

CITY OF BRANSON, MISSOURI

**REQUIRED COMMUNICATIONS AND
MANAGEMENT LETTER**

For the Year Ended December 31, 2021

City of Branson, Missouri
Required Communications and Management Letter
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To the Honorable Mayor and Board of Aldermen
City of Branson, Missouri

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the City of Branson, Missouri (the City) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 18, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant accounting estimates used by the City's management include estimated historical cost and related accumulated depreciation of infrastructure assets, the allowance for uncollectible accounts receivable and the estimated obligation relating to pension and other post-employment benefits. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material reclassification misstatements were detected as a result of our audit procedures and were corrected by management.

- Adjustments to reclassify the \$1,225,212 reimbursement payment from Highway 76 Entertainment Community Improvement District related to the underground utilities project in the Tourism, Capital Projects and Highway 76 CID Funds. The reclassification adjustments did not affect the change in fund balance or fund balances reported in the respective funds.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 29, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the City's management's discussion and analysis and other required supplementary information (RSI) as listed in the table of contents which are required to supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of our annual audit, we try to identify opportunities for improving the management of financial resources and for improving the internal controls over financial reporting. We are submitting, for your consideration, our observations, and recommendations with regard to these matters.

CURRENT YEAR COMMENTS

Budgeting

We noted that actual expenditures and transfers out exceeded budgeted appropriation in the Tourism Fund by \$102,830, Convention Center Fund by \$10,157, Branson Aquarium TIF Fund \$16,028, and the Debt Service Fund by \$23,023,152.

With respect to the Debt Service Fund, the Board of Aldermen approved a lease purchase agreement with the net proceeds used to current refund the \$22,865,000 outstanding balance and accrued interest of the City's Special Limited Obligation Bonds (Missouri Development Finance Board Infrastructure Facilities Revenue Bonds) Series 2011A, however the City did not formally amend the budget for the proceeds and related costs associated with the lease purchase agreement and related current refunding.

We recommend that management review its processes and procedures for monitoring and amending the budget.

Management's Response

City management is currently reviewing processes and procedures for monitoring and amending the budget. City management will implement a procedure to include a formal budget amendment when the City issues debt obligations or enters into contractual agreements where the impact was not known or contemplated at the time the original budget was prepared.

Key Personnel

The City is exposed to certain management risks including among others, the possible loss of continuity and disruption in City operations with the loss of key personnel either through retirement or some unanticipated circumstance. We recommend that City management evaluate and identify the exposure to such risks and develop plans to mitigate such risks. Such plans might include: developing an emergency management plan; perform succession planning for key members of management; documenting specific workflow responsibilities and requirements, and increased cross-training of City personnel.

Management's Response

The City currently has most every department leadership position covered with the backup of an assistant director level role. The two departments that fall short are Finance and Planning and Development. This was caused by recent events based on the actions of leadership who is no longer employed by the City. Both departments' leadership issues are intended to be addressed in FY2022. In addition to the study, Human Resources has a plan to incorporate a computerized city-wide succession planning program that can be reviewed regularly by leadership.

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued the following statements which may impact the City's financial reporting requirements. In May 2021, in response to COVID-19 pandemic, GASB issued Statement No. 95 - *Postponement of the Effective Dates of Certain Authoritative Guidance*. The following statements reflect the revised effective dates:

- GASB Statement 87 – *Leases*, effective for fiscal year beginning January 1, 2022.
- GASB Statement No. 91 – *Conduit Debt Obligations*, effective for the fiscal year beginning January 1, 2022.
- GASB Statement No. 92 – *Omnibus 2021*, effective for the fiscal year beginning January 1, 2022.
- GASB Statement No. 93 - *Replacement of Interbank Offered Rates* effective for the fiscal year beginning January 1, 2022.
- GASB Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year beginning January 1, 2023.
- GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*, effective for the fiscal year beginning January 1, 2023.
- GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting for IRS Code Section 457 Deferred Compensation Plans*, effective for the fiscal year beginning January 1, 2022.
- GASB Statement 99 *Omnibus 2022*, generally effective for fiscal year beginning January 1, 2023.

We recommend management review these standards to determine the impact they may have on the City's financial reporting.

Management's Response

City staff will review all recent and upcoming GASB statements and ensure that any required changes are incorporated in future financial reporting.

PRIOR YEAR COMMENTS

In the prior year, we issued a certain comment and recommendation in regard to the City’s accounting, internal control, and financial reporting issue. The following table summarizes the nature of the comment, the significance of the comment as described in the prior year’s report and our determination of the status of the comment.

| Prior Year Comment Description | Significance | Current Year Status |
|---------------------------------------|--|--|
| Cyber Security | Organizations are encountering more cyberattacks than in previous years partly due to the migration of working remote. One example of a cyberattack is through phishing emails asking employees to click on a link which deploys malware to encrypt the Organization’s system. We recommended that the City continue reviewing current policies and procedures related to cyber security. Procedures should include training employees on how to identify phishing emails and what to do if one is suspected, review cyber security protocols for key systems, test back-up systems with key data, and developing an incident response plan if an attack occurs. | The City continues to monitor cyber security risks. |
| Future Accounting Pronouncements | We recommended that management review upcoming standards to determine what impact they may have on the City’s financial reporting. | The City implemented all applicable standards that became effective during fiscal year 2021. |

This report is intended solely for the information and use of the Mayor, Board of Alderman, and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

Hood and Associates CPAs PC

Kansas City, Missouri
July 29, 2022