

**BRANSON/LAKES AREA TOURISM  
COMMUNITY ENHANCEMENT DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**Year Ended December 31, 2015**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Branson/Lakes Area Tourism Community Enhancement District  
Branson, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Branson/Lakes Area Tourism Community Enhancement District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District'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.

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Board of Directors  
Branson/Lakes Area Tourism Community Enhancement District  
Branson, Missouri

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 major fund of the Branson/Lakes Area Tourism Community Enhancement District as of December 31, 2015, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison schedule be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of the Branson/Lakes Area Tourism Community Enhancement District's internal control over financial reporting and 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 Branson/Lakes Area Tourism Community Enhancement District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
June 21, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2015**

The Management's Discussion and Analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which begin on page 14.

***Financial Highlights***

- The net position of the District's governmental activities decreased by \$451,750 for the year as a result of current year activities.
- The assets of the District exceeded its liabilities as of December 31, 2015, by \$1,681,069 (net position). Of this amount \$1,681,069 was unrestricted and may be used to meet future obligations of the District.
- Total liabilities of the District decreased by \$38,180 primarily as a result of vendor invoice timing differences.

***Using This Annual Report***

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

***Government-Wide Financial Statements***

The District's mission and goals differ from most businesses in that while most businesses are judged by their balance sheet and asset strength improvement, conversely, the District is charged with wisely spending all the marketing tax revenue it receives. Prior year uncommitted reserves were budgeted for spending in 2015 to accomplish this goal. The Statement of Net Position and Statement of Activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in it. The District's net position – the difference between assets and liabilities – is one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether an entity's financial health is improving or deteriorating. However, in the District's case, spending down cash assets to promote the Branson/Lakes area is more indicative of its success in achieving its mandated marketing goals than are improvements in net position.

In the Statement of Net Position and the Statement of Activities, we present the following activities:

- Governmental Activities – Most of the District's basic services are reported here. Taxes are the primary source of financing for these activities.

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
December 31, 2015**

***Fund Financial Statements***

The fund financial statements provide detailed information about the District’s funds and not the District as a whole.

- **Governmental Fund** – The District’s services are reported in a governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund are shown in reconciliations following the fund financial statements.

***Notes to the Basic Financial Statements***

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Government-Wide Financial Analysis***

**NET POSITION**

The following table presents the condensed Statement of Net Position for the District as of December 31, 2015 and 2014:

	<u>Total December 31, 2015</u>	<u>Total December 31, 2014</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents - unrestricted	\$ 1,355,538	\$ 1,841,123
Accounts receivable	35,075	47,918
Sales tax receivable	866,813	858,263
Prepaid expenses	<u>1,788</u>	<u>1,840</u>
<b>TOTAL ASSETS</b>	<b>2,259,214</b>	<b>2,749,144</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2015**

*Government-Wide Financial Analysis* (continued)

	Total December 31, 2015	Total December 31, 2014
<b>LIABILITIES</b>		
Current		
Accounts payable	463,987	499,676
Accrued expenses	1,454	1,231
Payroll tax liabilities	111	94
Tax increment financing liability	112,593	115,324
	<b>TOTAL LIABILITIES</b>	<b>616,325</b>
<b>NET POSITION</b>		
Unrestricted	1,681,069	2,132,819
	<b>TOTAL NET POSITION</b>	<b>\$ 2,132,819</b>
	<b>\$ 1,681,069</b>	<b>\$ 2,132,819</b>

Total net position of the District decreased for the year by a total of \$451,750 due to current year activity from operations. Total liabilities for the District have decreased by \$38,180.

**CHANGES IN NET POSITION**

	Total Year Ended December 31, 2015	Total Year Ended December 31, 2014
<b>REVENUES</b>		
Program Revenues		
Charges for services	\$ 860,132	\$ 536,187
Operating grants and contributions	585,750	579,660
General Revenues		
Sales taxes	8,071,953	7,906,867
Interest	1,558	1,839
Miscellaneous revenue	11	11
	<b>TOTAL REVENUES</b>	<b>9,024,564</b>
<b>EXPENSES</b>		
Tourism promotion	8,633,480	7,354,495
State-withheld administration fee	80,720	79,069
Tax increment financing payments	1,241,724	1,234,949
Interest expense	15,230	20,884
	<b>TOTAL EXPENSES</b>	<b>8,689,397</b>
	<b>\$ (451,750)</b>	<b>\$ 335,167</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>		

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
December 31, 2015**

***Governmental Activities***

The District has only one governmental fund, the General Fund, and no proprietary or fiduciary funds. The District operated with a non-profit motive and intends to use all revenues to benefit the Community, maintaining only a reasonable reserve each year.

Governmental activities decreased the net position of the District by \$451,750. Tax revenues for the District were \$8,071,953. Program revenues for the functions totaled \$1,445,882. The following table shows the cost of the District's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE  
DISTRICT'S ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Tourism promotion	\$ 8,633,480	\$ 7,187,598
State-withheld administration fee	80,720	80,720
Tax increment financing payments	1,241,724	1,241,724
Interest expense	15,230	15,230
	\$ 9,971,154	\$ 8,525,272

***Financial Analysis of the District's Funds***

The fund balance of the District's General Fund as of December 31, 2015, was \$1,681,069. The General Fund decreased by \$451,750.

***General Fund Budgetary Highlights***

Revenues are budgeted net of the state-withheld marketing sales tax collection costs (discussed in *Economic Factors and Next Year's Budget* below), anticipated tax increment financing payments and appropriate reserves.

Differences between the original budget, the final amended budget, and the actual results are summarized as follows:

- The District updates its budgets during the course of each year to more accurately reflect changes in ongoing program opportunities and to reallocate expenses among program costs accordingly.
- The difference between the final budget and actual results was due primarily to increased sales taxes collected, increased program revenues, unused District administrative expenses and reserves, and reduced tourism promotion expenditures, as explained below.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
December 31, 2015**

***General Fund Budgetary Highlights (continued)***

- The District budgeted for professional fees and unexpected contingencies which did not materialize.
- Tourism promotion expenditure reductions resulted from receipt of media advertising credits too late in the year to be used effectively in 2015. The resulting unused marketing budget will be carried over and applied to the 2016 District budget.

***Capital Assets and Debt Administration***

**Capital Assets**

Capital assets of the governmental activities were \$0 (net of accumulated depreciation) as of December 31, 2015. There was no change from the prior year, as all capital assets are now fully depreciated.

**Debt**

The Board determined early in its history that it is necessary for the District to maintain a current line of credit at all times because most marketing costs are incurred each spring, while the majority of marketing tax revenues are not received until each fall. The line of credit is accessed as required during the interim to cover this gap. Line of credit borrowings are normally repaid in full by year-end.

During 2015, the District paid less interest on its line of credit due to a lower rate received from its banking RFP response winner. Also, changes in marketing expense cash requirement timing and availability of City tourism tax marketing funds resulted in \$4,020 less interest expense than budgeted, since the District's credit line was not outstanding as long as anticipated. The District had neither short-term nor long-term debt outstanding at December 31, 2015.

***Economic Factors and Next Year's Budget***

**Revenues**

Marketing sales tax revenue remains the primary funding source for the District. The State of Missouri withholds 1% of total sales tax revenues for its revenue collection costs. The District receives additional state grant revenues under its contract with the Branson/Lakes Area Convention and Visitors' Bureau (CVB), which is under the umbrella of the Designated Marketing Organization for Taney County. The District also receives revenues from publications, website advertising, co-operative programs and consumer request fulfillment.

Based on 2014 results and available reserves, the District set a similar budget for 2015, taking into consideration the then-current outlook for tourism travel and relevant economic factors. Actual District 2015 tax revenue receipts exceeded even the all-time highs set in 2013 and 2014. Website and branding improvements, changing shows and attractions, changing visitor requirements and continuing aggressive state enforcement of tax collections were all contributing factors.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2015**

*Economic Factors and Next Year’s Budget* (continued)

Expenses

Tourism promotion expenses include both tourism marketing and District administrative expenses. Certain approved marketing expenses are reimbursed to the District’s subcontractor, the CVB, pursuant to the tourism marketing contract between the two entities under which the CVB conducts and administers specific District marketing functions. Due to the City of Branson’s limitations, the District currently pays the cost of administering both the District’s and part of the City’s tourism tax marketing funds. Reimbursed marketing expenses totaled \$6,747,817 or 78.2% of the District’s total tourism promotion expenses. District administrative expenses totaled \$81,119 or 0.9% of total tourism promotion expenses.

Administrative expenses were used for internal District administration and office operations, primarily salaries, overhead expenses and professional fees. Together with timing differences in anticipated versus actual tourism marketing expenditures, the overall effect was a decrease in year-end net position totaling \$451,750, which was charged against reserves.

Tourism Marketing and Promotion

District gross tax revenues in 2015 exceeded last year’s all-time high by 2.1%, with corresponding increases in state fees withheld and tax increment financing payments. Tourism promotion expenses were less than budgeted.

The District posted record visitation in 2015, increasing by an average of 5.5% and topping the previous high of a 5.2% increase in 2007. The strongest growth occurred in the fall (September-October) and spring (April-May) seasons, which were up by 11.2% and 5.9%, respectively, but every season posted an increase over 2014.

In fact, nearly every mission-critical metric tracked broke a record in 2015.

The city’s 1% sales tax revenues topped \$11 million for the first time in history, up 2.9% over 2014. Also for the first time, the District’s 1% tax revenues surpassed \$8 million, up 2.1%; Taney County’s half-cent tax receipts surpassed \$15 million, up 4.1%; and Stone County’s half-cent tax revenues topped \$2.1 million, up 10.4%.

Likewise, the amusement, lodging, campground and restaurant sectors all reached the following record levels of tourism tax receipts in 2015:

Amusements	\$ 1.7 million, up 8.6%
Lodging	\$ 5.1 million, up 5.0%
Campgrounds	\$ 120,000, up 4.4%
Restaurants	\$ 1.0 million, up 5.6%

Similarly, Smith Travel Research reported that room demand increased by 7.7% - much stronger than the average for its collective competitive set, which averaged a 4.6% increase, and much stronger than the U.S. national average increase of 2.9%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2015**

*Economic Factors and Next Year's Budget* (continued)

Overall, the District broke visitation records in the winter (January-March) spring (April-May) and fall (September-October) seasons. The summer season (June-August) came close to a record, but fell 1.5% short of visitation in 2007. While the 2015 holiday season (November-December) was the strongest since 2010, it ranked 6<sup>th</sup> overall behind larger numbers posted between 2006 and 2010.

The 2015 visitation increase was driven by record performance in the secondary markets (between 301 and 650 miles distant), which accounted for nearly 29% of visitation and which were up 16% over 2014 levels. Feeder markets such as Dallas, Des Moines, Paducah and Oklahoma City all broke visitation records.

Likewise, core markets (within 100 miles) were up 7% and primary markets (between 101 and 300 miles distant) were up 9%. However, national markets (over 650 miles distant) fell 8%. Nevertheless, collectively, visitation from beyond 300 miles continues to represent 57% of all annual visitation, and thanks to the strength of the secondary market, the District posted a net 3.5% overall increase.

Despite the decrease from national markets, repeat visitation continued upward, while the ratio of first-time visitors (21%) fell to its lowest level in nearly a decade. The combination of fewer visitors from national markets, higher repeat visitors and much lower gasoline prices all likely contributed to decreased spending per party (\$892), which was down \$70 (7%) in 2015, returning to 2010 levels.

Similarly, only 4.4% of travelers arrived by air in 2015 (down 0.7 points) and only 4.1% of air travelers used the Branson Regional Airport, down from 19% in 2014 and 59% in 2013.

The good news is that regardless of the dip in national market visitation and air travelers, intent to visit increased to a 4.54 rating on a 5-point scale, the highest it has been since 2007, and Branson continues to sport a 58% Net Promoter Score – higher than other markets in its competitive set. Fully two-thirds of all our visitors indicated they were very likely to recommend Branson as a leisure destination to their friends and family members.

The CVB's marketing efforts also continued to perform very well in 2015. Aided advertising awareness increased to 46% and small increases were posted in all three market tiers, including the national markets. Perhaps more importantly, the resulting market reach of 39.4 million travel households was not only a record for the marketing campaign, but was also the most efficient ever launched in Branson. Gross cost per aware travel household dropped to \$0.13 from \$0.15 last year and compared even more favorably to our historical average of \$0.16.

The 2015 campaign generated nearly 450,000 incremental visits and produced more than \$450 million incremental travel dollars. Given the \$5 million advertising investment (down 11% from 2014), the campaign's overall return on investment reached \$90, meaning the campaign generated \$90 in incremental spending for every \$1 invested in advertising – considerably better than both the \$71 industry norm and Branson's own \$84 historical average.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2015**

***Economic Factors and Next Year's Budget*** (continued)

The 2015 Public Relations Ad Equivalency metric of \$17.6 million (44-to-1 return) was up from the \$14.4 million (38-to-1 return) in 2014.

Looking forward to 2016, the U.S. Travel Association forecasts that leisure travel growth will slow to only 2.1% next year, compared to the 2.5% increase in 2015. Similarly, Smith Travel Research projects that room demand growth will also slow to 2.3% in 2016 from 2.9% in 2015. Given the cooling of national markets and pent-up demand, our growth is also expected to cool in 2016. Net visitation is forecast to grow by only 1.5% this coming year as competition heats up.

In the coming year, we will focus strong advertising support in priority markets, with special consideration given to rebuilding core and primary market awareness. Media efforts will also be directed to Dallas, where inroads have been made in recent years through increased paid and earned media. National cable will be used to target first-time visitors.

Combined with layered multi-media marketing and public relations campaigns in selected primary and outer markets, these tactics aim to encourage both new and return visitation. Additional marketing efforts for 2016 will include group and individual Branson familiarization tours, participation in regional and national trade shows and events, and development of an increased presence in the growing youth sports and student youth travel markets.

**Next Year's Budget**

The national economy slowly improved in 2015 and this trend is expected to continue in 2016, although at a slower pace. The District has budgeted 2016 gross tax revenues at \$8,000,000, slightly less than 2015 actual results. Cumulative excess net revenues realized through 2015, less contingency reserves, will be applied to the District's 2016 budget.

***Contacting the District's Financial Management***

For additional information or questions, please contact the District at:

Branson/Lakes Area Tourism  
Community Enhancement District  
176 Corporate Place  
Branson, MO 65616

Phone: (417) 239-0032  
Fax: (417) 239-0062  
Email: [jbenson@blatced.com](mailto:jbenson@blatced.com)

Or review the wealth of information about the District at our website: [www.blatced.com](http://www.blatced.com)

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT

STATEMENT OF NET POSITION

December 31, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current	
Cash and cash equivalents - unrestricted	\$ 1,355,538
Accounts receivable	35,075
Sales tax receivable	866,813
Prepaid expenses	<u>1,788</u>
TOTAL ASSETS	2,259,214
<b>LIABILITIES</b>	
Current	
Accounts payable	463,987
Accrued expenses	1,454
Payroll tax liabilities	111
Branson tax increment financing liability	<u>112,593</u>
TOTAL LIABILITIES	578,145
<b>NET POSITION</b>	
Unrestricted	<u>1,681,069</u>
TOTAL NET POSITION	<u><u>\$ 1,681,069</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2015

Functions/Programs	Disbursements	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Tourism promotion	\$ (8,633,480)	\$ 860,132	\$ 585,750	\$ -	\$ (7,187,598)
State-withheld administration fee	(80,720)	-	-	-	(80,720)
Tax increment financing payments	(1,241,724)	-	-	-	(1,241,724)
Interest expense	(15,230)	-	-	-	(15,230)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (9,971,154)</b>	<b>\$ 860,132</b>	<b>\$ 585,750</b>	<b>\$ -</b>	<b>(8,525,272)</b>
General Revenues:					
					8,071,953
					1,558
					11
				Total General Revenues	8,073,522
				Changes in Net Position	(451,750)
				Net Position, Beginning of year	2,132,819
				Net Position, End of year	\$ 1,681,069

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 BALANCE SHEET – GOVERNMENTAL FUND  
 December 31, 2015

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,355,538
Accounts receivable	35,075
Sales tax receivable	866,813
Prepaid expenses	<u>1,788</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,259,214</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Account payable	\$ 463,987
Accrued expenses	1,454
Payroll tax liabilities	111
Branson tax increment financing liability	<u>112,593</u>
<b>TOTAL LIABILITIES</b>	578,145
<b>Fund Balance</b>	
Nonspendable:	
Prepaid items	1,788
Committed for:	
Marketing and tourism	1,000,000
Unassigned	<u>679,281</u>
<b>TOTAL FUND BALANCE</b>	<u>1,681,069</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 2,259,214</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF  
NET POSITION  
December 31, 2015

Fund balance - total governmental fund	\$ 1,681,069
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:	
Governmental capital assets	1,196
Less accumulated depreciation	<u>(1,196)</u>
	<u>-</u>
Net position of governmental activities	<u><u>\$ 1,681,069</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
Year Ended December 31, 2015

	<u>General Fund</u>
REVENUES	
Sales taxes	\$ 8,071,953
Intergovernmental revenues	585,750
Web site	202,403
Co-Operative programs	123,012
Publications	518,299
Fulfillment	16,418
Interest income	1,558
Miscellaneous	11
	<u>9,519,404</u>
	TOTAL REVENUES
	9,519,404
EXPENDITURES	
Current	
Tourism promotion	8,633,480
State-withheld administration fee	80,720
Tax increment financing payments	1,241,724
Interest expense	15,230
	<u>9,971,154</u>
	TOTAL EXPENDITURES
	9,971,154
(DEFICIT) OF REVENUES OVER EXPENDITURES	(451,750)
FUND BALANCE, January 1, 2015	<u>2,132,819</u>
FUND BALANCE, December 31, 2015	<u>\$ 1,681,069</u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 Year Ended December 31, 2015

Net change in fund balance - total governmental fund \$ (451,750)

Amounts reported for governmental activities in the Statement  
 of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in  
 the Statement of Activities, the cost of these assets is allocated over their  
 estimated useful lives on a straight line basis and reported as depreciation  
 expense. The following is the detail of the amount by which depreciation  
 exceeded capital outlay for the year.

Depreciation		-
	Change in net position of governmental activities	\$ (451,750)

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Branson/Lakes Area Tourism Community Enhancement District, (the District) is a political subdivision of the State of Missouri, authorized by state regulations for the purpose of promoting tourism in the Branson/Lakes area. The Taney County Commission (Taney County, Missouri) created and established the District by ordinance as the governing body of the District on November 26, 2001. The Board of Directors is appointed from each taxing authority within the District based on the size of their tax collections in relation to the total. The District is authorized, by voter approval, to impose a one percent sales tax to fund their stated purpose.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to special purpose governments.

Financial Reporting Entity

The District is organized under the laws of the State of Missouri and is a primary government, which is governed by an appointed board. As required by accounting principles generally accepted in the United States of America, the District has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The District has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the District's basic financial statements. In addition, the District is not aware of any entity for which the District would be considered as a component unit of that entity.

Basis of Presentation

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

In the government-wide Statement of Net Position, the governmental activities are presented on the full accrual, economic resources basis of accounting. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*FUND FINANCIAL STATEMENTS*

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Since the accounting differs significantly between the governmental fund's modified accrual and full accrual basis presented in the government-wide financial statements, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The District reports the following major governmental fund:

General Fund: The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for in other funds.

Capital Assets

Capital assets include office equipment assets (e.g., computers, printers, and similar items) and are included in the applicable governmental columns in the government-wide financial statements. Capital assets, excluding land, are defined by the District as assets with a cost of \$1,000 or greater and an estimated useful life of at least three years. All land purchases are capitalized regardless of cost. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The service lives by type of asset are as follows:

Office equipment	10 years
Furniture and fixtures	10 years
Computers and equipment	3 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The District considers all deposits in checking accounts, demand deposit accounts, NOW accounts, money market accounts, savings accounts, and time deposits (certificates of deposit) with maturities of three months or less to be cash equivalents.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of reserves and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

In the government-wide financial statements, equity is displayed in three components as follows:

*Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

*Unrestricted* – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District first applies restricted net position.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

*Nonspendable fund balance* – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

*Restricted fund balance* – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the District’s Board of Directors.

*Assigned fund balance* – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Assigned fund balances* are intended as a tracking device during the year to determine the monthly amount of combined *Unassigned fund balance* and net income. The Board has authority, and the power to delegate authority to the Treasurer or the Financial Oversight Committee if desired, to assign and specify the purpose(s) of any *Assigned fund balances*. The decision or delegation of authority to decide states the intended purpose of each *Assigned* amount effective at the beginning of each year and is accomplished by Board motion or resolution requiring a majority vote of the Board for approval. *Assigned fund balances* are returned to the *Unassigned fund balance* upon expenditure of the related amount, expiration of its intended purpose or at year-end.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the District’s deposits be insured or collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2015, all bank balances or deposits are entirely insured or collateralized.

NOTE C – LINE OF CREDIT

On March 24, 2015, the District entered into an agreement for a line of credit of \$2,100,000 with Ozark Mountain Bank that carries interest at a fixed rate of 4.75%, and matures on March 24, 2016. The principal balance on December 31, 2015, was \$0. Interest paid during the year ended December 31, 2015, was \$15,230. The District uses the line of credit to fund day-to-day operating expenses and, when necessary, to pay marketing costs.

The following is a summary of changes in short-term debt for the year ended December 31, 2015:

Balance, 12/31/2014	\$	-
Additions		1,458,000
Deletions		<u>(1,458,000)</u>
Balance 12/31/2015	\$	<u><u>-</u></u>

NOTE D – TAX INCREMENT FINANCING

The District encompasses various land areas that have been developed using tax increment financing (TIF). Because of this, the District must remit a portion of the sales taxes collected from the increased economic activity taxes from those developments. During the year ended December 31, 2015, the District collected and distributed \$1,181,791 of TIF related economic activity taxes to the City of Branson, as well as \$59,933 to Stone County (for 2014).

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
<b>GOVERNMENTAL ACTIVITIES</b>				
Depreciable Capital Assets				
Office Equipment	\$ 1,196	\$ -	\$ -	\$ 1,196
Total Depreciable Capital Assets	1,196	<u>\$ -</u>	<u>\$ -</u>	1,196
Less Accumulated Depreciation				
Office Equipment	1,196	\$ -	\$ -	1,196
Total Accumulated Depreciation	1,196	<u>\$ -</u>	<u>\$ -</u>	1,196
Total Depreciable Capital Assets, net	<u>-</u>			<u>-</u>
Total Governmental Activities Capital Assets, net	<u>\$ -</u>			<u>\$ -</u>

NOTE F – CLAIMS AND ADJUSTMENTS

The District participates indirectly in a number of state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of December 31, 2015, expenditures have not been audited by grantor governments, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE H – COMMITMENTS

On January 1, 2015, the District entered into a contract for tourism marketing services with the Branson/Lakes Area Convention and Visitors Bureau. The contract term is from January 1, 2015, to December 31, 2019, subject to annual renewal and budgetary appropriation. The contract includes a provision for administrative fees, which are calculated annually at a maximum of 20% of certain prior year District revenues. The contract was renewed on August 27, 2015, effective for January 1, 2016, through December 31, 2016. The projected fee approved in 2015 for the original 2016 budget was \$1,831,248, of which approximately \$70,433 was payable in equal biweekly installments from January 6 through February 17, 2016, pending determination of the final 2016 fee. The final fee was determined to be \$1,903,567. A year-to-date catchup payment of \$11,126 was made on March 2, 2016. The remaining fee due of \$1,610,711 is payable in equal biweekly installments of approximately \$73,214 beginning March 2, 2016, with rounding included in the final payment.

At December 31, 2015, the District was obligated to pay Stone County for the District's share of the Indian Point TIF economic development bond for the year 2015, the amount of which was undeterminable at year-end. On January 28, 2016, the District remitted \$114,156 to Stone County in full payment of this obligation.

NOTE I – CONTINGENT LIABILITY

On March 26, 2015, the District Board approved a non-binding Letter of Commitment in the amount of \$500,000 for the purpose of attracting a major carrier to the Branson Regional Airport by offsetting the risk of improving and expanding long-term local air services in furtherance of the District's tourism marketing goals and objectives.

On June 25, 2015, the Board approved a two-year intergovernmental agreement, renewable annually, with the Branson Regional Airport Transportation Development District to administer use of these risk-mitigation funds. Airport bondholders will have no call on any funds provided by the District.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE I – CONTINGENT LIABILITY (continued)

At its February 25, 2016, meeting, the Board approved the First Amendment to said agreement, in order to restructure the term to two years from the first flight date rather than from the effective date and to correct, modify or delete certain other provisions which did not negatively impact the District's obligations under the agreement. On March 11, 2016, Central Bank of Branson increased the District's line of credit from \$2.1 million to \$2.6 million so that: (1) a hold could be put on \$500,000 to provide for future claim disbursements without affecting the District's normal marketing line of credit use during the agreement term; and (2) interest would not begin to accrue until any disbursement was properly made.

**REQUIRED SUPPLEMENTARY INFORMATION**

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Sales taxes	\$ 7,900,000	\$ 7,900,000	\$ 8,071,953	\$ 171,953
Intergovernmental revenue	539,000	587,500	585,750	(1,750)
Web site	71,000	197,972	202,403	4,431
Co-Operative programs	-	84,879	123,012	38,133
Publications	480,000	497,975	518,299	20,324
Fulfillment	3,450	14,960	16,418	1,458
Interest income	1,500	1,500	1,558	58
Miscellaneous	-	-	11	11
<b>TOTAL REVENUES</b>	<b>8,994,950</b>	<b>9,284,786</b>	<b>9,519,404</b>	<b>234,618</b>
<b>EXPENDITURES</b>				
Current				
Tourism Promotion				
Classified advertising	600	600	423	177
Consumer response	90,914	141,521	140,432	1,089
Contingency reserve	24,000	24,000	-	24,000
CVB administrative fees	1,699,883	1,804,543	1,804,543	-
Equipment	325	1,100	325	775
Fulfillment	30,601	36,103	29,682	6,421
Dues and sponsorships - marketing	263,898	544,950	533,346	11,604
Insurance - property and liability	3,200	3,200	2,931	269
Licenses and fees	40	40	2	38
Media advertising	4,185,911	4,391,716	4,109,307	282,409
Office supplies and software	2,350	2,675	2,813	(138)
Payroll taxes and benefits	3,640	3,640	3,658	(18)
Postage and deliveries	180	180	56	124
Professional fees	36,250	35,150	19,194	15,956
Public relations	466,845	497,059	534,003	(36,944)
Publication expense	443,397	473,752	480,629	(6,877)
Publications - collateral expense	44,233	36,988	36,428	560
Rent - building	6,660	6,660	6,660	-
Research	310,000	208,000	185,646	22,354
Salaries and wages	42,225	42,225	42,223	2
Special event support	23,500	8,879	8,879	-
Special marketing	71,300	100,000	76,334	23,666
Technical references	640	640	560	80
Telephone and data services	2,200	2,200	1,888	312
Trade media advertising	283,914	284,767	276,565	8,202
Travel and trade shows	216,724	173,702	179,417	(5,715)
Websites	36,270	151,563	157,536	(5,973)
<b>Total Tourism Promotion</b>	<b>8,289,700</b>	<b>8,975,853</b>	<b>8,633,480</b>	<b>342,373</b>
State-withheld administration fee	79,000	79,000	80,720	(1,720)
Tax increment financing payments	1,335,000	1,250,000	1,241,724	8,276
Interest expense	33,250	19,250	15,230	4,020
<b>TOTAL EXPENDITURES</b>	<b>9,736,950</b>	<b>10,324,103</b>	<b>9,971,154</b>	<b>352,949</b>
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	<b>(742,000)</b>	<b>(1,039,317)</b>	<b>(451,750)</b>	<b>587,567</b>
FUND BALANCE, January 1, 2015	2,132,819	2,132,819	2,132,819	-
FUND BALANCE, December 31, 2015	\$ 1,390,819	\$ 1,093,502	\$ 1,681,069	\$ 587,567

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTE TO BUDGETARY COMPARISON SCHEDULE  
Year Ended December 31, 2015

Budgets and Budgetary Accounting

The District utilizes the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule:

1. In October of each year, the Financial Oversight Committee (FOC) determines its best estimates of revenue, expense and reserve levels for the succeeding fiscal year beginning January 1, based on anticipated economic factors and previous District experience.
2. In November, FOC projections and specifics are reviewed, revised as needed, and forwarded to the Board for comment.
3. By December 31 each year, the FOC and the Board approve a final operating budget for the succeeding year, which includes anticipated expenditures for all funds as well as the means of financing them.
4. Formal budgetary integration of the CVB and District budgets is employed as a management control method for all District funds.
5. General Fund budgets are adopted on a basis consistent with GAAP and are amended during the year by the FOC and Board of Directors, as deemed necessary and prudent.
6. The District takes a conservative budgeting approach, part of which is setting a reasonable annual contingency reserve. The District's reserve is retained until final results for the year can be established. At that time, any prior year unused reserves in excess of an established base are added to the current year's marketing budget, so that all District tax revenues intended for marketing are used for that purpose.



**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Branson/Lakes Area Tourism Community Enhancement District  
Branson, Missouri

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 major fund of the Branson/Lakes Area Tourism Community Enhancement District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Branson/Lakes Area Tourism Community Enhancement District's basic financial statements, and have issued our report thereon, dated June 21, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Branson/Lakes Area Tourism Community Enhancement District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Branson/Lakes Area Tourism Community Enhancement District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 2015-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Branson/Lakes Area Tourism Community Enhancement District'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*.

### **Branson/Lakes Area Tourism Community Enhancement District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Branson/Lakes Area Tourism Community Enhancement District'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 Branson/Lakes Area Tourism Community Enhancement District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
June 21, 2016

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2015

2015-001 Segregation of duties

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The District is aware of the finding related to segregation of duties and has evaluated the cost/benefit of implementing additional procedures to address this issue. The District believes that at this time, adding staff or implementing additional procedures is not cost justified, nor would it meaningfully improve this finding. The District continues to monitor and evaluate the efficiency and effectiveness of existing procedures.