

TOWN OF JAY, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

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, the aggregate discretely presented component units, and each major fund of the Town of Jay, Florida (the Town) as of and for the year ended September 30, 2023, 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, the aggregate discretely presented component units, and each major fund of the Town as of September 30, 2023 and the respective changes in financial position and cash flows for the year 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 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024, 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.

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 13, 2024

Town of Jay, Florida
Management's Discussion and Analysis
For the year ended September 30, 2023

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, 2023 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 \$11,012,604. Of this amount, \$230,509 is unrestricted. Total net position includes \$9,407,266 of net investment in capital assets.
- Revenues for governmental activities (excluding transfers) decreased by \$369,626 or 21%, primarily due to a decrease in grants. Expenses (excluding transfers) increased by \$97,497 or 15%, primarily due to larger community events, increase in repairs and maintenance, and a higher general fund allocation.
- Revenues (excluding transfers) for business-type activities decreased by \$1,259,150 or 55%, primarily from a decrease in capital grants. Expenses increased by \$141,215 or 14%, primarily from increases in 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
For the year ended September 30, 2023

Government-Wide Financial Statements (Continued)

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, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Total assets, excluding capital assets	\$ 1,658,799	\$ 1,722,116	\$ 498,651	\$ 689,098	\$ 2,157,450	\$ 2,411,214
Capital assets, net of depreciation	3,537,082	2,847,025	6,687,257	6,944,099	10,224,339	9,791,124
Deferred outflows - pensions	35,379	23,335	82,551	46,672	117,930	70,007
Deferred outflows - health insurance subsidy	6,792	9,467	15,847	18,936	22,639	28,403
Total assets	<u>\$ 5,238,052</u>	<u>\$ 4,601,943</u>	<u>\$ 7,284,306</u>	<u>\$ 7,698,805</u>	<u>\$ 12,522,358</u>	<u>\$ 12,300,748</u>
Current liabilities	\$ 35,274	\$ 11,855	\$ 89,909	\$ 412,883	\$ 125,183	\$ 424,738
Long-term liabilities	2,453	3,703	791,444	806,942	793,897	810,645
Deferred inflows - leases	78,700	138,804	-	-	78,700	138,804
Deferred inflows - pensions	2,802	7,746	6,538	15,493	9,340	23,239
Deferred inflows - health insurance subsidy	6,268	9,290	14,626	18,579	20,894	27,869
Net pension liability - pensions	102,466	85,660	239,086	171,320	341,552	256,980
Net pension liability - health insurance subsidy	42,056	30,714	98,132	61,427	140,188	92,141
Total liabilities	<u>270,019</u>	<u>287,772</u>	<u>1,239,735</u>	<u>1,486,644</u>	<u>1,509,754</u>	<u>1,774,416</u>
Net position:						
Net investment in capital assets	3,526,582	2,829,121	5,880,684	6,133,383	9,407,266	8,962,504
Restricted for capital projects	1,318,829	1,318,829	56,000	56,000	1,374,829	1,374,829
Unrestricted	122,622	166,221	107,887	22,778	230,509	188,999
Total net position	<u>4,968,033</u>	<u>4,314,171</u>	<u>6,044,571</u>	<u>6,212,161</u>	<u>11,012,604</u>	<u>10,526,332</u>
Total liabilities and net position	<u>\$ 5,238,052</u>	<u>\$ 4,601,943</u>	<u>\$ 7,284,306</u>	<u>\$ 7,698,805</u>	<u>\$ 12,522,358</u>	<u>\$ 12,300,748</u>
Program revenues:						
General government	\$ 714,552	\$ 1,222,743	\$ -	\$ -	\$ 714,552	\$ 1,222,743
Culture and recreation	-	3,755	-	-	-	3,755
Business-type:						
Water service	-	-	359,250	339,932	359,250	339,932
Sewer service	-	-	328,594	307,332	328,594	307,332
Natural gas service	-	-	170,254	195,866	170,254	195,866
Garbage service	-	-	160,237	156,437	160,237	156,437
Capital grants	-	-	-	1,277,200	-	1,277,200
Transfers in	-	-	-	-	-	-
General revenues:						
Property tax	189,393	153,178	-	-	189,393	153,178
Other taxes	273,017	252,498	-	-	273,017	252,498
Other	225,141	139,555	110	828	225,251	140,383
Total revenues	<u>1,402,103</u>	<u>1,771,729</u>	<u>1,018,445</u>	<u>2,277,595</u>	<u>2,420,548</u>	<u>4,049,324</u>
Expenses:						
General government	714,552	608,829	-	-	714,552	608,829
Other	33,689	41,915	-	-	33,689	41,915
Water service	-	-	493,624	397,103	493,624	397,103
Sewer service	-	-	370,738	281,815	370,738	281,815
Natural gas service	-	-	168,490	216,680	168,490	216,680
Garbage service	-	-	153,183	149,222	153,183	149,222
Transfers out	-	-	-	-	-	-
Total expenses	<u>748,241</u>	<u>650,744</u>	<u>1,186,035</u>	<u>1,044,820</u>	<u>1,934,276</u>	<u>1,695,564</u>
Change in net position	<u>\$ 653,862</u>	<u>\$ 1,120,985</u>	<u>\$ (167,590)</u>	<u>\$ 1,232,775</u>	<u>\$ 486,272</u>	<u>\$ 2,353,760</u>

Town of Jay, Florida
Management's Discussion and Analysis
For the year ended September 30, 2023

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 85% of the Town's total net position.

For the year ended September 30, 2023, revenues for governmental activities exceeded expenses by \$653,862 before transfers. Expenses for business-type activities exceeded revenues by \$167,590 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, 2023, total assets for the General Fund were \$1,602,866, and the total liabilities were \$35,274. Unassigned fund balance was \$248,763 and total fund balance was \$1,567,592.

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 92% of the fund's total assets. The depreciation expense for these funds was \$277,983 for the fiscal year ended September 30, 2023. During fiscal year 2023, these funds had a decrease in net position of \$167,590. The total net position of these funds was \$6,044,571 as of September 30, 2023. The unrestricted net position is \$107,887.

BUDGETARY HIGHLIGHTS

There were several variances between actual results and budgeted amounts. Variances in governmental fund revenues resulted in \$1.2 million less revenue collected than budgeted. General fund expenditures were \$1.1 million less than budgeted. Overall, the actual change in fund balance was less than the budgeted change in fund balance by \$29,371.

CAPITAL ASSETS

The Town's investment in capital assets for both its governmental activities and business-type activities as of September 30, 2023, was \$9,407,266 (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
For the year ended September 30, 2023

DEBT MANAGEMENT

The Town's debt for governmental funds consisted of a note payable for a John Deere lawnmower which was paid off in the current year. Principal payments during the year on notes payable totaled \$2,650.

The Town's debt for proprietary funds consists of a \$207,770 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 \$4,142.

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
Statement of Net Position
As of September 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,371,169	\$ 362,032	\$ 1,733,201
Certificates of deposit	183,093	7,168	190,261
Accounts receivable	17,491	58,387	75,878
Unbilled receivables	-	71,064	71,064
Lease receivable, current portion	55,933	-	55,933
Prepaid expenses	29,824	-	29,824
Total current assets	1,657,510	498,651	2,156,161
Non-Current Assets			
Restricted cash	1,289	-	1,289
Capital assets:			
Assets not being depreciated	608,078	15,024	623,102
Assets being depreciated, net	2,929,004	6,672,233	9,601,237
Total non-current assets	3,538,371	6,687,257	10,225,628
Total Assets	5,195,881	7,185,908	12,381,789
Deferred Outflows of Resources			
Deferred outflows - pensions	35,379	82,551	117,930
Deferred outflows - health insurance subsidy	6,792	15,847	22,639
Total assets and deferred outflows	\$ 5,238,052	\$ 7,284,306	\$ 12,522,358
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	\$ 30,675	\$ 24,934	\$ 55,609
Accrued expenses	4,599	17,148	21,747
Note payable, current portion	-	20,853	20,853
Customer deposits	-	26,974	26,974
Total current liabilities	35,274	89,909	125,183
Non-Current Liabilities			
Compensated absences	2,453	5,724	8,177
Note payable, less current portion	-	785,720	785,720
Net pension liability - pensions	102,466	239,086	341,552
Net pension liability - health insurance subsidy	42,056	98,132	140,188
Total non-current liabilities	146,975	1,128,662	1,275,637
Total liabilities	182,249	1,218,571	1,400,820
Deferred Inflows of Resources			
Deferred inflows - leases	78,700	-	78,700
Deferred inflows - pensions	2,802	6,538	9,340
Deferred inflows - health insurance subsidy	6,268	14,626	20,894
Total liabilities and deferred inflows	270,019	1,239,735	1,509,754
Net Position			
Net investment in capital assets	3,526,582	5,880,684	9,407,266
Restricted for capital projects	1,318,829	56,000	1,374,829
Unrestricted	122,622	107,887	230,509
Total net position	4,968,033	6,044,571	11,012,604
Total Liabilities and Net Position	\$ 5,238,052	\$ 7,284,306	\$ 12,522,358

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

Town of Jay, Florida
Balance Sheet
Governmental Funds
As of September 30, 2023

ASSETS

Cash and cash equivalents	\$ 1,371,169
Restricted cash	1,289
Certificates of deposit	183,093
Accounts receivable	17,491
Prepaid expenses	<u>29,824</u>
Total Assets	<u><u>\$ 1,602,866</u></u>

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	\$ 30,675
Accrued liabilities	<u>4,599</u>
Total liabilities	35,274
Fund Balances	
Restricted for capital projects	1,318,829
Unrestricted:	
Unassigned	<u>248,763</u>
Total fund balances	<u><u>1,567,592</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 1,602,866</u></u>

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

Town of Jay, Florida

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
As of September 30, 2023

Total Fund Balances - General Fund \$ 1,567,592

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund. The cost of the assets is \$6,176,493 in the general fund less accumulated depreciation of \$2,639,411. 3,537,082

Lease receivable 55,933

Deferred inflows - leases (78,700)

Deferred outflows related to pensions 42,171

Deferred inflows related to pensions (9,070)

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. (146,975)

Total Net Position - Governmental Activities \$ 4,968,033

Town of Jay, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2023

Revenues:

Ad valorem taxes	\$	189,393
Local option gas tax		31,984
Franchise fees		62,910
Utility service tax		144,250
Communication service tax		33,873
Licenses and permits		4,727
Intergovernmental		843,155
Miscellaneous		90,471
Total revenues		1,400,763

Expenditures:

Current:		
General government		521,210
Transportation		33,661
Culture and recreation		28
Capital outlay		872,585
Debt service		2,650
Total expenditures		1,430,134

Excess of expenditures over revenues		(29,371)
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Other Financing Sources (Uses):

Proceeds from sale of assets		2,625
Total other financing sources (uses)		2,625

Net Change in Fund Balances		(26,746)
Fund Balance - Beginning of Year		1,594,338
Fund Balance - End of Year		\$ 1,567,592

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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (26,746)

Amounts reported for governmental activities in the statement of activities are different

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	872,585
Current period depreciation	(182,528)

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	2,650
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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	(62,640)
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	1,250
Current period change in pension liability	(16,806)
Current period change in health insurance subsidy	(11,342)
Current period change in deferred outflow of resources on pensions	12,044
Current period change in deferred inflow of resources on pensions	4,944
Current period change in deferred outflow of resources on health insurance subsidy	(2,675)
Current period change in deferred inflow of resources on health insurance subsidy	3,022

Change in Net Position - Governmental Activities \$ 653,862

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

Town of Jay, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Governmental Funds
For the year ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 444,106	\$ 462,406	\$ 462,410	\$ 4
Licenses and permits	4,500	4,800	4,727	(73)
Intergovernmental	2,444,300	1,841,300	843,155	(998,145)
Miscellaneous	234,280	243,480	90,471	(153,009)
Total revenues	<u>3,127,186</u>	<u>2,551,986</u>	<u>1,400,763</u>	<u>(1,151,223)</u>
Expenditures:				
Current:				
General government	1,746,570	729,670	521,210	(208,460)
Transportation	675,000	645,000	33,661	(611,339)
Culture and recreation	-	100	28	(72)
Debt service	-	-	2,650	2,650
Capital outlay	705,616	1,177,216	872,585	(304,631)
Total expenditures	<u>3,127,186</u>	<u>2,551,986</u>	<u>1,430,134</u>	<u>(1,121,852)</u>
Excess of expenditures over revenues	-	-	(29,371)	(29,371)
Other Financing Sources (Uses):				
Proceeds from sale of assets	-	-	2,625	2,625
Transfers, net	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>2,625</u>	<u>2,625</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(26,746)</u>	<u>\$ (26,746)</u>
Fund Balance - Beginning of Year			<u>1,594,338</u>	
Fund Balance - End of Year			<u>\$ 1,567,592</u>	

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

Town of Jay, Florida
Statement of Net Position
Proprietary Funds
As of September 30, 2023

	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 147,993	\$ 140,117	\$ 54,735	\$ 19,187	\$ 362,032
Certificates of deposit	-	-	7,168	-	7,168
Accounts receivable	26,216	17,292	2,610	12,269	58,387
Unbilled receivables	32,590	31,571	6,903	-	71,064
Total current assets	<u>206,799</u>	<u>188,980</u>	<u>71,416</u>	<u>31,456</u>	<u>498,651</u>
Non-current Assets					
Capital assets:					
Assets not being depreciated	15,024	-	-	-	15,024
Assets being depreciated, net	5,121,599	734,761	815,873	-	6,672,233
Total non-current assets	<u>5,136,623</u>	<u>734,761</u>	<u>815,873</u>	<u>-</u>	<u>6,687,257</u>
Total assets	5,343,422	923,741	887,289	31,456	7,185,908
Deferred Outflows of Resources					
Deferred outflows - pensions	35,379	35,379	11,793	-	82,551
Deferred outflows - health insurance subsidy	6,792	6,792	2,263	-	15,847
Total assets and deferred outflows	<u>\$ 5,385,593</u>	<u>\$ 965,912</u>	<u>\$ 901,345</u>	<u>\$ 31,456</u>	<u>\$ 7,284,306</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts payable	\$ -	\$ 3,520	\$ 8,228	\$ 13,186	\$ 24,934
Accrued expenses	6,045	6,044	5,059	-	17,148
Note payable, current portion	4,192	-	16,661	-	20,853
Customer deposits	21,294	-	5,680	-	26,974
Total current liabilities	<u>31,531</u>	<u>9,564</u>	<u>35,628</u>	<u>13,186</u>	<u>89,909</u>
Non-current Liabilities					
Compensated absences	2,453	2,453	818	-	5,724
Note payable, less current portion	203,578	-	582,142	-	785,720
Net pension liability - pension plan	102,466	102,466	34,154	-	239,086
Net pension liability - health insurance subsidy	42,056	42,056	14,020	-	98,132
Total non-current liabilities	<u>350,553</u>	<u>146,975</u>	<u>631,134</u>	<u>-</u>	<u>1,128,662</u>
Total liabilities	382,084	156,539	666,762	13,186	1,218,571
Deferred Inflows of Resources					
Deferred inflows - pensions	2,802	2,802	934	-	6,538
Deferred inflows - health insurance subsidy	6,268	6,268	2,090	-	14,626
Total liabilities and deferred inflows	391,154	165,609	669,786	13,186	1,239,735
Net Position					
Net investment in capital assets	4,928,853	734,761	217,070	-	5,880,684
Restricted for capital projects	-	56,000	-	-	56,000
Unassigned	65,586	9,542	14,489	18,270	107,887
Total net position	<u>4,994,439</u>	<u>800,303</u>	<u>231,559</u>	<u>18,270</u>	<u>6,044,571</u>
Total liabilities and net position	<u>\$ 5,385,593</u>	<u>\$ 965,912</u>	<u>\$ 901,345</u>	<u>\$ 31,456</u>	<u>\$ 7,284,306</u>

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

Town of Jay, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended September 30, 2023

	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total
Operating Revenue					
Charges for service	\$ 346,631	\$ 215,500	\$ 169,963	\$ 160,237	\$ 892,331
Other operating income	12,619	113,094	291	-	126,004
Total operating revenue	<u>359,250</u>	<u>328,594</u>	<u>170,254</u>	<u>160,237</u>	<u>1,018,335</u>
Operating Expenses					
Personnel services	161,437	160,868	33,580	-	355,885
Contractual services	2,966	14,044	-	153,183	170,193
Materials and supplies	4,815	-	129,974	-	134,789
Repairs and maintenance	51,682	53,831	9,103	-	114,616
Office and utilities	16,703	28,658	8,378	-	53,739
Depreciation and amortization	191,989	52,219	33,775	-	277,983
Pension (income) expense	61,118	61,118	(63,463)	-	58,773
Total operating expenses	<u>490,710</u>	<u>370,738</u>	<u>151,347</u>	<u>153,183</u>	<u>1,165,978</u>
Operating (loss) income	(131,460)	(42,144)	18,907	7,054	(147,643)
Non-Operating Revenue (Expenses)					
Interest income	-	-	110	-	110
Interest expense	(2,914)	-	(17,143)	-	(20,057)
Total nonoperating revenue (expenses)	<u>(2,914)</u>	<u>-</u>	<u>(17,033)</u>	<u>-</u>	<u>(19,947)</u>
Loss before contributions and transfers	(134,374)	(42,144)	1,874	7,054	(167,590)
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(134,374)	(42,144)	1,874	7,054	(167,590)
Fund Balance - Beginning of Year	5,128,813	842,447	229,685	11,216	6,212,161
Fund Balance - End of Year	<u>\$ 4,994,439</u>	<u>\$ 800,303</u>	<u>\$ 231,559</u>	<u>\$ 18,270</u>	<u>\$ 6,044,571</u>

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

Town of Jay, Florida
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2023

	Water Fund	Sewer Fund	Natural Gas Fund	Garbage Fund	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 353,341	\$ 311,464	\$ 170,394	\$ 159,715	\$ 994,914
Cash paid to employees for services	(161,925)	(160,241)	(27,703)	-	(349,869)
Cash paid to suppliers for goods and services	(426,372)	(89,498)	(132,196)	(152,675)	(800,741)
Net cash from operating activities	(234,956)	61,725	10,495	7,040	(155,696)
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(21,142)	-	-	-	(21,142)
Interest paid	(2,914)	-	(17,143)	-	(20,057)
Principal payment of note payable	(4,142)	-	-	-	(4,142)
Net cash from capital and related financing activities	(28,198)	-	(17,143)	-	(45,341)
Cash Flows from Investing Activities					
Redemption of certificate of deposit	-	-	61,091	-	61,091
Interest received	-	-	110	-	110
Net cash from investing activities	-	-	61,201	-	61,201
Net Change in Cash and Cash Equivalents	(263,154)	61,725	54,553	7,040	(139,836)
Cash and Cash Equivalents - Beginning of the Year	411,147	78,392	182	12,147	501,868
Cash and Cash Equivalents - End of the Year	<u>\$ 147,993</u>	<u>\$ 140,117</u>	<u>\$ 54,735</u>	<u>\$ 19,187</u>	<u>\$ 362,032</u>
Displayed As:					
Cash and cash equivalents	\$ 147,993	\$ 140,117	\$ 54,735	\$ 19,187	\$ 362,032
Reconciliation of Operating Loss to Net Cash from Operating Activities:					
Operating income (loss)	(131,460)	(42,144)	18,907	7,054	(147,643)
Adjustments to reconcile operating loss to net cash from operating activities -					
Depreciation and amortization expense	191,989	52,219	33,775	-	277,983
Changes in operating assets and liabilities:					
Accounts receivable and unbilled receivables	(6,854)	(17,130)	(35)	(522)	(24,541)
Grant receivable					
Prepaid items	3,515	3,515	7,031	-	14,061
Accounts payable	(353,721)	3,520	8,228	508	(341,465)
Accrued expenses	(1,090)	25	5,059	-	3,994
Compensated absences	602	602	818	-	2,022
Customer deposits	945	-	175	-	1,120
Net pension liability	86,335	86,335	(68,199)	-	104,471
Deferred inflows related to pensions	552	552	(14,012)	-	(12,908)
Deferred outflows related to pensions	(25,769)	(25,769)	18,748	-	(32,790)
Total adjustments	(103,496)	103,869	(8,412)	(14)	(8,053)
Net Cash (Used in) Provided by Operating Activities	<u>\$ (234,956)</u>	<u>\$ 61,725</u>	<u>\$ 10,495</u>	<u>\$ 7,040</u>	<u>\$ (155,696)</u>

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

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

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.

The accompanying combined financial statements include all funds, boards, and authorities for which the Town is financially accountable or for which the nature and significance of their relationship with the Town is such that exclusion would cause the Town 's financial statements to be misleading or incomplete. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. There are no blended component units.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

The Town Council voted to create the Community Development Foundation of Jay Inc. (the Foundation) in December 2022. The Foundation is a 501(c)(3) non-profit organization that is exempt from income taxes. The IRS approved the application May 12, 2023, with a December 22, 2022 effective date. The Foundation's fiscal year ends December 31. For the year ending September 30, 2023, the Foundation had not begun operations. Once the Foundation begins operations, it will be included in the financial statements as a discretely presented component unit in a separate unit based upon the criteria noted above. The members of the governing board of the Foundation consist of some of the Council and management of the Town.

GASB requires reasonable separation between the Primary Government and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented for the Primary Government is equally applicable to the component units.

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) and its component units. These statements include the financial activities of the overall government. These statements distinguish between *governmental* and *business-type activities* of the Town. *Governmental activities* are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. *Business-type activities* are financed in whole or in part by fees charges to external parties.

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

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

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.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

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.

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.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting (Continued)

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.

F. Assets, Liabilities, and Net Position

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.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Net Position (Continued)

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.

Lease Receivable and Deferred Inflows

The Town, as a lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with exceptions for certain short-term leases and leases that transfer ownership of the underlying asset. As lessor, the asset underlying the lease is not unrecognized. The lease receivable is measured at the present value of the lease payments, expected to be received during the lease term. The deferred inflows of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, and Equity (Continued)

Lease Receivable and Deferred Inflows (Continued)

The leases held by the Town do not have an implicit rate of return, therefore, the Town used their incremental borrowing rate on the date of lease commencement of 4% to discount the lease revenue to the net present value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows related to pensions as discussed in **Note 8**.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category which is related to 1) pensions as discussed in **Note 8** and 2) leases as discussed in **Note 6**.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Town's pension plans and additions to/deductions from these plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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. In accordance with GAAP, for the government funds in the fund financial statements, all of the compensated absences are considered long-term and, therefore, are not a fund liability and represent a reconciling item between the fund level and government-wide presentations.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

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.

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.

NOTE 2 – CASH AND INVESTMENTS

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

At September 30, 2023, the carrying amount of the Town's deposits was \$1,932,889 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.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

NOTE 3 – ACCOUNTS RECEIVABLE

General Fund accounts receivable include franchise fees and taxes due from other entities. Accounts receivable in the business-type activities funds are amounts due from customers representing charges for services and grants receivable. Allowances for doubtful accounts are estimated by management based on past collection experience and other information available to them at the balance sheet date. At September 30, 2023, accounts receivable balances in the business-type activities funds, net of allowances for doubtful accounts, were as follows:

Accounts Receivable – Water	\$ 27,716
Less Water Allowance	(1,500)
Accounts Receivable – Sewer	19,092
Less Sewer Allowance	(1,800)
Accounts Receivable – Natural Gas	4,110
Less Gas Allowance	(1,500)
Accounts Receivable – Garbage	13,769
Less Gas Allowance	(1,500)
	\$ 58,387

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

Bad Debt – Water	\$ 1,578
Bad Debt – Sewer	1,365
Bad Debt – Natural Gas	326
Bad Debt – Garbage	1,252
	\$ 4,521

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 4 – CAPITAL ASSETS

Capital asset governmental activity for the year ended September 30, 2023, was as follows:

Governmental Activities:	<u>Balance 10/1/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/23</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 203,051	\$ -	\$ -	\$ 203,051
Construction in progress	191,100	824,122	(610,195)	405,027
Total capital assets not being depr.	394,151	824,122	(610,195)	608,078
<i>Capital assets being depreciated:</i>				
Buildings	981,973	-	-	981,973
Improvements other than buildings	3,465,919	658,658	-	4,124,577
Machinery and equipment	473,089	-	(11,224)	461,865
Total capital assets being depreciated	4,920,981	658,658	(11,224)	5,568,415
<i>Less accumulated depreciation for:</i>				
Buildings	(760,777)	(14,970)	-	(775,747)
Improvements other than buildings	(1,384,796)	(138,168)	-	(1,522,964)
Machinery and equipment	(322,534)	(29,390)	11,224	(340,700)
Total accumulated depreciation	(2,468,107)	(182,528)	11,224	2,639,411
Total capital assets being depr., net	2,452,874	476,130	-	2,929,004
Governmental capital assets, net	<u>\$2,847,025</u>	<u>\$1,300,252</u>	<u>\$ (610,195)</u>	<u>\$3,537,082</u>

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Capital asset business-type activity for the year ended September 30, 2023, was as follows:

Business-type Activities:	<u>Balance 10/1/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/23</u>
<i>Water -</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 15,024	\$ -	\$ -	\$ 15,024
Construction in progress	-	-	-	-
Total capital assets not being depr.	<u>15,024</u>	<u>-</u>	<u>-</u>	<u>15,024</u>
<i>Capital assets being depreciated:</i>				
Buildings	942	-	-	942
Water plant	5,634,891	21,142	-	5,656,033
Improvements other than buildings	1,384,175	-	-	1,384,175
Machinery and equipment	105,944	-	-	105,944
Total capital assets being depreciated	<u>7,125,952</u>	<u>21,142</u>	<u>-</u>	<u>7,147,094</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(942)	-	-	(942)
Water plant	(855,884)	(148,419)	-	(1,004,303)
Improvements other than buildings	(908,395)	(34,606)	-	(943,001)
Machinery and equipment	(68,284)	(8,965)	-	(77,249)
Total accumulated depreciation	<u>(1,833,505)</u>	<u>(191,990)</u>	<u>-</u>	<u>(2,025,495)</u>
Total capital assets being depr., net	<u>5,292,447</u>	<u>(170,848)</u>	<u>-</u>	<u>5,121,599</u>
Water capital assets, net	<u>5,307,471</u>	<u>(170,848)</u>	<u>-</u>	<u>5,136,623</u>
<i>Sewer -</i>				
Sewer plant	2,316,525	-	-	2,316,525
Less accumulated depreciation	(1,529,545)	(52,219)	-	(1,581,764)
Sewer capital assets, net	<u>786,980</u>	<u>(52,219)</u>	<u>-</u>	<u>734,761</u>
<i>Natural Gas -</i>				
<i>Capital assets being depreciated:</i>				
Natural gas plant	1,399,308	-	-	1,399,308
Machinery and equipment	44,125	-	-	44,125
Total capital assets being depreciated	<u>1,443,433</u>	<u>-</u>	<u>-</u>	<u>1,443,433</u>
<i>Less accumulated depreciation for:</i>				
Natural gas plant	(556,274)	(32,619)	-	(588,893)
Machinery and equipment	(37,511)	(1,156)	-	(38,667)
Total accumulated depreciation	<u>(593,785)</u>	<u>(33,775)</u>	<u>-</u>	<u>(627,560)</u>
Natural gas capital assets, net	<u>849,648</u>	<u>(33,775)</u>	<u>-</u>	<u>815,873</u>
Business-type activities capital assets, net	<u>\$6,944,099</u>	<u>\$(256,842)</u>	<u>\$ -</u>	<u>\$6,687,257</u>

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

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. The loan was paid off during the year ending September 30, 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, 2023 is as follows:

Years Ending September 30,	Principal	Interest	Total
2024	\$ 20,853	\$ 24,484	\$ 45,337
2025	18,098	19,583	37,681
2026	18,565	19,116	37,681
2027	19,131	18,549	37,680
2028	19,638	18,043	37,681
Thereafter	710,288	250,457	960,745
	<u>806,573</u>	<u>\$ 350,232</u>	<u>\$ 1,156,805</u>
Less current portion	(20,853)		
	<u>\$ 785,720</u>		

NOTE 6 – LEASES

Lease receivable and revenues are summarized as follows as of September 30, 2023:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Community Center	\$ 43,269	\$ 40,128	\$ 3,395
Post Office	12,664	19,976	965
Total	<u>\$ 55,933</u>	<u>\$ 60,104</u>	<u>\$ 4,360</u>

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 6 – LEASES (CONTINUED)

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 the remaining two years beginning June 1, 2023 through May 31, 2025.

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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 55,933	\$ 1,900	\$ 57,833

NOTE 7 – INTERFUND TRANSFERS

During the year ended September 30, 2023, the Town made no transfers between funds.

NOTE 8 – PENSION PLAN

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

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

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 8 – PENSION PLAN (CONTINUED)

- The Retiree Health Insurance Subsidy (HIS) Program is a non-qualified, 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 eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. Per Chapter 2023-193, Laws of Florida, the level of monthly benefits increased from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently in pay and members not yet in pay. 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.

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.

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, 2023 were 13.57% for regular participants, 34.52% for senior management, and 58.68% for elected officials. Contributions for the employer and employee portions for the year ending September 30, 2023 were \$65,512, which meets the required contributions for the year. The HIS required contribution rate is 2.00% for 2023 the FRS plan year. 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 Financial Statements
For the year ended September 30, 2023

NOTE 8 – PENSION PLAN (CONTINUED)

Employer Contributions

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

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

Use of Estimates

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

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, 2023, are shown below:

	FRS	HIS
Total Pension Liability	\$ 226,204,201,000	\$ 16,563,148,691
Plan Fiduciary Net Position	<u>(186,357,365,968)</u>	<u>(681,814,936)</u>
Net Pension Liability	<u>\$ 39,846,835,032</u>	<u>\$ 15,881,333,755</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.38%	4.12%

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, 2023. 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, 2023. 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.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 8 – PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The Town's proportionate share of the net pension liabilities at September 30, 2023 was \$481,740, which has been recorded as an obligation on the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's current and several prior measurement dates. Prior measurement dates shown in exhibits align with the oldest deferred (inflow)/outflow base through June 30, 2023, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2023, 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.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 8 – PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% 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 2023:

- HIS: The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.
- HIS: Chapter 2023-193, Laws of Florida (Senate Bill 7024), increased the level of monthly benefits from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently receiving benefits and members not yet receiving benefits.

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, 2023.

FRS Net Pension Liability			HIS Net Pension Liability		
1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
\$ 583,441	\$ 341,552	\$ 139,184	\$ 159,932	\$ 140,188	\$ 123,821

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 8 – PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows/(Inflows) of Resources

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

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

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

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2023, was 5.3 years for FRS and 6.3 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	\$ 32,069	\$ -	\$ 2,052	\$ (329)
Changes in assumptions	22,265	-	3,685	(12,148)
Net difference between projected and actual earnings on pension plan investments	14,264	-	72	-
Employer-specific amounts due to changes in employer proportion	39,526	(9,340)	15,358	(8,417)
Town contributions subsequent to the measurement date	9,806	-	1,472	-
	<u>\$ 117,930</u>	<u>\$ (9,340)</u>	<u>\$ 22,639</u>	<u>\$ 20,894</u>

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 8 – PENSION PLAN (CONTINUED)

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

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
2024	\$ 9,349	\$ (1,165)
2025	(3,704)	(706)
2026	56,099	(1,175)
2027	5,329	(2,305)
2028	1,525	(1,221)
Thereafter	-	(95)
	\$ 68,598	\$ (6,667)

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, 2023. 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
850-907-6500 or toll free 844-377-1888

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 9 – RISK MANAGEMENT

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

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

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

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

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

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

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

NOTE 10 – DEFERRED COMPENSATION

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

The plan, available to all Town employees, permits employees to defer a portion of their salary until future years. The deferred compensation accounts are not distributed to employees until termination of service, death, or unforeseeable emergency. The Town makes no matching contributions to the plan.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 11 – COMMITMENTS, CONTINGENCIES & SUBSEQUENT EVENTS

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, 2023 is \$90,419. A liability is not recorded as of September 30, 2023 while royalties are recorded net of these expenses.

Commitments

During the year, the Town entered into contracts for improvements to the park and community center. These construction projects were in various stages of completion. As of September 30, 2023, approximately \$1,322,000 was outstanding.

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.

Other Subsequent Events

The Town did not have any other subsequent events requiring disclosure or recording in these financial statements through March 13, 2024, which is the date these financial statements were issued.

NOTE 12 – CONCENTRATIONS

Significant Customers

The Town has two natural gas customers with revenues totaling approximately 27% of total gas revenues.

Town of Jay, Florida
Notes to Financial Statements
For the year ended September 30, 2023

NOTE 13 – RELATED PARTY TRANSACTIONS

The Town makes several purchases throughout the year from businesses owned by the Town's Mayor. For the year ended September 30, 2023, purchases from these businesses totaled \$9,248. 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 – FINANCIAL CONDITION

At September 30, 2023, the Water Fund, Sewer Fund, and Natural Gas Fund, excluding re-allocations of pension expense, were all at operating loss positions. If operating losses remain consistent, in the next fiscal year, the water, sewer, and gas funds will have a deficit in unrestricted fund balance. The Town plans to transfer excess funds when and if available in subsequent fiscal years to replenish these funds. See **Finding 2023-2** referenced in the accompanying schedule of findings and responses for additional information on status of financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2023	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	0.000857163%	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	\$ 341,552	\$ 256,981	\$ 51,670	\$ 312,404	\$ 249,479	\$ 224,248	\$ 292,248	\$ 361,777	\$ 184,005	\$ 71,466
Town of Jay's covered payroll	334,292	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	102.17%	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	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Schedule of Contributions:										
Contractually required contribution	41,235	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	41,235	29,472	26,058	23,949	22,462	21,218	25,720	34,941	34,733	25,656
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Jay's covered payroll	\$ 334,292	\$ 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	12.34%	8.66%	9.09%	7.45%	8.36%	9.28%	9.96%	11.74%	13.34%	10.39%

* Actuarially determined contribution rates are calculated as of June 30 of the fiscal year.

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

	2023	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	0.000882720%	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	\$ 140,188	\$ 92,143	\$ 99,818	\$ 111,323	\$ 83,849	\$ 72,526	\$ 88,583	\$ 105,732	\$ 82,695	\$ 75,539
Town of Jay's covered payroll	334,292	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	41.94%	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	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%
Schedule of Contributions:										
Contractually required contribution	5,807	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	5,807	5,264	4,783	5,254	4,161	3,716	4,384	4,650	3,100	2,768
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Jay's covered payroll	\$ 334,292	\$ 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	1.74%	1.55%	1.67%	1.63%	1.55%	1.62%	1.70%	1.56%	1.19%	1.12%

* Actuarially determined contribution rates are calculated as of June 30 of the fiscal year.

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, 2023. 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, 2023.

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 13, 2024



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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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Jay, Florida (the Town), as of and for the year ended September 30, 2023, 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 13, 2024.

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) as a basis for designing 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 weakness 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 #2023-01** 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 #2023-02** to be a significant deficiency.

governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as **Finding #2023-02** 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 financial statements. 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 13, 2024



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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, 2023 and have issued our report thereon dated March 13, 2024.

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 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*; 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 13, 2024, 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 #2021-1 & 2022-1: 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 #2021-2 & 2022-2: This finding applies in the current year for the Water Fund, Sewer Fund, and Natural Gas Fund. 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 funds 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 included the Community Development Foundation of Jay Inc. as a discretely presented component unit. See **Note 1 (B)** of the financial statements.

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 2023-02** 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 2023-01** 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 13, 2024

Town of Jay, Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

Reportable condition(s) identified not considered to be material weaknesses? **Yes**

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

B. FINANCIAL STATEMENT FINDINGS

Finding #2023-1: 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, prepaid, fixed assets, accounts payable, debt, pension, grant revenue, depreciation, and payroll. 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.

Town of Jay, Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2023

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding #2023-2: Financial Condition (Significant Deficiency)

Criteria or Specific Requirement

At September 30, 2023, the Water Fund, Sewer Fund, and Natural Gas Fund, excluding re-allocations of pension expense, were all at operating loss positions. Unrestricted fund balances should be positive in all funds.

Cause

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

Effect

If operating losses remain consistent, in the next fiscal year, the Water Fund, Sewer Fund, and Natural Gas Fund will have a deficit in unrestricted fund balance.

Recommendation

We recommend the Town develop long and short-term financial plans to improve the financial condition of the Water Fund, Sewer Fund, and Natural Gas 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 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 Water Fund, Sewer Fund, and Natural Gas Fund and discuss options to increase revenues or decrease expenses.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A single audit was not required for the year ending September 30, 2023.

D. PRIOR FINANCIAL STATEMENT FINDINGS

Finding #2022-1: Material Adjustments

Condition: 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.

Current Status: Condition has continued in 2023; see finding 2023-1.

Town of Jay, Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2023

D. PRIOR FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding #2022-2: Financial Condition

Condition: 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.

Current Status: Condition has continued in 2023; see finding 2023-2.