



CITY OF BAY LAKE, FLORIDA

ANNUAL FINANCIAL REPORT
AND COMPLIANCE REPORTS

Year Ended September 30, 2015

CITY OF BAY LAKE, FLORIDA

ANNUAL FINANCIAL REPORT AND COMPLIANCE REPORTS

Year Ended September 30, 2015

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Report of Independent Certified Public Accountants

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 (the City), as of and for the year ended September 30, 2015, 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, 2015, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

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 May 24, 2016, 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 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 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

May 24, 2016

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, 2015. 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.

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 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 – 12 of this report.

Financial Analysis

City’s Net Position

	2015	2014
Total Assets	\$ 6,362,815	\$ 6,427,425
Total Liabilities	36,628	42,349
Net Position - unrestricted	\$ 6,326,187	\$ 6,385,076

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 \$6,326,187. 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

	2015	2014
Revenues:		
General Revenues:		
Ad valorem taxes - net	\$ 6,010,998	\$ 5,259,908
Licenses and fees	14,041	17,242
Interest income	3,115	1,858
Total revenues	6,028,154	5,279,008
Expenses:		
General government	14,970	15,017
Public safety	6,037,960	4,979,437
Physical environment	34,113	20,479
Total expenses	6,087,043	5,014,933
Increase (decrease) in net position	(58,889)	264,075
Net position - beginning	6,385,076	6,121,001
Net position - ending	\$ 6,326,187	\$ 6,385,076

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 decreased \$58,889 as a result of this year's operations.

The City's primary revenue source is ad valorem taxes. Ad valorem tax revenue for the current period was over 99% of total revenues. Ad valorem tax revenue increased 14% from the prior year. The City's largest expenditure is for contracted law enforcement services with Orange County, Florida. Expenditures under this contract totaled \$4,746,874 for the current year, which represents approximately 78% of total expenditures. The 27% increase in the contract amount from the prior year was due to additional positions added with the opening of one of two newly constructed parking garages.

Budgetary Highlights

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

CITY OF BAY LAKE, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate of the Central Florida area is currently averaging 4.6%. This is less than both the state and national average unemployment rates of 5.2% and 4.8%, respectively.
- Fiscal year 2016 assessed values increased by 16.5%.
- 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, 2015

ASSETS	General Fund	Adjustments (Note 2)	Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 2,357,422	\$ -	\$ 2,357,422
Investments	<u>4,005,393</u>	<u>-</u>	<u>4,005,393</u>
Total Assets	<u><u>6,362,815</u></u>	<u><u>-</u></u>	<u><u>6,362,815</u></u>
LIABILITIES			
Accounts payable	<u>\$ 36,628</u>	<u>\$ -</u>	<u>\$ 36,628</u>
Total Liabilities	<u><u>36,628</u></u>	<u><u>-</u></u>	<u><u>36,628</u></u>
FUND BALANCE / NET POSITION			
Fund Balance:			
Assigned:			
2016 Budget Shortfall	348,762	(348,762)	-
Unassigned	<u>\$ 5,977,425</u>	<u>\$ (5,977,425)</u>	-
Total Liabilities and Fund Balance	<u><u>\$ 6,362,815</u></u>		
Net position:			
Unrestricted		<u>6,326,187</u>	<u>6,326,187</u>
Total Net Position		<u><u>\$ -</u></u>	<u><u>\$ 6,326,187</u></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, 2015

	General Fund	Adjustments (Note 2)	Statement of Activities
REVENUES			
Ad valorem taxes	\$ 6,010,998	\$ -	\$ 6,010,998
Licenses and fees	14,041	-	14,041
Interest income	3,115	-	3,115
Total revenues	6,028,154	-	6,028,154
EXPENDITURES			
General Government:			
Outside services and fees	-	-	-
Professional services	8,200	-	8,200
Insurance	5,000	-	5,000
Advertising	578	-	578
Dues and subscriptions	1,089	-	1,089
Operating supplies	103	-	103
	14,970	-	14,970
Public Safety:			
Outside services and fees	6,037,960	-	6,037,960
Pollution Control:			
Operating supplies	34,113	-	34,113
Total expenditures	6,087,043	-	6,087,043
Excess of revenues over (under) expenditures	(58,889)	58,889	-
Change in net position	-	(58,889)	(58,889)
Fund balance / net position:			
Beginning of year	6,385,076	-	6,385,076
End of year	\$ 6,326,187	\$ -	\$ 6,326,187

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Ad valorem taxes	\$ 6,055,585	\$ 6,055,585	\$ 6,010,998	\$ (44,587)
Licenses and fees	17,500	17,500	14,041	(3,459)
Interest income	10,000	10,000	3,115	(6,885)
Total revenues	<u>6,083,085</u>	<u>6,083,085</u>	<u>6,028,154</u>	<u>(54,931)</u>
EXPENDITURES				
General Government:				
Outside services and fees	1,000	700	-	700
Professional services	7,900	8,200	8,200	-
Insurance	5,000	5,000	5,000	-
Advertising	3,000	3,000	578	2,422
Dues and subscriptions	1,500	1,500	1,089	411
Operating supplies	500	500	103	397
	<u>18,900</u>	<u>18,900</u>	<u>14,970</u>	<u>3,930</u>
Public Safety:				
Outside services and fees	6,246,874	6,246,874	6,037,960	208,914
Pollution Control:				
Operating supplies	<u>50,000</u>	<u>50,000</u>	<u>34,113</u>	<u>15,887</u>
Total expenditures	<u>6,315,774</u>	<u>6,315,774</u>	<u>6,087,043</u>	<u>228,731</u>
Excess of Revenues				
Over Expenditures	<u>\$ (232,689)</u>	<u>\$ (232,689)</u>	(58,889)	<u>\$ 173,800</u>
Fund Balance, beginning of year			<u>6,385,076</u>	
Fund Balance, end of year			<u>\$ 6,326,187</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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bay Lake 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.

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, 2015, was 1.0779 mills.

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS – CONTINUED

Year Ended September 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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.

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.

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS – CONTINUED

Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Fund Balance – Continued

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 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

As of September 30, 2015, the City held the following deposits and investments:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1 - 5
Demand deposits	\$ 131,442	\$ 131,442	\$ -
U.S. Treasury Securities	4,005,393	-	4,005,393
Money market mutual funds	<u>2,225,980</u>	<u>2,225,980</u>	<u>-</u>
Totals	<u>\$ 6,362,815</u>	<u>\$ 2,357,422</u>	<u>\$ 4,005,393</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 that the City’s investments provide sufficient liquidity to pay obligations as they come due. Thirty-five percent (35%) 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.

CITY OF BAY LAKE, FLORIDA

NOTES TO FINANCIAL STATEMENTS – CONTINUED

Year Ended September 30, 2015

3. DEPOSITS AND INVESTMENTS – Continued

In addition to demand accounts, the City classifies money market funds as cash and cash equivalents. As of September 30, 2015, deposits and investments of the City totaled \$6,362,815. The following is a summary of these amounts as reflected on the Balance Sheet / Statement of Net Position:

	<u>Totals</u>
Statement of Net Position Classifications:	
Cash and cash equivalents	\$ 2,357,422
Investments	<u>4,005,393</u>
	<u>\$ 6,362,815</u>

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 2015, the City paid the County \$4,746,874.



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Report of Independent Certified Public Accountants 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 general fund of the City of Bay Lake, Florida (the City) as of and for the year ended September 30, 2015, 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 24, 2015.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result of that testing, and not to provide an opinion on 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.

Ernst & Young LLP

May 24, 2016



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Report of Independent Certified Public Accountants on Compliance

The City Council
City of Bay Lake
Bay Lake, Florida

We have audited, in accordance with auditing standards generally accepted in the United States the accompanying financial statements of the governmental activities and the general fund, of City of Bay Lake (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report, with unmodified opinions thereon, dated May 24, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that the City met any of the conditions described in *Section 218.503(1)*, Florida Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such conditions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's meeting the conditions described in the above-referenced section of Florida Statutes, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management and 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

May 24, 2016



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Report of Independent Certified Public Accountants on Compliance

The City Council
City of Bay Lake
Bay Lake, Florida

We have audited, in accordance with auditing standards generally accepted in the United States the accompanying financial statements of the governmental activities and the general fund of City of Bay Lake (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report, with unmodified opinions thereon, dated May 24, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of *Section 218.32(1)(a)*, Florida Statutes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions of *Section 218.32(1)(a)*, Florida Statutes, insofar as they relate to accounting matters.

This report is intended solely for the information and use of management and 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

May 24, 2016



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Report of Independent Certified Public Accountants

The City Council
City of Bay Lake
Bay Lake, Florida

We have examined management's assertion that City Bay Lake (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, 2015 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 and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City complied with the aforementioned requirements for the year ended September 30, 2015 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

May 24, 2016



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Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures

To the City Council and Management of
City of Bay Lake:

We have performed the procedures enumerated below, which were agreed to by the management of City of Bay Lake (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, 2015. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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

We obtained the audited financial statements of the City as of and for the fiscal year ended September 30, 2015, and determined whether there were any individual governmental funds with a total fund balance deficit as of September 30, 2015. We also compared the total fund balance for the general fund as of September 30, 2015, as reported in the 2015 audited financial statements, to the total fund balance of the general fund as of September 30, 2014, as reported in the City's audited financial statements as of and for the year ended September 30, 2014.

Findings

We noted no individual governmental funds with a total fund balance deficit as of September 30, 2015. We also noted that the total fund balance for the general fund increased during the year ended September 30, 2015.

Procedures

We obtained the audited financial statements of the City as of and for the fiscal year ended September 30, 2015, 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 nonspendable as of September 30, 2015.



Findings

We noted no individual governmental funds with a fund balance deficit in that portion of fund balance not classified as restricted, committed, or nonspendable as of September 30, 2015.

Procedures

We obtained the audited financial statements of the City as of and for the fiscal year ended September 30, 2015, 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, 2015.

Findings

We noted no total net position deficit in the governmental activities reported in the entity-wide financial statements as of September 30, 2015.

Procedures

We obtained the audited financial statements of the City as of and for the fiscal year ended September 30, 2015, and determined whether there was an unrestricted net position deficit in the governmental activities reported in the entity-wide financial statements as of September 30, 2015.

Findings

We noted no unrestricted net position deficit in the governmental activities reported in the entity-wide financial statements as of September 30, 2015.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. 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

May 24, 2016



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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 (the City) as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in 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, 2015, and have issued our report thereon dated May 24, 2016.

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 Reports

We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Report of Independent Certified Public Accountants on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General (collectively, the Reports). Disclosures in those Reports, which are dated May 24, 2016, 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

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 our separate Report of Independent Certified Public Accountants on Compliance dated May 24, 2016.

Pursuant to Sections 10.554(1)(i)5.c. 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 our separate Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures dated May 24, 2016, for our procedures and findings.

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 our separate Report of Independent Certified Public Accountants on Compliance dated May 24, 2016.

Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which 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, the Florida Auditor General, Federal and other granting agencies, the Supervisors, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

May 24, 2016