

CITY OF BAY LAKE, FLORIDA

FINANCIAL STATEMENTS

As of the for the Year Ended September 30, 2025

And Reports of Independent Auditor

CITY OF BAY LAKE, FLORIDA
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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City’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 and the General Fund of the City as of September 30, 2025, and the respective changes in financial position, and the budgetary comparison for the General Fund 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 City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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 City’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 City'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, which raise substantial doubt about the City'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 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 May 7, 2026, 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.

Cherry Bekaert LLP

Orlando, Florida
May 7, 2026

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

SEPTEMBER 30, 2025

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, 2025. Please read it in conjunction with the financial statements, which begin on page 6.

Overview of the 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.

Government-Wide Financial Statements. 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 10.

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 through 11 of this report.

Financial Analysis

City’s Net Position

	<u>2025</u>	<u>2024</u>
Total Assets	\$ 10,388,256	\$ 10,748,240
Total Liabilities	384,211	347,902
Net Position – Unrestricted	<u>\$ 10,004,045</u>	<u>\$ 10,400,338</u>

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 \$10,004,045. All of the net position as of September 30, 2025 is unrestricted. Total fund balance as of September 30, 2025 is \$10,004,045. Of this amount, \$9,479,535 is unassigned, \$24,510 is nonspendable for prepaid expenses, and \$500,000 is set aside for settlements related to property appraiser disputes as directed by the City Council. These disputes are further detailed in Note 4.

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

SEPTEMBER 30, 2025

Financial Analysis (continued)

Generally Accepted Accounting Principles 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 Net Position

	<u>2025</u>	<u>2024</u>
Revenues:		
General Revenues:		
Ad valorem taxes	\$ 22,379,949	\$ 20,885,567
Licenses and fees	13,620	14,027
Interest and investment income	487,752	731,672
Total Revenues	<u>22,881,321</u>	<u>21,631,266</u>
Expenses:		
General government	297,344	275,761
Public safety	22,969,146	21,586,313
Physical environment	11,124	23,193
Total Expenses	<u>23,277,614</u>	<u>21,885,267</u>
Change in net position	(396,293)	(254,001)
Net position, beginning of year	<u>10,400,338</u>	<u>10,654,339</u>
Net position, end of year	<u>\$ 10,004,045</u>	<u>\$ 10,400,338</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. Property Appraiser disputes are further discussed in Note 4.

The City's net position decreased by \$396,293 as a result of this year's operations. Major contributing factors to this decrease included an increase in costs associated with contracted law enforcement services that outpaced the increase in ad valorem tax revenues. This was combined with a decrease in investment income in fiscal year 2025 related to variability in the financial markets.

The City's primary revenue source is ad valorem taxes. Ad valorem tax revenue for the current period was 97.8% of total revenues. Ad valorem tax revenue increased 7.2% from the prior year due to an increase in assessed values. The City's largest expenditure is for contracted law enforcement services with the Orange County Sheriff's Office. Expenditures under this contract totaled \$14,821,847 for the current year. The City also pays for off-duty deputy services to the Orange County Sheriff's Office, with smaller amounts paid to the Osceola County Sheriff's Office for off-duty deputies. For fiscal year 2025, the cost of off-duty deputies was \$8,147,299. Together, the contracted coverage and the off-duty coverage represent 98.7% of total expenditures.

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

SEPTEMBER 30, 2025

Budgetary Highlights

There were no budget amendments to the original budget for fiscal year 2025.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate of the Central Florida area is currently averaging 4.6%. This is the same as the state average of 4.6% and slightly higher than the national unemployment average of 4.4%.
- Fiscal year 2026 assessed values increased by 9.85% while millage rate increased 18.04% from 1.8850 to 2.225.
- 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:

Randy Singh, City Manager
1900 Hotel Plaza Blvd
Lake Buena Vista, FL 32830

CITY OF BAY LAKE, FLORIDA
GENERAL FUND BALANCE SHEET / STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 10,363,687	\$ -	\$ 10,363,687
Due from other governmental units	59	-	59
Prepaid expenses	24,510	-	24,510
Total Assets	<u>\$ 10,388,256</u>	<u>\$ -</u>	<u>\$ 10,388,256</u>
LIABILITIES AND FUND BALANCE			
Current Liabilities:			
Accounts payable	\$ 320,097	\$ -	\$ 320,097
Due to other governmental units	450	-	450
Accrued liabilities	63,664	-	63,664
Total Liabilities	<u>384,211</u>	<u>-</u>	<u>384,211</u>
Fund Balance:			
Nonspendable	24,510	(24,510)	-
Committed for Property Appraiser disputes	500,000	(500,000)	-
Unassigned	9,479,535	(9,479,535)	-
Total Fund Balance	<u>10,004,045</u>	<u>(10,004,045)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 10,388,256</u>	<u>\$ (10,004,045)</u>	<u>\$ 384,211</u>
NET POSITION			
Unrestricted		<u>\$ 10,004,045</u>	<u>\$ 10,004,045</u>
Total Net Position		<u>\$ -</u>	<u>\$ 10,004,045</u>

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

CITY OF BAY LAKE, FLORIDA
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
Revenues:			
Ad valorem taxes	\$ 22,379,949	\$ -	\$ 22,379,949
Licenses and fees	13,620	-	13,620
Interest and investment income	487,752	-	487,752
Total Revenues	<u>22,881,321</u>	<u>-</u>	<u>22,881,321</u>
Expenditures:			
General Government:			
Outside services and fees	20,732	-	20,732
Professional services	183,504	-	183,504
Insurance	83,869	-	83,869
Advertising	5,032	-	5,032
Dues and subscriptions	3,650	-	3,650
Operating supplies	557	-	557
	<u>297,344</u>	<u>-</u>	<u>297,344</u>
Public Safety:			
Outside services and fees	22,969,146	-	22,969,146
Physical Environment:			
Operating supplies	11,124	-	11,124
Total Expenditures/Expenses	<u>23,277,614</u>	<u>-</u>	<u>23,277,614</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(396,293)	396,293	-
Change in net position	-	(396,293)	(396,293)
Fund balance/net position, beginning of year	<u>10,400,338</u>	<u>-</u>	<u>10,400,338</u>
Fund balance/net position, end of year	<u>\$ 10,004,045</u>	<u>\$ -</u>	<u>\$ 10,004,045</u>

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

CITY OF BAY LAKE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 21,814,488	\$ 21,814,488	\$ 22,379,949	\$ 565,461
Licenses and fees	15,400	15,400	13,620	(1,780)
Interest and investment income	450,000	450,000	487,752	37,752
Total Revenues	<u>22,279,888</u>	<u>22,279,888</u>	<u>22,881,321</u>	<u>601,433</u>
Expenditures:				
General Government:				
Outside services and fees	107,293	107,293	20,732	86,561
Professional services	222,300	222,300	183,504	38,796
Insurance	95,000	95,000	83,869	11,131
Advertising	5,000	5,000	5,032	(32)
Dues and subscriptions	5,000	5,000	3,650	1,350
Operating supplies	10,000	10,000	557	9,443
	444,593	444,593	297,344	147,249
Public Safety:				
Outside services and fees	25,528,862	25,528,862	22,969,146	2,559,716
Physical Environment:				
Operating supplies	50,000	50,000	11,124	38,876
Total Expenditures	<u>26,023,455</u>	<u>26,023,455</u>	<u>23,277,614</u>	<u>2,745,841</u>
Deficiency of Revenues Under Expenditures	<u>\$ (3,743,567)</u>	<u>\$ (3,743,567)</u>	(396,293)	<u>\$ (2,144,408)</u>
Fund balance, beginning of year			<u>10,400,338</u>	
Fund balance, end of year			<u>\$ 10,004,045</u>	

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

CITY OF BAY LAKE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

Note 1—Nature of organization and summary of significant accounting policies

The City of Bay Lake, Florida (the “City”) 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 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.

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.

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 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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, 2025 was 1.8850 mills.

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.

CITY OF BAY LAKE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

Note 1—Nature of organization and summary of significant accounting policies (continued)

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 (“U.S. GAAP”). 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.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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.

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.

Committed amounts represent funds set aside for ongoing Property Appraiser disputes, which are discussed in more detail in Note 4.

Note 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.

CITY OF BAY LAKE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

Note 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 investments and the funds aim to maintain net asset value of \$1 per share. As of September 30, 2025, deposits and investments of the City were as follows:

Demand deposits	\$ 185,807
FL PALM	<u>10,177,880</u>
	<u>\$ 10,363,687</u>

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 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.

Note 4—Commitments and contingencies

The City contracts with the Orange County Sheriff 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 2025, the City paid the County \$14,821,847 for the contracted services. For fiscal year 2026, the contract amount has increased to \$16,095,013. The City also utilizes off duty deputies for services beyond the contract’s purview from the Sheriffs of Orange and Osceola Counties. Those amounts were \$8,147,299 in fiscal year 2025.

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 2022 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 2022 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. While the City anticipates further adjustments to the tax collections for fiscal years 2016 through 2023 (assessments in 2015 through 2022), it cannot predict the outcome of these cases.

COMPLIANCE REPORTING

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, Honorable Mayor, and Members of the City Council
City of Bay Lake, Florida
Lake Buena Vista, 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 7, 2026.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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.

Cherry Bekaert LLP

Orlando, Florida
May 7, 2026

Report of Independent Auditor on Compliance with Local Government Investment Policies

To the City Manager, Honorable Mayor, and Members of the City Council
City of Bay Lake, Florida
Lake Buena Vista, 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, 2025. 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 judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

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

In our opinion, the City complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the fiscal year September 30, 2025.

Cherry Bekaert LLP

Orlando, Florida
May 7, 2026

Independent Auditor's Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the City of Bay Lake, Florida (the "City") as of and for the fiscal year ended September 30, 2025 and have issued our report thereon dated May 7, 2026.

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 Auditor on Compliance with Local Government Investment Policies, regarding compliance in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 7, 2026, 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. There were no recommendations made in the preceding audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires 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 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

Sections 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 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.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not operate a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the City's geographical boundaries during the fiscal year under audit.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, 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 which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely 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, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Cherry Bekaert LLP

Orlando, Florida
May 7, 2026