

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

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Branson/Lakes Area Tourism Community Enhancement District as of and for the year ended December 31, 2014, 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.

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, 2014, 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 23, 2015, on our consideration of the Branson/Lakes Area Tourism Community Enhancement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Branson/Lakes Area Tourism Community Enhancement District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2014

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, 2014. Please read it in conjunction with the District's financial statements, which begin on page 14.

Financial Highlights

- The net position of the District's governmental activities increased by \$335,167 for the year as a result of current year activities.
- The assets of the District exceeded its liabilities as of December 31, 2014, by \$2,132,819 (net position). Of this amount \$2,132,819 was unrestricted and may be used to meet future obligations of the District.
- Total liabilities of the District increased by \$41,456 primarily as a result of vendor invoice timing differences.

Using This Annual Report

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

Government-Wide Financial Statements

The District's mission and goals differ from most businesses in that while most businesses are judged by their balance sheet and asset strength improvement, conversely, the District is charged with wisely spending all the marketing tax revenue it receives. Prior year uncommitted reserves were planned to be – and were – budgeted to advance this goal in 2014. 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 revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in it. The District's net position – the difference between assets and liabilities – is one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position are one indicator of whether an entity's financial health is improving or deteriorating. However, in the District's case, spending down cash assets to promote the Branson/Lakes area is more indicative of its success in achieving its mandated marketing goals than are improvements in net position.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2014**

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, 2014 and 2013:

	<u>Total December 31, 2014</u>	<u>Total December 31, 2013</u>
ASSETS		
Current		
Cash and cash equivalents - unrestricted	\$ 1,841,123	\$ 1,534,719
Accounts receivable	47,918	100,770
Sales tax receivable	858,263	735,275
Prepaid expenses	<u>1,840</u>	<u>1,757</u>
TOTAL ASSETS	2,749,144	2,372,521

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2014

Government-Wide Financial Analysis (continued)

	Total December 31, 2014	Total December 31, 2013
	<u> </u>	<u> </u>
LIABILITIES		
Current		
Accounts payable	499,676	520,048
Accrued expenses	1,231	1,050
Payroll tax liabilities	94	80
Tax increment financing liability	115,324	53,691
	<u>616,325</u>	<u>574,869</u>
	TOTAL LIABILITIES	574,869
NET POSITION		
Unrestricted	2,132,819	1,797,652
	<u>2,132,819</u>	<u>1,797,652</u>
	TOTAL NET POSITION	\$ 1,797,652

Total net position of the District increased for the year by a total of \$335,167 due to current year activity from operations. Total liabilities for the District have increased by \$41,456.

CHANGES IN NET POSITION

	Total Year Ended December 31, 2014	Total Year Ended December 31, 2013
	<u> </u>	<u> </u>
REVENUES		
Program Revenues		
Charges for services	\$ 536,187	\$ 619,001
Operating grants and contributions	579,660	599,451
General Revenues		
Sales taxes	7,906,867	7,728,299
Interest	1,839	1,670
Miscellaneous revenue	11	18
	<u>9,024,564</u>	<u>8,948,439</u>
	TOTAL REVENUES	8,948,439
EXPENSES		
Tourism promotion	7,354,495	7,400,101
State-withheld administration fee	79,069	77,283
Tax increment financing payments	1,234,949	1,126,163
Interest expense	20,884	33,804
	<u>8,689,397</u>	<u>8,637,351</u>
	TOTAL EXPENSES	8,637,351
	<u>\$ 335,167</u>	<u>\$ 311,088</u>
	INCREASE IN NET POSITION	\$ 311,088

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2014**

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 \$335,167. Tax revenues for the District were \$7,906,867. Program revenues for the functions totaled \$1,115,847. 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	\$ 7,354,495	\$ 6,238,648
State-withheld administration fee	79,069	79,069
Tax increment financing payments	1,234,949	1,234,949
Interest expense	20,884	20,884
	\$ 8,689,397	\$ 7,573,550

Financial Analysis of the District's Funds

The fund balance of the District's General Fund as of December 31, 2014, was \$2,132,819. The General Fund increased by \$335,167.

General Fund Budgetary Highlights

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2014**

General Fund Budgetary Highlights (continued)

- Tourism promotion expenditure reductions resulted from: (a) cancellation of a major sub-vendor contract due to poor performance; and (b) receipt of media advertising credits too late in the year to be effectively used in 2014. The resulting unused marketing budget will be carried over and applied to the 2015 District budget.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$0 (net of accumulated depreciation) as of December 31, 2014. There was no change from the prior year, as all capital assets are now fully depreciated.

Debt

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

During 2014, changes in marketing expense cash requirement timing and availability of timely City tourism tax marketing funds resulted in \$20,679 less interest expense than budgeted, since the District's credit line was not outstanding as long as anticipated. The District had neither short-term nor long-term debt outstanding at December 31, 2014.

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 2013 results and available reserves, the District set a more optimistic budget for 2014, taking into consideration the improving outlook for tourism travel and other economic factors. District 2014 tax revenue receipts unexpectedly exceeded even the all-time high set in 2013. Pent-up consumer demand, new shows and attractions, and continuing aggressive state enforcement of tax collections were all contributing factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2014

Economic Factors and Next Year's Budget (continued)

Expenses

Tourism promotion expenses include both tourism marketing and District administrative expenses. Certain approved marketing expenses are reimbursed to the District's subcontractor, the CVB, pursuant to the tourism marketing contract between the two entities under which the CVB conducts and administers specific District marketing functions. The District currently pays the cost of administering both the District's and part of the City's tourism tax marketing funds. Reimbursed marketing expenses totaled \$5,744,902 or 78.1% of the District's total tourism promotion expenses. District administrative expenses totaled \$86,568 or 1.1% of total tourism promotion expenses.

Administrative expenses were used for internal District administration, including tourism tax renewal ballot costs and fees, as well as office operations, primarily salaries, overhead expenses and professional fees. Together with timing differences in anticipated versus actual tourism marketing expenditures, the overall effect was an increase in year-end net position totaling \$335,167, which was added to reserves.

Tourism Marketing and Promotion

The District's 2014 total tax revenues exceeded 2013 revenues by 2.3%, with corresponding increases in state fees withheld and tax increment financing payments. Tourism promotion expenses were less than budgeted, as previously discussed.

In 2014, Branson enjoyed the largest annual increase the destination has experienced in the past seven years, as every key performance indicator posted an increase. According to Smith Travel Research, hotel/motel room demand in the area was up by 10% and occupancy reached its highest level (45%) since 2007. City sales tax revenues increased 4.2%, City tourism tax revenues were up 6.5%, and Taney County tax revenues were up 5.0%. Altogether, it is estimated that Branson posted a 7.4% increase in visitation in 2014, with the strongest growth occurring in the summer months (June-August) up 9.7%, followed by the winter months (January-March) up 8.5% and the holiday months (November-December) up 7.4%.

This level of performance is significantly better than U.S. leisure travel overall, which increased by 2.3%, and it is also stronger than Smith Travel Research's 4.5% increase in national average room demand growth. Likewise, Branson's 10% increase in room demand also topped the average performance increase of 6.0% for destinations in Branson's competitive set. By comparison, Branson's 10% increase outperformed the increases of Pigeon Forge/Gatlinburg (up 2.0%), Myrtle Beach (up 4.2%), Wisconsin Dells (up 1.1%) and even Orlando's 5.9% and Las Vegas' 7.7% increases.

This year's increase was driven by visitors from beyond 100 miles. Total visitation beyond 100 miles was up by 545,000 visits or 8.6%. This includes increases from the primary market (101-300 miles), which was up 16.3%, the secondary market (301-650 miles), which increased 5.2% and intercept markets (651+ miles), which were up 5.3%. Despite these outer marketing gains, however, the number of visitors arriving by air decreased from 7.4% in 2013 to 5.1% in 2014. Likewise, the ratio of visitors arriving from the Springfield-Branson National Airport increased from 27% to 55% of the total, as Branson's Airport (BKG) dropped from 59% of the total to 19% of all air passengers.

MANAGEMENT'S DISCUSSION AND ANALYSIS
BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
December 31, 2014

Economic Factors and Next Year's Budget (continued)

Visitors from further distances also helped increase length of stay from 3.9 to 4.3 nights (people who travel further tend to stay longer) and decrease party size from 3.7 to 3.3 people, both of which would be expected. Interestingly, however, spending per party dipped from \$982 to \$916 as travelers continue to search for the best deals they can find.

Group travel also rebounded in 2014, increasing by nearly 14% as incidence increased 0.6 percentage points, growing from 4.7% of the total to 5.3% of all visits. A special group travel planner study commissioned by the CVB in 2015 found that travel planners say the most desirable attributes of the destinations they visit include:

- Variety of things to see and do;
- Hotels with good reputations;
- Reasonable food and lodging costs; and
- Reputation/image of the location.

The most popular marketing resources used by group travel planners include destination websites, trade publications and industry-related websites. However, they indicated the most influential sources impacting booking decisions are sponsored familiarization trips, destination websites and trade shows.

Despite increased visitation from outer markets, intent to visit increased to its highest point in 5 years, with the ratio of travelers saying they will "definitely return" reaching 66% this year. Similarly, Branson's Net Promoter Score averaged 59%, as 68% of responders indicated they were Brand Promoters of Branson compared to only 9% who indicated they were Brand Detractors.

The Branson CVB's marketing efforts succeeded very well in 2014. Overall ad awareness reached 44%, driven in large part by online banner ads, print ads, public relations and television/video ads. Branson's cost-per-aware-household decreased to \$0.15, considered very efficient by industry standards, and down from last year's \$0.22. CVB marketing efforts generated an overall return on investment of \$86 and the television/video-specific return reached \$88, tying the record achieved in 2011. This was driven by incremental travel generated in every market tier, along with strong creative communication and call-to-action ratings.

The PR Ad Equivalency of \$14.4 million (38-to-1 return) in 2014 was down from the \$15.8 million (43-to-1 return) in 2013.

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, 2014

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 2015 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 and student youth travel markets.

Next Year's Budget

National economic improvements continued in 2014 and the experts project continuing GDP improvement in 2015. The District has budgeted 2015 tax revenues at \$7,900,000, effectively equivalent to 2014 actual results. A majority of excess net revenues realized in 2013 and 2014, less contingency reserves, will be applied to the District's 2015 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 this tax at the 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: jbenson@blatced.com

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

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT

STATEMENT OF NET POSITION

December 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash and cash equivalents - unrestricted	\$ 1,841,123
Accounts receivable	47,918
Sales tax receivable	858,263
Prepaid expenses	<u>1,840</u>
TOTAL ASSETS	2,749,144
LIABILITIES	
Current	
Accounts payable	499,676
Accrued expenses	1,231
Payroll tax liabilities	94
Branson tax increment financing liability	<u>115,324</u>
TOTAL LIABILITIES	616,325
NET POSITION	
Unrestricted	<u>2,132,819</u>
TOTAL NET POSITION	<u><u>\$ 2,132,819</u></u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 STATEMENT OF ACTIVITIES
 Year Ended December 31, 2014

Functions/Programs	Disbursements	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Tourism promotion	\$ (7,354,495)	\$ 536,187	\$ 579,660	\$ -	\$ (6,238,648)
State-withheld administration fee	(79,069)	-	-	-	(79,069)
Tax increment financing payments	(1,234,949)	-	-	-	(1,234,949)
Interest expense	(20,884)	-	-	-	(20,884)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (8,689,397)	\$ 536,187	\$ 579,660	\$ -	(7,573,550)
General Revenues:					
					7,906,867
					1,839
					11
				Total General Revenues	7,908,717
				Changes in Net Position	335,167
				Net Position, Beginning of year	1,797,652
				Net Position, End of year	\$ 2,132,819

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUND
December 31, 2014

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,841,123
Accounts receivable	47,918
Sales tax receivable	858,263
Prepaid expenses	<u>1,840</u>
TOTAL ASSETS	<u>\$ 2,749,144</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Account payable	\$ 499,676
Accrued expenses	1,231
Payroll tax liabilities	94
Branson tax increment financing liability	<u>115,324</u>
TOTAL LIABILITIES	616,325
Fund Balance	
Nonspendable:	
Prepaid items	1,840
Committed for:	
Marketing and tourism	1,000,000
Unassigned	<u>1,130,979</u>
TOTAL FUND BALANCE	<u>2,132,819</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,749,144</u>

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF
NET POSITION
December 31, 2014

Fund balance - total governmental fund	\$ 2,132,819
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>\$ 2,132,819</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, 2014

	<u>General Fund</u>
REVENUES	
Sales tax	\$ 7,906,867
Intergovernmental revenues	579,660
Web site	66,352
Publications	465,695
Fulfillment	4,140
Interest income	1,839
Miscellaneous	<u>11</u>
TOTAL REVENUES	9,024,564
EXPENDITURES	
Current	
Tourism promotion	7,354,495
State-withheld administration fee	79,069
Tax increment financing payments	1,234,949
Interest expense	<u>20,884</u>
TOTAL EXPENDITURES	<u>8,689,397</u>
EXCESS OF REVENUES OVER EXPENDITURES	335,167
FUND BALANCE, January 1, 2014	<u>1,797,652</u>
FUND BALANCE, December 31, 2014	<u><u>\$ 2,132,819</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, 2014

Net change in fund balance - total governmental fund \$ 335,167

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

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

Depreciation		-
	Change in net position of governmental activities	\$ 335,167

See accompanying notes.

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014, all bank balances or deposits are entirely insured or collateralized.

NOTE C – LINE OF CREDIT

On March 24, 2014, 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, 2015. The principal balance on December 31, 2014, was \$0. Interest paid during the year ended December 31, 2014, was \$20,884. 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, 2014:

Balance, 12/31/2013	\$ -
Additions	1,287,000
Deletions	<u>(1,287,000)</u>
Balance 12/31/2014	<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, 2014, the District collected and distributed \$1,142,129 of TIF related economic activity taxes to the City of Branson, as well as \$92,820 to Stone County (for 2013).

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
GOVERNMENTAL ACTIVITIES				
Depreciable Capital Assets				
Office Equipment	\$ 1,196	\$ -	\$ -	\$ 1,196
Total Depreciable Capital Assets	1,196	<u>\$ -</u>	<u>\$ -</u>	1,196
Less Accumulated Depreciation				
Office Equipment	1,196	\$ -	\$ -	1,196
Total Accumulated Depreciation	1,196	<u>\$ -</u>	<u>\$ -</u>	1,196
Total Depreciable Capital Assets, net	<u>-</u>			<u>-</u>
Total Governmental Activities Capital Assets, net	<u>\$ -</u>			<u>\$ -</u>

NOTE F – CLAIMS AND ADJUSTMENTS

The District participates indirectly in a number of state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of December 31, 2014, 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, 2014

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

At December 31, 2014, the District was obligated to pay Stone County for the District's share of the Indian Point TIF economic development bond for the year 2014, the amount of which had yet to be determined at year-end. On March 9, 2015, the District remitted \$59,933 to Stone County in full payment of this obligation.

NOTE I – SUBSEQUENT EVENTS

On January 1, 2015, 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 January 1, 2015, to December 31, 2019, subject to annual renewal and budgetary appropriation. The contract included administrative fees calculated annually at 20% of certain prior year District revenues. The total 2015 fee is \$1,804,543, payable in equal bi-weekly installments of \$69,406 from the contract date of January 1, 2015, to December 31, 2015.

On March 26, 2015, the District Board approved a non-binding Letter of Commitment in the amount of \$500,000 for the purpose of attracting a major carrier to the Branson Regional Airport by offsetting the risk of improving and expanding long-term local air service. The commitment is good until June 25, 2016. Based on historical results, the estimated annual economic impact of this airport enhancement is \$91 million.

Once an agreement between the airport and the airline has been finalized, the District will enter into an intergovernmental agreement with the Branson Regional Airport Transportation Development District to administer use of the proposed risk-mitigation funds. This intergovernmental agreement will, of course, be subject to legal review before approval. Airport bondholders will have no call on these funds.

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales taxes	\$ 7,550,000	\$ 7,550,000	\$ 7,906,867	\$ 356,867
Intergovernmental revenue	579,000	579,000	579,660	660
Web site	95,000	71,000	66,352	(4,648)
Publications	504,320	480,000	465,695	(14,305)
Fulfillment	3,450	3,450	4,140	690
Interest income	1,500	1,500	1,839	339
Miscellaneous	-	-	11	11
TOTAL REVENUES	8,733,270	8,684,950	9,024,564	339,614
EXPENDITURES				
Current				
Tourism Promotion				
Accounting	14,000	14,000	14,000	-
Classified advertising	10,000	4,500	3,584	916
Contingency reserve	52,800	31,000	-	31,000
CVB administrative fees	1,523,026	1,523,026	1,523,026	-
Equipment	-	904	874	30
Election costs	30,000	5,000	3,776	1,224
Fulfillment	44,800	30,601	23,592	7,009
Dues and sponsorships - marketing	190,095	263,898	285,851	(21,953)
Insurance - property and liability	3,000	3,000	2,934	66
Legal	7,000	7,000	6,081	919
Licenses and fees	40	40	5	35
Media advertising	3,687,975	4,148,493	3,798,360	350,133
Meeting space	10,000	10,000	-	10,000
Office supplies and software	2,255	2,800	2,224	576
Payroll taxes and benefits	3,750	3,472	3,433	39
Postage and deliveries	205	204	103	101
Public relations	421,000	466,845	426,781	40,064
Publication expense	472,420	443,397	368,652	74,745
Publications - collateral expense	47,900	44,233	37,414	6,819
Rent - building	6,660	6,660	6,660	-
Research	310,000	310,000	194,115	115,885
Salaries and wages	40,000	40,200	40,192	8
Special event support	12,000	12,000	9,539	2,461
Special marketing	75,000	75,000	42,967	32,033
Technical references	480	560	525	35
Telephone and data services	2,160	2,160	1,857	303
Telereponse operations	90,214	90,914	75,814	15,100
Trade media advertising	247,000	283,914	269,566	14,348
Travel and trade shows	246,800	216,724	204,833	11,891
Websites	7,450	6,700	7,737	(1,037)
Total Tourism Promotion	7,558,030	8,047,245	7,354,495	692,750
State-withheld administration fee	75,500	75,500	79,069	(3,569)
Tax increment financing payments	1,203,700	1,225,500	1,234,949	(9,449)
Interest expense	41,563	41,563	20,884	20,679
TOTAL EXPENDITURES	8,878,793	9,389,808	8,689,397	700,411
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(145,523)	(704,858)	335,167	1,040,025
FUND BALANCE, January 1, 2014	1,797,652	1,797,652	1,797,652	-
FUND BALANCE, December 31, 2014	\$ 1,652,129	\$ 1,092,794	\$ 2,132,819	\$ 1,040,025

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2014

Budgets and Budgetary Accounting

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Branson/Lakes Area Tourism Community Enhancement District as of and for the year ended December 31, 2014, 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 23, 2015.

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.

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 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Branson/Lakes Area Tourism Community Enhancement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Branson/Lakes Area Tourism Community Enhancement District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Branson/Lakes Area Tourism Community Enhancement District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 23, 2015

BRANSON/LAKES AREA TOURISM COMMUNITY ENHANCEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2014

2014-001 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.