Unrestricted (deficit)	227,020	22,778	249,798	9,979
Total net position	<u>4,374,970</u>	<u>6,212,161</u>	<u>10,587,131</u>	<u>8,233,371</u>
Total Liabilities and Net Position	<u>\$ 4,746,044</u>	<u>\$ 7,698,805</u>	<u>\$ 12,444,849</u>	<u>\$ 9,502,118</u>

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

Town of Jay, Florida
Statements of Activities
For the years ended September 30, 2022 and 2021

		2022			Net (Expense) Revenue and Changes in Net Position			2021 Comparative Total
		Program Revenues						
		Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Governmental Activities	Business-Type Activities	Total	
Expenses								
Governmental								
General government	\$ 608,829	\$ -	\$ 1,222,743	\$ -	\$ 613,914		\$ 613,914	\$ (108,229)
Transportation	38,921	-	-	-	(38,921)		(38,921)	(48,234)
Culture and recreation	2,994	-	-	3,755	761		761	47,055
	<u>650,744</u>	<u>-</u>	<u>1,222,743</u>	<u>3,755</u>	<u>575,754</u>		<u>\$ 575,754</u>	<u>\$ (109,408)</u>
Business-type								
Water service	397,103	-	1,277,200	339,932		\$ 1,220,029	1,220,029	308,476
Sewer service	281,815	-	-	307,332		25,517	25,517	1,039
Natural gas service	216,680	-	-	195,866		(20,814)	(20,814)	(6,292)
Garbage service	149,222	-	-	156,437		7,215	7,215	4,001
	<u>1,044,820</u>	<u>-</u>	<u>1,277,200</u>	<u>999,567</u>		<u>1,231,947</u>	<u>1,231,947</u>	<u>307,224</u>
Total Town of Jay	<u>\$ 1,695,564</u>	<u>\$ -</u>	<u>\$ 2,499,943</u>	<u>\$ 1,003,322</u>	575,754	1,231,947	1,807,701	197,816
General Revenues								
					153,178	-	153,178	104,826
					31,634	-	31,634	31,387
					61,656	-	61,656	58,639
					139,814	-	139,814	151,040
					19,394	-	19,394	5,731
					4,697	-	4,697	4,264
					126,600	-	126,600	116,974
					7,179	828	8,007	10,260
					(84,421)	-	(84,421)	(11,907)
					60,104	-	60,104	60,104
					25,396	-	25,396	10,373
					-	-	-	-
					<u>545,231</u>	<u>828</u>	<u>546,059</u>	<u>541,691</u>
					1,120,985	1,232,775	2,353,760	739,507
					3,253,985	4,979,386	8,233,371	7,493,864
					<u>\$ 4,374,970</u>	<u>\$ 6,212,161</u>	<u>\$ 10,587,131</u>	<u>\$ 8,233,371</u>

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

Town of Jay, Florida
 Balance Sheets - Governmental Funds
 As of September 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,457,843	\$ 350,427
Restricted cash	1,287	1,287
Certificates of deposit	121,673	121,278
Accounts receivable	15,710	6,991
Prepaid expenses	<u>7,030</u>	<u>7,448</u>
Total Assets	<u>\$ 1,603,543</u>	<u>\$ 487,431</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 6,015	\$ 139,019
Accrued liabilities	<u>3,190</u>	<u>5,412</u>
Total liabilities	<u>9,205</u>	<u>144,431</u>
Fund Balances		
Restricted for capital projects	1,318,829	188,057
Unrestricted:		
Unassigned	<u>275,509</u>	<u>154,943</u>
Total fund balances	<u>1,594,338</u>	<u>343,000</u>
Total Liabilities and Fund Balances	<u>\$ 1,603,543</u>	<u>\$ 487,431</u>

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

Town of Jay, Florida

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
As of September 30, 2022

Total Fund Balances - General Fund \$ 1,594,338

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund. The cost of the assets is \$5,315,132 in the general fund less accumulated depreciation of \$2,468,107. 2,847,025

Lease receivable 262,674

Deferred inflows - leases (222,106)

Deferred outflows related to pensions 32,802

Deferred inflows related to pensions (17,036)

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. (122,727)

Total Net Position - Governmental Activities \$ 4,374,970

Town of Jay, Florida

Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the years ended September 30, 2022 and 2021

	2022	2021
Revenues:		
Ad valorem taxes	\$ 153,178	\$ 104,826
Local option gas tax	31,634	31,387
Franchise fees	61,656	58,639
Utility service tax	139,814	151,040
Communication service tax	19,394	5,731
Licenses and permits	4,697	4,264
Intergovernmental	1,349,343	551,584
Charges for services	3,755	50,000
Miscellaneous	91,187	81,982
Total revenues	1,854,658	1,039,453
Expenditures:		
Current:		
General government	425,433	387,650
Transportation	38,921	48,234
Culture and recreation	2,994	2,945
Capital outlay	135,220	444,548
Debt service	3,352	10,279
Total expenditures	605,920	893,656
Excess of revenues over expenditures	1,248,738	145,797
Other Financing Sources (Uses):		
Proceeds from sale of assets	2,600	3,625
Transfer in	-	28,000
Transfer out	-	-
Total other financing sources (uses)	2,600	31,625
Net Change in Fund Balances	1,251,338	177,422
Fund Balance - Beginning of Year	343,000	165,578
Fund Balance - End of Year	\$ 1,594,338	\$ 343,000

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 1,251,338

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	135,220
Current period depreciation	(187,963)
Current period loss on disposal of capital assets	(87,021)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Current period note payments	3,352
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Lease receivables and deferred inflows from leases are not financial resources and therefore are not report in the governmental fund.

Current period change in lease receivable	(60,216)
Current period change in deferred inflows - leases	60,104

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	1,604
Current period change in pension liability	(68,437)
Current period change in health insurance subsidy	2,559
Current period change in deferred outflow of resources on pensions	6,169
Current period change in deferred inflow of resources on pensions	66,874
Current period change in deferred outflow of resources on health insurance subsidy	(694)
Current period change in deferred inflow of resources on health insurance subsidy	(1,904)

Change in Net Position - Governmental Activities \$ 1,120,985

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

Town of Jay, Florida
 Statements of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Governmental Funds
 For the years ended September 30, 2022 and 2021

	2022				2021			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 420,257	\$ 414,257	\$ 405,676	\$ (8,581)	\$ 335,954	\$ 350,654	\$ 351,623	\$ 969
Licenses and permits	3,600	4,600	4,697	97	2,400	4,000	4,264	264
Charges for services	2,550,000	158,770	3,755	(155,015)	10,000	50,000	50,000	-
Intergovernmental	793,400	165,400	1,349,343	1,183,943	1,051,300	393,040	551,584	158,544
Miscellaneous	239,000	242,000	91,187	(150,813)	72,800	243,380	79,764	(163,616)
Total revenues	<u>4,006,257</u>	<u>985,027</u>	<u>1,854,658</u>	<u>869,631</u>	<u>1,472,454</u>	<u>1,041,074</u>	<u>1,037,235</u>	<u>(3,839)</u>
Expenditures:								
Current:								
General government	644,600	642,130	425,433	(216,697)	1,528,134	584,210	387,650	(196,560)
Transportation	674,400	74,900	38,921	(35,979)	65,300	323,250	48,234	(275,016)
Culture and recreation	5,000	6,000	2,994	(3,006)	39,300	4,000	2,945	(1,055)
Capital outlay	2,692,257	261,997	135,220	(126,777)	-	157,614	444,548	286,934
Debt service	-	-	3,352	3,352	-	-	10,279	10,279
Total expenditures	<u>4,016,257</u>	<u>985,027</u>	<u>605,920</u>	<u>(379,107)</u>	<u>1,632,734</u>	<u>1,069,074</u>	<u>893,656</u>	<u>(175,418)</u>
Excess of revenues over expenditures	<u>(10,000)</u>	<u>-</u>	<u>1,248,738</u>	<u>1,248,738</u>	<u>(160,280)</u>	<u>(28,000)</u>	<u>143,579</u>	<u>171,579</u>
Other Financing Sources (Uses):								
Proceeds from sale of assets	-	-	2,600	2,600	-	-	3,625	3,625
Transfers, net	-	-	-	-	-	28,000	28,000	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>2,600</u>	<u>2,600</u>	<u>-</u>	<u>28,000</u>	<u>31,625</u>	<u>3,625</u>
Net Change in Fund Balances	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>1,251,338</u>	<u>\$ 1,251,338</u>	<u>\$ (160,280)</u>	<u>\$ -</u>	<u>175,204</u>	<u>\$ 175,204</u>
Fund Balance - Beginning of Year			<u>343,000</u>				<u>167,796</u>	
Fund Balance - End of Year			<u>\$ 1,594,338</u>				<u>\$ 343,000</u>	

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

Town of Jay, Florida
Statements of Net Position - Proprietary Funds
As of September 30, 2022 and 2021

	2022				2021	
	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total	Comparative Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 411,147	\$ 78,392	\$ 182	\$ 12,147	\$ 501,868	\$ 52,258
Certificates of deposit	-	-	68,259	-	68,259	67,431
Accounts receivable	22,898	15,965	800	11,747	51,410	54,996
Unbilled receivables	29,054	15,768	8,678	-	53,500	47,357
Grant receivable	-	-	-	-	-	115,536
Prepaid expenses	3,515	3,515	7,031	-	14,061	14,898
Total current assets	<u>466,614</u>	<u>113,640</u>	<u>84,950</u>	<u>23,894</u>	<u>689,098</u>	<u>352,476</u>
Non-current Assets						
Capital assets:						
Assets not being depreciated	15,024	-	-	-	15,024	522,178
Assets being depreciated, net	5,292,447	786,980	849,648	-	6,929,075	4,748,370
Total non-current assets	<u>5,307,471</u>	<u>786,980</u>	<u>849,648</u>	<u>-</u>	<u>6,944,099</u>	<u>5,270,548</u>
Total assets	5,774,085	900,620	934,598	23,894	7,633,197	5,623,024
Deferred Outflows of Resources						
Deferred outflows - pensions	11,668	11,668	23,336	-	46,672	34,333
Deferred outflows - health insurance subsidy	4,734	4,734	9,468	-	18,936	20,324
Total assets and deferred outflows	<u>\$ 5,790,487</u>	<u>\$ 917,022</u>	<u>\$ 967,402</u>	<u>\$ 23,894</u>	<u>\$ 7,698,805</u>	<u>\$ 5,677,681</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	\$ 353,721	\$ -	\$ -	\$ 12,678	\$ 366,399	\$ 180,844
Accrued expenses	7,135	6,019	-	-	13,154	8,608
Note payable, current portion	4,143	-	3,333	-	7,476	4,087
Customer deposits	20,349	-	5,505	-	25,854	22,534
Total current liabilities	<u>385,348</u>	<u>6,019</u>	<u>8,838</u>	<u>12,678</u>	<u>412,883</u>	<u>216,073</u>
Non-current Liabilities						
Compensated absences	1,851	1,851	-	-	3,702	5,306
Note payable, less current portion	207,770	-	595,470	-	803,240	211,913
Net pension liability - pension plan	42,830	42,830	85,660	-	171,320	34,447
Net pension liability - health insurance subsidy	15,357	15,357	30,713	-	61,427	66,544
Total non-current liabilities	<u>267,808</u>	<u>60,038</u>	<u>711,843</u>	<u>-</u>	<u>1,039,689</u>	<u>318,210</u>
Total liabilities	653,156	66,057	720,681	12,678	1,452,572	534,283
Deferred Inflows of Resources						
Deferred inflows - pensions	3,873	3,873	7,747	-	15,493	149,241
Deferred inflows - health insurance subsidy	4,645	4,645	9,289	-	18,579	14,771
Total liabilities and deferred inflows	661,674	74,575	737,717	12,678	1,486,644	698,295
Net Position						
Net investment in capital assets	5,095,558	786,980	250,845	-	6,133,383	5,054,548
Restricted for capital projects	-	56,000	-	-	56,000	-
Unrestricted (deficit)	33,255	(533)	(21,160)	11,216	22,778	(75,162)
Total net position	<u>5,128,813</u>	<u>842,447</u>	<u>229,685</u>	<u>11,216</u>	<u>6,212,161</u>	<u>4,979,386</u>
Total liabilities and net position	<u>\$ 5,790,487</u>	<u>\$ 917,022</u>	<u>\$ 967,402</u>	<u>\$ 23,894</u>	<u>\$ 7,698,805</u>	<u>\$ 5,677,681</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, 2022 and 2021

	2022					2021
	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total	Comparative Total
Operating Revenue						
Charges for service	\$ 328,197	\$ 198,114	\$ 195,801	\$ 156,437	\$ 878,549	\$ 784,434
Other operating income	11,735	109,218	65	-	121,018	78,268
Total operating revenue	<u>339,932</u>	<u>307,332</u>	<u>195,866</u>	<u>156,437</u>	<u>999,567</u>	<u>862,702</u>
Operating Expenses						
Personnel services	149,263	136,679	13,640	-	299,582	261,434
Contractual services	4,127	13,957	-	149,222	167,306	115,514
Materials and supplies	4,461	4,202	149,395	-	158,058	148,800
Professional services	4,167	4,167	8,333	-	16,667	14,900
Repairs and maintenance	67,591	41,639	5,228	-	114,458	130,540
Office and utilities	17,077	27,474	7,468	-	52,019	59,948
Insurance expense	3,217	3,218	6,437	-	12,872	(1,296)
Depreciation and amortization	146,514	52,763	20,710	-	219,987	207,360
Miscellaneous expense	-	-	7,500	-	7,500	-
Pension (income) expense	(2,284)	(2,284)	(4,567)	-	(9,135)	(28,312)
Total operating expenses	<u>394,133</u>	<u>281,815</u>	<u>214,144</u>	<u>149,222</u>	<u>1,039,314</u>	<u>908,888</u>
Operating (loss) income	<u>(54,201)</u>	<u>25,517</u>	<u>(18,278)</u>	<u>7,215</u>	<u>(39,747)</u>	<u>(46,186)</u>
Nonoperating Revenue (Expenses)						
Interest income	-	-	828	-	828	-
Interest expense	(2,970)	-	(2,536)	-	(5,506)	-
Sale of capital assets	-	-	-	-	-	(887)
Total nonoperating revenue (expenses)	<u>(2,970)</u>	<u>-</u>	<u>(1,708)</u>	<u>-</u>	<u>(4,678)</u>	<u>(887)</u>
Loss before contributions and transfers	(57,171)	25,517	(19,986)	7,215	(44,425)	(47,073)
Capital contributions	1,277,200	-	-	-	1,277,200	353,410
Transfers (out) in	(46,000)	-	46,000	-	-	(28,000)
Change in Net Position	1,174,029	25,517	26,014	7,215	1,232,775	278,337
Fund Balance - Beginning of Year	3,954,784	816,930	203,671	4,001	4,979,386	4,701,049
Fund Balance - End of Year	<u>\$ 5,128,813</u>	<u>\$ 842,447</u>	<u>\$ 229,685</u>	<u>\$ 11,216</u>	<u>\$ 6,212,161</u>	<u>\$ 4,979,386</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, 2022 and 2021

	2022					2021
	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total	Comparative Total
Cash Flows from Operating Activities						
Cash received from customers	\$ 328,809	\$ 309,497	\$ 194,502	\$ 155,148	\$ 987,956	\$ 766,966
Cash paid to employees for services	(147,234)	(135,766)	(13,640)	-	(296,640)	(257,995)
Cash paid to suppliers for goods and services	113,880	(97,290)	(198,424)	(148,278)	(330,112)	(416,500)
Net cash from operating activities	<u>295,455</u>	<u>76,441</u>	<u>(17,562)</u>	<u>6,870</u>	<u>361,204</u>	<u>92,471</u>
Cash Flows from Non-Capital Financing Activities						
Payments (to) from other funds	-	-	-	-	-	-
Transfer in	(46,000)	-	46,000	-	-	22,569
Transfer out	-	-	-	-	-	(50,569)
Net cash from non-capital financing activities	<u>(46,000)</u>	<u>-</u>	<u>46,000</u>	<u>-</u>	<u>-</u>	<u>(28,000)</u>
Cash Flows from Capital and Related Financing Activities						
Acquisition and construction of capital assets	(1,268,967)	-	(624,573)	-	(1,893,540)	(520,602)
Loan proceeds	-	-	598,803	-	598,803	216,000
Interest paid	(2,970)	-	(2,536)	-	(5,506)	-
Principal payment of note payable	(4,087)	-	-	-	(4,087)	-
Capital contributions	1,392,736	-	-	-	1,392,736	237,874
Net cash from capital and related financing activities	<u>116,712</u>	<u>-</u>	<u>(28,306)</u>	<u>-</u>	<u>88,406</u>	<u>(66,728)</u>
Cash Flows from Investing Activities						
Redemption of certificate of deposit	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Net cash from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	366,167	76,441	132	6,870	449,610	(2,257)
Cash and Cash Equivalents - Beginning of the Year	44,980	1,951	50	5,277	52,258	54,515
Cash and Cash Equivalents - End of the Year	<u>\$ 411,147</u>	<u>\$ 78,392</u>	<u>\$ 182</u>	<u>\$ 12,147</u>	<u>\$ 501,868</u>	<u>\$ 52,258</u>
Displayed As:						
Cash and cash equivalents	\$ 411,147	\$ 78,392	\$ 182	\$ 12,147	\$ 501,868	\$ 52,258
Reconciliation of Operating Loss to Net Cash from Operating Activities:						
Operating income (loss)	(54,201)	25,517	(18,278)	7,215	(39,747)	(46,186)
Adjustments to reconcile operating loss to net cash from operating activities -						
Depreciation and amortization expense	146,514	52,763	20,710	-	219,987	207,360
Changes in operating assets and liabilities:						
Accounts receivable and unbilled receivables	(13,813)	2,165	(1,994)	(1,289)	(14,931)	(98,103)
Grant receivable	-	-	-	-	-	-
Prepaid items	208	213	418	-	839	(1,353)
Accounts payable	214,312	(2,846)	(14,481)	944	197,929	53,259
Accrued expenses	2,831	1,715	-	-	4,546	3,958
Compensated absences	(802)	(802)	-	-	(1,604)	(519)
Customer deposits	2,690	-	630	-	3,320	2,367
Net pension liability	34,218	34,218	68,437	-	136,873	(173,822)
Net pension liability related to health insurance subsidy	(1,279)	(1,279)	(2,559)	-	(5,117)	(7,671)
Deferred inflows related to pensions	(33,437)	(33,437)	(66,874)	-	(133,748)	114,265
Deferred inflows related to health insurance subsidy	952	952	1,904	-	3,808	2,424
Deferred outflows related to pensions	(3,085)	(3,085)	(6,169)	-	(12,339)	29,840
Deferred outflows related to health insurance subsidy	347	347	694	-	1,388	6,652
Total adjustments	<u>349,656</u>	<u>50,924</u>	<u>716</u>	<u>(345)</u>	<u>400,951</u>	<u>138,657</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ 295,455</u>	<u>\$ 76,441</u>	<u>\$ (17,562)</u>	<u>\$ 6,870</u>	<u>\$ 361,204</u>	<u>\$ 92,471</u>

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

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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 customers with revenues totaling approximately 27% 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, 2022 and 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

At September 30, 2022, the carrying amount of the Town’s deposits was \$2,174,443 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, 2022, accounts receivable balances in the business-type activities funds, net of allowances for doubtful accounts, were as follows:

Accounts Receivable – Water	\$ 24,398
Less Water Allowance	(1,500)
Accounts Receivable – Sewer	17,765
Less Sewer Allowance	(1,800)
Accounts Receivable – Natural Gas	2,300
Less Gas Allowance	(1,500)
Accounts Receivable – Garbage	13,247
Less Gas Allowance	(1,500)
	<u>\$ 51,410</u>

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

Bad Debt – Water	\$ 845
Bad Debt – Sewer	1,252
Bad Debt – Natural Gas	88
Bad Debt – Garbage	578
	<u>\$ 2,763</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2022 and 2021

NOTE 4 – CAPITAL ASSETS

Capital asset governmental activity for the year ended September 30, 2022, was as follows:

Governmental Activities:	<u>Balance 10/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/22</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 203,051	\$ -	\$ -	\$ 203,051
Construction in progress	<u>161,645</u>	<u>135,220</u>	<u>(105,765)</u>	<u>191,100</u>
Total capital assets not being depr.	364,696	135,220	(105,765)	394,151
<i>Capital assets being depreciated:</i>				
Buildings	1,036,383	-	(54,410)	981,973
Improvements other than buildings	4,171,182	105,765	(811,028)	3,465,919
Machinery and equipment	<u>485,635</u>	<u>-</u>	<u>(12,546)</u>	<u>473,089</u>
Total capital assets being depreciated	5,693,200	105,765	(877,984)	4,920,981
<i>Less accumulated depreciation for:</i>				
Buildings	(799,819)	(15,368)	54,410	(760,777)
Improvements other than buildings	(1,966,664)	(142,139)	724,007	(1,384,796)
Machinery and equipment	<u>(304,624)</u>	<u>(30,456)</u>	<u>12,546</u>	<u>(322,534)</u>
Total accumulated depreciation	<u>(3,071,107)</u>	<u>(187,963)</u>	<u>790,963</u>	<u>(2,468,107)</u>
Total capital assets being depr., net	<u>2,622,093</u>	<u>(82,198)</u>	<u>(87,021)</u>	<u>2,452,874</u>
Governmental capital assets, net	<u>\$2,986,789</u>	<u>\$ 53,022</u>	<u>\$ (192,786)</u>	<u>\$2,847,025</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2022 and 2021

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset business-type activity for the year ended September 30, 2022, was as follows:

Business-type Activities:	<u>Balance 10/1/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/22</u>
<i>Water -</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,024	\$ -	\$ -	\$ 15,024
Construction in progress	507,154	1,257,882	(1,765,036)	-
Total capital assets not being depr.	<u>522,178</u>	<u>1,257,882</u>	<u>(1,765,036)</u>	<u>15,024</u>
<i>Capital assets being depreciated:</i>				
Buildings	942	-	-	942
Water plant	3,872,172	1,769,981	(7,262)	5,634,891
Improvements other than buildings	1,384,175	-	-	1,384,175
Machinery and equipment	95,705	6,139	-	101,844
Total capital assets being depreciated	<u>5,352,994</u>	<u>1,776,120</u>	<u>(7,262)</u>	<u>7,121,852</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(942)	-	-	(942)
Water plant	(760,322)	(102,824)	7,262	(855,884)
Improvements other than buildings	(873,791)	(34,604)	-	(908,395)
Machinery and equipment	(55,098)	(9,086)	-	(64,184)
Total accumulated depreciation	<u>(1,690,153)</u>	<u>(146,514)</u>	<u>7,262</u>	<u>(1,829,405)</u>
Total capital assets being depr., net	<u>3,662,841</u>	<u>1,629,606</u>	<u>-</u>	<u>5,292,447</u>
Water capital assets, net	<u>4,185,019</u>	<u>2,887,488</u>	<u>(1,765,036)</u>	<u>5,307,471</u>
<i>Sewer -</i>				
Sewer plant	2,320,625	-	-	2,320,625
Less accumulated depreciation	(1,480,882)	(52,763)	-	(1,533,645)
Sewer capital assets, net	<u>839,743</u>	<u>(52,763)</u>	<u>-</u>	<u>786,980</u>
<i>Natural Gas -</i>				
<i>Capital assets being depreciated:</i>				
Natural gas plant	774,736	624,572	-	1,399,308
Machinery and equipment	44,125	-	-	44,125
Total capital assets being depreciated	<u>818,861</u>	<u>624,572</u>	<u>-</u>	<u>1,443,433</u>
<i>Less accumulated depreciation for:</i>				
Natural gas plant	(536,719)	(19,555)	-	(556,274)
Machinery and equipment	(36,356)	(1,155)	-	(37,511)
Total accumulated depreciation	<u>(573,075)</u>	<u>(20,710)</u>	<u>-</u>	<u>(593,785)</u>
Natural gas capital assets, net	<u>245,786</u>	<u>603,862</u>	<u>-</u>	<u>849,648</u>
Business-type activities capital assets, net	<u>\$5,270,548</u>	<u>\$3,438,587</u>	<u>\$(1,765,036)</u>	<u>\$6,944,099</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2022 and 2021

NOTE 5 – DEBT

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.

On June 29, 2022, the Town signed a promissory note for \$600,000 to finance gas line improvements. Terms of the loan include an interest rate at 2.85% with monthly interest only payments through June 29, 2023 and monthly principal and interest payments beginning July 29, 2023 through June 29, 2052.

The annual requirements to amortize the debt outstanding at September 30, 2022 is as follows:

Years Ending September 30,	Principal	Interest	Total
2023	\$ 10,126	\$ 20,038	\$ 30,164
2024	17,764	19,659	37,423
2025	18,222	19,202	37,424
2026	18,683	18,739	37,422
2027	19,170	18,265	37,435
Thereafter	729,401	261,994	991,395
	<u>813,366</u>	<u>\$ 357,897</u>	<u>\$ 1,171,263</u>
Less current portion	<u>(10,126)</u>		
	<u>\$ 803,240</u>		

NOTE 6 – LEASES

Lease receivable and revenues are summarized as follows as of September 30, 2022:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Community Center	202,425	40,128	4,995
Post Office	60,249	19,976	1,789
Total	<u>262,674</u>	<u>60,104</u>	<u>6,784</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2022 and 2021

NOTE 6 – LEASES (CONTINUED)

Lease receivable and revenues are summarized as follows as of September 30, 2021:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Community Center	242,430	40,128	6,534
Post Office	80,460	19,976	2,580
Total	<u>322,890</u>	<u>60,104</u>	<u>9,114</u>

Community Center Lease: 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 allows for an option to renew for two additional two-year periods. 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. It is expected that the lease will renew for the remaining two-year term.

Post Office Lease: The Town owns land and a building which is leased to the U.S. Postal Service for use as a post office. A lease was signed effective May 1, 2019, with an expiration date of April 30, 2024, for a total of five years. The annual rental amount will be \$22,000.

Future lease payments due to the Town are expected to be received for the following years ended September 30:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 62,640	\$ 4,360	\$ 67,000
2024	55,933	1,900	57,833
	<u>\$ 118,573</u>	<u>\$ 6,260</u>	<u>\$ 124,833</u>

NOTE 7 – INTERFUND TRANSFERS

During the year ended September 30, 2022, the Town made net transfers from the Water Fund to the Natural Gas Fund totaling \$46,000 to cover the negative cash position.

NOTE 8 – FINANCIAL CONDITION

At September 30, 2022, there was a deficit in unrestricted fund balance in the Natural Gas Fund of (\$21,160) and the Sewer Fund of (\$533). The Town plans to transfer excess funds when and if available in subsequent fiscal years to replenish these funds. See **Finding 2022-2** 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, 2022 and 2021

NOTE 9 – 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, 2022, 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, 2022 and 2021

NOTE 9 – 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, 2022 were 11.91% for regular participants and 57.00% for elected officials. Contributions for the employer and employee portions for the years ending September 30, 2022 and 2021 were \$53,468 and \$45,465, respectively, which meet the required contributions for each year. The HIS required contribution rate is 1.66% for both the 2022 and 2021 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, 2022 and 2021

NOTE 9 – 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, 2022, are shown below:

	FRS	HIS
Total Pension Liability	\$ 217,434,441,000	\$ 11,126,965,688
Plan Fiduciary Net Position	(180,226,404,807)	(535,368,479)
Net Pension Liability	\$ 37,208,036,193	\$ 10,591,597,209

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.89%	4.81%
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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, 2022. 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, 2022. 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 fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The Town’s proportionate share of the net pension liabilities at September 30, 2022 and 2021 was \$349,121 and \$151,487, respectively, which have been recorded as obligations on the financial statements.

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2022 and 2021

NOTE 9 – 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, 2022, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2022, 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 6.70%. 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, 2022 and 2021

NOTE 9 – PENSION PLAN (Continued)

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% 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 2022:

- FRS: The long-term expected rate of return was decreased from 6.80% to 6.70%.
- HIS: The demographic assumptions for the Special Risk class were updated to reflect plan changes due to HB5007, HB689, and SB838.
- HIS: The election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.
- HIS: The municipal bond rate used to determine total pension liability was increased from 2.16% to 3.54%.

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, 2022.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
\$ 444,432	\$ 256,981	\$ 100,251	\$ 105,419	\$ 92,143	\$ 81,157

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, 2022 and 2021

NOTE 9 – 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, 2022, was 5.5 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	\$ 12,205	\$ -	\$ 2,797	\$ (405)
Changes in assumptions	31,648	-	5,282	(14,254)
Net difference between projected and actual earnings on pension plan investments	16,968	-	133	-
Employer-specific amounts due to changes in employer proportion	1,490	(23,239)	18,726	(13,210)
Town contributions subsequent to the measurement date	7,696	-	1,465	-
	<u>\$ 70,007</u>	<u>\$ (23,239)</u>	<u>\$ 28,403</u>	<u>\$(27,869)</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
2023	\$ 14,709	\$ (1,544)
2024	5,550	(833)
2025	(4,967)	(381)
2026	43,219	(843)
2027	2,311	(1,956)
Thereafter	-	(891)
	<u>\$ 60,822</u>	<u>\$ (6,448)</u>

Town of Jay, Florida
Notes to the Financial Statements
September 30, 2022 and 2021

NOTE 9 – 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, 2022. 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 10 – 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, 2022 and 2021

NOTE 10 – 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 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.

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 statement of account as of September 30, 2022 is \$94,289. A liability is not recorded as of September 30, 2022 while royalties are recorded net of these expenses.

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, 2022 and 2021

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, 2022 and 2021, purchases from these businesses totaled \$8,035 and \$23,724, respectively. These purchases were for various repairs and maintenance and building projects. These expenses were in the normal course of business for the Town.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

For 2022, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. The Town’s 2022 financial statements include a prior period adjustment for the lease receivable.

The implementation of GASB Statement No. 87 had the following effect on net position as reported September 30, 2021:

	9/30/21		9/30/21
	<u>Before Change</u>	<u>Change</u>	<u>After Change</u>
Lease receivable, current portion	\$ -	\$ 60,216	\$ 60,216
Lease receivable, less current portion	-	262,674	262,674
Deferred inflows - leases	-	282,210	282,210
Net position, beginning of year	7,455,402	38,462	7,493,864
Net position, end of year	8,192,691	40,680	8,233,371
Lease revenue	-	60,104	60,104
Earnings on investments	1,146	9,114	10,260
Miscellaneous revenue	77,373	(67,000)	10,373

REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	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	0.000690661%	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	\$ 256,981	\$ 51,670	\$ 312,404	\$ 249,479	\$ 224,248	\$ 292,248	\$ 361,777	\$ 184,005	\$ 71,466
Town of Jay's covered payroll	340,316	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	75.51%	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	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Schedule of Contributions:									
Contractually required contribution	29,472	26,058	23,949	22,462	21,218	25,720	34,941	34,733	25,656
Contributions in relation to the contractually required contribution	29,472	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	\$ 340,316	\$ 286,546	\$ 321,538	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	8.66%	9.09%	7.45%	8.36%	9.28%	9.96%	11.74%	13.34%	10.39%

* The amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

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

	2022	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	0.000869960%	0.000813742%	0.000911751%	0.000749391%	0.000685230%	0.000828458%	0.000907217%	0.000810865%	0.000807886%
Town of Jay's proportionate share of net pension liability	\$ 92,143	\$ 99,818	\$ 111,323	\$ 83,849	\$ 72,526	\$ 88,583	\$ 105,732	\$ 82,695	\$ 75,539
Town of Jay's covered payroll	340,316	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	27.08%	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	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%
Schedule of Contributions:									
Contractually required contribution	5,264	4,783	5,254	4,161	3,716	4,384	4,650	3,100	2,768
Contributions in relation to the contractually required contribution	5,264	4,783	5,254	4,161	3,716	4,384	4,650	3,100	2,768
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Jay's covered payroll	\$ 340,316	\$ 286,546	\$ 321,538	\$ 268,811	\$ 228,692	\$ 258,107	\$ 297,587	\$ 260,420	\$ 246,874
Contributions as a percentage of covered payroll	1.55%	1.67%	1.63%	1.55%	1.62%	1.70%	1.56%	1.19%	1.12%

* The amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

COMPLIANCE



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**INDEPENDENT ACCOUNTANT'S REPORT ON EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE
WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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, *Local Government Investment Policies* for the year ended September 30, 2022. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence that we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2022.

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

Durst Jordan, CPA, PA
March 22, 2023



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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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 22, 2023.

Report on 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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as **Finding #2022-01** to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as **Finding #2022-02** to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Durst Jordan, CPA, PA

March 22, 2023



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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 fiscal year ended September 30, 2022 and have issued our report thereon dated March 22, 2023.

Auditor's Responsibility

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 22, 2023, 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.

Finding #2020-1 & 2021-1: This finding still applies in the current year. 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 significant journal entries will be necessary going forward due to accounting complexity.

Finding #2020-2 & 2021-2: This finding still applies in the current year for the natural gas fund and sewer fund although there was significant improvement. 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 the gas and sewer fund and discuss options to increase revenues or decrease expenses. Once this is resolved, the Town will be able to set aside reserves.

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. 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 2022-02** 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 2022-01** 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, Council members, 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
March 22, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Jay, Florida's (the Town's) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2022. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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

March 22, 2023

Town of Jay, Florida
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Contract/ Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
USDA Rural Utility Services Water and Waste Disposal Systems for Rural Communities	10.760	945560955/04,05,06	\$ 1,257,882	\$ -
Department of Housing and Urban Development				
Passed through State of Florida Department of Economic Opportunity Community Development Block Grants/State's Program and Non- Entitlement Grants	14.228	22DB-OP-01-67-02- N31/ H2422	<u>15,254</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,273,136</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

Town of Jay, Florida
Notes to the Schedule of Expenditures of Federal Awards
For the year ended September 30, 2022

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal funded programs of the Town of Jay, Florida for the year ended September 30, 2022. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included on the schedule.

B. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Town.

C. Indirect Cost

The Town did not elect to use the 10% de minimis indirect cost rate. All project costs are direct costs.

Town of Jay, Florida
 Schedule of Findings and Questioned Costs
 For the year ended September 30, 2022

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? X yes no
 Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes X no

Identification of Major Program

Federal Program

CFDA Number	Name of Program
10.760	Water and Waste Disposal Systems for Rural Communities
Dollar threshold used to distinguish between type A and type B state projects	<u>\$ 750,000</u>
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> X </u> no

Town of Jay, Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2022

B. FINANCIAL STATEMENT FINDINGS

Finding #2022-1: Material Adjustments (Material Weakness)

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 properly record cash, accounts receivable, leases, fixed assets, accounts payable, debt, pension, grant revenue, depreciation, and fund transfers. 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 adjusting journal entries with the auditor to reduce the number of adjusting journal entries for the next audit. However, the Town does not have the budget to have a CPA on staff. Therefore, it is expected that journal entries will be necessary going forward due to accounting complexity. Town management will review the audit report thoroughly with the auditors for understanding to be able to accept responsibility for the content of the financial statements.

Finding #2022-2: Financial Condition (Significant Deficiency)

Criteria or Specific Requirement

A transfer of \$46,000 was made from the Water Fund to the Natural Gas Fund to cover the negative cash position. At September 30, 2022, there was a deficit in unrestricted fund balance in the Natural Gas Fund of \$(20,556). The unrestricted deficit would have been \$(66,556) before the transfer. At September 30, 2022, there was a deficit in unrestricted fund balance in the Sewer Fund of \$(533). Unrestricted fund balances should be positive in all funds.

Cause

The Natural Gas Fund and Sewer Fund are not generating operating income.

Effect

Transfers were required to maintain a positive cash position in the Natural Gas Fund.

Town of Jay, Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2022

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding #2022-2: Financial Condition (Significant Deficiency)(Continued)

Recommendation

We recommend the Town develop long and short-term financial plans to improve the financial condition of the Natural Gas Fund and the Sewer Fund. 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 the Natural Gas Fund to determine their sufficiency in covering expenses and should explore all available options to increase its revenues or decrease expenditures.

Management Response

The Town will evaluate the Natural Gas Fund and the Sewer Fund and discuss options to increase revenues or decrease expenses.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings which were required to be reported in accordance with the Uniform Guidance.

D. PRIOR FINANCIAL STATEMENT FINDINGS

Finding #2021-1: Material Adjustments

Condition: 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.

Current Status: Condition has continued in 2022; see finding 2022-1.

Finding #2021-2: Financial Condition

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). Unrestricted fund balances should be positive in all funds.

Current Status: There is still an unrestricted deficit in the Natural Gas Fund and the Gas Fund; see finding 2022-2.