



**CITY OF
BAY LAKE**

CITY OF BAY LAKE, FLORIDA

ANNUAL FINANCIAL REPORT
AND COMPLIANCE REPORTS

Year Ended September 30, 2021

CITY OF BAY LAKE, FLORIDA

ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS

Year Ended September 30, 2021

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Report of Independent Auditor

To the City Manager, the Honorable Mayor, and Members of the City Council
City of Bay Lake, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the City of Bay Lake, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the City as of September 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as provided in the table of contents, 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 February 7, 2022 on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.



Orlando, Florida
February 7, 2022

CITY OF BAY LAKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of City of Bay Lake, Florida's (the "City") financial performance provides an overview of the City's activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the financial statements, which begin on page 6.

Overview of the Financial Statements

Government-wide Financial Statements. The government-wide and fund financial statements are combined for this annual report, as all activities of the City are governmental activities. The report consists of the government-wide and fund statements and notes to the financial statements. The statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business, using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental fund financial statements utilize the modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Reconciliation of the government-wide and fund financial statements is provided on the face of the financial statements and is explained in Note 2 on page 11.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9 - 13 of this report.

Financial Analysis

City's Net Position

	<u>2021</u>	<u>2020</u>
Total Assets	\$ 7,843,018	\$ 8,469,747
Total Liabilities	<u>1,138,833</u>	<u>181,152</u>
Net Position - unrestricted	<u>\$ 6,704,185</u>	<u>\$ 8,288,595</u>

CITY OF BAY LAKE, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. At the close of the fiscal year, assets exceeded liabilities by \$6,704,185. Governmental Accounting Standards do not allow net position to be represented as "restricted" unless there are external legal restrictions on how they may be used. Thus, while there may be long-term management plans for unrestricted net position, they must be shown as unrestricted unless such external restrictions occur.

City's Change in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
General revenues:		
Ad valorem taxes	\$ 14,615,773	\$ 14,909,162
Contributions in lieu of taxes	-	123,982
Licenses and fees	314	13,224
Interest and investment income	14,236	106,154
	<u>14,630,323</u>	<u>15,152,522</u>
Total revenues		
	<u>14,630,323</u>	<u>15,152,522</u>
Expenses:		
General government	18,791	17,353
Public safety	16,175,914	14,368,140
Physical environment	20,028	25,035
	<u>16,214,733</u>	<u>14,410,528</u>
Total expenses		
	<u>16,214,733</u>	<u>14,410,528</u>
Change in net position	<u>(1,584,410)</u>	<u>741,994</u>
Net position - beginning	<u>8,288,595</u>	<u>7,546,601</u>
Net position - ending	<u>\$ 6,704,185</u>	<u>\$ 8,288,595</u>

Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. There was an increase in tax refund payable in the current year due to a settlement of certain property appraiser disputes that resulted in a refund payable of \$908,935. These disputes are further discussed in Note 4 on page 12.

The City's net position decreased \$1,584,410 as a result of this year's operations. The decrease is due to a budgeted decrease to net position in addition to the property appraiser settlement discussed above.

CITY OF BAY LAKE, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Financial Analysis

The City's primary revenue source is ad valorem taxes. Ad valorem tax revenue for the current period was 99.9% of total revenues. Ad valorem tax revenue decreased 2.0% from the prior year due to the property appraiser settlement. The City's largest expenditure is for contracted law enforcement services with Orange County, Florida. Expenditures under this contract totaled \$9,834,418 for the current year. The City also pays the Orange County Sheriff's office for off-duty deputies. For fiscal year 2021, the cost of off-duty deputies was \$6,341,496. Together, the contracted coverage and the off-duty coverage represents 99.8% of total expenditures.

Budgetary Highlights

There were no amendments to the budget or transfers between activity budgets during the year.

Economic Factors and Next Year's Budget and Rates

Local governments continue to be affected by factors related to the COVID-19 pandemic, including the general state of the economy and real estate markets. Assessed property values underlying the City's fiscal year 2022 budget and millage rate determination reflect the impact of the pandemic in our area and Orange County Property Appraiser revaluations of property value assessments as a result of the Court of Appeals' recommendations.

- The unemployment rate of the Central Florida area is currently averaging 3.9%. This is less than both the state and national average unemployment rates of 4.5% and 4.2%, respectively.
- Fiscal year 2022 assessed values decreased by 8.0% while millage rates increased from 1.6237 to 2.1244.
- Inflationary trends in the region compare to national indices.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City of Bay Lake, P.O. Box 690956, Orlando, FL 32869.

CITY OF BAY LAKE, FLORIDA

GENERAL FUND BALANCE SHEET / STATEMENT OF NET POSITION

September 30, 2021

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 7,843,018	\$ -	\$ 7,843,018
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable	\$ 229,898	\$ -	\$ 229,898
Tax refund payable	908,935	-	908,935
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,138,833	-	1,138,833
	<hr/>	<hr/>	<hr/>
FUND BALANCES / NET POSITION			
Fund balance:			
Unassigned	6,704,185	(6,704,185)	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 7,843,018		
	<hr/>		
Net position:			
Unrestricted		6,704,185	6,704,185
		<hr/>	<hr/>
Total Net Position		\$ -	\$ 6,704,185
		<hr/>	<hr/>

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

CITY OF BAY LAKE, FLORIDA

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES**

Year Ended September 30, 2021

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
REVENUES			
Ad valorem taxes	\$ 14,615,773	\$ -	\$ 14,615,773
Licenses and fees	314	-	314
Interest and investment income	14,236	-	14,236
	<hr/>	<hr/>	<hr/>
Total revenues	14,630,323	-	14,630,323
EXPENDITURES			
General Government:			
Outside services and fees	188	-	188
Professional services	11,000	-	11,000
Insurance	5,000	-	5,000
Advertising	1,222	-	1,222
Dues and subscriptions	1,220	-	1,220
Operating supplies	161	-	161
	<hr/>	<hr/>	<hr/>
	18,791	-	18,791
Public Safety:			
Outside services and fees	16,175,914	-	16,175,914
Physical Environment:			
Operating supplies	20,028	-	20,028
	<hr/>	<hr/>	<hr/>
Total expenditures	16,214,733	-	16,214,733
Excess (deficiency) of revenues over (under) expenditures			
	(1,584,410)	1,584,410	-
Change in net position			
	-	(1,584,410)	(1,584,410)
Fund Balances / Net Position:			
Beginning of year	8,288,595	-	8,288,595
	<hr/>	<hr/>	<hr/>
End of year	\$ 6,704,185	\$ -	\$ 6,704,185
	<hr/>	<hr/>	<hr/>

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

CITY OF BAY LAKE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

Year Ended September 30, 2021

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Ad valorem taxes	\$ 15,494,669	\$ 15,494,669	\$ 14,615,773	\$ (878,896)
Licenses and fees	13,500	13,500	314	(13,186)
Interest and investment income	8,000	8,000	14,236	6,236
Total revenues	<u>15,516,169</u>	<u>15,516,169</u>	<u>14,630,323</u>	<u>(885,846)</u>
EXPENDITURES				
General Government:				
Outside services and fees	1,000	1,000	188	812
Professional services	11,000	11,000	11,000	-
Insurance	5,000	5,000	5,000	-
Advertising	2,500	2,500	1,222	1,278
Dues and subscriptions	1,500	1,500	1,220	280
Operating supplies	500	500	161	339
	<u>21,500</u>	<u>21,500</u>	<u>18,791</u>	<u>2,709</u>
Public Safety:				
Outside services and fees	16,207,988	16,207,988	16,175,914	32,074
Physical Environment:				
Operating supplies	50,000	50,000	20,028	29,972
Total expenditures	<u>16,279,488</u>	<u>16,279,488</u>	<u>16,214,733</u>	<u>64,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (763,319)</u>	<u>\$ (763,319)</u>	<u>(1,584,410)</u>	<u>\$ (821,091)</u>
Fund Balance, beginning of year			<u>8,288,595</u>	
Fund Balance, end of year			<u>\$ 6,704,185</u>	

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

CITY OF BAY LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bay Lake, Florida is a municipal corporation of the State of Florida created in Chapter 67-1104 on May 12, 1967 by a special act of the legislature. The City of Bay Lake, Florida (the "City") is governed by a five-member City Council elected by the residents of the City. The accompanying financial statements present the financial position and changes in financial position of the applicable fund controlled by or dependent upon the City. In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. No component units exist that would require inclusion in the City's financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. The City only has governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include licenses and fees. General revenues include ad valorem taxes and interest and investment income. Fund financial statements are presented for the City's general fund. The City has no other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Property Taxes

Property taxes are billed, collected and recorded within the same fiscal period. Ad valorem taxes on property values have a lien and assessment date of January 1, with millage established during the preceding September. The fiscal year for which taxes are levied begins October 1. Taxes, which are billed in November, carry a maximum discount available through November 30, and become delinquent April 1. State Statutes permit the City to levy property taxes at a rate up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2021, was 1.6237 mills.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of non-interest bearing demand deposits and an investment in the Florida Public Assets for Liquidity Management (FL PALM) with a maturity of three months or less when purchased. FL PALM is a local government investment pool organized under the laws of the state of Florida and measured at amortized cost. Cash and cash equivalents are carried at cost, which approximates fair value.

F. Annual Budget

An annual budget is adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary procedures are as follows:

- 1) The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing on October 1.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- 4) Budgetary control is legally maintained at the department level.
- 5) Budget appropriations lapse at the end of each fiscal year.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Fund Balance

On the Balance Sheet, fund balances may be classified as follows:

Nonspendable - The portion of fund balance that includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact.

Restricted - Amounts that can only be used for specific purposes due to constraints that have been placed on them by external parties, constitutional provisions or enabling legislation.

Committed - Amounts that are constrained for specific purposes that are internally imposed through formal action of the City Council and does not lapse at year end.

Assigned - Amounts constrained by the City Council to be used for a specific purpose.

Unassigned - All amounts not included in other spendable classifications.

When expenditures are incurred for payment from spendable fund balance, assigned is used first, followed by unassigned fund balance. The City does not have a formal minimum fund balance policy.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

During the current fiscal year, there are no reconciling items between "excess (deficiency) of revenues over (under) expenditures" and "change in net position" on the statement of activities. For purposes of the statement of net position and the statement of activities, general fund balance has been reclassified as net position-unrestricted.

3. DEPOSITS AND INVESTMENTS

In addition to demand deposits, the City's cash and cash equivalents are invested in FL PALM, which has a credit rating of AAAM as rated by Standard & Poor's. There are no redemption or deposit restrictions related to these money market funds and the funds aim to maintain NAV of \$1 per share. As of September 30, 2021, deposits and investments of the City were as follows:

Demand deposits	\$	336,959
FL PALM		<u>7,506,059</u>
Total	\$	<u><u>7,843,018</u></u>

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2021

3. DEPOSITS AND INVESTMENTS - CONTINUED

Credit Risk. The City conducts its investment activity within the guidelines established by Florida Statute Section 218.415(17), Local Government Investment Policies. Under subsection 17, Authorized Investments; No Written Investment Policy, authorized investments include the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280, *Florida Statutes*, and direct obligations of the U.S. Treasury.

Interest Rate Risk. The Statutory guidelines state that the City's investments provide sufficient liquidity to pay obligations as they come due. The City's funds invested in FL PALM have a weighted average maturity of the portfolio of not more than 90 days.

Custodial Credit Risk. The City's investments are insured or registered and held by its agent in the City's name.

4. TAX REFUND PAYABLE

Various suits involve Walt Disney Parks and Resorts US, Inc. and Disney Vacation Development, Inc. (collectively "WDP and DVD Plaintiffs") naming the Orange County Property Appraiser and the Orange County Tax Collector as defendants and challenging the Orange County Property Appraiser's valuation of multiple commercial parcels and contesting the legality and validity of the 2015 through 2020 ad valorem tax assessments on the parcels paid to the City. WDP and DVD Plaintiffs claim the value of each of the assessments on the parcels does not represent the just value of the parcels because it exceeds the fair market value thereof and claims the appraiser included the value of certain intangible property in the assessment in violation of law. WDP and DVD Plaintiffs have requested the court set aside the 2015 through 2020 assessments and resulting taxes to the extent they exceed the just value of such property and issue a new tax bill in said reassessed amounts. As a result of these claims, the Court of Appeals instructed that a revaluation be calculated by the Orange County Property Appraiser's office using the Court of Appeals' recommendations on the parcels applicable to the City. Parcels related to the theme parks were settled in August of 2021 resulting in a refund of \$908,935 to the WDP Plaintiff, which is recorded as a tax refund payable by the City as of September 30, 2021. This amount was subsequently paid off by the City and recovered by the WDP Plaintiff on December 9, 2021. While the City anticipates further adjustments to the tax collections for fiscal years 2016 through 2021 (assessments in 2015 through 2020), it cannot predict the outcome of these cases.

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2021

5. COMMITMENTS

The City contracts with Orange County, Florida, to provide law enforcement services within the City. The current contract provides for the City to make quarterly payments of the annual amount which has been determined based on the services to be provided. For fiscal year 2021, the City paid the County \$9,834,418 for the contracted services. For fiscal year 2022, the contract amount has increased to \$10,722,957. For fiscal years 2023 and 2024, the amounts will be \$11,423,426 and \$12,156,008, respectively.

**Report of Independent Auditor 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 City Manager, the Honorable Mayor, and Members of the City Council
City of Bay Lake, Florida

We have audited, 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, the financial statements of the governmental activities and the General Fund of the City of Bay Lake, Florida (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Cheryl Behrert in cursive script.

Orlando, Florida
February 7, 2022

**Report of Independent Accountant on Compliance
With Local Government Investment Policies**

To the City Manager, the Honorable Mayor, and Members of the City Council
City of Bay Lake, Florida

We have examined the City of Bay Lake, Florida's (the "City") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2021. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements 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 City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the City complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2021.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.



Orlando, Florida
February 7, 2022

Independent Auditor's Management Letter

To the City Manager, the Honorable Mayor, and Members of the City Council
City of Bay Lake, Florida

Report of the Financial Statements

We have audited the financial statements of the governmental activities and the General Fund of the City of Bay Lake (the "City"), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated February 7, 2022.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Report of Independent Accountant on Compliance with Local Government Investment Policies regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 7, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings or recommendations were made in the preceding annual financial audit report.

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 this management letter, unless disclosed in the notes to the financial statements. The City of Bay Lake, Florida was established by the State of Florida pursuant to Article VIII Section 1(a) of the Constitution of the State of Florida. There are no component units related to this entity.

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 City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City 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 City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 note any such findings.

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Behrert" followed by a stylized flourish.

Orlando, Florida
February 7, 2022