

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

**BASIC FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## **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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Branson/Lakes Area Tourism Community Enhancement District as of December 31, 2013, 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 4, 2014, 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  
June 4, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2013**

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, 2013. Please read it in conjunction with the District's financial statements, which begin on page 13.

***Financial Highlights***

- The net position of the District's governmental activities increased by \$311,088 for the year as a result of current year activities.
- The assets of the District exceeded its liabilities as of December 31, 2013, by \$1,797,652 (net position). Of this amount \$1,797,652 was unrestricted and may be used to meet future obligations of the District.
- Total liabilities of the District increased by \$66,160 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. Reserves are usually budgeted for a succeeding year after the District's audited financial statements are finalized and available reserves thereby confirmed. 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's 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 the District's net position are one indicator of whether its financial health is improving or deteriorating. However, in the District's case, spending down cash assets to promote the Branson/Lakes area is much more indicative of its success in achieving its mandated marketing goals and mission.

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, 2013**

***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, 2013 and 2012:

	<u>Total December 31, 2013</u>	<u>Total December 31, 2012</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents - unrestricted	\$ 1,534,719	\$ 1,172,277
Accounts receivable	100,770	40,285
Sales tax receivable	735,275	697,188
Prepaid expenses	1,757	85,322
<b>Noncurrent</b>		
<b>Capital Assets:</b>		
Depreciable, net	-	201
<b>TOTAL ASSETS</b>	<u>2,372,521</u>	<u>1,995,273</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2013**

*Government-Wide Financial Analysis* (continued)

	Total December 31, 2013	Total December 31, 2012
	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
Current		
Accounts payable	520,048	407,461
Accrued expenses	1,050	883
Payroll tax liabilities	80	68
Tax increment financing liability	53,691	100,297
	<u>574,869</u>	<u>508,709</u>
<b>TOTAL LIABILITIES</b>	<u>574,869</u>	<u>508,709</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	201
Unrestricted	1,797,652	1,486,363
	<u>1,797,652</u>	<u>1,486,363</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,797,652</u>	<u>\$ 1,486,564</u>

Total net position of the District increased for the year by a total of \$311,088 due to current year activity from operations. Total liabilities for the District have increased by \$66,160.

**CHANGES IN NET POSITION**

	Total Year Ended December 31, 2013	Total Year Ended December 31, 2012
	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Program Revenues		
Charges for services	\$ 619,001	\$ 682,027
Operating grants and contributions	599,451	574,344
General Revenues		
Sales taxes	7,728,299	7,238,756
Interest	1,670	3,168
Miscellaneous revenue	18	25
	<u>8,948,439</u>	<u>8,498,320</u>
<b>TOTAL REVENUES</b>	<u>8,948,439</u>	<u>8,498,320</u>
<b>EXPENSES</b>		
Tourism promotion	7,400,101	8,342,098
State-withheld administration fee	77,283	72,388
Tax increment financing payments	1,126,163	1,097,774
Interest expense	33,804	8,718
	<u>8,637,351</u>	<u>9,520,978</u>
<b>TOTAL EXPENSES</b>	<u>8,637,351</u>	<u>9,520,978</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>\$ 311,088</u>	<u>\$ (1,022,658)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
December 31, 2013**

***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 \$311,088. Tax revenues for the District were \$7,728,299. Program revenues for the functions totaled \$1,218,452. 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	\$ 7,400,101	\$ 6,181,649
State-withheld administration fee	77,283	77,283
Tax increment financing payments	1,126,163	1,126,163
Interest expense	33,804	33,804
	\$ 8,637,351	\$ 7,418,899

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

The fund balance of the District's General Fund as of December 31, 2013, was \$1,797,652. The General Fund increased by \$311,289.

***General Fund Budgetary Highlights***

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

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

- The District updates its budgets during the course of each year to more accurately reflect changes in ongoing program opportunities and to reallocate expenses among program costs accordingly.
- The difference between the final budget and actual results were due primarily to increased sales taxes collected, unused District administrative expenses and reserves, and normal timing differences in marketing expenditures as explained below.
- The District budgeted for three national tradeshow trips for which flights were cancelled due to inclement weather. A planned "Branson Live in Chicago" television event was cancelled due to budget priority changes.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2013**

*Capital Assets and Debt Administration*

**Capital Assets**

Capital assets of the governmental activities were \$0 (net of accumulated depreciation) as of December 31, 2013. This represents a \$201 decrease from the prior year, which is due to depreciation expense of \$201.

**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 tax marketing 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 2013, shortfalls in City of Branson tourism marketing funds required the District to draw on its credit line earlier than usual, resulting in \$10,054 more interest expense than budgeted. The District had neither short-term nor long-term debt outstanding at December 31, 2013.

*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 through the Branson/Lakes Area Convention and Visitors Bureau (CVB), which is 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 2012 results, the District set a similar budget for 2013, taking into consideration the improving outlook for tourism travel and other economic factors. District 2013 tax revenue receipts reached an all-time high. Contributing factors were believed to include a new roller-coaster attraction and more aggressive state enforcement of all tax collections, among others.

Expenses

Tourism promotion expenses include both tourism marketing and District administrative expenses. Certain approved marketing expenses are reimbursed to the District's subcontractor, the CVB, pursuant to the current tourism marketing contract between the two entities under which the CVB conducts and administers specific District marketing functions. The District currently pays the cost of administering both the District's and part of the City of Branson's marketing funds derived from tourism taxes. Reimbursed marketing expenses totaled \$5,786,222 or 78.4% of the District's total tourism promotion expenses. District administrative expenses totaled \$68,396 or 0.9% of total tourism promotion expenses. Administrative expenses were used for internal District administration and operating costs, 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 \$311,088, which was added to reserves.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT**  
**December 31, 2013**

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

Tourism Marketing and Promotion

The District's 2013 total tax revenues exceeded 2012 revenues by 6.8%, with corresponding increases in State fees withheld and tax increment financing payments, but tourism promotion expenses less than budgeted.

Branson experienced a small rebound in 2013, increasing overall visitation by 2.2% over 2012 and outpacing the U.S. Travel Association's national leisure travel growth average of 1.4%. The normalization of travel patterns and the uptick of outer market visitors is a positive sign for Branson, since these people tend to stay longer and spend more money. However, despite these increases, first-time visitation slipped -1%, and length of stay remained flat. Core market (0-100 miles) visitation increased from 15.3% in 2012 to 15.9% in 2013. The core and primary markets are a focus for 2014, and we are making an effort to extend an invitation to these important drive markets to grow this audience. Branson has a clear need to continue evolving the visitor experience, reaching new audiences and leveraging brand advocates across all channels.

With more visitors coming from farther distances, it's not surprising that average party spending continues to climb. In 2013, we saw the highest party spending levels since measurements started in 2001, with \$978 spent per party, which equates to \$271 spent per person. Interestingly, even though visitors are traveling further, their length of stay continues to hover close to four nights. This is an indication that travelers remain cautious and are still looking for ways to cut back.

In 2013, Branson's ads reached 24.4 million traveler households at a cost of only \$0.22 each, considered excellent compared to industry norms. The return on investment for our marketing efforts was strong, but lower than last year. This year's \$75 ROI is slightly lower than the \$79 ROI seen in 2012, but it's also more representative of the entire campaign and still shows a very strong performance.

In the 2013 Ad Effectiveness Study, travelers responded to a direct question about the motivations that inspired their decision to visit Branson. Their responses provided insight into what gets them off the sofa; namely, entertainment/diversity, connections with others and the need for relaxation/rejuvenation.

Branson continued to be viewed by targeted consumer markets as a low-cost, centralized vacation destination. Total web inquiries decreased in 2013, mostly due to the need for additional content, a more responsive design and other structural changes on the *ExploreBranson.com* website. These needs will be addressed in 2014. The positive news is that we saw a significant increase (+29.3%) in the amount of people reached via the website and social media channels combined.

In 2013, Branson ranked 5<sup>th</sup> nationwide for top-of-mind, unaided destination awareness, dropping from 3<sup>rd</sup> place in 2012. P.R. Ad Equivalency decreased to \$15.8M, down from \$20.5M in 2012, following a tremendous amount of media inquiries after the Leap Day tornado and the death of Andy Williams that year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
December 31, 2013**

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

Combined with layered, multi-media marketing and public relations campaigns in selected primary and outer markets, these tactics aim to encourage both new and return visitation. Additional marketing efforts for 2014 will include group and individual Branson familiarization tours, participation in regional and national trade shows and events, as well as development of an increased presence in the growing youth sports market.

Next Year's Budget

The timing of national economic improvements still continues to be uncertain, although experts do project GDP improvement in 2014, continuing into 2015. Considering the historically high revenues realized in 2013, the District has conservatively budgeted 2014 tax revenues less than 2013 actual results, for a net revenue decrease of 2.3%, after factoring in the effect of a 6.9% tax increment financing expense increase. Most of the excess net revenues realized in 2013, less reserves, will be applied to the District's 2014 budget.

District Marketing Tax Renewal

The marketing tax enacted by vote in November 2005 has provided highly improved tourism promotion benefits critical to Branson's success in drawing visitors not just to theaters and the downtown area, but also to our outlying attractions and Table Rock Lake. Advance planning to achieve improved visitation and related spending is critical to this effort.

The District marketing tax was slated to expire in November 2015. However, District voters recognized its importance to the continuing health of the Branson/Lakes area by overwhelmingly approving renewal of the tax at the municipal election held on April 8, 2014, with a vote of 77% in favor and only 23% opposed.

*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: [info@blatced.com](mailto:info@blatced.com)

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

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 STATEMENT OF NET POSITION  
 December 31, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current	
Cash and cash equivalents - unrestricted	\$ 1,534,719
Accounts receivable	100,770
Sales tax receivable	735,275
Prepaid expenses	<u>1,757</u>
TOTAL ASSETS	<u>2,372,521</u>
<b>LIABILITIES</b>	
Current	
Accounts payable	520,048
Accrued expenses	1,050
Payroll tax liabilities	80
Branson tax increment financing liability	<u>53,691</u>
TOTAL LIABILITIES	574,869
<b>NET POSITION</b>	
Unrestricted	<u>1,797,652</u>
TOTAL NET POSITION	<u><u>\$ 1,797,652</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 STATEMENT OF ACTIVITIES  
 Year Ended December 31, 2013

	<u>Disbursements</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Position</u>
<u>Functions/Programs</u>					<u>Governmental Activities</u>
Governmental Activities					
Tourism promotion	\$ (7,400,101)	\$ 619,001	\$ 599,451	\$ -	\$ (6,181,649)
State-withheld administration fee	(77,283)	-	-	-	(77,283)
Tax increment financing payments	(1,126,163)	-	-	-	(1,126,163)
Interest expense	(33,804)	-	-	-	(33,804)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (8,637,351)</b>	<b>\$ 619,001</b>	<b>\$ 599,451</b>	<b>\$ -</b>	<b>(7,418,899)</b>
General Revenues:					
					7,728,299
					1,670
					18
				Total General Revenues	<u>7,729,987</u>
				Changes in Net Position	311,088
				Net Position, Beginning of year	<u>1,486,564</u>
				Net Position, End of year	<u>\$ 1,797,652</u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 BALANCE SHEET – GOVERNMENTAL FUND  
 December 31, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,534,719
Accounts receivable	100,770
Sales tax receivable	735,275
Prepaid expenses	<u>1,757</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,372,521</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
Account payable	\$ 520,048
Accrued expenses	1,050
Payroll tax liabilities	80
Branson tax increment financing liability	<u>53,691</u>
<b>TOTAL LIABILITIES</b>	<b>574,869</b>
<b>Fund Balance</b>	
Nonspendable:	
Prepaid items	1,757
Committed for:	
Marketing and tourism	1,000,000
Unassigned	<u>795,895</u>
<b>TOTAL FUND BALANCE</b>	<b><u>1,797,652</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>2,372,521</u></b>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF  
 NET POSITION  
 December 31, 2013

Fund balance - total governmental fund	\$ 1,797,652
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:	
Governmental capital assets	1,196
Less accumulated depreciation	<u>(1,196)</u>
	<u>-</u>
Net position of governmental activities	<u><u>\$ 1,797,652</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
 GOVERNMENTAL FUND  
 Year Ended December 31, 2013

	<u>General Fund</u>
REVENUES	
Sales tax	\$ 7,728,299
Intergovernmental revenues	599,451
Web site	102,774
Publications	513,577
Fulfillment	2,650
Interest income	1,670
Miscellaneous	<u>18</u>
TOTAL REVENUES	8,948,439
EXPENDITURES	
Current	
Tourism promotion	7,399,900
State-withheld administration fee	77,283
Tax increment financing payments	1,126,163
Interest expense	<u>33,804</u>
TOTAL EXPENDITURES	<u>8,637,150</u>
EXCESS OF REVENUES OVER EXPENDITURES	311,289
FUND BALANCE, January 1, 2013	<u>1,486,363</u>
FUND BALANCE, December 31, 2013	<u><u>\$ 1,797,652</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 Year Ended December 31, 2013

Net change in fund balance - total governmental fund \$ 311,289

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

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

Depreciation		<u>(201)</u>
	Change in net position of governmental activities	<u>\$ 311,088</u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Basis of Presentation

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

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*FUND FINANCIAL STATEMENTS*

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

The District reports the following major governmental fund:

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

Capital Assets

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

The service lives by type of asset are as follows:

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

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

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of reserves and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

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

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

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

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

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

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

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

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

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

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

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

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

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

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

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2013

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, 2013, all bank balances or deposits are entirely insured or collateralized.

NOTE C – LINE OF CREDIT

On March 24, 2013, the District entered into an agreement for a line of credit of \$2,100,000 with Ozark Mountain Bank that carries interest at a fixed rate of 4.75%, and matures on March 24, 2014. The principal balance on December 31, 2013, was \$0. Interest paid during the year ended December 31, 2013, was \$33,804. The District uses the line of credit to fund day-to-day operating expenses and, when necessary, to pay marketing costs.

The following is a summary of changes in short-term debt for the year ended December 31, 2013:

Balance, 12/31/2012	\$ -
Additions	1,673,000
Deletions	<u>(1,673,000)</u>
Balance 12/31/2013	<u><u>\$ -</u></u>

NOTE D – TAX INCREMENT FINANCING

The District encompasses various land areas that have been developed using tax increment financing (TIF). Because of this, the District must remit a portion of the sales taxes collected from the increased economic activity taxes from those developments. During the year ended December 31, 2013, the District collected and distributed \$1,124,691 of TIF related economic activity taxes to the City of Branson, as well as \$1,472 to Stone County (for 2012).

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2013

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
<b>GOVERNMENTAL ACTIVITIES</b>				
Depreciable Capital Assets				
Office Equipment	\$ 1,196	\$ -	\$ -	\$ 1,196
Total Depreciable Capital Assets	1,196	<u>\$ -</u>	<u>\$ -</u>	1,196
Less Accumulated Depreciation				
Office Equipment	995	\$ 201	\$ -	1,196
Total Accumulated Depreciation	995	<u>\$ 201</u>	<u>\$ -</u>	1,196
Total Depreciable Capital Assets, net	<u>201</u>			<u>-</u>
Total Governmental Activities Capital Assets, net	<u>\$ 201</u>			<u>\$ -</u>

NOTE F – CLAIMS AND ADJUSTMENTS

The District participates indirectly in a number of state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of December 31, 2013, expenditures have not been audited by grantor governments, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

NOTE G – RISK MANAGEMENT

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

NOTE H – COMMITMENTS

- 1) On October 1, 2009, the District entered into a contract for tourism marketing services with the Branson/Lakes Area Convention and Visitors Bureau (the CVB). The contract term is from October 1, 2009, to December 31, 2014, subject to annual renewal and budgetary appropriation. The contract includes administrative fees in the amount of \$1,523,026 to be paid to the CVB in equal bi-weekly installments of \$58,578 from the contract renewal date of January 1, 2014, to December 31, 2014.
- 2) At December 31, 2013, the District was obligated to pay Stone County for the District's share of the Indian Point TIF economic development bond for the year 2013, the amount of which had yet to be determined at year-end. On February 3, 2014, the District remitted \$92,820 to Stone County in full payment of this obligation.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Sales taxes	\$ 7,400,000	\$ 7,400,000	\$ 7,728,299	\$ 328,299
Intergovernmental revenue	601,045	599,452	599,451	(1)
Web site	133,000	99,500	102,774	3,274
Publications	464,000	510,972	513,577	2,605
Fulfillment	27,000	1,430	2,650	1,220
Interest income	3,000	3,000	1,670	(1,330)
Miscellaneous	-	-	18	18
<b>TOTAL REVENUES</b>	<b>8,628,045</b>	<b>8,614,354</b>	<b>8,948,439</b>	<b>334,085</b>
<b>EXPENDITURES</b>				
Current				
Tourism Promotion				
Accounting	6,200	6,200	6,200	-
Classified advertising	500	500	638	(138)
Contingency reserve	90,000	100,000	22,455	77,545
CVB administrative fees	1,523,026	1,523,026	1,523,026	-
Equipment	800	800	-	800
Fulfillment	65,008	44,230	21,308	22,922
Dues and sponsorships - marketing	184,053	167,302	154,762	12,540
Insurance - property and liability	3,200	3,200	3,114	86
Legal	6,100	6,100	4,156	1,944
Licenses and fees	40	40	9	31
Media advertising	3,698,997	3,864,081	3,770,558	93,523
Office supplies and software	2,600	2,600	2,135	465
Payroll taxes and benefits	3,800	3,800	3,370	430
Postage and deliveries	480	480	80	400
Public relations	468,157	467,576	459,068	8,508
Publication expense	457,300	459,604	420,367	39,237
Publications - collateral expense	47,185	28,987	22,094	6,893
Rent - building	6,660	6,660	6,660	-
Research	140,000	180,000	164,120	15,880
Salaries and wages	40,000	40,000	39,179	821
Special marketing	93,500	69,000	37,431	31,569
Technical references	560	560	420	140
Telephone and data services	2,220	2,220	1,826	394
Telereponse operations	101,729	94,017	89,460	4,557
Trade media advertising	309,945	323,830	315,300	8,530
Travel and trade shows	311,935	341,430	326,070	15,360
Websites	4,800	6,400	6,094	306
<b>Total Tourism Promotion</b>	<b>7,568,795</b>	<b>7,742,643</b>	<b>7,399,900</b>	<b>342,743</b>
State-withheld administration fee	74,000	74,000	77,283	(3,283)
Tax increment financing payments	1,155,000	1,115,000	1,126,163	(11,163)
Interest expense	23,750	23,750	33,804	(10,054)
<b>TOTAL EXPENDITURES</b>	<b>8,821,545</b>	<b>8,955,393</b>	<b>8,637,150</b>	<b>318,243</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(193,500)</b>	<b>(341,039)</b>	<b>311,289</b>	<b>652,328</b>
FUND BALANCE, January 1, 2013	1,486,363	1,486,363	1,486,363	-
FUND BALANCE, December 31, 2013	\$ 1,292,863	\$ 1,145,324	\$ 1,797,652	\$ 652,328

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
NOTE TO BUDGETARY COMPARISON SCHEDULE  
Year Ended December 31, 2013

Budgets and Budgetary Accounting

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

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



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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**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, 2013, 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 4, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Branson/Lakes Area Tourism Community Enhancement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Branson/Lakes Area Tourism Community Enhancement District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 13-1.

### **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  
June 4, 2014

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2013

13-1 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.