

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

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2016

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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, 2016, 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, 2016, 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 20, 2017, 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 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2016**

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, 2016. Please read it in conjunction with the District's financial statements, which begin on page 15.

Financial Highlights

- The net position of the District's governmental activities decreased by \$153,205 for the year as a result of current year activities.
- The assets of the District exceeded its liabilities as of December 31, 2016, by \$1,527,864 (net position). Of this amount \$1,527,864 was unrestricted and may be used to meet future obligations of the District.
- Total liabilities of the District decreased by \$189,286 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 2016 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, 2016**

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, 2016 and 2015:

	<u>Total December 31, 2016</u>	<u>Total December 31, 2015</u>
ASSETS		
Current		
Cash and cash equivalents - unrestricted	\$ 1,023,927	\$ 1,355,538
Accounts receivable	14,464	35,075
Sales tax receivable	876,495	866,813
Prepaid expenses	<u>1,837</u>	<u>1,788</u>
TOTAL ASSETS	1,916,723	2,259,214

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2016**

Government-Wide Financial Analysis (continued)

	Total December 31, 2016	Total December 31, 2015
	<u> </u>	<u> </u>
LIABILITIES		
Current		
Accounts payable	256,223	463,987
Accrued expenses	1,656	1,454
Payroll tax liabilities	126	111
Tax increment financing liability	130,854	112,593
	<u>388,859</u>	<u>578,145</u>
TOTAL LIABILITIES	<u>388,859</u>	<u>578,145</u>
NET POSITION		
Unrestricted	1,527,864	1,681,069
	<u>1,527,864</u>	<u>1,681,069</u>
TOTAL NET POSITION	<u>\$ 1,527,864</u>	<u>\$ 1,681,069</u>

Total net position of the District decreased for the year by a total of \$153,205 due to current year activity from operations. Total liabilities for the District have decreased by \$189,286.

CHANGES IN NET POSITION

	Total Year Ended December 31, 2016	Total Year Ended December 31, 2015
	<u> </u>	<u> </u>
REVENUES		
Program Revenues		
Charges for services	\$ 864,682	\$ 860,132
Operating grants and contributions	612,885	585,750
General Revenues		
Sales taxes	8,271,828	8,071,953
Interest	1,049	1,558
Miscellaneous revenue	4	11
	<u>9,750,448</u>	<u>9,519,404</u>
TOTAL REVENUES	<u>9,750,448</u>	<u>9,519,404</u>
EXPENSES		
Tourism promotion	8,496,383	8,633,480
State-withheld administration fee	82,718	80,720
Tax increment financing payments	1,307,773	1,241,724
Interest expense	16,779	15,230
	<u>9,903,653</u>	<u>9,971,154</u>
TOTAL EXPENSES	<u>9,903,653</u>	<u>9,971,154</u>
(DECREASE) IN NET POSITION	<u>\$ (153,205)</u>	<u>\$ (451,750)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2016**

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 \$153,205. Tax revenues for the District were \$8,271,828. Program revenues for the functions totaled \$1,477,567. 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	\$ 8,496,383	\$ 7,018,816
State-withheld administration fee	82,718	82,718
Tax increment financing payments	1,307,773	1,307,773
Interest expense	16,779	16,779
	\$ 9,903,653	\$ 8,426,086

Financial Analysis of the District's Funds

The fund balance of the District's General Fund as of December 31, 2016, was \$1,527,864. The General Fund decreased by \$153,205.

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, as well as reduced tourism promotion expenditures, as explained below.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2016**

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 2016. The resulting unused marketing budget will be carried over and applied to the 2017 District budget.

Capital Assets and Debt Administration

Capital Assets

The District had no capital assets as of December 31, 2016.

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 2016, the District paid more interest on its line of credit than in 2015 because there was an outstanding balance longer in 2016. However, \$2,471 less interest expense was incurred than budgeted, due to differences in marketing expense cash requirement timing and availability of City tourism tax marketing funds. The District had neither short-term nor long-term debt outstanding at December 31, 2016.

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 Explore Branson Tourism (successor to the Branson/Lakes Area Convention and Visitors' Bureau contract), 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 2015 results and available reserves, the District set a similar budget for 2016, taking into consideration the then-current outlook for tourism travel and relevant economic factors. Actual District 2016 tax revenue receipts exceeded even the all-time highs in 2013, 2014 and 2015. Website and branding improvements, new shows and attractions, changing visitor desires 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, 2016**

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, Explore Branson Tourism, pursuant to the tourism marketing contract between the two entities under which the latter 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 \$6,510,745 or 76.6% of the District's total tourism promotion expenses. District administrative expenses totaled \$82,070 or 1.0% 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 \$153,205 which was charged against reserves.

Tourism Marketing and Promotion

District gross tax revenues in 2016 exceeded last year's all-time-high by 2.5%, with corresponding increases in state fees withheld and tax increment financing payments. Tourism promotion expenses were less than budgeted.

The District posted record visitation again in 2016, increasing by an average of 7.1%, topping the previous high set just last year and exceeding the 2007 benchmark by 13.4%. Since 2000, visitation has grown by an average of 27.7%. The strongest growth in 2016 occurred during the holidays (November-December) and the spring (April-May) season, which were up 12.3% and 10.2%, respectively. Every season except fall posted an increase over 2015. However, because the fall season posted the largest percentage growth last year, 2016 visitation remained near a record high as well.

For the second year in a row, nearly every mission-critical metric tracked broke a record in 2016.

The City of Branson's 1% sales tax revenues topped \$11.6 million – a new record – and posted a 4.7% increase over 2015. Also for the first time, the District's 1% tax revenues reached nearly \$8.3 million, up 2.5%; Taney County's half-cent tax receipts reached \$15.9 million, up 5.2%; and Stone County's half-cent tax revenues topped \$2.2 million, up 3.2%.

MANAGEMENT’S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2016

Economic Factors and Next Year’s Budget (continued)

Likewise, the theatre, amusement, campground, lodging and restaurant sectors all reached the following record levels of tourism tax receipts in 2016:

Theatres	\$ 3.8 million, up 16.1%
Amusements	\$ 1.9 million, up 10.0%
Campgrounds	\$ 131,000, up 9.5%
Lodging	\$ 5.4 million, up 5.7%
Restaurants	\$ 1.1 million, up 4.4%

Similarly, STR (formerly Smith Travel Research) reported that room demand increased by 8.7% – much stronger than the average for its collective competitive set, which averaged a 1.1% increase, and much stronger than the U.S. national average increase of 1.7%.

Overall, visitation records were broken in the winter (January-March), spring (April-May), summer (June-August) and holiday (November-December) seasons. The fall season (September-October) came close to last year’s all-time record, falling only 1% short of 2015 visitation. The holiday season, which ranked 6th in visitation last year, broke a record in 2016 that had stood since 2007.

The 2016 visitation increase was once again driven by record performance in the secondary markets (between 301 and 650 miles distant), which accounted for nearly 30% of visitation and collectively posted a 12% increase over 2015 levels. Feeder markets such as Des Moines, Paducah and Oklahoma City all broke visitation records once again. Likewise, core markets (within 100 miles) were up 8%; primary markets (between 101 and 300 miles distant) were up 6%; and national markets (over 650 miles distant) were up 3%. 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 7.1% average increase.

Repeat visitation accounted for 80% of visitation and drove the majority of the 2016 increase, while the ratio of first-time visitors (20%) fell to its lowest level in nearly a decade. However, despite the large presence of repeat visitors, spending per party rebounded to \$911 in 2016, increasing by \$47 (5%) over 2015.

While 57% of our visitors come from beyond 300 miles, only 3.7% of travelers arrived by air in 2016 (down 0.3 points), the lowest level of air travelers we have hosted since 2004 when the ratio dropped to 2%. Only 5% of those who reported arriving by air in 2016 said they used the Branson Regional Airport, which is 0.2% of the 3.7% who flew – down from the 2013 peak of nearly 60%.

District visitors still exhibit comparatively strong levels of intent to return. Those reporting that they will definitely return remained at last year’s 68%, and 88% overall indicated they would probably or definitely return. Likewise, the Branson area continues to be a destination that visitors are willing to recommend to their friends and families, as witnessed by our market’s 58% Net Promoter Score – higher than other markets in our 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2016

Economic Factors and Next Year's Budget (continued)

The District's marketing efforts also continued to perform very well in 2016. Aided advertising awareness increased to a 50% average across all market tiers, including the national markets. Perhaps more importantly, the resulting market reach of 45.5 million travel households was not only a record for the marketing campaign, but was also the most efficient ever launched in our District. Gross cost per aware travel household dropped to \$0.11 from \$0.13 last year and compared even more favorably to our historical average of \$0.15.

The 2016 marketing campaign generated 523,000 incremental visits and produced \$498 million incremental travel dollars. Given the \$5 million advertising investment, the campaign's overall return on investment reached \$97, meaning the campaign generated \$97 in incremental spending for every \$1 invested in advertising – considerably better than both our historical average (and industry norm) of \$87.

The 2016 Public Relations Ad Equivalency metric of \$19.3 million (50-to-1 return) was up from the \$17.6 million (44-to-1 return) in 2015.

Looking forward to 2017, the U.S. Travel Association forecasts that leisure travel growth will slow to only 1.6%, compared to a 1.7% increase in 2016 and a 2.5% increase in 2015. Similarly, STR reports that room demand is also expected to grow by 1.6% in 2017 – the same rate of growth they recorded for 2016. Given that most consumer pent-up demand has now run its course, we believe the District's growth will likely begin to align more closely with U.S. trends in the near future. Therefore, net visitation is forecast to grow by 1.7% in 2017.

In the coming year, we will focus strong advertising support in priority markets, with special consideration given to core and primary market awareness. New media efforts will be directed to Des Moines and Memphis in 2017, where research shows a strong propensity for reaching high-value consumers. National cable will be used to target first-time visitors.

Combined with layered multi-media marketing and public relations campaigns in select primary and outer markets, these tactics aim to encourage both new and return visitation. Additional marketing efforts for 2017 will include group and individual area 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 improved again in 2016 and this trend is cautiously expected to continue in 2017. The District has conservatively budgeted 2017 gross tax revenues at \$8,300,000, only 0.3% higher than 2016 actual results. Cumulative excess net revenues realized through 2016, less contingency reserves, will be applied to the District's 2017 budget.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2016**

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

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, 2016

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents - unrestricted	\$ 1,023,927
Accounts receivable	14,464
Sales tax receivable	876,495
Prepaid expenses	<u>1,837</u>
TOTAL ASSETS	1,916,723
LIABILITIES	
Current	
Accounts payable	256,223
Accrued expenses	1,656
Payroll tax liabilities	126
Branson tax increment financing liability	<u>130,854</u>
TOTAL LIABILITIES	388,859
NET POSITION	
Unrestricted	<u>1,527,864</u>
TOTAL NET POSITION	<u><u>\$ 1,527,864</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 STATEMENT OF ACTIVITIES
 Year Ended December 31, 2016

Functions/Programs	Expenses	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	\$ (8,496,383)	\$ 864,682	\$ 612,885	\$ -	\$ (7,018,816)
State-withheld administration fee	(82,718)	-	-	-	(82,718)
Tax increment financing payments	(1,307,773)	-	-	-	(1,307,773)
Interest expense	(16,779)	-	-	-	(16,779)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (9,903,653)	\$ 864,682	\$ 612,885	\$ -	(8,426,086)
General Revenues:					
Sales taxes					8,271,828
Interest					1,049
Miscellaneous					4
Total General Revenues					<u>8,272,881</u>
Changes in Net Position					(153,205)
Net Position, Beginning of year					<u>1,681,069</u>
Net Position, End of year					<u>\$ 1,527,864</u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 BALANCE SHEET – GOVERNMENTAL FUND
 December 31, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,023,927
Accounts receivable	14,464
Sales tax receivable	876,495
Prepaid expenses	<u>1,837</u>
TOTAL ASSETS	<u>\$ 1,916,723</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Account payable	\$ 256,223
Accrued expenses	1,656
Payroll tax liabilities	126
Branson tax increment financing liability	<u>130,854</u>
TOTAL LIABILITIES	388,859
Fund Balance	
Nonspendable:	
Prepaid items	1,837
Committed for:	
Marketing and tourism	1,000,000
Unassigned	<u>526,027</u>
TOTAL FUND BALANCE	<u>1,527,864</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,916,723</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, 2016

	<u>General Fund</u>
REVENUES	
Sales taxes	\$ 8,271,828
Intergovernmental revenues	612,885
Website	214,408
Co-Operative programs	118,398
Publications	516,532
Fulfillment	15,344
Interest income	1,049
Miscellaneous	4
	<u>9,750,448</u>
	TOTAL REVENUES
	9,750,448
EXPENDITURES	
Current	
Tourism promotion	8,496,383
State-withheld administration fee	82,718
Tax increment financing payments	1,307,773
Interest expense	16,779
	<u>9,903,653</u>
	TOTAL EXPENDITURES
	9,903,653
(DEFICIT) OF REVENUES OVER EXPENDITURES	(153,205)
FUND BALANCE, January 1, 2016	<u>1,681,069</u>
FUND BALANCE, December 31, 2016	<u>\$ 1,527,864</u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 its 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, 2016

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 \$5,000 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, 2016

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, 2016

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, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The District implemented GASB Statement No. 77 – *Tax Abatement Disclosures*, for the year ended December 31, 2016. The primary objective of this statement is to improve financial reporting by giving users of the financial statements essential information that is not consistently or comprehensively reported to the public. The adoption of this standard had no impact on the District’s financial statements, but did result in expanded note disclosures.

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, 2016, all bank balances or deposits are entirely insured or collateralized.

NOTE C – LINE OF CREDIT

On March 24, 2016, the District entered into an agreement for a \$2.6 million line of credit with Central Bank of Branson, which carries interest at a fixed rate of 2.75%, and matures on March 24, 2017. The principal balance on December 31, 2016, was \$0. Interest paid during the year ended December 31, 2016, was \$16,779. The District may use \$2.1 million of the credit line to fund day-to-day operating expenses and to pay marketing costs. The remaining \$500,000 is to provide for future disbursements, which may be required to meet the District’s obligation under its agreement with the Transportation Development District.

The following is a summary of changes in short-term debt for the year ended December 31, 2016:

Balance, 12/31/2015	\$ -
Additions	2,077,000
Deletions	<u>(2,077,000)</u>
Balance 12/31/2016	<u><u>\$ -</u></u>

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE D – TAX ABATEMENTS

As of December 31, 2016, the District did not provide tax abatements to any businesses or individuals. However the District’s sales taxes were reduced by programs entered into by other governments under the Real Property Tax Increment Allocation Redevelopment Act (Tax Increment Financing).

Tax Increment Financing (TIF) is an economic development tool which redirects local tax revenues towards the redevelopment of eligible properties that are otherwise economically unfeasible. Sections 99.800 – 99.865 RSMo, enables local governments to finance certain redevelopment costs with the incremental tax revenue generated by the net increase in local sales taxes in the designated area after redevelopment.

The District encompasses various land areas that have been developed using TIF. During the year ended December 31, 2016, the District collected and distributed \$1,193,617 of TIF related economic activity taxes to the City of Branson, as well as \$114,156 to Stone County (for 2015). These payments are recorded on the District’s financial statements.

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
GOVERNMENTAL ACTIVITIES				
Depreciable Capital Assets				
Office Equipment	\$ 1,196	\$ -	\$ 1,196	\$ -
Total Depreciable Capital Assets	1,196	<u>\$ -</u>	<u>\$ 1,196</u>	-
Less Accumulated Depreciation				
Office Equipment	1,196	\$ -	\$ 1,196	-
Total Accumulated Depreciation	1,196	<u>\$ -</u>	<u>\$ 1,196</u>	-
Total Depreciable Capital Assets, net	<u>-</u>			<u>-</u>
Total Governmental Activities Capital Assets, net	<u>\$ -</u>			<u>\$ -</u>

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016, 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.

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 entire remaining term of the contract was assigned to Explore Branson Tourism (EBT) on October 27, 2016, then renewed for the January 1, 2017 through December 31, 2017 term on the same date. That contract includes a provision for administrative fees, which are calculated annually at a maximum of 20% of certain prior year District revenues. The projected fee approved in 2016 for the original 2017 budget was \$1,920,000, of which \$73,846 was payable in equal biweekly installments from January 5 through February 28, 2017, pending determination of the final 2017 fee. The final fee was determined to be \$1,949,879. A year-to-date catchup payment of \$4,597 was made on March 1, 2017. The remaining fee due of \$1,649,898 is payable in equal biweekly installments of \$74,995 beginning March 1, 2017, with rounding included in the final payment.

At December 31, 2016, the District was obligated to pay Stone County for the District's share of the Indian Point TIF economic development bond for the year 2016, the amount of which was undeterminable at year-end. On February 7, 2017, the District remitted \$103,771 to Stone County in full payment of this obligation. On March 8, 2017, a refund of \$4,677 was received, as well as an amended ordinance dated February 24, 2017, showing the corrected TIF amount to be the difference of \$99,094.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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. Said agreement was amended on February 25 and April 28, 2016, to approve revision of certain dates due to changing events, which did not negatively impact the District's obligations under the agreement. Airport bondholders will have no call on any funds provided by the District.

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) \$500,000 could be reserved to provide for possible 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 on any such disbursement until properly made. As of December 31, 2016, no such disbursements had occurred and no claims were known to be outstanding.

REQUIRED SUPPLEMENTARY INFORMATION

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales taxes	\$ 8,000,000	\$ 8,000,000	\$ 8,271,828	\$ 271,828
Intergovernmental revenue	615,000	611,989	612,885	896
Web site	180,000	214,408	214,408	-
Co-Operative programs	55,500	135,447	118,398	(17,049)
Publications	497,000	483,641	516,532	32,891
Fulfillment	12,100	7,780	15,344	7,564
Interest income	1,500	1,500	1,049	(451)
Miscellaneous	-	-	4	4
TOTAL REVENUES	9,361,100	9,454,765	9,750,448	295,683
EXPENDITURES				
Current				
Tourism Promotion				
Classified advertising	350	350	271	79
Consumer response	204,948	152,045	147,078	4,967
Contingency reserve	24,000	24,000	-	24,000
CVB administrative fees	1,831,248	1,903,567	1,903,567	-
Equipment	600	600	-	600
Fulfillment	35,615	48,703	44,766	3,937
Dues and sponsorships - marketing	373,555	473,634	488,231	(14,597)
Insurance - property and liability	3,200	3,200	2,930	270
Licenses and fees	40	40	4	36
Media advertising	4,189,405	4,354,302	4,130,883	223,419
Office supplies and software	4,730	4,730	3,474	1,256
Payroll taxes and benefits	3,844	3,844	3,639	205
Postage and deliveries	180	180	74	106
Professional fees	31,050	31,050	18,675	12,375
Public relations	442,850	461,899	502,422	(40,523)
Publication expense	463,870	476,413	313,191	163,222
Publications - collateral expense	45,750	41,641	32,164	9,477
Rent - building	6,660	6,660	6,660	-
Research	215,000	222,596	201,796	20,800
Salaries and wages	43,252	43,252	43,252	-
Special event support	1,000	3,034	3,044	(10)
Special marketing	100,000	61,000	48,110	12,890
Technical references	640	640	560	80
Telephone and data services	2,160	2,160	2,044	116
Trade media advertising	215,627	206,374	213,526	(7,152)
Travel and trade shows	171,006	208,786	225,053	(16,267)
Websites	226,270	169,174	160,969	8,205
Total Tourism Promotion	8,636,850	8,903,874	8,496,383	407,491
State-withheld administration fee	80,000	80,000	82,718	(2,718)
Tax increment financing payments	1,325,000	1,315,000	1,307,773	7,227
Interest expense	19,250	19,250	16,779	2,471
TOTAL EXPENDITURES	10,061,100	10,318,124	9,903,653	414,471
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(700,000)	(863,359)	(153,205)	710,154
FUND BALANCE, January 1, 2016	1,681,069	1,681,069	1,681,069	-
FUND BALANCE, December 31, 2016	\$ 981,069	\$ 817,710	\$ 1,527,864	\$ 710,154

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

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 EBT 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 unused 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.

OTHER REPORTING REQUIREMENTS



**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, 2016, 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 20, 2017.

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.

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.

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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness. It is identified as item 2016-001.

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 20, 2017

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2016

2016-001 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.