



CITY OF BAY LAKE, FLORIDA

ANNUAL FINANCIAL REPORT
AND COMPLIANCE REPORTS

Year Ended September 30, 2020

CITY OF BAY LAKE, FLORIDA

ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS

Year Ended September 30, 2020

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Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Auditors

The Honorable Mayor and 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, 2020, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 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 of 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, 2020, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 3 through 5 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 which 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, 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 also have issued our report dated February 5, 2021 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.

Ernst & Young LLP

February 5, 2021

2102-3698975

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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, 2020. Please read it in conjunction with the financial statements, which begin on page 4.

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.

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. The City uses the economic resources measurement focus and the accrual basis of accounting. 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 9.

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 7 - 11 of this report.

Financial Analysis

City's Net Position

	2020	2019
Total Assets	\$ 8,469,747	\$ 7,710,977
Total Liabilities	181,152	164,376
Net Position - unrestricted	\$ 8,288,595	\$ 7,546,601

CITY OF BAY LAKE, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 \$8,288,595. 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 until such external restrictions occur.

City's Change in Net Position

	2020	2019
Revenues:		
General revenues:		
Ad valorem taxes	\$ 14,909,162	\$ 14,540,847
Contributions in lieu of taxes	123,982	-
Licenses and fees	13,224	13,295
Interest and investment income	106,154	233,002
Total revenues	<u>15,152,522</u>	<u>14,787,144</u>
Expenses:		
General government	17,353	17,471
Public safety	14,368,140	12,527,040
Physical environment	25,035	25,007
Total expenses	<u>14,410,528</u>	<u>12,569,518</u>
Change in net position	<u>741,994</u>	<u>2,217,626</u>
Net position - beginning	<u>7,546,601</u>	<u>5,328,975</u>
Net position - ending	<u>\$ 8,288,595</u>	<u>\$ 7,546,601</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. The City's net position increased \$741,994 as a result of this year's operations. The increase in net position is due to a budgeted increase to net position and better than budgeted results in both revenues and expenditures.

The City's primary revenue source is ad valorem taxes. Ad valorem tax revenue for the current period was 98.4% of total revenues. Ad valorem tax revenue increased 2.5% from the prior year due to property appraiser settlements that reduced revenues in 2019. The City's largest expenditure is for contracted law enforcement services with Orange County, Florida. Expenditures under this contract totaled \$8,100,957 for the current year. The City also pays the Orange County Sheriff's office for off-duty deputies. For fiscal year 2020, the cost of off-duty deputies was \$6,267,183. Both the contracted coverage and the off-duty coverage represents 99.7% of total expenditures.

CITY OF BAY LAKE, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Budgetary Highlights

The City amended its fiscal year 2020 expenditures by \$160,000. The amendment included additional Orange County Sheriff's Office off-duty coverage needed throughout the City. The funding for this additional off-duty coverage was not included in the original budget, and therefore, not included in the Ad Valorem revenue calculation for fiscal year 2020. The City received a Contribution in Lieu of Taxes to fund the additional off-duty shifts. As a result, the additional expenditures did not negatively affect the overall outcome of the budget.

Economic Factors and Next Year's Budget and Rates

Local governments continue to be significantly affected by many factors including the general state of the economy, the health of the stock and real estate markets, consumer spending trends, and other factors with substantial uncertainty due to the COVID-19 pandemic. Assessed property values underlying the City's fiscal year 2021 budget and millage rate determination were as of a date prior to the start of the pandemic. Future financial uncertainty due to the COVID-19 pandemic may extend beyond the next fiscal year.

- The unemployment rate of the Central Florida area is currently averaging 9.8%. This is more than both the state and national average unemployment rates of 7.6% and 6.9%, respectively.
- Fiscal year 2021 assessed values increased by 12.6% while millage rates decreased from 1.7256 to 1.5947.
- 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, 2020

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 8,345,765	\$ -	\$ 8,345,765
Accounts receivable	123,982	-	123,982
Total Assets	<u>\$ 8,469,747</u>	<u>-</u>	<u>8,469,747</u>
LIABILITIES			
Accounts payable	<u>\$ 181,152</u>	<u>-</u>	<u>181,152</u>
FUND BALANCES / NET POSITION			
Fund balance:			
Unassigned	<u>8,288,595</u>	<u>(8,288,595)</u>	-
Total Liabilities and Fund Balance	<u>\$ 8,469,747</u>		
Net position:			
Unrestricted		<u>8,288,595</u>	<u>8,288,595</u>
Total Net Position		<u>\$ -</u>	<u>\$ 8,288,595</u>

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, 2020

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
REVENUES			
Ad valorem taxes	\$ 14,909,162	\$ -	\$ 14,909,162
Licenses and fees	13,224	-	13,224
Contributions in lieu of taxes	123,982	-	123,982
Interest and investment income	106,154	-	106,154
Total revenues	<u>15,152,522</u>	<u>-</u>	<u>15,152,522</u>
EXPENDITURES			
General Government:			
Professional services	10,800	-	10,800
Insurance	5,000	-	5,000
Advertising	358	-	358
Dues and subscriptions	1,195	-	1,195
	<u>17,353</u>	<u>-</u>	<u>17,353</u>
Public Safety:			
Outside services and fees	14,368,140	-	14,368,140
Physical Environment:			
Operating supplies	25,035	-	25,035
Total expenditures	<u>14,410,528</u>	<u>-</u>	<u>14,410,528</u>
Excess (deficiency) of revenues over (under) expenditures	741,994	(741,994)	-
Change in net position	-	741,994	741,994
Fund Balances / Net Position:			
Beginning of year	7,546,601	-	7,546,601
End of year	<u>\$ 8,288,595</u>	<u>\$ -</u>	<u>\$ 8,288,595</u>

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, 2020

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Ad valorem taxes	\$ 14,896,295	\$ 14,896,295	\$14,909,162	\$ 12,867
Licenses and fees	13,500	13,500	13,224	(276)
Contributions in lieu of taxes	-	160,000	123,982	(36,018)
Interest and investment income	16,000	16,000	106,154	90,154
Total revenues	<u>14,925,795</u>	<u>15,085,795</u>	<u>15,152,522</u>	<u>66,727</u>
EXPENDITURES				
General Government:				
Outside services and fees	1,000	1,000	-	1,000
Professional services	10,800	10,800	10,800	-
Insurance	5,000	5,000	5,000	-
Advertising	2,500	2,500	358	2,142
Dues and suscriptions	1,500	1,500	1,195	305
Operating supplies	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
	21,300	21,300	17,353	3,947
Public Safety:				
Outside services and fees	14,244,157	14,404,157	14,368,140	36,017
Physical Environment:				
Operating supplies	<u>50,000</u>	<u>50,000</u>	<u>25,035</u>	<u>24,965</u>
Total expenditures	<u>14,315,457</u>	<u>14,475,457</u>	<u>14,410,528</u>	<u>64,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 610,338</u>	<u>\$ 610,338</u>	741,994	<u>\$ 131,656</u>
Fund Balance, beginning of year			<u>7,546,601</u>	
Fund Balance, end of year			<u>\$ 8,288,595</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, 2020

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 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, 2020

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, 2020, was 1.7256 mills.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of non-interest bearing demand accounts, money market funds and investments with a maturity of three months or less when purchased. Cash and cash equivalents are carried at cost, which approximates fair value.

F. Investments

Investments are stated at fair value based upon quoted market prices.

G. 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.

H. 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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. 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

The City categorizes its deposits and investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2020, the City held the following deposits and investments:

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2020

3. DEPOSITS AND INVESTMENTS - CONTINUED

Investment Type	Fair Value ⁽¹⁾	Investment Maturities (in years)
		Less Than 1
Demand deposits	\$ 270,341	\$ 270,341
Money market mutual funds	8,075,424	8,075,424
Totals	<u>\$ 8,345,765</u>	<u>\$ 8,345,765</u>

(1) All investments are classified Level 1 based on GASB No. 72 "Fair Value Measurement and Application"

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. Approximately 97% of the City's funds are invested in money market funds with 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.

In addition to demand accounts, the City classifies money market funds as cash and cash equivalents on the statement of net position. As of September 30, 2020, deposits and investments of the City totaled \$8,345,765. The following is a summary of these amounts as reflected on the Balance Sheet / Statement of Net Position:

Statement of Net Position Classifications:	Totals
Cash and cash equivalents	\$ 8,345,765

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2020

4. 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 2020, the City paid the County \$8,100,957 for the contracted services. For fiscal year 2021, the contract amount has increased to \$9,834,418.

5. CONTINGENCY

During fiscal year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. While assessed property value declines are anticipated beyond fiscal year 2021, management cannot quantify the financial impacts to the City at this time.



Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Auditors 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*

City Manager, and
The Honorable Mayor and City Council
City of Bay Lake, Florida

We have audited, in accordance with auditing standards generally accepted in the United States 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, 2020, 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 5, 2021.

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 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 of 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 City'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.

Ernst & Young LLP

February 5, 2021



Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Independent Accountant's Report

The City Council
City of Bay Lake
Bay Lake, Florida

We have examined management's assertion that City Bay Lake, Florida (the City) complied with Section 218.415, Florida Statutes, requiring the adoption of an investment policy that includes all of the requirements listed in Sections 218.415(1) through (15), Florida Statutes, and that the City's investments were authorized by law and in accordance with its investment policy for the year ended September 30, 2020, as required by Section 218.415(17), Florida Statutes. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City'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 management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, 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.

In our opinion, management's assertion that the City complied with the aforementioned requirements for the year ended September 30, 2020, is fairly stated, in all material respects.

This report is intended solely for the information and use of the City and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

February 5, 2021

2102-3698975

A member firm of Ernst & Young Global Limited



Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Accountants on Applying Agreed-Upon Procedures

The Honorable Mayor and City Council
City of Bay Lake, Florida

We have performed the procedure enumerated below, which was agreed to by the management of the City of Bay Lake, Florida (the City), solely to assist you in evaluating management's assertion that the City's annual financial report filed with the Florida Department of Financial Services pursuant to Section 218.32 (1), *Florida Statutes*, is in agreement with the annual audited financial statements for the City's September 30, 2020 fiscal year end. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedure

We compared the financial information included in the City's annual financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1), *Florida Statutes*, as of and for the year ended September 30, 2020, to the City's annual audited financial statements for the 2020 fiscal year end.

Findings

We noted the financial information included in the City's annual financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1), *Florida Statutes*, as of and for the year ended September 30, 2020, agreed with the City's annual audited financial statements for the September 30, 2020 fiscal year end.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



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

Ernst & Young LLP

February 5, 2021



Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Accountants on Applying Agreed-Upon Procedures

The Honorable Mayor and City Council
City of Bay Lake, Florida

We have performed the procedures enumerated below, which were agreed to by the management of the City of Bay Lake, Florida (the City), solely to assist you in evaluating management's assertion that the City did not meet any of the indicators of financial emergency as enumerated in Section 218.503(1), *Florida Statutes*, as of or for the year ended September 30, 2020. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures

1. We read Section 218.503 (1), *Florida Statutes*, to identify the conditions for determining whether the City met any of the conditions of financial emergency as defined below:
 - a. Failure within the same fiscal year in which due to pay short term loans or failure to make bond debt service or other long-term debt payments when due, as a result of lack of funds.
 - b. Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of lack of funds.
 - c. Failure to transfer at the appropriate time, taxes withheld on the income of employees, due to lack of funds.
 - d. Failure to transfer at the appropriate time, employer and employee contributions for federal social security, and pension, retirement or benefit plan of an employee, due to lack of funds.
 - e. Failure for one pay period to pay wages and salaries owed to employees or retirement benefits owed to former employees.
2. We inquired of management of the City whether any of the conditions of financial emergency listed above in 1 (a) through (e) occurred during the fiscal year ended September 30, 2020.



3. We read the minutes of the meetings of the City Council for the fiscal year ended September 30, 2020 and through the date of this Report to determine whether there was any discussion of whether any of the conditions of financial emergency listed in 1(a) through (e) above occurred.
4. We noted the City does not have any long-term debt or employees. Therefore, there are no debt payments, payroll-related withholding and other taxes or pension plan contributions that are required to be made.

Findings

We noted no exceptions based on the procedures performed as indicated above that would qualify as a condition of financial emergency pursuant to Section 218.503 (1), Florida Statutes, for the City during the 2020 fiscal year.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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February 5, 2021



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Orlando, Florida 32801

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ey.com

Report of Independent Accountant's on Applying Agreed-Upon Procedures

The City Council and Management
City of Bay Lake

We have performed the procedures enumerated below, which were agreed to by the management of City of Bay Lake, Florida (the City), solely to assist you in evaluating management's assertion that the City does not meet any of the indicators of deteriorating financial condition as enumerated in Section 218.39.5(b), *Florida Statutes*, as of September 30, 2020. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedure

We obtained the audited financial statements of the City as of and for the fiscal year ended September 30, 2020 and determined whether there were any individual governmental funds with a total fund balance deficit as of September 30, 2020. We also compared the total fund balance for the general fund as of September 30, 2020, as reported in the 2020 audited financial statements, to the total fund balance of the general fund as of September 30, 2019, as reported in the City's audited financial statements as of and for the year ended September 30, 2019.

Finding

We noted no individual governmental funds with a total fund balance deficit as of September 30, 2020. We also noted that the total fund balance for the general fund increased during the year ended September 30, 2020.

Procedure

We obtained the audited financial statements of the City as of and for the fiscal year ended September 30, 2020 and determined whether there were any individual governmental funds with a fund balance deficit in that portion of fund balance not classified as restricted, committed, or non-spendable as of September 30, 2020.

Finding

We noted no individual governmental funds with a fund balance deficit in that portion of fund balance not classified as restricted, committed, or non-spendable as of September 30, 2020.



Procedure

We obtained the audited financial statements of the City as of and for the fiscal year ended September 30, 2020, and determined whether there was a total net position deficit in the governmental activities as reported in the entity-wide financial statements as of September 30, 2020.

Finding

We noted no total net position deficit in the governmental activities reported in the entity-wide financial statements as of September 30, 2020.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Ernst & Young LLP

February 5, 2021



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Orlando, Florida 32801

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ey.com

Management Letter and State Reporting Requirements

City Manager, and
The Honorable Mayor and City Council
City of Bay Lake, FL

In planning and performing our audit of the basic financial statements of the City of Bay Lake, Florida (the City), as of and for the year ended September 30, 2020, in accordance with auditing standards generally accepted in the United States and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Other Required Disclosures

Report on the Financial Statements

We have audited the basic financial statements of the City as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 5, 2021.



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 Auditors 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 Auditors 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 (collectively, the Reports). Disclosures in those Reports, which are dated February 5, 2021, 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 prior year matters reported.

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 has included such disclosures in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report 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 identification of the specific condition(s) met. See separate Report of Independent Auditors on Applying Agreed-Upon Procedures dated February 5, 2021.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures that were agreed to by management of the City. See separate Report of Independent Auditors on Applying Agreed-Upon Procedures dated February 5, 2021, for our procedures and findings.



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

Annual Financial Report

Management of the City has advised that the City is required to file an annual financial report, as defined in Section 218.32(1)(a), Florida Statutes, with the Florida Department of Financial Services. See separate Report of Independent Auditors on Applying Agreed-Upon Procedures dated February 5, 2021.

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. See our Reports identified under “Other Reports” section above.

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, City Manager, and the Honorable Mayor and City Council, the Florida Auditor General, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

February 5, 2021