

Branson/Lakes Area Tourism Community
Enhancement District

Basic Financial Statements
Year Ended December 31, 2022

KPM
CPAS & ADVISORS

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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 is the responsibility of management and, 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 July 28, 2023, on our consideration of the Branson/Lakes Area Tourism Community Enhancement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Branson/Lakes Area Tourism Community Enhancement District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
July 28, 2023

Management's Discussion and Analysis

Branson/Lakes Area Tourism Community Enhancement District

Management's Discussion and Analysis

December 31, 2022

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, 2022. Please read it in conjunction with the District's financial statements.

Financial Highlights

- The net position of the District's governmental activities increased by \$889,499 for the year as a result of unanticipated record tax revenue receipts were realized.
- The assets of the District exceeded its liabilities as of December 31, 2022, by \$2,515,873 (net position). Of this amount \$2,515,873 was unrestricted and may be used to meet future obligations of the District.
- Total liabilities of the District decreased by \$866,983 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 are budgeted for spending in each succeeding year 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.

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

Branson/Lakes Area Tourism Community Enhancement District

Management's Discussion and Analysis

December 31, 2022

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. 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.

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, 2022 and 2021:

	Total December 31, 2022	Total December 31, 2021
Assets		
Current		
Cash and cash equivalents - unrestricted	\$ 1,839,018	\$ 1,865,115
Accounts receivable	2,900	49,941
Sales tax receivable	1,040,005	827,980
Prepaid expenses	5,810	122,181
Total Assets	2,887,733	2,865,217
Liabilities		
Current		
Accounts payable	216,837	1,127,150
Accrued expenses	9,875	1,048
Tax increment financing liability	145,148	110,645
Total Liabilities	371,860	1,238,843
Net Position		
Unrestricted	2,515,873	1,626,374
Total Net Position	\$ 2,515,873	\$ 1,626,374

Total net position of the District increased for the year by a total of \$889,499 due to current year activity from operations. Total liabilities for the District have decreased by \$866,983.

Branson/Lakes Area Tourism Community Enhancement District

Management's Discussion and Analysis

December 31, 2022

Changes in Net Position

	Total Year Ended December 31, 2022	Total Year Ended December 31, 2021
Revenues		
Program Revenues		
Charges for services	\$ 294,940	\$ 496,360
Operating grants and contributions	537,990	466,000
General Revenues		
Sales taxes	11,601,758	10,298,531
Interest	33,113	20,270
Other income	13,153	-
Total Revenues	12,480,954	11,281,161
Expenses		
Tourism promotion	9,714,664	9,191,180
State-withheld administration fee	116,018	102,985
Tax increment financing payments	1,760,773	1,534,006
Total Expenses	11,591,455	10,828,171
<i>Changes in Net Position</i>	\$ 889,499	\$ 452,990

Governmental Activities

The District has only one governmental fund, the General Fund, and no proprietary or fiduciary funds. The District operates with a non-profit motive and endeavors 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 \$889,499. Tax revenues for the District were \$11,601,758. Program revenues for the functions totaled \$832,930. 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	\$ 9,714,664	\$ 8,881,734
State-withheld administration fee	116,018	116,018
Tax increment financing payments	1,760,773	1,760,773
	\$ 11,591,455	\$ 10,758,525

Branson/Lakes Area Tourism Community Enhancement District

Management's Discussion and Analysis

December 31, 2022

Financial Analysis of the District's Funds

The fund balance of the District's General Fund as of December 31, 2022 was \$2,515,873. The General Fund increased by \$889,499.

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, increased state collection fees, reduced program revenues, increased interest income, decreased tourism promotion expenditures and unexpended District administrative expenses and reserves.
- The District budgeted for additional professional fees and unanticipated contingencies which did not materialize.
- Cashflows were continually monitored as the year progressed. Tourism promotion expense increases were budgeted as soon as tax and program revenue increases became probable or assured.

Capital Assets and Debt Administration

Capital Assets

The District had no capital assets as of December 31, 2022.

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 the last half of the year. 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 2022, the District paid no interest because there were no temporary gaps between revenue receipts and vendor payments. For this reason and the fact that spending was more closely calibrated to timing of revenue receipts, the budgeted interest expense of \$23,438, was not incurred. The District had neither short-term nor long-term debt outstanding at December 31, 2022.

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 state grant revenues through its contract with Explore Branson Tourism, which is under the umbrella of the Designated Marketing Organization for Taney County.

Branson/Lakes Area Tourism Community Enhancement District

Management's Discussion and Analysis

December 31, 2022

During 2022, the state made one interest payment to the District on its state accounts. The District also receives revenues from publications, website advertising, and co-operative programs.

Expenses

Tourism promotion expenses include both tourism marketing and District administrative expenses. Certain approved marketing expenses are reimbursed to the District's contractor, Explore Branson Tourism, pursuant to the tourism marketing contract between the two entities under which the latter administers specific District marketing functions. Due to certain City of Branson limitations, the District currently pays the entire cost of administering combined District and City tourism tax marketing funds. Reimbursed marketing expenses totaled \$7,485,205 or 77% of the District's total tourism promotion expenses. District administrative expenses totaled \$169,753 or 2.0% 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 of increased revenues was a major increase in year-end net position totaling \$889,499.

Tourism Marketing and Promotion

Branson continues to be a family-friendly destination offering great live music and variety shows, diverse shopping alternatives, a historic downtown area and outdoor recreation areas boasting beautiful scenery. The following paragraphs in this section are excerpts from the *2022 Marketing & Media Effectiveness Research* report and the *State of the Union & Outlook for 2023* report prepared for the Branson CVB.

Record Visitation

Thanks to increases in Sales Tax the Branson's weighted empirical visitation model estimates a small year-over-year increase again in 2022, topping the 10 million record set in 2021 and reaching 10.2 million in 2022.

Tax Revenues

Every empirical sales tax source measured across the region posted year-over-year increases in 2022 relative to both 2021 and 2019.

Increased Brand Awareness and Share of Voice

Familiarity with Branson as a travel destination reached 48% in 2022, up 4 points from 2021. And, likewise, Branson's share of voice (25%) also increased from 23% last year and it now ranks first among the competitive set.

Rebound of Outer Market

Branson's outer markets (301+ miles) declined by 1.9% in 2022 while the core markets (0-100 miles, +5.8%) increased. However, the core market still represents nearly 27% of all visits, which is up 11 points over pre-pandemic levels.

Visitor Mix

As first reported in 2021, the new gen pop methodology includes all Branson visitors and not just those patronizing select entertainment venues. As a result, by including all travelers the average age of Branson visitors remains at 45.0 years of age and more than 60% of visitor parties include children. Groups continue to represent a significant minority of visitors (6%) with 30% fueled by Professional Tour Groups, 24% from Churches and 18% from Conventions/Meetings/ Corporate.

Branson/Lakes Area Tourism Community Enhancement District

Management's Discussion and Analysis

December 31, 2022

Industry Comparisons

Nationwide, the U.S. Travel Association projects that leisure travel spending will increase 2.5% in 2022, fueled by a 6.2% increase in visitation. Interestingly, this indicates that spending per trip must have declined since person trips increased more than spending. In 2023 they are predicting the reverse, more spending growth, and less visitation increase.

Outlook for Leisure Travel

Looking forward, the U.S. Travel Association that leisure spending will increase 8.8% in 2023 while leisure travel person-trips will increase by 1.4%. That is, over the next 12 months it is expected that spending will largely outpace visitation thanks to a significant increase in inflation.

Branson Outlook

We have historically been pretty bad prognosticators of the future because Branson often zigs when the travel industry zags. However, given a looming recession and following 2 strong years of growth it is likely that Branson's growth will be moderate in 2023. Of course, it has not been unusual for Branson to have performed comparatively well during periods of past recessions.

Market Reach

Branson CVB's 2022 media campaign reached 41% of travelers nationwide, slightly higher than the 2019 campaign's 39%. This level of market awareness equated to 35.6M traveler households that were reached by Branson's marketing efforts — exceeding the previous two studies' reach.

Marketing Efficiency

The cost per aware travel household (\$0.13) was the second lowest ever recorded by Branson and lower than the 2019 campaign (\$0.15) and BCBV's historical average (\$0.16) indicating that the marketing investment was deployed very efficiently.

Marketing Effectiveness

Branson's 2022 media marketing campaign generated an incremental impact of \$475M in the Branson area, surpassing BCBV's historical average (\$379M). This resulted in a return on investment of \$105 for every \$1 invested in marketing, the highest ROI Branson has ever reported. The campaign also generated 441k incremental trips that would not have occurred without the CVB's efforts as well as 2.0M room nights across the Branson area during 2022.

Marketing Evaluation

Nearly three-quarters (70%) of travelers found Branson's ads appealing, and 75% felt it made Branson a more attractive place to visit. Likewise, 64% of travelers thought they were different from other travel advertising. These attributes of the marketing campaign aided in a 13-point increase in post-ad intent to visit Branson.

Branson/Lakes Area Tourism Community Enhancement District

Management's Discussion and Analysis

December 31, 2022

Next Year's Budget

Our Board set the 2023 District gross tax revenue budget at \$11,240,000, slightly less than actual tax revenues of \$11,601,758 for 2022. Revenue flows will be monitored and appropriate measures taken during 2023 as the year unfolds.

Contacting the District's Financial Management

For additional information or questions, please contact the following:

Kirk Elmquist
Executive Director
kelmquist@blatced.com

Kendra Hutsell
Financial Administrator
khutsell@blatced.com

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

Phone: (417) 239-0032

We also invite you to 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, 2022

	Governmental Activities
Assets	
Current	
Cash and cash equivalents - unrestricted	\$ 1,839,018
Accounts receivable	2,900
Sales tax receivable	1,040,005
Prepaid expenses	5,810
Total Assets	<u>2,887,733</u>
Liabilities	
Current	
Accounts payable	216,837
Accrued expenses	9,875
Branson tax increment financing liability	145,148
Total Liabilities	<u>371,860</u>
Net Position	
Unrestricted	2,515,873
Total Net Position	<u><u>\$ 2,515,873</u></u>

See accompanying Notes to the Financial Statements

Branson/Lakes Area Tourism Community Enhancement District

Statement of Activities

Year Ended December 31, 2022

	Program Revenues			Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Functions/Programs					
Governmental Activities					
Tourism promotion	\$ (9,714,664)	\$ 294,940	\$ 537,990	\$ -	\$ (8,881,734)
State-withheld administration fee	(116,018)	-	-	-	(116,018)
Tax increment financing payments	(1,760,773)	-	-	-	(1,760,773)
Total Governmental Activities	\$ (11,591,455)	\$ 294,940	\$ 537,990	\$ -	(10,758,525)
 General Revenues					
Sales taxes					11,601,758
Interest					33,113
Other income					13,153
Total General Revenues					11,648,024
 <i>Change in Net Position</i>					889,499
 Net Position, Beginning of year					1,626,374
Net Position, End of year					\$ 2,515,873

See accompanying Notes to the Financial Statements

Branson/Lakes Area Tourism Community Enhancement District

Balance Sheet – Governmental Fund

December 31, 2022

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 1,839,018
Accounts receivable	2,900
Sales tax receivable	1,040,005
Prepaid expenses	5,810
Total Assets	<u><u>\$ 2,887,733</u></u>
Liabilities and Fund Balances	
Liabilities	
Account payable	\$ 216,837
Accrued expenses	9,875
Branson tax increment financing liability	145,148
Total Liabilities	<u>371,860</u>
Fund Balance	
Nonspendable	
Prepaid items	5,810
Unassigned	2,510,063
Total Fund Balance	<u>2,515,873</u>
Total Liabilities and Fund Balance	<u><u>\$ 2,887,733</u></u>

See accompanying Notes to the Financial Statements

Branson/Lakes Area Tourism Community Enhancement District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund

Year Ended December 31, 2022

	General Fund
Revenues	
Sales taxes	\$ 11,601,758
Intergovernmental revenues	537,990
Website	185,950
Co-operative programs	51,531
Publications	57,459
Interest income	33,113
Other income	13,153
Total Revenues	<u>12,480,954</u>
Expenditures	
Current	
Tourism promotion	9,714,664
State-withheld administration fee	116,018
Tax increment financing payments	1,760,773
Total Expenditures	<u>11,591,455</u>
<i>Net Change in Fund Balance</i>	889,499
Fund Balance, January 1	1,626,374
Fund Balance, December 31	<u><u>\$ 2,515,873</u></u>

See accompanying Notes to the Financial Statements

Branson/Lakes Area Tourism Community Enhancement District

Notes to the Financial Statements

December 31, 2022

1. 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.

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.

Branson/Lakes Area Tourism Community Enhancement District

Notes to the Financial Statements

December 31, 2022

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.

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.

Branson/Lakes Area Tourism Community Enhancement District

Notes to the Financial Statements

December 31, 2022

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.

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.

Program Revenues

In the Statement of Activities, revenues that are derived from each activity are reported as program revenues. These include 1) charges for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues including taxes, are classified as general revenues, even if restricted for a specific purpose.

2. Cash & 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, 2022, all bank balances or deposits are entirely insured or collateralized.

3. Line of Credit

On April 19, 2022, the District extended its \$2.5 million line of credit agreement with Branson Bank, which carries interest at a fixed rate of 2.375%, and matures on April 19, 2023. The principal balance on December 31, 2022, was \$0. No line of credit was used during 2022 and therefore no interest was paid during the year ended December 31, 2022. The District may use the credit line to fund day-to-day operating expenses and to pay marketing costs.

Branson/Lakes Area Tourism Community Enhancement District

Notes to the Financial Statements

December 31, 2022

4. Tax Abatements

As of December 31, 2022, 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, enable 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, 2022, the District collected and distributed \$1,623,174 of TIF related economic activity taxes to the City of Branson, as well as \$137,599 to Stone County (for 2021). These payments are recorded on the District's financial statements.

5. Claims & 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, 2022, 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.

6. 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.

7. Commitments

In 2020, the District entered into a contract for tourism marketing services with Explore Branson Tourism, a separate marketing-only entity. The contract term is from April 1, 2020 through March 31, 2023, subject to annual renewal and budgetary appropriation. On March 31, 2023, the contract was extended to December 31, 2023 with a new contract being developed to begin January 1, 2024. The District will pay biweekly administrative fees totaling \$2,320,352 for the year ending December 31, 2023.

At December 31, 2022, the District was obligated to pay Stone County for the District's share of the Indian Point TIF economic development bond for the year 2022, the amount of which was not determinable at year end. On March 14, 2023, the District remitted \$363,764 to Stone County in full payment of this obligation.

Effective November 10, 2020, the District and the City of Branson entered into a five-year *ExploreBranson Domain Name License Agreement* under which the District uses certain City-owned domains and associated web pages for marketing purposes for a consideration of one dollar (\$1.00) per year. The District is required to renew multi-year contracts annually and was done for this contract on October 18, 2022.

Required Supplementary Information

Branson/Lakes Area Tourism Community Enhancement District

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Sales taxes	\$ 9,500,000	\$ 9,500,000	\$ 11,601,758	\$ 2,101,758
Intergovernmental revenue	350,000	490,000	537,990	47,990
Website	150,000	150,000	185,950	35,950
Co-operative programs	40,000	40,000	51,531	11,531
Publications	250,000	250,000	57,459	(192,541)
Interest income	4,200	4,200	33,113	28,913
Other income	-	-	13,153	13,153
Total Revenues	10,294,200	10,434,200	12,480,954	2,046,754
Expenditures				
Current				
Tourism Promotion				
Advertising	10,000	10,000	750	9,250
Consumer response	266,239	266,239	272,336	(6,097)
Contingency reserve	24,000	24,000	-	24,000
Dues and sponsorships - marketing	514,527	514,527	769,462	(254,935)
EBT administrative fees	1,980,000	2,059,706	2,059,706	-
Equipment	445	3,548	330	3,218
Guest and client services	-	-	4,841	(4,841)
Insurance - property and liability	3,780	3,780	3,851	(71)
Insurance - cyber liability	-	6,000	3,800	2,200
Licenses and fees	10	10	63	(53)
Media advertising	4,593,194	5,784,060	5,140,701	643,359
Office supplies and software	4,100	4,100	16,352	(12,252)
Payroll taxes and benefits	4,411	4,408	8,383	(3,975)
Postage and deliveries	120	120	-	120
Professional fees	32,800	47,800	26,517	21,283
Public relations	512,500	512,500	635,651	(123,151)
Rent - building	6,660	6,660	7,000	(340)
Research	130,000	130,000	164,082	(34,082)
Salaries and wages	52,434	102,434	97,129	5,305

See accompanying Notes to the Budgetary Comparison Schedule

Branson/Lakes Area Tourism Community Enhancement District

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Special marketing	156,590	156,590	112,369	44,221
Telephone and data services	3,600	3,600	4,122	(522)
Travel and trade shows	222,712	222,712	385,763	(163,051)
Websites	1,640	1,640	1,456	184
Total Tourism Promotion	8,519,762	9,864,434	9,714,664	149,770
State-withheld administration fee	95,000	95,000	116,018	(21,018)
Tax increment financing payments	1,756,000	1,670,000	1,760,773	(90,773)
Interest expense	23,438	23,438	-	23,438
Total Expenditures	10,394,200	11,652,872	11,591,455	61,417
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(100,000)	(1,218,672)	889,499	2,108,171
Fund Balance, January 1	1,626,374	1,626,374	1,626,374	-
Fund Balance, December 31	\$ 1,526,374	\$ 407,702	\$ 2,515,873	\$ 2,108,171

See accompanying Notes to the Budgetary Comparison Schedule

Branson/Lakes Area Tourism Community Enhancement District

Notes to the Budgetary Comparison Schedule

Year Ended December 31, 2022

Budgets and Budgetary Accounting

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

1. In August of each year, the FOC gives the CVB an initial estimate for the following year of budgeted funding. 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, 2022, 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 July 28, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, that we consider to be a material weakness.

Report on 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KPM CPAs, PC
Springfield, Missouri
July 28, 2023

Branson/Lakes Area Tourism Community Enhancement District

Schedule of Findings and Responses

Year Ended December 31, 2022

Material Weakness

2022-001 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.