

Branson/Lakes Area Tourism Community Enhancement District

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2018

KPM
CPAS & ADVISORS

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Activities.....	15
Balance Sheet – Governmental Fund.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.....	17
Notes to Financial Statements.....	18
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	26
Note to Budgetary Comparison Schedule.....	27
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 <i>Government Auditing Standards</i>	29
Schedule of Findings and Responses.....	31



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, 2018, 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.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

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, 2018, 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 25, 2019, 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 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT’S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2018**

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, 2018. 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 increased by \$296,875 for the year as a result of current year activities.
- The assets of the District exceeded its liabilities as of December 31, 2018, by \$1,576,312 (net position). Of this amount \$1,576,312 was unrestricted and may be used to meet future obligations of the District.
- Total liabilities of the District decreased by \$165,836 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 2018 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, 2018**

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, 2018 and 2017:

	<u>Total December 31, 2018</u>	<u>Total December 31, 2017</u>
ASSETS		
Current		
Cash and cash equivalents - unrestricted	\$ 1,242,861	\$ 1,152,733
Accounts receivable	36,551	145,228
Sales tax receivable	910,033	760,521
Prepaid expenses	<u>1,994</u>	<u>1,918</u>
TOTAL ASSETS	2,191,439	2,060,400

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2018

Government-Wide Financial Analysis (continued)

	Total December 31, 2018	Total December 31, 2017
	<u> </u>	<u> </u>
LIABILITIES		
Current		
Accounts payable	475,083	641,060
Accrued expenses	170	1,702
Payroll tax liabilities	13	130
Tax increment financing liability	139,861	138,071
	<u> </u>	<u> </u>
TOTAL LIABILITIES	615,127	780,963
NET POSITION		
Unrestricted	1,576,312	1,279,437
	<u> </u>	<u> </u>
TOTAL NET POSITION	\$ 1,576,312	\$ 1,279,437
	<u> </u>	<u> </u>

Total net position of the District increased for the year by a total of \$296,875 due to current year activity from operations. Total liabilities for the District have decreased by \$165,836.

CHANGES IN NET POSITION

	Total Year Ended December 31, 2018	Total Year Ended December 31, 2017
	<u> </u>	<u> </u>
REVENUES		
Program Revenues		
Charges for services	\$ 767,374	\$ 811,775
Operating grants and contributions	412,874	749,624
General Revenues		
Sales taxes	8,553,750	8,099,130
Interest	1,163	2,920
Miscellaneous revenue	6	613
	<u> </u>	<u> </u>
TOTAL REVENUES	9,735,167	9,664,062
EXPENSES		
Tourism promotion	8,032,104	8,544,470
State-withheld administration fee	85,537	80,991
Tax increment financing payments	1,310,087	1,274,587
Interest expense	10,564	12,441
	<u> </u>	<u> </u>
TOTAL EXPENSES	9,438,292	9,912,489
INCREASE (DECREASE) IN NET POSITION	\$ 296,875	\$ (248,427)
	<u> </u>	<u> </u>

**MANAGEMENT’S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2018**

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 increased the net position of the District by \$296,875. Tax revenues for the District were \$8,553,750. Program revenues for the functions totaled \$1,180,248. 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	\$ 8,032,104	\$ 6,851,856
State-withheld administration fee	85,537	85,537
Tax increment financing payments	1,310,087	1,310,087
Interest expense	10,564	10,564
	\$ 9,438,292	\$ 8,258,044

Financial Analysis of the District’s Funds

The fund balance of the District’s General Fund as of December 31, 2018 was \$1,576,312. The General Fund increased by \$296,875.

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 net difference between the final budget and actual results was due primarily to increased sales taxes collected, reduced program revenues, reduced tourism promotion expenditures and unused District administrative expenses and reserves.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2018

General Fund Budgetary Highlights (continued)

- The District budgeted for professional fees and unanticipated contingencies which did not materialize.
- Tourism promotion expenditure reductions resulted from a 55% reduction in grant monies received as a result of state budget cuts; however, District revenue receipts in excess of budget partially compensated. A small amount of unused budgeted marketing expenses will be carried over and applied to 2019.

Capital Assets and Debt Administration

Capital Assets

The District had no capital assets as of December 31, 2018.

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 2018, the District paid less interest than in 2017 because there was less reliance on the credit line and the principal was not outstanding as long. Also, the interest expense of \$10,564 was \$17,851 less than budgeted due to increased tax revenue receipts early in the year, differences in the timing of marketing expense cash requirements, and the availability of state grant monies and City of Branson (City) tourism tax marketing funds earlier than was planned. The District had neither short-term nor long-term debt outstanding at December 31, 2018.

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 2017 results and available reserves, the District set a conservative budget for 2018, taking into consideration the then-current outlook for tourism travel and relevant economic factors. In mid-2018, the District looked at year-to-date results, increased its tax revenue estimates and increased the 2018 marketing budget by the net result. Actual 2018 tax revenue receipts exceeded even that increased estimate, as major new attractions were opened and additional marketing campaigns were implemented.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2018

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 City ordinance 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 \$6,017,268 or 74.9% of the District's total tourism promotion expenses. District administrative expenses totaled \$82,730 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 an increase in year-end net position totaling \$296,875, which was added to reserves.

Tourism Marketing and Promotion

District 2018 gross tax receipts were 2.4% greater than budget, with a corresponding increase in state fees withheld. Tax increment financing payments were 5.2% under budget. Tourism promotion expenses were 1.5% less than budgeted.

The District, the City of Branson and Stone and Taney Counties all saw increased tax revenues in 2018. For the second time in its history, the District posted its strongest performance on record, with tourism taxes exceeding \$8.5 million, an increase of 5.6% over 2017, and a 3.4% increase over our previous all-time high of nearly \$8.3 million in 2016. Stone County tax receipts exceeded \$2.4 million, a 6.4% increase over 2017; the City of Branson's separate tourism tax receipts were \$13.5 million, up 2.7%; and Taney County's sales tax receipts totaled \$15.9 million, up 3.6%.

In 2018, Branson welcomed approximately 8,957,000 visitors, the District's second-largest visitor estimate ever. Visitation reached record levels during the winter season (January-March). The highest levels on record were reached during the spring (April-May), summer (June-August) and holiday seasons (November-December). The all-time fall season (September-October) record was achieved in 2015. Repeat visitation represented 46% of 2018 visits, an increase of 4.8%, and our average visitor returned 2.3 times over the past 12 months.

Based upon reported zip codes, visitation from beyond 300 miles represented 56.2% of all 2018 annual visitation, an increase of 2.1% over 2017. Primary markets (101-300 miles) generated growth of 1.2%, but our core markets (0-100 miles) declined by 1.6% over 2017.

Regardless of distance, the most popular mode of transportation remained personal vehicles; however, 4.3% of our travelers did arrive by air – a 2.9% increase over 2017. Branson visitors continue to exhibit strong intentions to return, with 72% indicating they will definitely return next year, an 8-year high.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2018

Economic Factors and Next Year's Budget (continued)

The Branson area continues to be a destination visitors are eager to recommend to their friends and families, as witnessed by our market's 61% Net Promoter Score – higher than the other markets in our competitive set and up 3% over 2017. More than 68% of all visitors indicated they were very likely to recommend Branson as a leisure destination.

STR (the lodging industry research organization) reported that their survey of corporate and franchise lodging establishments showed Branson occupancy levels of 49.8% (down 4.6% from 2017) and a 3.7% reduction in room demand. Kansas City and Las Vegas saw similar reductions. However, our average daily room rate reached an all-time high of \$98.51, up 1.5% over 2017. It should be mentioned that independent hotels/motels, condominium rentals, timeshares, Airbnb rentals, bed-and-breakfast rentals and campgrounds do not report their results to STR, but those venues can sometimes impact our results. Hotels and motels still accounted for 49% of our overnight lodging market. Visitors' length of stay was 4.28 days, the second-highest level in the past 4 years.

Spending per party of \$972 equated to average per-person spending of \$315, eclipsing the prior \$292 per-person average, a record which had stood since 2004. Similarly, the per-party average was second only to the \$985 recorded in 2013.

As reflected in these results, District marketing efforts continued to perform very well in 2018. Aided advertising awareness reached nearly 35 million travelers across the country. Based on its \$0.15 cost per aware travel household, this year's effort was one of the more efficient marketing campaigns launched in an industry where anything below \$0.50 is considered successful.

The 2018 marketing campaign generated \$504 million in incremental travel dollars (\$432 million in 2017) and produced nearly 489,000 incremental visits (415,000 in 2017) – another record for Branson. Given the \$5.3 million invested in advertising, the campaign's overall return on investment reached \$95 in 2018 (versus \$84 in 2017), meaning it generated \$95 in travel dollars for every \$1 invested. The public relations ad equivalency metric was \$18.6 million in 2018, down from \$21.7 million in 2017.

The U.S. Travel Association forecasts leisure travel growth of 1.8% in 2019, slightly slower than the 2.0% increase predicted for 2018. Business travel is also expected to grow by 1.8%, somewhat faster than the 1.6% last year. District travel growth is expected to closely mirror national trends for the foreseeable future.

In the coming year, we will focus strong advertising support in priority markets, with special consideration given to primary market awareness (from 101 to 300 miles away). Core market media and print advertising were eliminated from 2018, but will be added back in 2019 campaigns directed to the Des Moines, Paducah, Oklahoma City, St. Louis, Kansas City, Tulsa, Little Rock, Northwest Arkansas, Springfield, Joplin and Pittsburg, KS spot markets. These are areas where our research shows a strong likelihood of reaching high-value consumers.

After a 3-year presence in Wichita and Memphis with little to show for it, these markets will be eliminated in 2019. National cable will continue to be used to target first-time visitors. Both national cable and primary market media will be tagged with a message about new flights to Branson, in order to drive awareness about our improving airlift.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2018

Economic Factors and Next Year's Budget (continued)

New and return visitation growth will be encouraged using layered multi-media marketing and public relations campaigns in select primary and outer markets, including use of micro-sites, to boost our market exposure. Additional efforts will continue to include both group and individual area familiarization tours, participation in regional and national trade shows and events and continued development of an increasing presence in the growing youth sports and student youth travel markets.

Next Year's Budget

The national economic picture improved in 2018 and that is expected to continue. As a result, leisure travel and room demand growth are expected to improve as well. Thus, the District has budgeted 2019 gross tax revenues at \$8,400,000, only 1% less than 2018 actual record results. Consistent with prior years, budget adjustments will be made if actual results exceed or lag current estimates as the year progresses. The entire balance of cumulative excess net revenues realized through 2018, less reserves, will be applied to the District's 2019 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

Or review the wealth of information about the District at our website: www.blatced.com

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 STATEMENT OF NET POSITION
 December 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents - unrestricted	\$ 1,242,861
Accounts receivable	36,551
Sales tax receivable	910,033
Prepaid expenses	<u>1,994</u>
TOTAL ASSETS	2,191,439
LIABILITIES	
Current	
Accounts payable	475,083
Accrued expenses	170
Payroll tax liabilities	13
Branson tax increment financing liability	<u>139,861</u>
TOTAL LIABILITIES	615,127
NET POSITION	
Unrestricted	<u>1,576,312</u>
TOTAL NET POSITION	<u><u>\$ 1,576,312</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 STATEMENT OF ACTIVITIES
 Year Ended December 31, 2018

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	\$ (8,032,104)	\$ 767,374	\$ 412,874	\$ -	\$ (6,851,856)
State-withheld administration fee	(85,537)	-	-	-	(85,537)
Tax increment financing payments	(1,310,087)	-	-	-	(1,310,087)
Interest expense	(10,564)	-	-	-	(10,564)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (9,438,292)	\$ 767,374	\$ 412,874	\$ -	(8,258,044)
General Revenues:					
					8,553,750
					1,163
					6
				Total General Revenues	8,554,919
				Changes in Net Position	296,875
				Net Position, Beginning of year	1,279,437
				Net Position, End of year	\$ 1,576,312

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUND
December 31, 2018

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,242,861
Accounts receivable	36,551
Sales tax receivable	910,033
Prepaid expenses	<u>1,994</u>
TOTAL ASSETS	<u>\$ 2,191,439</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Account payable	\$ 475,083
Accrued expenses	170
Payroll tax liabilities	13
Branson tax increment financing liability	<u>139,861</u>
TOTAL LIABILITIES	615,127
Fund Balance	
Nonspendable:	
Prepaid items	1,994
Unassigned	<u>1,574,318</u>
TOTAL FUND BALANCE	<u>1,576,312</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,191,439</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, 2018

	<u>General Fund</u>
REVENUES	
Sales taxes	\$ 8,553,750
Intergovernmental revenues	412,874
Website	263,048
Co-operative programs	111,165
Publications	375,661
Fulfillment	17,500
Interest income	1,163
Miscellaneous	<u>6</u>
TOTAL REVENUES	9,735,167
EXPENDITURES	
Current	
Tourism promotion	8,032,104
State-withheld administration fee	85,537
Tax increment financing payments	1,310,087
Debt service	
Interest expense	<u>10,564</u>
TOTAL EXPENDITURES	<u>9,438,292</u>
EXCESS OF REVENUES OVER EXPENDITURES	296,875
FUND BALANCE, January 1, 2018	<u>1,279,437</u>
FUND BALANCE, December 31, 2018	<u><u>\$ 1,576,312</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018

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. The District does not have any items that require conversion from the fund statements to the government-wide financial statements, therefore, no reconciliations are provided.

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.

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.

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, 2018

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.

The Board of Directors has adopted an operating reserve policy, the goal of which is to achieve an annual year end unassigned fund balance of at least \$1,000,000 as an operating reserve before releasing any prior year excess revenues for use in succeeding year budgets.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2018, all bank balances or deposits are entirely insured or collateralized.

NOTE C – LINE OF CREDIT

On March 24, 2018, 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 4.0%, and matures on March 24, 2019. The principal balance on December 31, 2018, was \$0. Interest paid during the year ended December 31, 2018, was \$10,564. 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, 2018:

Balance, 12/31/2017	\$ -
Additions	936,000
Deletions	(936,000)
Balance 12/31/2018	<u><u>\$ -</u></u>

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE D – TAX ABATEMENTS

As of December 31, 2018, 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 TIFs. During the year ended December 31, 2018, the District collected and distributed \$1,173,475 of TIF related economic activity taxes to the City of Branson, as well as \$136,612 to Stone County (for 2017). These payments are recorded on the District's financial statements.

NOTE E – 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, 2018, 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 F – 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.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE G – COMMITMENTS

On January 1, 2015, the District entered into a contract for tourism marketing services with the Branson/Lakes Area Convention and Visitors Bureau. That contract was assigned to Explore Branson Tourism, a separate marketing-only entity, on October 27, 2016. The contract term is from January 1, 2015, through December 31, 2019, subject to annual renewal and budgetary appropriation. The contract was renewed on October 25, 2018, effective for January 1, 2019, through December 31, 2019. 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 2018 for the original 2019 budget was \$1,950,000, of which \$375,000 was paid in equal biweekly installments from January 2 through February 28, 2019, pending determination of the final fee. The final 2019 fee was determined to be \$1,946,800, a fee reduction of \$3,200. After adjustment for this reduction and the payments already made in 2019, the remaining balance due is \$1,571,800, payable in equal biweekly installments of \$74,848 beginning March 13, 2019, with the final payment adjusted for rounding.

At December 31, 2018, the District was obligated to pay Stone County for the District's share of the Indian Point TIF economic development bond for the year 2018, the amount of which was not determinable at year end. On January 31, 2019, the District remitted \$191,026 to Stone County in full payment of this obligation.

NOTE H – 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 (TDD) 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 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. This amended intergovernmental agreement was renewed for the final year from July 15, 2017, through July 14, 2018 on June 20, 2017. As of December 31, 2017, no District funds had been requested or provided under the terms of this agreement.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – CONTINGENT LIABILITY (continued)

On February 22, 2018, the Board made a commitment to enter into a new agreement with the TDD upon similar terms, but with the District's liability reduced from \$500,000 to \$250,000. Instead of a new agreement, however, the TDD provided an amended and restated 2-year agreement draft at the March 22, 2018 Board meeting. The updated terms were discussed and changes were agreed upon. Two officers were authorized to execute the final agreement following its approval by the District's legal counsel, which was done on March 28, 2018. The TDD signed the agreement on April 2, 2018 and it became effective on August 30, 2018. As of December 31, 2018, no District funds had been requested or provided under the terms of this restated agreement.

At the February 28, 2019, Board meeting, TDD representatives provided a review of events and requested that the District continue its \$250,000 funding level through 2021 and negotiate revised guidelines. The Board approved a motion to that effect and authorized the District's legal counsel to negotiate and provide a draft of such an agreement to the Board for consideration. Negotiations are ongoing at this time.

REQUIRED SUPPLEMENTARY INFORMATION

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales taxes	\$ 8,000,000	\$ 8,357,142	\$ 8,553,750	\$ 196,608
Intergovernmental revenue	413,323	413,323	412,874	(449)
Website	150,000	162,250	263,048	100,798
Co-operative programs	100,000	102,250	111,165	8,915
Publications	450,000	458,000	375,661	(82,339)
Fulfillment	5,000	20,200	17,500	(2,700)
Interest income	1,200	1,201	1,163	(38)
Miscellaneous	-	-	6	6
TOTAL REVENUES	9,119,523	9,514,366	9,735,167	220,801
EXPENDITURES				
Current				
Tourism Promotion				
Classified advertising	800	800	-	800
Consumer response	190,000	170,000	142,827	27,173
Contingency reserve	24,000	24,000	-	24,000
EBT administrative fees	1,940,000	1,932,106	1,932,106	-
Fulfillment	50,000	36,000	34,307	1,693
Dues and sponsorships - marketing	600,000	586,925	569,043	17,882
Insurance - property and liability	3,440	3,440	3,260	180
Licenses and fees	10	10	2	8
Media advertising	2,859,768	3,698,707	3,606,920	91,787
Office supplies and software	3,495	3,495	2,102	1,393
Payroll taxes and benefits	3,787	3,787	3,713	74
Postage and deliveries	120	120	30	90
Professional fees	26,800	26,800	20,100	6,700
Public relations	450,000	518,540	510,634	7,906
Publication expense	640,000	428,600	407,695	20,905
Publications - collateral expense	30,000	30,057	31,510	(1,453)
Rent - building	6,660	6,660	6,660	-
Research	150,000	72,900	72,396	504
Salaries and wages	44,268	44,268	44,268	-
Special event support	4,000	4,100	4,228	(128)
Special marketing	106,000	96,350	93,301	3,049
Technical references	40	40	-	40
Telephone and data services	2,520	2,520	2,243	277
Trade media advertising	125,000	122,858	169,370	(46,512)
Travel and trade shows	250,000	196,647	210,271	(13,624)
Websites	175,400	163,760	165,118	(1,358)
Total Tourism Promotion	7,686,108	8,173,490	8,032,104	141,386
State-withheld administration fee	80,000	83,571	85,537	(1,966)
Tax increment financing payments	1,325,000	1,378,571	1,310,087	68,484
Interest expense	28,415	28,415	10,564	17,851
TOTAL EXPENDITURES	9,119,523	9,664,047	9,438,292	225,755
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	-	(149,681)	296,875	446,556
FUND BALANCE, January 1, 2018	1,279,437	1,279,437	1,279,437	-
FUND BALANCE, December 31, 2018	\$ 1,279,437	\$ 1,129,756	\$ 1,576,312	\$ 446,556

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2018

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, 2018, 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 25, 2019.

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.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343

500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

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 2018-001.

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 25, 2019

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2018

2018-001 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.