

CITY OF BRANSON, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2006

Prepared by:
Department of Finance and Administration

CITY OF BRANSON, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2006

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INTRODUCTORY SECTION



CITY OF BRANSON

110 West Maddux St. • Suite 210 • Branson, Missouri 65616
(417) 334-3345 • Fax (417) 334-6095

November 9, 2006

Honorable Mayor
Members of the Board of Aldermen
Citizens of the City of Branson, Missouri

The City Administrator and Finance Director are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Branson, Missouri, for the fiscal year ended September 30, 2006. This report is submitted to you in compliance with Section 2-423 of the Branson City Code, which requires an annual report presentation to the Board of Aldermen on the financial condition of the City.

Responsibility to report complete and accurate financial data rests with the City. It is our belief that the information reported in this document fairly presents the financial position of the City in all material aspects on a government-wide and fund basis. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

To ensure reliability of the accounting data on which the City's financial statements are based, internal controls are utilized to provide reasonable assurance that transactions are accounted for properly and the City's assets are safeguarded. Additionally, the Finance Department staff prepared this report in conformity with generally accepted accounting principles (GAAP) in the United States of America, which are standard guidelines for financial reporting, further ensuring that the financial position of the City is presented fairly in all material aspects.

The independent auditing firm of Berberich Trahan & Co., P.A. audited the City of Branson's financial statements. The purpose of the audit conducted by Berberich Trahan was to review and provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2006 are free of material misstatements. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the government-wide and fund financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The CAFR is presented in four sections: introductory, financial, statistical and Single Audit. The *introductory section* is designed to introduce the reader to the report and includes the transmittal letter, the City's organizational chart and a list of principal officials. The *financial section* begins with the independent auditors' report. The auditors' report discloses the opinion of the independent auditors with regard to the presentation of the financial statements. This section also includes Management's Discussion and Analysis (MD&A), the Basic Financial Statements and Notes that provide information on the City's financial position and operating results and the combining statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements. The *statistical section* includes selected financial and demographic information, generally presented on a multi-year basis. This section is designed to provide the user with a broader and more complete understanding of the City and its financial affairs than is possible from only the financial statements and supporting schedules presented in the financial section. The *Single Audit section* includes the schedule of expenditures of federal awards and findings and questioned costs, as well as a report on internal control over financial reporting and on compliance and other matters based on our audit of financial statements performed in accordance with *Government Auditing Standards* and a report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Branson's MD&A can be found in the Financial Section immediately following the report of the independent auditors.

Profile of the City

The City of Branson (2000 population 6,050) is located in southwest Missouri, 35 miles south of Springfield within the heart of the Ozark Mountains. Branson is surrounded by three prize winning fishing and recreational lakes. The City is 19.8 square miles and plays host to an estimated 7.5 million visitors a year. The City has become the focus of international attention as both a major development area and an entertainment and tourism Mecca. The reasons are numerous and range from the scenic natural beauty of the region to the star studded theaters with their line-up of major recording artists, world-class shopping opportunities, lake activities and other family oriented entertainment offerings.

The City has operated under the Board of Aldermen-City Administrator form of government. The Board consists of the Mayor and six Board members who are elected on a nonpartisan basis. The Mayor serves a two-year term and is elected at large. Board members also serve a two year term with two members serving from each of three zones within the City, on a staggered two-year election rotation. The City Administrator is the chief executive officer of the City and is responsible for managing the City, enforcement of the laws and ordinances, direction of all officers, employees and departments and for carrying out the policies of the Board of Aldermen.

The City of Branson provides the full range of services normally associated with a municipality, including police and fire protection, emergency communication center, public works street services, facilities maintenance, recycling center, public health services, parks and other recreational facilities, development services and general administrative services. The City also operates the sanitary sewerage and the water treatment and distribution system, all of which are accounted for in the financial statements as business-type activities.

As the legislative body, the Board of Aldermen is responsible for enacting all ordinances, resolutions and regulations governing the City, as well as for appointing or electing the members of various statutory and ordinance boards, the City Administrator, the City Attorney and the City Clerk.

The annual budget serves as the foundation for the City of Branson's financial planning and control. During the budget preparation process, each office, department, etc., of the reporting entity provides detailed requests for expenditures for evaluation by the City Administrator. Each office, department, etc., also prepares a detailed 5-year Capital Budget Request Projection, which is submitted to the City Administrator. The City Administrator also reviews estimates for all pending capital projects and those recommended for approval in the next budget year. Prior to the beginning of each budget year, the City Administrator presents a proposed budget to the Board of Aldermen finance and budget committee. The City Administrator then submits to the entire Board of Aldermen a final proposed budget. The budget is prepared by fund, department and function. Transfers of appropriations within departments or between departments within a fund may be made with the approval of the City Administrator. However, transfers between funds must be approved by the Board of Aldermen.

Factors Affecting Financial Condition

Local Economy—In 2006, the City of Branson began to feel the impact of the recent economic development activities. Sales tax receipts are up 7.23% and it continues to experience growth and expansion with many new projects and venues under construction. Branson's economy is focused primarily on the seasonal tourism industry, which results in an average unemployment rate of 7.5%, slightly above the state average primarily created by the seasonal inactivity.

Tourism—Situated within an 8-hour drive of nearly 50% of the U.S. population, Branson and the Tri-Lakes area attracted an estimated 7.5 million visitors in 2006 who contribute well over a billion dollars into the local economy, \$875 million within the city. Branson has been a "rubber tire" destination with the vast majority of tourists arriving by vehicles, RV's and tour buses. Branson holds the title of America's top motor coach vacation destination. However, an increasing number of visitors are now flying into the area each year via the Springfield-Branson Regional Airport, the M. Graham Clark Airport at Pt. Lookout, Missouri and the Harrison Regional Airport at Harrison, Arkansas.

A survey of the American Society of Travel Agents (ASTA) ranked Branson the "number one up and coming most-booked destination for travel agents". Branson was listed among the "Top Ten Worldwide Holiday Destinations" in an article by Pauline Frommer in the Houston Chronicle.

A geographical profile of Branson visitors shows the following:

Come from a radius of 100 miles or less	28%
Radius of 100 to 300 miles	35%
Radius of over 300 miles	37%
Average distance traveled	291 miles

The growth in tourism and the related construction activity over the last decade has greatly increased the tax revenues of the City, particularly sales and tourism tax revenues. Tourism growth has also placed a strain on the City's infrastructure. This pressure has resulted in significant infrastructure improvements over recent years, financed 100% by the increased revenues from sales and tourism taxes.

Area Theaters--Branson resounds with the best of American music. It is America's Live Entertainment Capital, and among its residents are some of the biggest names in contemporary and country music. The variety of music includes country, pop, gospel, bluegrass, western, rock n'roll, classical jazz and Broadway. There's also comedy, magic, Irish dancing and a variety of staging that defy easy labels. A successful midwestern family vacation destination for many years, the music industry's rapid expansion in the past decade has launched the community into world-class tourism. It's been called a phenomenon. Branson is home to 45 music theaters whose 57,623 theater seats are approximately 10,000 more than on Broadway in New York City. Each theater hosts from one to three different shows daily. Collectively, they hosted more than 100 shows in 2006, and offered live entertainment from early morning until late evening. Several of the widely known performers who came to the area are now permanent residents and actively involved in the community. In turn, these performers have helped to draw recognition to the immense pool of talent in all of Branson's theaters. Together, they create a diversity and balance to suit every musical and entertainment taste.

Family Attractions--Three big lakes—Table Rock, Taneycomo and Bull Shoals—offer some of the finest fishing in the nation and any freshwater activity you can imagine. You can enjoy boating, swimming, skiing, sailing, sunning, scuba diving, parasailing and sightseeing. Many excursion boats cruise the lakes providing passengers with lunch, dinner and sightseeing.

Three large area theme parks draw millions of visitors. These parks provide a wonderful venue for visitors of all ages. They feature unique crafters and artists, rides and amusements, live comedy and drama, many dining places, dozens of musicians and music shows, and water attractions such as wet rides and wave pools.

Golf--Nine golf courses are currently open in the Branson/Tri-Lakes Area, with a new 18-hole course under construction on the north edge of the City. Golfing is one of the fastest-growing interests of vacationers who can enjoy their favorite sport on a choice of courses within just a few miles of each other. Country clubs, pro shops, lessons, restaurants and all amenities are available. And who knows, you may see a familiar famous face or two teeing off on the next fairway. Many of Branson's entertainers enjoy golf and are often seen on local courses.

Outdoor Activities--Table Rock Lake is a freshwater fisherman's paradise. Fertile waters teeming with an assortment of America's top sport fish like bass and crappie make it the ideal spot for the novice and serious fisherman alike. Table Rock Lake is the scene of many national fishing tournaments.

Lake Taneycomo is equally famous as a cold-water trout waterway. Rainbow and brown trout abound. Missouri Department of Conservation maintains a fish hatchery near Table Rock Dam.

Bull Shoals Lake offers much of the same recreational opportunities as Table Rock Lake, only a few miles away. It's less densely developed than the Table Rock and Taneycomo areas; however, comfortable resorts and campgrounds are available along its shorelines.

Hikers can enjoy the outdoors on established nature trails that wind through forests and skirt the lakes' shorelines.

Spelunking, or cave exploration, is also available in the area.

Hunters come by the thousands each season for deer, turkey and other game.

For people who prefer to see the outdoors from the comfort of their vehicles, all numbered highways offer scenic vistas of the Ozarks.

Shopping--Visitors consistently rank shopping among the most popular activities of the area. With the Branson Landing development opened and offering 1,000,000 sq. ft. of world-class shopping, the new Branson Hills development offering Target and Home Depot as anchors, three large factory outlet malls, a thriving downtown district and specialty stores throughout the city, shoppers can find contemporary goods and handcrafted items all year round. Branson ranks in the top 10 in the nation in the number of factory outlet stores.

Lodging and Restaurants--Today over 18,000 rooms are available in local motels, hotels, bed and breakfast inns and condominiums. The current number of lodging facilities is 201. Room rates range from \$22 per night for budget accommodations to \$600 for luxurious suites overlooking Table Rock Lake. Seasonal rates and senior citizen discounts apply at many lodging facilities.

Visitors have an endless variety of restaurants and food establishments from which to choose. There are more than 408 eating establishments with over 35,000 seats. Cuisines range from American to International.

Conference Facilities--The Branson area has several conference center hotels. A conference center with a 302-room hotel is located on the shores of beautiful Table Rock Lake and has the ability to accommodate up to 3,000 delegates. In addition, another facility one block from the world famous Highway 76 has meeting and conference capacity of 1,200. The City is currently constructing a 220,000 square foot convention and exhibition complex in conjunction with a convention center hotel all adjacent to the City's waterfront development Branson Landing on Lake Taneycomo in downtown Branson.

Long-term financial planning

The City of Branson utilizes a five-year capital improvement program to prioritize public projects. Projects are scheduled over a number of years, and are financed on a pay-as-you-go basis as funds become available. The exception to this rule was the redevelopment of the Taneycomo Lakefront and construction of a Convention Center in the downtown district. This project, including all infrastructure, convention center and other public improvements, have been financed through a series of bond issues secured with the city's annual appropriation pledge and tax increment financing. In addition to the \$40,000,000 bond issue of 2004, the city issued \$80,000,000 in TIF bonds in 2005 to complete the project. These projects will be supported by local property taxes, economic activity taxes and state sales taxes from within the district. The City always looks for creative funding solutions such as cost sharing with other governmental agencies, public-private cooperative efforts, and any other source of funding for projects that become available.

The City uses funding from the Tourism Tax and the Transportation Tax, net of debt service, to finance needed infrastructure extensions and improvements. The City has participated with Taney County in the extension of sewer services throughout the Fall Creek Basin and currently into the Bee Creek area. These projects have been financed through the county ½ cent sewer tax, state and federal grants and Department of Natural Resources loans.

Cash management policies and practices

The primary objectives of the City's investment activities encompass safety, liquidity and yield. Investments are undertaken in a competitive manner, either in the form of U.S. Government treasuries, or requiring insurance or collateralization of the principal. To maximize investment earnings, the City consolidates cash balances of all funds except for certain restricted funds. Since falling interest rates have negatively impacted the City, current investment practices involve short-term investments with maturities of two years or less, anticipating that rates will continue to recover and offer better investment strategies.

Risk Management

The City maintains all general liability insurance coverage with insurance provided through Akers & Arney, a local insurance brokerage.

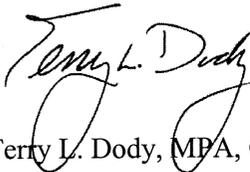
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Branson for its comprehensive annual financial report for the fiscal year ended September 30, 2005. This was the second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Our appreciation is extended to the Mayor, the Board of Aldermen, department directors and all city employees for contributing to the sound financial condition of the City. Furthermore, the preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff.

Sincerely,



Terry L. Dody, MPA, CGFM
City Administrator



Deanna K. Schlegel, CPA, CGFM
Director of Finance

"The City will encourage the quality growth of a healthy, wholesome, clean environment in which people live, work and visit."

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Branson
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

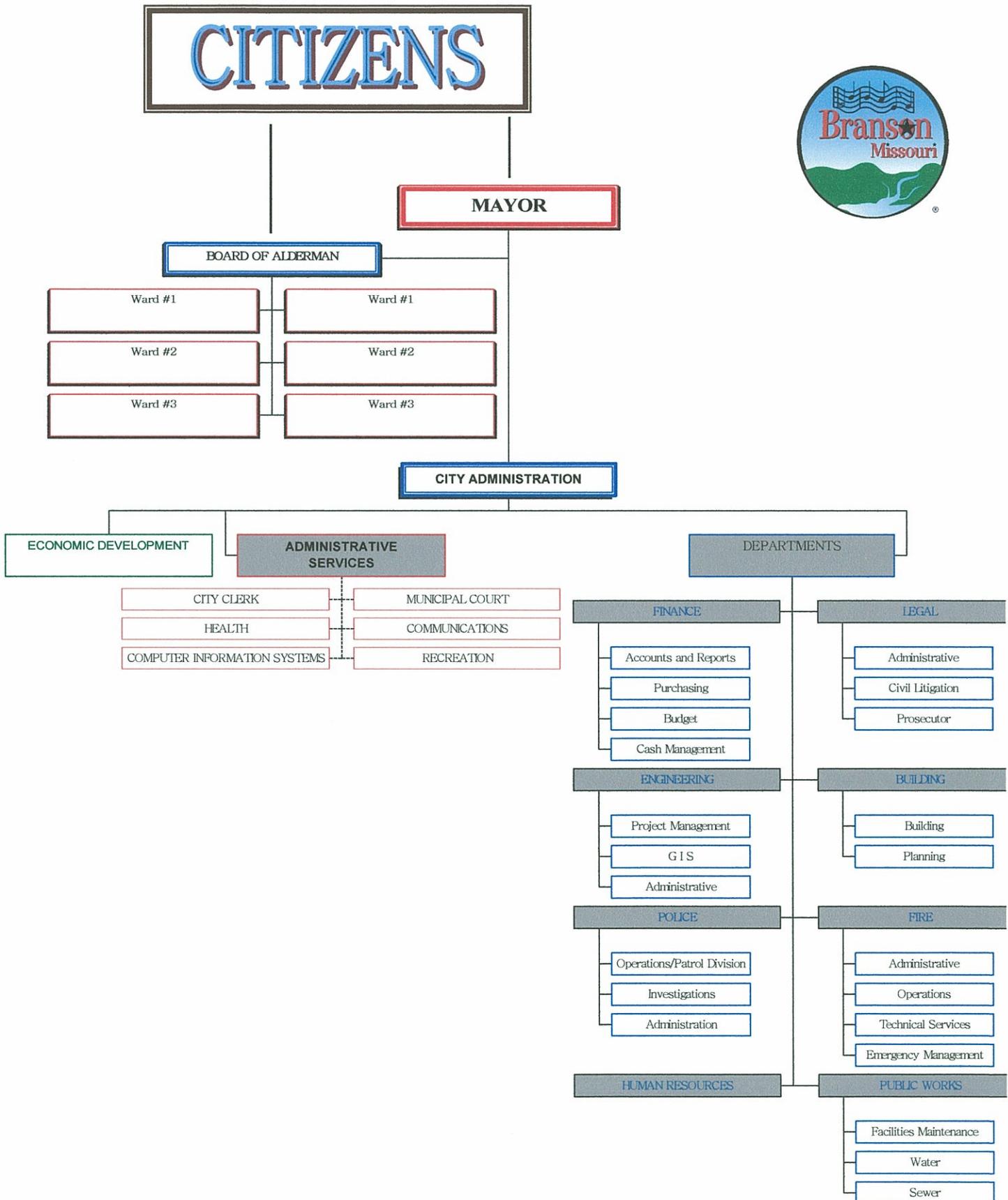
Executive Director

CITY OF BRANSON, MISSOURI

LIST OF PRINCIPAL OFFICIALS

Mayor	Lou Schaefer
Alderman	Stan Barker
Alderman	Dave Edie
Alderman	Jack Purvis
Alderman	Dick Gass
Alderman	Beverly Martin
Alderman	Ron Huff
City Administrator	Terry Dody
Assistant City Administrator	Frank Schoneboom
City Attorney	Paul Link
Finance	Deanna Schlegel
Economic Development	Mike Rankin
Human Resources	Deborah Durler
City Engineer	David Miller
Planning & Development	Don Stephens
Police Chief	Carroll McCullough
Fire Chief	Carl Sparks
Public Works	Larry Van Gilder
Communications	Jerry Adams
City Clerk	Lisa Westfall
Health Officer	Linn Smith
Park & Recreation	Cindy Shook

CITY OF BRANSON, MISSOURI
ORGANIZATIONAL CHART



FINANCIAL SECTION



Berberich Trahan & Co.

Certified Public Accountants

3630 SW Burlingame Road
Topeka, KS 66611-2050

Telephone 785 234 3427
Toll Free 800 530 5526
Facsimile 785 233 1768
www.cpakansas.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, City Administrator
and Board of Aldermen
City of Branson, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Branson, Missouri (the City), as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Branson, Missouri, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund, tourism tax fund and transportation sales tax fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the Required Supplementary Information on page 60 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Berberich Trahan & Co., P.A.

November 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Branson, Missouri, we offer readers of the City of Branson's financial statements this narrative overview and analysis of the financial activities of the City of Branson for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the additional information we have furnished in our letter of transmittal.

Fiscal Year Financial Highlights

- The City's assets exceeded its liabilities at the close of fiscal year 2006 by \$137,927,640. Of this amount, \$22,239,916 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6,274,982. The increase is attributable to increases in revenues, a result of the many changes and activities the City has entered into, including the City's successful use of tax increment financing.
- During the 2006 fiscal year, the City of Branson's governmental funds have invested \$44,804,621 in capital assets which correspondingly decreased cash reserves. The combined ending fund balances of \$78,735,666 reflect the modified accrual basis of accounting which does not reflect investments in capital assets and treats all costs as current expense.
- At the end of the current fiscal year, fund balance for the general fund was \$13,654,468 or 119.41% of general fund expenditures or 19.41% in excess of one full year's operations. All of this balance is available to be used to meet ongoing obligations to citizens and creditors.
- The City of Branson's total debt decreased by \$7,335,231, approximately 3.7% of total debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Branson's basic financial statements. The City of Branson's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Branson's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Branson's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Branson is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Branson that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Branson include general government, public safety, tourism, public works, engineering services, community development and culture and recreation. The business-type activities of the City of Branson include a Water and Sewer Fund.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Branson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Branson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Branson maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the tourism fund, transportation sales tax fund, capital projects and the debt service fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Branson adopts an annual appropriated budget for its general fund, debt service fund and special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-25 of this report.

Proprietary funds. The City of Branson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's functions. The City of Branson uses an enterprise fund to account for its Water and Sewer System Operations. The City of Branson uses an internal service fund to account for its fleet of vehicles. Because the internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund for water and sewer is considered to be a major fund of the City of Branson.

The internal service fund is presented in a single column in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Branson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-59 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Branson, assets exceeded liabilities by \$137,927,640 at the close of the most recent fiscal year.

By far the largest portion of the City of Branson's net assets (70.8 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding.

The City of Branson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Branson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Branson Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 87,267,979	\$ 123,696,723	\$ 2,675,082	\$ 2,951,957	\$ 89,943,061	\$ 126,648,680
Capital assets	180,667,133	141,889,050	76,417,333	77,985,789	257,084,466	219,874,839
Total assets	267,935,112	265,585,773	79,092,415	80,937,746	347,027,527	346,523,519
Long-term obligations	198,923,444	204,567,367	1,183,214	2,044,264	200,106,658	206,611,631
Other liabilities	8,041,532	6,799,289	951,697	1,327,086	8,993,229	8,126,375
Total liabilities	206,964,976	211,366,656	2,134,911	3,371,350	209,099,887	214,738,006
Net assets						
Invested in capital assets, net	22,280,129	12,523,781	75,427,333	76,130,789	97,707,462	88,654,570
Restricted	17,980,262	23,716,023	-	-	17,980,262	23,716,023
Unrestricted	20,709,745	17,979,313	1,530,171	1,435,607	22,239,916	19,414,920
Total net assets	\$ 60,970,136	\$ 54,219,117	\$ 76,957,504	\$ 77,566,396	\$ 137,927,640	\$ 131,785,513

An additional portion of the City of Branson's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$22,239,916) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Branson is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

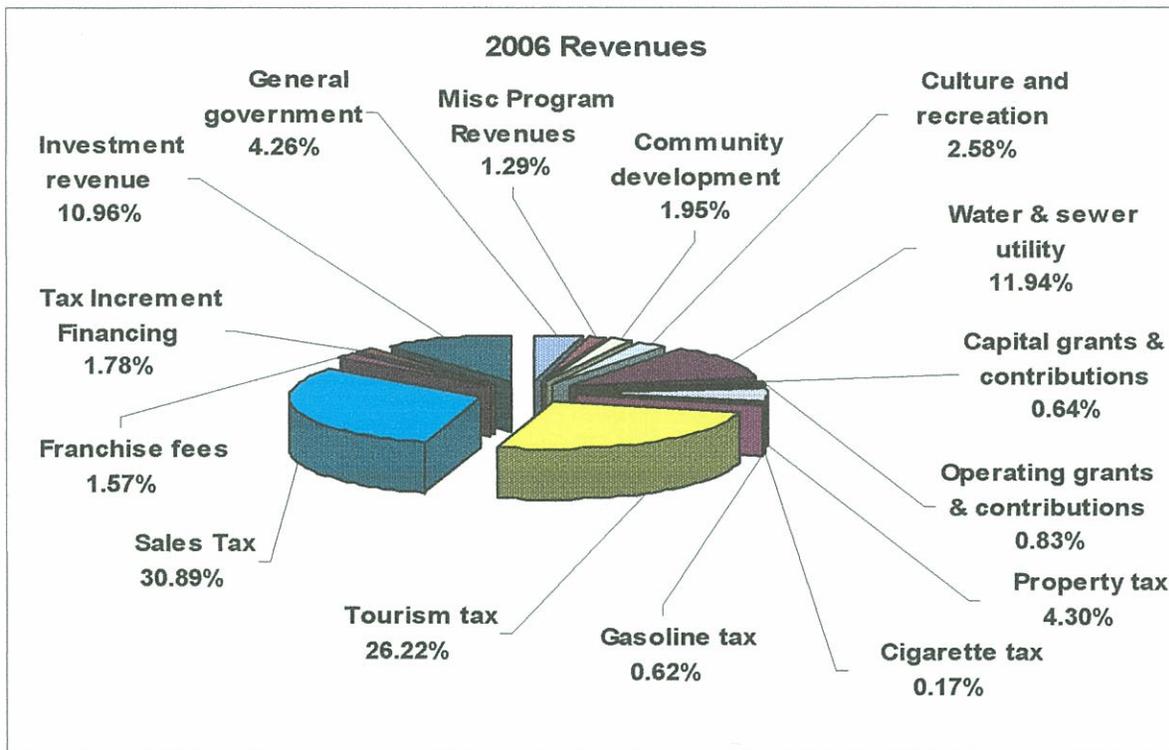
The government's net assets increased by \$6,274,982 during the current fiscal year. Most of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses, along with increases in investment earnings of project funds. The main components of revenue growth are increases in sales taxes, increases in utility revenues and new revenues from tax increment districts.

Governmental activities. Governmental activities increased the City of Branson's net assets by \$6,883,874, thereby accounting for over 100% in the growth in the net assets, off-setting the decrease of \$608,892 in the business-type activities. Key elements of this increase are as follows:

City of Branson Statement of Activities

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Program revenues:						
Charges for services:						
General government	\$ 1,777,350	\$ 1,786,399	\$ -	\$ -	\$ 1,777,350	\$ 1,786,399
Public safety	341,522	313,549	-	-	341,522	313,549
Public works	75,061	60,342	-	-	75,061	60,342
Tourism	119,620	62,397	-	-	119,620	62,397
Engineering services	11,773	11,053	-	-	11,773	11,053
Community development	799,609	491,521	-	-	799,609	491,521
Culture and recreation	1,076,808	687,708	-	-	1,076,808	687,708
Water & sewer utility			4,980,028	3,852,735	4,980,028	3,852,735
Capital grants & contributions	265,216	-	-	-	265,216	-
Operating grants & contributions	345,589	317,233	-	-	345,589	317,233
General revenues:						
Property tax	1,793,951	1,875,088	-	-	1,793,951	1,875,088
Sales tax	12,884,856	12,454,943	-	-	12,884,856	12,454,943
Tourism tax	10,935,304	10,495,936	-	-	10,935,304	10,495,936
Other taxes	331,027	321,999	-	-	331,027	321,999
Franchise fees	655,484	550,556	-	-	655,484	550,556
Tax increment financing	743,912	-	-	-	743,912	-
Investment revenue	4,513,670	1,719,869	59,211	49,780	4,572,881	1,769,649
Other	60,347	-	280,073	-	340,420	-
Total revenues	36,731,099	31,148,593	5,319,312	3,902,515	42,050,411	35,051,108
Expenses:						
General government	3,331,264	3,029,990	-	-	3,331,264	3,029,990
Public safety	5,614,712	5,258,799	-	-	5,614,712	5,258,799
Tourism	2,714,475	3,145,185	-	-	2,714,475	3,145,185
Public works	7,417,832	6,859,721	-	-	7,417,832	6,859,721
Engineering services	613,902	538,614	-	-	613,902	538,614
Community development	709,621	624,574	-	-	709,621	624,574
Culture and recreation	2,270,578	1,495,974	-	-	2,270,578	1,495,974
Interest on long-term debt	5,515,916	4,928,299	-	-	5,515,916	4,928,299
Water & sewer utility			7,587,129	7,185,700	7,587,129	7,185,700
Total expenses	28,188,300	25,881,156	7,587,129	7,185,700	35,775,429	33,066,856
Increase (decrease) in assets before transfers	8,542,799	5,267,437	(2,267,817)	(3,283,185)	6,274,982	1,984,252
Transfers	(1,658,925)	(4,435,998)	1,658,925	4,435,998	-	-
Increase (decrease) in net assets	6,883,874	831,439	(608,892)	1,152,813	6,274,982	1,984,252
Net assets, beginning (adjusted)	54,086,262	53,387,678	77,566,396	76,413,583	131,652,658	129,801,261
Total net assets	\$ 60,970,136	\$ 54,219,117	\$ 76,957,504	\$ 77,566,396	\$ 137,927,640	\$ 131,785,513

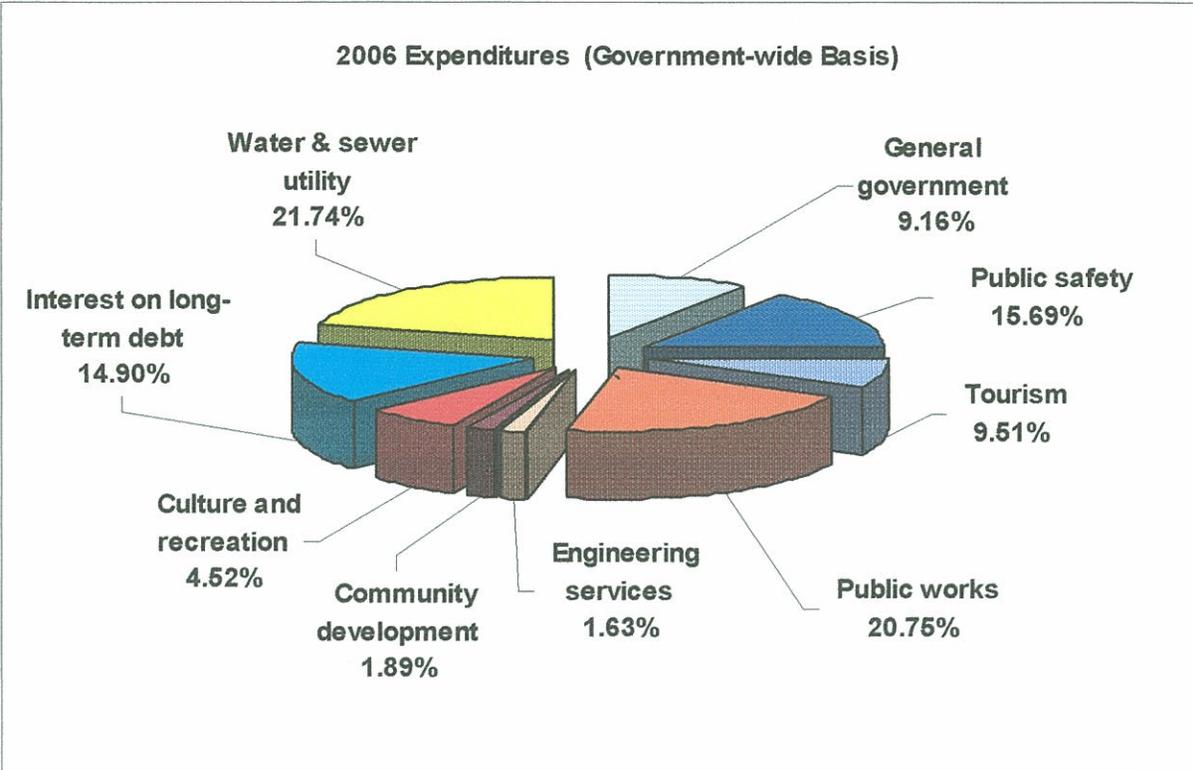
- Sales and tourism taxes increased by \$869,281 (4 percent) during the year, net of tax increment financing. Most of this increase is the result of economic development activities within the city.
- Tax increment financing produced \$743,912 in new revenues for the city. This new revenue will see double digit increases in the coming years.
- Investment earnings increased \$2,803,232, in part due to capital project funds investments.
- Recreation fund revenues increased \$389,100 due to the opening of the new Recreation Center complex.
- Capital grants increased by \$265,216, which includes FEMA grants for Homeland Security.



For the most part, increases in expenses closely paralleled inflation and growth in demand for services. The exception is a \$774,604 (52 percent) increase for culture and recreation which reflects the first full year of operations of the new Recreation Center complex.

Business-type activities. Business type activities decreased the City of Branson's net assets by \$608,892, or less than 1% of total net assets.

- Elimination of winter commercial rates was in-part responsible for a 29 percent increase in revenues.
- Other increases were due to the economic activity in the City of Branson, producing new water and sewer connection fees.
- Rate adjustments have been implemented for 2007, which should help alleviate the operating deficits for the Water & Sewer Fund.



Financial Analysis of the Government’s Funds

As noted earlier, the City of Branson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Branson’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Branson’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Branson’s governmental funds reported combined ending fund balances of \$78,735,666. This reflects the investment of 2005 bond funds in capital assets which reduced fund balances by \$36,936,005 while increasing the city’s investment in capital assets \$44,804,621. Approximately 85 percent of the total constitutes unreserved, undesignated fund balance, which is available for spending at the government’s discretion. The remaining reserved or designated amount includes the city’s designation of \$4,769,968 general fund balance, a reserve for “rainy day”. The remaining reserve that is not available for new spending has been committed to liquidate contracts and purchase orders of the prior period, (\$1,412,233), to provide reserves for debt service (\$4,876,740) and for a variety of inventories and prepaid expenses.

The fund balance of the City of Branson's general fund increased by \$711,958 during the current fiscal year. Key factors in this growth are as follows:

- An increase in tax receipts of \$385,950, net of revenues captured by tax increment financing.
- Other across-the-board increases in general operating revenues.

The capital projects fund has a total fund balance of \$36,385,640, a reduction of \$35,505,239. This decrease represents a reduction of bond proceeds held within the fund for the downtown revitalization and convention center project, scheduled for completion in August, 2007.

The tourism tax fund has a total fund balance of \$11,819,397, with \$191,920 reserved for marketing activities. The remainder, \$11,627,476 is available for future debt service on tourism bonds and future capital projects.

The transportation sales tax fund has a total fund balance of \$395,206. This fund was extended by election in 2004 for an unlimited period of time to construct and maintain the City's transportation infrastructure and to provide for debt service on capital projects. Annual revenues are all available for this purpose and exceed \$4,000,000.

The debt service fund has a total fund balance of \$16,341,947, all of which is available for future debt service. This is a decrease of \$3,159,425 caused by payments due on the 2003A Annual Appropriation Bonds. Future revenue sources will include Tax Increment Financing revenues.

Proprietary funds. The City of Branson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer fund at the end of the year totaled \$1,338,080, and for the Equipment and Vehicle fund \$906,103. There was slight growth for both funds. Other factors concerning the finances of the Water and Sewer fund have already been addressed in the government-wide financial analysis.

General Fund Budgetary Highlights

During the year, revenues exceeded projected revenues \$1,475,482, or 11.2%, while expenses were \$318,601 below budget. The final projected fund balance exceeded projections by \$1,909,083.

The city's budgeting practice is to use conservative estimates on revenue projections. Increases in revenues over budget occurred in sales and gasoline tax collections, licenses and permits, investment revenues and an unanticipated grant award. There were some increases in revenues received for services provided to other funds. Savings in expenditures were achieved primarily in administrative and legal services.

Capital Asset and Debt Administration

Capital assets. The City of Branson's investment in capital assets for its governmental and business-type activities as of September 30, 2006 amounts to \$257,084,466 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, bridges, and work-in-process on the Branson Landing and convention center project. The total increase in the City of Branson's investment in capital assets for the current fiscal year was 16.99% (a 27.45% increase for governmental activities and a 2% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction continued on the Branson Landing and convention center project; construction in process as of the close of the fiscal year had reached \$47,061,321.
- Construction was completed on the Skaggs & Branson Landing Boulevard roundabout at a cost of \$1,931,572.
- Work continued on the Epps Extension/Fall Creek Road, work in process totals \$3,986,488.
- Work continued on the Hwy 248 & 65 Interchange, cost to date is \$2,127,500.
- Work was completed on the Recreation Complex with a total cost of \$12,709,718.
- The ongoing congestion study was funded \$268,394 in 2006.
- The rebuilding of storm sewer in downtown Branson was completed, total cost \$2,202,385.
- The curb and gutter building program was funded \$232,415 for 2006.
- The ongoing trail project to connect different areas of Branson was funded \$109,391.
- Various city equipment and improvements totaled \$261,157.
- The Pacific Street water tower work in process continues with total costs at September 30, 2006 totaling \$2,923,020 to date.
- Various building and system additions and improvements were completed in the Water and Sewer facilities at a cost of \$394,694.

City of Branson Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2005	2005
Land	\$ 47,920,328	\$ 42,521,130	\$ 3,784,962	\$ 3,784,962	\$ 51,705,290	\$ 46,306,092
Buildings	17,141,756	17,322,430	41,864,197	43,775,098	59,005,953	61,097,528
Land improvements	774,824	816,603	-	-	774,824	816,603
Furniture, fixtures & equipment	2,858,098	2,702,606	523,126	552,079	3,381,224	3,254,685
Infrastructure	60,924,318	49,601,364	27,296,810	25,201,346	88,221,128	74,802,710
Construction in progress	51,047,809	28,924,917	2,948,238	4,672,304	53,996,047	33,597,221
	<u>\$ 180,667,133</u>	<u>\$ 141,889,050</u>	<u>\$ 76,417,333</u>	<u>\$ 77,985,789</u>	<u>\$ 257,084,466</u>	<u>\$ 219,874,839</u>

Additional information on the City of Branson's capital assets can be found in Note 6, on pages 45-46 of this report.

Long-term debt. At the end of the current fiscal year, the City of Branson had total bonded debt outstanding of \$198,209,000. Of this amount \$31,814,000 comprises revenue bonds backed by the city's tourism tax.

Debt administration. The City's debt issues are discussed in Note 8 to the basic financial statements. During 2005, the City issued \$80,000,000 in Missouri Development Finance Board Infrastructure Facilities Bonds. As discussed earlier, these bonds complete funding for the city's redevelopment project of the downtown lakefront district and construction of a convention center in the downtown district.

The City does not have any General Obligation debt at year-end. Revenue bonds outstanding are serviced primarily by the tourism tax; one small issue is serviced with funds provided by the water & sewer utility. The 2003 annual appropriation bonds are serviced by a combination of funds available previously to service the refunded bonds.

City of Branson Net Outstanding Debt

	FY 2006	FY 2005
<u>Government Activities</u>		
MDFB Annual Appropriation -03	\$ 45,405,000	\$ 49,280,000
MDFB Annual Appropriation -04-05	120,000,000	120,000,000
Tourism Tax Revenue Bonds	31,814,000	33,877,000
	\$ 197,219,000	\$ 203,157,000
<u>Business-type Activities</u>		
Water & Sewer Revenue Bonds	990,000	1,855,000
	\$ 990,000	\$ 1,855,000

Economic Outlook

In the last several years the City of Branson has experienced moderate growth. With the development and opening of the Branson Landing and Branson Hills retail developments, economic revitalization has resulted in creating double digit increases in sales tax receipts during the last 6 months of 2006. Revenues have expanded at an unprecedented pace surpassing the rapid increases experienced in the 1990's. Currently there is tremendous activity in all phases of development as well as all tourism amenities, theatres, motel/hotels, restaurants, shopping, all of which have been spurred by the development in the Branson Landing Project.

Financial Contact

The City's financial statements are formatted to present users with a general overview of the City's finances and to demonstrate the City's accountability. Questions or requests for additional information should be directed to the Director of Finance, 110 W. Maddux, Branson, Missouri 65616.

CITY OF BRANSON, MISSOURI

STATEMENT OF NET ASSETS

September 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 21,132,317	\$ 713,213	\$ 21,845,530
Receivables, net:			
Property tax	66,579	-	66,579
Sales tax	2,210,739	-	2,210,739
Tourism tax	1,274,076	-	1,274,076
Tax increment financing	204,260	-	204,260
Intergovernmental	99,537	-	99,537
Water and sewer	-	746,290	746,290
Leases	323,723	264,911	588,634
Other	162,964	76,229	239,193
Internal balances	(192,091)	192,091	-
Inventories	10,749	-	10,749
Prepaid expenses	175,520	-	175,520
Restricted cash and cash equivalents	-	634,537	634,537
Restricted investments	58,815,319	47,811	58,863,130
Other assets	2,984,287	-	2,984,287
Capital assets:			
Land and construction in progress	98,968,137	6,733,200	105,701,337
Depreciable capital assets, net of accumulated depreciation	81,698,996	69,684,133	151,383,129
Total assets	<u>267,935,112</u>	<u>79,092,415</u>	<u>347,027,527</u>
Liabilities:			
Accounts payable and accrued expenses	4,669,412	288,910	4,958,322
Accrued interest payable	3,242,235	-	3,242,235
Unearned revenue	129,885	-	129,885
Liabilities payable from restricted assets:			
Customer deposits	-	534,537	534,537
Other payable	-	128,250	128,250
Long-term liabilities:			
Due within one year	4,136,758	255,508	4,392,266
Due in more than one year	194,786,686	927,706	195,714,392
Total liabilities	<u>206,964,976</u>	<u>2,134,911</u>	<u>209,099,887</u>
Net assets:			
Invested in capital assets, net of related debt	22,280,129	75,427,333	97,707,462
Restricted for:			
Nonexpendable perpetual care	3,810	-	3,810
Debt service	17,976,452	-	17,976,452
Unrestricted	20,709,745	1,530,171	22,239,916
Total net assets	<u>\$ 60,970,136</u>	<u>\$ 76,957,504</u>	<u>\$ 137,927,640</u>

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,331,264	\$ 1,777,350	\$ 42,671	\$ -	\$ (1,511,243)	\$ -	\$ (1,511,243)
Public safety	5,614,712	341,522	-	265,216	(5,007,974)	-	(5,007,974)
Tourism	2,714,475	119,620	-	-	(2,594,855)	-	(2,594,855)
Public works	7,417,832	75,061	-	-	(7,342,771)	-	(7,342,771)
Engineering services	613,902	11,773	298,398	-	(303,731)	-	(303,731)
Community development	709,621	799,609	-	-	89,988	-	89,988
Culture and recreation	2,270,578	1,076,808	4,520	-	(1,189,250)	-	(1,189,250)
Interest on long-term debt	5,515,916	-	-	-	(5,515,916)	-	(5,515,916)
Total governmental activities	28,188,300	4,201,743	345,589	265,216	(23,375,752)	-	(23,375,752)
Business-type activities:							
Water and sewer	7,587,129	4,980,028	-	-	-	(2,607,101)	(2,607,101)
Total business-type activities	7,587,129	4,980,028	-	-	-	(2,607,101)	(2,607,101)
Total government	\$ 35,775,429	\$ 9,181,771	\$ 345,589	\$ 265,216	(23,375,752)	(2,607,101)	(25,982,853)
General revenues:							
Taxes:							
Property tax					1,793,951	-	1,793,951
Cigarette tax					72,758	-	72,758
Gasoline tax					258,269	-	258,269
Tourism tax					10,935,304	-	10,935,304
Sales tax					12,884,856	-	12,884,856
Franchise tax					655,484	-	655,484
Tax increment financing					743,912	-	743,912
Unrestricted investment earnings					4,513,670	59,211	4,572,881
Gain on sale of capital assets					60,347	280,073	340,420
Transfers					(1,658,925)	1,658,925	-
Total general revenues and transfers					30,259,626	1,998,209	32,257,835
Change in net assets					6,883,874	(608,892)	6,274,982
Net assets, beginning of year as previously stated					54,219,117	77,566,396	131,785,513
Prior period adjustment					(132,855)	-	(132,855)
Net assets, beginning of year as restated					54,086,262	77,566,396	131,652,658
Net assets, end of year					\$ 60,970,136	\$ 76,957,504	\$ 137,927,640

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2006

	<u>General</u>	<u>Tourism Tax</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 12,306,403	\$ 5,671,784
Receivables, net:		
Property tax	66,579	-
Sales tax	1,428,067	-
Tourism tax	-	1,274,076
Tax increment financing	-	-
Intergovernmental	-	-
Other	433,399	-
Due from other funds	-	-
Restricted investments	-	4,876,740
Prepaid expenses	175,520	-
Inventories	10,749	-
	<hr/>	<hr/>
Total assets	<u>\$ 14,420,717</u>	<u>\$ 11,822,600</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 264,173	\$ 3,203
Retainage payable	-	-
Accrued expenditures	400,780	-
Deferred revenue	66,579	-
Unearned revenue	34,717	-
Due to other funds	-	-
	<hr/>	<hr/>
Total liabilities	<u>766,249</u>	<u>3,203</u>
Fund balances:		
Reserved for:		
Encumbrances	162,965	191,920
Inventories and prepaid expenses	186,269	-
Debt service	-	4,876,740
Other purposes	4,769,968	85,038
Unreserved, reported in:		
General fund	8,535,266	-
Debt service fund	-	-
Capital projects funds	-	-
Special revenue funds	-	6,665,699
	<hr/>	<hr/>
Total fund balances	<u>13,654,468</u>	<u>11,819,397</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 14,420,717</u>	<u>\$ 11,822,600</u>

See accompanying notes to basic financial statements.

Transportation Sales Tax	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 34,798	\$ 1,996,729	\$ -	\$ 216,500	\$ 20,226,214
-	-	-	-	66,579
710,054	72,618	-	-	2,210,739
-	-	-	-	1,274,076
-	204,260	-	-	204,260
-	-	99,537	-	99,537
-	-	53,288	-	486,687
-	-	300,000	-	300,000
-	14,068,340	39,870,239	-	58,815,319
-	-	-	-	175,520
-	-	-	-	10,749
<u>\$ 744,852</u>	<u>\$ 16,341,947</u>	<u>\$ 40,323,064</u>	<u>\$ 216,500</u>	<u>\$ 83,869,680</u>
\$ 35,057	\$ -	\$ 3,649,355	\$ 58,006	\$ 4,009,794
-	-	224,763	-	224,763
14,589	-	-	19,486	434,855
-	-	63,306	-	129,885
-	-	-	-	34,717
300,000	-	-	-	300,000
<u>349,646</u>	<u>-</u>	<u>3,937,424</u>	<u>77,492</u>	<u>5,134,014</u>
210,328	-	841,789	5,231	1,412,233
-	-	-	-	186,269
-	-	-	-	4,876,740
-	-	-	3,810	4,858,816
-	-	-	-	8,535,266
-	16,341,947	-	-	16,341,947
-	-	35,543,851	32,934	35,576,785
184,878	-	-	97,033	6,947,610
<u>395,206</u>	<u>16,341,947</u>	<u>36,385,640</u>	<u>139,008</u>	<u>78,735,666</u>
<u>\$ 744,852</u>	<u>\$ 16,341,947</u>	<u>\$ 40,323,064</u>	<u>\$ 216,500</u>	<u>\$ 83,869,680</u>

CITY OF BRANSON, MISSOURI

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

September 30, 2006

Total fund balance in Governmental Fund Balance Sheet \$ 78,735,666

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 178,894,890

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 34,717

Internal service funds are used by management to charge the costs of vehicles and equipment replacement to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. 2,486,255

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (199,181,392)

Net assets of governmental activities \$ 60,970,136

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended September 30, 2006

	General	Tourism Tax
Revenues:		
Taxes	\$ 10,217,088	\$ 10,935,304
Licenses and permits	1,175,142	-
Court fines	257,509	-
Lease and rent	959,224	-
Charges for services	-	119,619
Interest income	537,537	953,913
Contributions and grants	307,887	-
Miscellaneous	1,116,193	-
Total revenues	<u>14,570,580</u>	<u>12,008,836</u>
Expenditures:		
Current:		
General government	3,736,872	-
Public safety	5,384,949	-
Public works	927,770	-
Engineering	597,966	-
Community development	707,492	-
Culture and recreation	-	-
Tourism	-	2,714,475
Debt service:		
Principal	-	2,063,000
Interest and other charges	-	1,884,480
Bond issuance costs	-	-
Capital outlay	79,920	-
Total expenditures	<u>11,434,969</u>	<u>6,661,955</u>
Excess (deficiency) of revenues over expenditures	<u>3,135,611</u>	<u>5,346,881</u>
Other financing sources (uses):		
Sale of capital assets	60,347	-
Transfers in	-	-
Transfers out	(2,484,000)	(4,614,533)
Total other financing sources (uses)	<u>(2,423,653)</u>	<u>(4,614,533)</u>
Net change in fund balances	711,958	732,348
Fund balances, beginning of year	<u>12,942,510</u>	<u>11,087,049</u>
Fund balances, end of year	<u>\$ 13,654,468</u>	<u>\$ 11,819,397</u>

See accompanying notes to basic financial statements.

Transportation Sales Tax	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 3,961,488	\$ 2,157,896	\$ -	\$ 72,758	\$ 27,344,534
-	-	-	-	1,175,142
-	-	-	-	257,509
-	-	-	-	959,224
-	-	-	1,035,691	1,155,310
-	193,190	2,829,030	-	4,513,670
-	-	319,848	4,520	632,255
-	-	70,000	25,227	1,211,420
<u>3,961,488</u>	<u>2,351,086</u>	<u>3,218,878</u>	<u>1,138,196</u>	<u>37,249,064</u>
-	-	-	-	3,736,872
-	-	-	-	5,384,949
1,174,848	-	-	-	2,102,618
-	-	-	-	597,966
-	-	-	-	707,492
-	-	-	1,754,399	1,754,399
-	-	-	-	2,714,475
-	3,875,000	-	-	5,938,000
-	2,385,511	-	-	4,269,991
-	-	500,538	-	500,538
-	-	44,804,621	26,650	44,911,191
<u>1,174,848</u>	<u>6,260,511</u>	<u>45,305,159</u>	<u>1,781,049</u>	<u>72,618,491</u>
<u>2,786,640</u>	<u>(3,909,425)</u>	<u>(42,086,281)</u>	<u>(642,853)</u>	<u>(35,369,427)</u>
-	-	-	-	60,347
-	750,000	6,581,042	500,000	7,831,042
(2,391,434)	-	-	-	(9,489,967)
<u>(2,391,434)</u>	<u>750,000</u>	<u>6,581,042</u>	<u>500,000</u>	<u>(1,598,578)</u>
395,206	(3,159,425)	(35,505,239)	(142,853)	(36,968,005)
-	19,501,372	71,890,879	281,861	115,703,671
<u>\$ 395,206</u>	<u>\$ 16,341,947</u>	<u>\$ 36,385,640</u>	<u>\$ 139,008</u>	<u>\$ 78,735,666</u>

CITY OF BRANSON, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Net change in fund balances - total governmental funds \$ (36,968,005)

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 those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	38,516,003
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,730)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,438,538
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(1,302,158)
Internal service funds are used by management to charge the costs of vehicles and equipment replacement to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>205,226</u>
Change in net assets of governmental activities	<u>\$ 6,883,874</u>

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2006

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem taxes	\$ 1,013,620	\$ 993,951	\$ (19,669)
Financial institution taxes	2,100	2,851	751
State gasoline tax	255,940	258,269	2,329
Sales tax	8,000,000	8,306,533	306,533
Franchise taxes	540,000	655,484	115,484
	<u>9,811,660</u>	<u>10,217,088</u>	<u>405,428</u>
Licenses and permits:			
Merchant licenses	240,103	288,735	48,632
Building permits	350,000	765,026	415,026
Elevator permits	9,746	-	(9,746)
Planning and zoning fees	19,544	25,599	6,055
Health permits and lab fees	80,455	68,455	(12,000)
Pool permits	-	8,763	8,763
Downtown parking	16,000	6,849	(9,151)
Animal licenses	1,371	1,290	(81)
Fire permits	6,000	9,625	3,625
Alarm fines	909	800	(109)
	<u>724,128</u>	<u>1,175,142</u>	<u>451,014</u>
City court fines	<u>259,299</u>	<u>257,509</u>	<u>(1,790)</u>
Lease and rents:			
Wharf leases	7,588	8,466	878
Rental income	1,500	3,702	2,202
Airport leases	852,291	818,480	(33,811)
Telecommunications tower	100,863	128,576	27,713
	<u>962,242</u>	<u>959,224</u>	<u>(3,018)</u>
Interest income	<u>450,000</u>	<u>537,537</u>	<u>87,537</u>
Miscellaneous:			
911 agreement	176,572	194,055	17,483
Hollister health agreement	6,500	6,500	-
Downtown NID	-	557	557
TCHD inspection agreement	58,310	67,099	8,789
Grants	8,286	307,887	299,601
Park maintenance	324,975	288,985	(35,990)
Tourism administration	216,000	218,179	2,179
TIF administration	50,000	55,855	5,855
Sewer/water administration	50,000	221,264	171,264
Miscellaneous	13,000	9,521	(3,479)
Miscellaneous subtotal	<u>\$ 903,643</u>	<u>\$ 1,369,902</u>	<u>\$ 466,259</u>

CITY OF BRANSON, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND

(Continued)

Year Ended September 30, 2006

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Miscellaneous (continued):			
Miscellaneous subtotal forward	\$ 903,643	\$ 1,369,902	\$ 466,259
Vending machine revenues	8,500	9,167	667
Police other revenue	24,250	24,363	113
Public works other revenue	9,223	18,083	8,860
Engineering copy fees	2,500	2,565	65
Proceeds from sale of capital assets	-	60,347	60,347
	<u>948,116</u>	<u>1,484,427</u>	<u>536,311</u>
Total revenues	<u>13,155,445</u>	<u>14,630,927</u>	<u>1,475,482</u>
Expenditures:			
Mayor and board	104,859	56,000	48,859
City administration	464,756	459,984	4,772
Human resources	256,951	213,387	43,564
Administrative services	1,567,902	1,401,879	166,023
Finance	682,468	660,919	21,549
Legal	594,755	478,682	116,073
Police	3,177,106	3,114,463	62,643
Fire	2,273,462	2,359,100	(85,638)
Public works	833,986	919,713	(85,727)
Engineering	624,036	590,356	33,680
Community development	702,077	707,183	(5,106)
Miscellaneous	572,139	574,230	(2,091)
Total expenditures	<u>11,854,497</u>	<u>11,535,896</u>	<u>318,601</u>
Other financing sources (uses):			
Transfers out	<u>(2,599,000)</u>	<u>(2,484,000)</u>	<u>115,000</u>
Net change in fund balances	(1,298,052)	611,031	1,909,083
Budgetary fund balances, beginning of year	<u>11,259,185</u>	<u>12,880,472</u>	<u>1,621,287</u>
Budgetary fund balances, end of year	<u>\$ 9,961,133</u>	<u>13,491,503</u>	<u>\$ 3,530,370</u>
Explanation of difference between budgetary and GAAP fund balances:			
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		<u>162,965</u>	
GAAP fund balance, end of year		<u>\$ 13,654,468</u>	

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TOURISM TAX FUND

Year Ended September 30, 2006

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Revenues:			
Tourism taxes	\$ 10,892,377	\$ 10,935,304	\$ 42,927
Website sales	-	119,619	119,619
Interest	724,334	953,913	229,579
Total revenues	<u>11,616,711</u>	<u>12,008,836</u>	<u>392,125</u>
Expenditures:			
Tourism administration	217,848	219,015	(1,167)
Tourism marketing	2,723,094	2,687,380	35,714
Debt service:			
Principal	2,063,000	2,063,000	-
Interest	1,892,926	1,884,480	8,446
Total expenditures	<u>6,896,868</u>	<u>6,853,875</u>	<u>42,993</u>
Other financing sources (uses):			
Transfers out	<u>(4,719,843)</u>	<u>(4,614,533)</u>	<u>105,310</u>
Net change in fund balances	-	540,428	540,428
Budgetary fund balances, beginning of year	<u>11,513,776</u>	<u>11,087,049</u>	<u>(426,727)</u>
Budgetary fund balances, end of year	<u>\$ 11,513,776</u>	11,627,477	<u>\$ 113,701</u>
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		<u>191,920</u>	
GAAP fund balance, end of year		<u>\$ 11,819,397</u>	

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TRANSPORTATION SALES TAX FUND

Year Ended September 30, 2006

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Revenues:			
Transportation sales tax	\$ 4,133,507	\$ 3,961,488	\$ (172,019)
Expenditures:			
Infrastructure maintenance	1,129,283	1,385,176	(255,893)
Other financing sources (uses):			
Transfers out	<u>(3,004,224)</u>	<u>(2,391,434)</u>	<u>612,790</u>
Net change in fund balances	-	184,878	184,878
Budgetary fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ -</u>	184,878	<u>\$ 184,878</u>
Encumbrances for equipment and supplies ordered but not received are not recorded for GAAP purposes until received		<u>210,328</u>	
GAAP fund balance, end of year		<u>\$ 395,206</u>	

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

September 30, 2006

	<u>Enterprise</u>	<u>Internal Service</u>
	<u>Water and</u>	<u>Equipment</u>
	<u>Sewer</u>	<u>Replacement</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 713,213	\$ 906,103
Restricted cash and cash equivalents	534,537	-
Restricted investments	47,811	-
Receivables, net:		
Water and sewer billings	746,290	-
Leases	264,911	-
Other	76,229	-
Total current assets	<u>2,382,991</u>	<u>906,103</u>
Noncurrent assets:		
Restricted cash and cash equivalents	<u>100,000</u>	-
Capital assets:		
Land and improvements	3,784,962	-
Construction in progress	2,948,238	-
Water and sewer treatment plants	65,780,012	-
Water and sewer mains and lines	39,090,715	-
Machinery and equipment	813,117	3,888,274
Less accumulated depreciation	<u>(35,999,711)</u>	<u>(2,116,031)</u>
Total capital assets	<u>76,417,333</u>	<u>1,772,243</u>
Total noncurrent assets	<u>76,517,333</u>	<u>1,772,243</u>
Total assets	<u>78,900,324</u>	<u>2,678,346</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	169,188	-
Accrued expenses	119,722	-
Accrued compensated absences	140,508	-
Utility deposits	534,537	-
Bonds, notes and loans payable	115,000	-
Other payable	128,250	-
Total current liabilities	<u>1,207,205</u>	<u>-</u>
Noncurrent liabilities:		
Accrued compensated absences	52,706	-
Bonds, notes and loans payable	875,000	-
Total noncurrent liabilities	<u>927,706</u>	<u>-</u>
Total liabilities	<u>2,134,911</u>	<u>-</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	75,427,333	1,772,243
Unrestricted	<u>1,338,080</u>	<u>906,103</u>
Total net assets	<u>76,765,413</u>	<u>\$ 2,678,346</u>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.	<u>192,091</u>	
Net assets of business-type activities	<u>\$ 76,957,504</u>	

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS

Year Ended September 30, 2006

	Enterprise Water and Sewer	Internal Service Equipment Replacement
Operating revenues:		
Charges for services (pledged as security for revenue bonds):		
Water	\$ 2,224,990	\$ -
Sewer	1,767,172	-
Rental income	-	619,283
Miscellaneous	5,794	-
Total operating revenues	<u>3,997,956</u>	<u>619,283</u>
Operating expenses:		
Personal services	2,371,259	-
Contractual services	1,678,840	-
Commodities	527,533	-
Depreciation	2,895,305	377,454
Total operating expenses	<u>7,472,937</u>	<u>377,454</u>
Operating income (loss)	<u>(3,474,981)</u>	<u>241,829</u>
Nonoperating revenues (expenses):		
Sewer capacity fees	931,389	-
Interest income	59,211	-
Sales of capital assets	280,073	14,080
Interest expense	(114,192)	-
Total nonoperating revenues	<u>1,156,481</u>	<u>14,080</u>
Income (loss) before transfers	<u>(2,318,500)</u>	<u>255,909</u>
Transfers in	<u>1,658,925</u>	<u>-</u>
Change in net assets	(659,575)	255,909
Total net assets, beginning of year	<u>77,424,988</u>	<u>2,422,437</u>
Total net assets, end of year	<u>\$ 76,765,413</u>	<u>\$ 2,678,346</u>
Change in net assets	\$ (659,575)	
Some amounts reported for business-type activities in the statement of activities are different because the net revenue of certain internal service funds is reported with business-type activities.	<u>50,683</u>	
Change in net assets of business-type activities	<u>\$ (608,892)</u>	

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

Year Ended September 30, 2006

	Enterprise Water and Sewer	Internal Service Equipment Replacement
Cash flows from operating activities:		
Receipts from customers	\$ 4,071,101	\$ -
Payments to suppliers	(2,590,405)	-
Payments to employees for services	(2,367,309)	-
Other receipts (payments)	(279,922)	619,283
Net cash provided by (used in) operating activities	<u>(1,166,535)</u>	<u>619,283</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(1,375,589)	(572,389)
Proceeds from sales of capital assets	280,073	14,080
Principal paid on capital debt	(865,000)	-
Interest and bond costs paid on capital debt	(114,192)	-
Sewer capacity fees	931,389	-
Net cash used in capital and related financing activities	<u>(1,143,319)</u>	<u>(558,309)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	1,658,925	-
Cash flows from investing activities:		
Proceeds from sales of investments	246,762	-
Purchases of investments	(249,059)	-
Interest and dividends	59,211	-
Net cash provided by investing activities	<u>56,914</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(594,015)	60,974
Cash and cash equivalents and restricted cash, beginning of year	1,941,765	845,129
Cash and cash equivalents and restricted cash, end of year	<u>\$ 1,347,750</u>	<u>\$ 906,103</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (3,474,981)	\$ 241,829
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	2,895,305	377,454
Change in assets and liabilities:		
Receivables, net	(264,160)	-
Accounts and other payables	(306,531)	-
Accrued expenses	(16,168)	-
Net cash provided by (used in) operating activities	<u>\$ (1,166,535)</u>	<u>\$ 619,283</u>
Cash consists of:		
Cash and cash equivalents	\$ 713,213	\$ 906,103
Restricted cash and cash equivalents	634,537	-
	<u>\$ 1,347,750</u>	<u>\$ 906,103</u>

See accompanying notes to basic financial statements.

CITY OF BRANSON, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

September 30, 2006

	<u>Agency Fund</u> <u>Landscape Trust</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 655,301
<u>LIABILITIES</u>	
Due to others	\$ 655,301

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2006

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Branson, Missouri is a municipal corporation governed by an elected mayor and a six member Board of Aldermen. In evaluating the City's financial reporting entity, management has considered all potential component units and has determined there are no component units over which the City is financially accountable. Financial accountability is based primarily on nonoperational or financial relationships with the City (as distinct from legal relationships). These financial statements include all the accounts for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency fund does not have a measurement focus, but does use the accrual basis of accounting to present its financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental fund revenues except property taxes for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, tourism taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City reports the following major funds:

Major Governmental Funds

1. General Fund – is used to account for the general operations of the City and all unrestricted revenues and expenditures not required to be accounted for in other funds.
2. Tourism Tax Fund – is used to account for the proceeds of tourism tax requiring separate accounting because of legal or regulatory provisions or administrative action.
3. Transportation Sales Tax Fund – is used to account for the proceeds of transportation sales tax requiring a separate accounting because of legal or regulatory provisions or administrative action.
4. Debt Service Fund – is used to account for the accumulation of resources for the payment of principal and interest on long-term debt.
5. Capital Projects Fund – is used to account for the acquisition, construction and renovation of major capital facilities.

Major Proprietary Funds

1. Water and sewer – accounts for the activities of the water distribution system, the sewage treatment plant and the sewage pumping stations and collection systems.

Additionally, the government reports the following fund types:

Internal service fund to account for fleet management services provided to other departments on a cost reimbursement basis.

Agency fund to account for activities not involving the measurement of results of operations because they are custodial in nature. The City's agency fund is used to account for landscape and tree deposits held by the City as an agent for property owners who have applied for building permits.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Cash and Investments

Cash and investments of the individual funds are combined to form a pool which is managed by the Finance Department. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. Investment earnings, including interest income, are allocated to the funds required to accumulate interest. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

The investments consist of money market mutual funds, guaranteed investment contracts, and repurchase agreements. The money market mutual funds are recorded at fair value, and the guaranteed investment contracts and repurchase agreements are stated at cost as they are not negotiable or transferable and are not affected by market fluctuations.

Statement of Cash Flows

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. An allowance of approximately \$ 87,900 is recorded at September 30, 2006.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Restricted Cash and Investments

The City is statutorily required to maintain customer utility deposits separate from City assets. Interest earned is credited back to customers. Restricted cash and cash equivalents and restricted investments are also set aside for debt service payments and for required debt reserves.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes interest on the construction of business-type capital assets when material.

The City's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets. The estimated useful lives are:

Water and sewer treatment plants	40 - 50 years
Water and sewer mains and lines	20 - 40 years
Equipment	5 - 10 years
Buildings and fixtures	30 years
Furniture	5 - 10 years
Infrastructure	10 - 20 years
Vehicles	2 - 7 years

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

City policies permit full-time employees to accumulate sick pay benefits and vacation time based on the number of years of service. Accumulated vacation payable is recorded when incurred in the government-wide financial statements and proprietary fund statements. In the governmental fund financial statements, a liability is reported only if it has matured, for example, as a result of employee resignations and retirements. One-half of accumulated sick leave is paid to employees upon leaving the City in good standing. This amount of sick leave is recorded in the government-wide and proprietary fund statements with the amount due within one year estimated based on past payouts.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Prior Period Adjustment

Beginning fund balance for governmental activities on the statement of net assets was restated to more accurately reflect the costs of capital assets being constructed. The effect of this restatement on the beginning balance was an increase of \$ 132,855 in the governmental activities on the statement of net assets which resulted from capital assets being decreased by \$ 132,855. There was no effect on current revenue or expenditures as a result of this adjustment.

Pending Governmental Accounting Standards Board Statements

At September 30, 2006, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in April 2004. The objective of this statement is to establish uniform financial reporting standards for other postemployment benefit plans (OPEB plans). The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. This statement provides standards for measurement, recognition, and display of the assets, liabilities, and, where applicable, net assets and changes in net assets of such funds and for related disclosures. The provisions of this statement are effective for periods beginning after December 15, 2006.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued in June 2004. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The term “other postemployment benefits” refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. The provisions of this statement are effective for periods beginning after December 15, 2007.

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 199,181,392 difference are as follows:

Bonds payable	\$ (197,219,000)
Bond premium liability	(1,968,939)
Deferred amount on refunding	680,615
Issuance discount	550,393
Costs of issuance	2,984,287
Accrued interest payable	(3,242,235)
Compensated absences	(766,513)
Other payable	<u>(200,000)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (199,181,392)</u></u>

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 38,516,003 difference are as follows:

Capital outlay	\$ 44,881,333
Depreciation expense	<u>(6,365,330)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 38,516,003</u>

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 6,438,538 difference are as follows:

Debt issued or incurred:	
Bond issuance costs	\$ 500,538
Principal repayments:	
Special limited obligation bonds	3,875,000
Revenue bonds	<u>2,063,000</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 6,438,538</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 1,302,158 difference are as follows:

Compensated absences	\$ (56,233)
Accrued interest	(1,090,891)
Amortization of issuance costs	(117,190)
Amortization of bond discounts/premiums	59,387
Amortization of deferred amount on refunding	<u>(97,231)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (1,302,158)</u>

CITY OF BRANSON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

Budgeting

Missouri statutes require that all political subdivisions of the State prepare an annual budget. Governmental funds required to have legally adopted annual budgets are the general fund, the special revenue funds, and the debt service fund. Legally adopted annual budgets are not required for the capital projects fund and the permanent fund. Annual budgets for all governmental funds are adopted using the modified accrual basis of accounting, modified further by the encumbrance method of accounting.

Budgeted expenditures cannot exceed budgeted revenues and unencumbered positive fund balances as required by Section 67.010 RSMo.

The appropriated budget is prepared by fund, function, and department. State statutes set the legal level of budgetary control at the fund level (i.e., the level at which expenditures may not legally exceed appropriations). Management's level of budgetary control is at the departmental level. The City has elected to pursue a policy of requiring approval of the Board of Aldermen on major purchases exceeding \$ 15,000.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds financial statements. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2006, expenditures exceeded appropriations in the debt service fund by \$ 3,662. The overexpenditures were funded by available fund balance in the debt service fund.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Property Taxes

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property in the City. Assessed values are established by the Taney County Assessor's Office. The assessed values at January 1, 2005, upon which the 2005 levy was based and upon which the ad valorem tax revenues for the year ended September 30, 2006 are recorded, are as follows:

Real estate	\$ 330,667,950
Personal property and business personal	44,414,074
Utilities	<u>3,229,025</u>
	<u><u>\$ 378,311,049</u></u>

Property taxes are due and payable on November 1 and become delinquent on January 1.

The 2005 tax levy per \$ 100 assessed valuation was:

General	<u>\$ 0.4853</u>
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5 - Deposits and Investments

As of September 30, 2006, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Repurchase agreements	\$ 3,349,879	\$ -	\$ -	\$ -	\$ 3,349,879
Guaranteed investment contracts	328,495	-	-	83,533	244,962
Money market mutual funds	<u>55,184,756</u>	<u>55,184,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 58,863,130</u></u>	<u><u>\$ 55,184,756</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 83,533</u></u>	<u><u>\$ 3,594,841</u></u>

CITY OF BRANSON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Missouri statutes prohibit municipalities from investing in derivative, leveraged, or speculative securities. City Resolution No. 2004-R012 further limits the City's investments in securities to U.S. Treasury obligations. City agents invest funds for restricted debt reserves and unexpended debt proceeds in money market mutual funds, guaranteed investment contracts and repurchase agreements. The City's investments in money market mutual funds are rated AAA by Standard & Poor's, and the repurchase agreements and guaranteed investment contracts are unrated.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. Ninety-five percent of the City's investments are in money market mutual funds issued by Goldman Sachs.

Custodial Credit Risk-Deposits

In the case of deposits, this is the risk that in the event of a bank failure the City's deposits may not be returned. As of September 30, 2006, the carrying amount of the City's deposits was \$ 23,134,138. The City had bank balances of deposits of \$ 20,215,443 which were covered by federal depository insurance or by collateral held by the City's agent in the City's name. The City does not have a formal deposit policy for custodial credit risk.

Custodial Credit Risk-Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2006, the City's investments were not exposed to custodial credit risk.

CITY OF BRANSON, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

5 - Deposits and Investments (Continued)

At year end, the City's deposit and investment balances, including debt restricted accounts held by City agents were as follows:

	Carrying Amount (approximates fair value)
Investments:	
Guaranteed investment contracts, repurchase agreements, money market mutual funds	\$ 58,863,130
Book balance of deposits	23,132,278
Cash on hand	3,090
 Total restricted and unrestricted cash and investments presented in the statement of net assets and agency fund	 \$ 81,998,498

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,521,130	\$ 5,399,198	\$ -	\$ 47,920,328
Construction in progress	28,792,062	39,238,793	(16,983,046)	51,047,809
Total capital assets not being depreciated	71,313,192	44,637,991	(16,983,046)	98,968,137
Capital assets being depreciated:				
Buildings and fixtures	20,418,678	506,352	-	20,925,030
Equipment	6,302,512	809,373	(147,043)	6,964,842
Vehicles	1,389,536	34,920	(15,625)	1,408,831
Infrastructure	109,763,278	16,609,432	-	126,372,710
Furniture	170,172	-	-	170,172
Land improvements	1,680,401	38,700	-	1,719,101
Total capital assets being depreciated	139,724,577	17,998,777	(162,668)	157,560,686
Less accumulated depreciation for:				
Buildings and fixtures	(3,096,248)	(687,026)	-	(3,783,274)
Equipment	(3,760,517)	(629,305)	147,043	(4,242,779)
Vehicles	(1,312,848)	(46,038)	15,625	(1,343,261)
Infrastructure	(60,161,914)	(5,286,478)	-	(65,448,392)
Furniture	(86,249)	(13,458)	-	(99,707)
Land improvements	(863,798)	(80,479)	-	(944,277)
Total accumulated depreciation	(69,281,574)	(6,742,784)	162,668	(75,861,690)
Total capital assets being depreciated, net	70,443,003	11,255,993	-	81,698,996
Governmental activities capital assets, net	\$ 141,756,195	\$ 55,893,984	\$(16,983,046)	\$ 180,667,133

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,784,962	\$ -	\$ -	\$ 3,784,962
Construction in progress	4,672,304	1,040,632	(2,764,698)	2,948,238
Total capital assets not being depreciated	8,457,266	1,040,632	(2,764,698)	6,733,200
Capital assets being depreciated:				
Water and sewer treatment plants	65,780,012	-	-	65,780,012
Water and sewer mains and lines	36,039,800	3,065,280	(14,365)	39,090,715
Machinery and equipment	813,117	-	-	813,117
Total capital assets being depreciated	102,632,929	3,065,280	(14,365)	105,683,844
Less accumulated depreciation for:				
Water and sewer treatment plants	(22,004,914)	(1,910,901)	-	(23,915,815)
Water and sewer mains and lines	(10,838,454)	(955,451)	-	(11,793,905)
Machinery and equipment	(261,038)	(28,953)	-	(289,991)
Total accumulated depreciation	(33,104,406)	(2,895,305)	-	(35,999,711)
Total capital assets being depreciated, net	69,528,523	169,975	(14,365)	69,684,133
Business-type activities capital assets, net	<u>\$ 77,985,789</u>	<u>\$ 1,210,607</u>	<u>\$ (2,779,063)</u>	<u>\$ 76,417,333</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 354,440
Public safety	175,436
Public works	5,306,670
Engineering	15,273
Community development	2,300
Culture and recreation	511,211
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	377,454
Total depreciation expense - governmental activities	<u>\$ 6,742,784</u>
Business-type activities:	
Water and sewer	<u>\$ 2,895,305</u>

CITY OF BRANSON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Leases

Operating Leases

Noncancellable operating revenue leases for City land expire in various years through 2034. These leases generally contain renewal options for periods ranging from five to thirty-five years and require the lessees to pay all executory costs (property taxes, maintenance and insurance). Rental income includes minimum rentals plus contingent rentals based on sales.

Future lease income on minimum rentals is approximately \$ 365,000 per year.

The cost of the capital assets the City leases is \$ 32,900, with accumulated depreciation of \$ 13,445, resulting in net carrying value of \$ 19,455 at September 30, 2006.

For the year ended September 30, 2006, rental income for all operating leases was approximately \$ 827,000 including contingent rental income.

Capital Lease

The City has a lease agreement as lessor on City property. This lease agreement qualifies as a capital lease and has therefore been recorded at the present value of the future minimum lease payments as of the inception date. At September 30, 2006 the lease receivable balance was \$ 264,911.

Future minimum lease payments to be received are as follows:

2007	\$	26,582
2008		13,011
2009		13,402
2010		13,804
2011		14,218
2012-2016		77,748
2017-2021		82,033
2022-2025		24,113
		264,911
Present value of minimum lease payments	\$	264,911

CITY OF BRANSON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt

Special Limited Obligation Bonds

The City has the following special limited obligation bonds related to its governmental activities:

Special Limited Obligation Bonds (Missouri Development Finance Board Infrastructure Facilities Bonds) Series 2003A of \$ 56,290,000 issued January 2003; 2.5% to 5.5% interest payable semiannually, principal payments due annually. Principal installments ranging from \$1,050,000 to \$ 2,940,000 with final maturity on December 1, 2032. Bonds maturing on or after December 1, 2017 may be called on or after December 1, 2012 at par. At September 30, 2006, \$ 45,405,000 of the bonds were outstanding.

The bonds were issued by the Missouri Development Finance Board (MDFB) and the proceeds were loaned to the City. The City demised certain properties (including City Hall and a fire station) to the MDFB, and the MDFB leased those properties to the City. The City's lease payments equal the required interest and principal payments on the bonds. Bond indentures require restricted accounts in order to accumulate necessary payment funding. Restricted investment reserves for this bond issue at September 30, 2006 were approximately \$ 3,434,000.

Special Limited Obligation Bonds (Missouri Development Finance Board Infrastructure Facilities Bonds) Series 2004A of \$ 40,000,000 issued June 2004; 2.8% to 5.625% interest payable semiannually, principal payments due annually. Principal installments ranging from \$ 150,000 to \$ 3,095,000 with final maturity on December 1, 2028. Bonds maturing on or after December 1, 2014 may be called on or after June 1, 2014 at par. At September 30, 2006, \$ 40,000,000 of the bonds were outstanding.

The bonds were issued by the MDFB and the proceeds were made available to the City. The bond payments are made from amounts annually appropriated by the City. The City's obligation to make payments is secured by an annual appropriation covenant, future mortgages on a parking garage and a convention center, and, if ever realized, certain pledged revenues. Bond indentures require restricted accounts in order to accumulate necessary payment funding. Restricted investment reserves for this bond issue at September 30, 2006 were approximately \$ 3,273,000.

Special Limited Obligation Bonds (Missouri Development Finance Board Infrastructure Facilities Bonds) Series 2005A of \$ 80,000,000 issued September 2005; 3.75% to 6.0% interest payable semiannually, principal payments due annually. Principal installments ranging from \$ 315,000 to \$ 6,930,000 with final maturity on June 1, 2035. Bonds maturing on or after June 1, 2025 may be called on or after June 1, 2015 at par. At September 30, 2006, \$ 80,000,000 of the bonds were outstanding.

CITY OF BRANSON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Special Limited Obligation Bonds (Continued)

The bonds were issued by the MDFB and the proceeds were made available to the City. The bond payments are made from amounts annually appropriated by the City. The City's obligation to make payments is secured by an annual appropriation covenant, future mortgages on a parking garage and a convention center, and, if ever realized, certain pledged revenues. Bond indentures require restricted accounts in order to accumulate necessary payment funding. Restricted investment reserves for this bond issue at September 30, 2006 were approximately \$ 7,078,000.

Annual debt service requirements to maturity for special limited obligation bonds are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,200,000	\$ 8,408,504
2008	1,295,000	8,373,573
2009	1,870,000	8,330,167
2010	2,660,000	8,243,653
2011	3,015,000	8,137,063
2012-2016	17,305,000	38,550,923
2017-2021	26,025,000	33,051,524
2022-2026	36,865,000	24,901,260
2027-2031	44,345,000	13,995,984
2032-2036	30,825,000	3,563,525
Total	<u>\$ 165,405,000</u>	<u>\$ 155,556,176</u>

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Revenue Bonds

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City has issued the following revenue bonds related to the Tourism Tax Fund, which is a governmental activity:

Limited Obligation Bonds (State Revolving Fund Program) Series 1994A of \$ 3,500,000 issued August 1994; 4.25% to 6.05% interest payable semiannually, principal payments due annually. Final maturity July 1, 2014. Bonds maturing after July 1, 2006 may be called on June 1, 2006 and every June 1 and December 1 thereafter at par.

Limited Obligation Bonds (State Revolving Fund Program) Series 1995A of \$ 17,450,000 issued May 1995; 4.75% to 6.05% interest payable semiannually, principal payments due annually. Final maturity July 1, 2016. Bonds maturing July 1, 2006 and thereafter may be called on July 1, 2005 and every July 1 thereafter at par.

Tourism Tax Revenue Bonds, Series 1998A of \$ 9,630,000, issued May 1998; 3.75% to 5.00% interest payable semiannually, principal payments due annually. Final maturity January 1, 2010. Bonds maturing in year 2009 and thereafter may be called on January 1, 2008 and thereafter at par.

Tourism Tax Revenue Bonds, Series 1998B of \$ 17,435,000 issued May 1998; 3.75% to 5.0% interest payable semiannually, principal payments due annually. Final maturity January 1, 2018. Bonds maturing in years 2009 and thereafter may be called on January 1, 2008 and thereafter at the following redemption prices:

January 1, 2008 through December 31, 2008
January 1, 2009 and Thereafter

101% of par
Par

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Revenue Bonds (Continued)

Interest and principal on the tourism tax bonds are payable solely from revenues generated by the tourism tax of up to 4% of hotel and motel and tourist attraction revenues and up to ½% on restaurant food and drink sales within the City. Bond indentures require restricted accounts in order to accumulate necessary payment funding. Restricted investment reserves for the bond issues at September 30, 2006 were approximately \$ 4,876,740.

The City has issued the following revenue bonds related to the Water and Sewer Fund, which is a business-type activity:

Combined Waterworks and Sewerage System Bonds of \$ 2,000,000,
issued as part of Missouri State Environmental and Energy
Resources Authority Water Pollution Control Revenue Bonds
Series 1992A, issued August 1, 1992; 4.5% to 6.5% interest
payable semiannually, principal retirements due annually. Final
maturity July 1, 2013. Bonds maturing June 1, 2008 and July 1,
2013 may be called every June 1 and December 1 after June 1,
2004 at par.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Revenue Bonds (Continued)

Interest and principal payments on the Water and Sewer Fund Revenue Bonds are payable solely from water and sewer system revenues. Bond indentures require monthly cash transfers to restricted accounts in order to accumulate necessary payment funding. The bonds are secured by the City's waterworks and sewerage system. Restricted debt reserves for the issues at September 30, 2006 totaled approximately \$ 125,000. Restricted investment reserves for the issues at September 30, 2006 totaled approximately \$ 48,000.

Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Issue</u>	<u>Installment ranges</u>	<u>Principal paid in 2006</u>	<u>Outstanding September 30, 2006</u>
Combined water and sewer	1992A	\$55,000-\$170,000	\$ 110,000	\$ 990,000
State revolving fund	1994A	\$113,000-\$291,000	183,000	1,914,000
State revolving fund	1995A	\$165,000-\$2,350,000	175,000	12,870,000
Tourism tax refunding	1998A	\$155,000-\$1,305,000	980,000	4,775,000
Tourism tax refunding	1998B	\$250,000-\$3,210,000	725,000	12,255,000

Revenue bonds debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,157,000	\$ 1,692,677
2008	2,256,000	1,580,031
2009	2,357,000	1,463,825
2010	2,462,000	1,343,127
2011	2,535,000	1,254,741
2012-2016	13,787,000	3,968,410
2017-2021	6,260,000	317,000
Total	<u>\$ 31,814,000</u>	<u>\$ 11,619,811</u>

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Revenue Bonds (Continued)

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 115,000	\$ 64,605
2008	125,000	57,188
2009	130,000	49,125
2010	140,000	40,610
2011	150,000	31,440
2012-2016	330,000	32,750
Total	<u>\$ 990,000</u>	<u>\$ 275,718</u>

Bond Indebtedness Limitation

Under the Missouri Constitution, the limit of general obligation bonded indebtedness is 10% of the most recent assessed valuation. The legal debt margin (constitutional debt limit – 2005 valuation) of the City at September 30, 2006 was approximately \$ 37,800,000. The City has no outstanding general obligation bonded debt at September 30, 2006.

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds is not included in the City's financial statements. At September 30, 2006, \$ 7,915,000 of the bonds which were considered defeased in prior years remained outstanding.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Revenue bonds	\$ 33,877,000	\$ -	\$ (2,063,000)	\$ 31,814,000	\$ 2,157,000
Special limited obligation bonds	169,280,000	-	(3,875,000)	165,405,000	1,200,000
Less deferred amounts:					
For issuance discounts	(586,519)	-	36,126	(550,393)	-
For issuance premiums	2,064,452	-	(95,513)	1,968,939	-
On refunding	(777,846)	-	97,231	(680,615)	-
Total bonds payable	203,857,087	-	(5,900,156)	197,956,931	3,357,000
Compensated absences	710,280	508,354	(452,121)	766,513	579,758
Other payable	-	200,000	-	200,000	200,000
Governmental activities long-term liabilities	<u>\$ 204,567,367</u>	<u>\$ 708,354</u>	<u>\$ (6,352,277)</u>	<u>\$ 198,923,444</u>	<u>\$ 4,136,758</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 1,855,000	\$ -	\$ (865,000)	\$ 990,000	\$ 115,000
Compensated absences	189,264	121,904	(117,954)	193,214	140,508
Business-type activities long-term liabilities	<u>\$ 2,044,264</u>	<u>\$ 121,904</u>	<u>\$ (982,954)</u>	<u>\$ 1,183,214</u>	<u>\$ 255,508</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute Section RSMo 70.600-70.755. As such, it is the System's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Status

The City's full-time employees contribute 4% of their gross pay to the pension plan. The City is required by state statute to contribute at an actuarially determined rate. The rates for the past three years as a percentage of annual covered payroll are as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
2004	6.3%	4.4%	8.2%
2005	10.1%	7.8%	12.3%
2006	10.0%	7.9%	12.1%

The governing body of the City determines the contribution requirements of plan members. The contribution provisions of the City are established by state statute.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the plan year 2006, the City's annual pension cost of \$ 1,078,350 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2004 and/or February 28, 2005 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2006 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back zero years for men and zero years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2006 was 15 years.

Fiscal Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 770,196	100%	-
2005	892,609	100%	-
2006	1,078,350	100%	-

Contributions Made by City

For the years ended September 30, 2006, 2005 and 2004, the City contributions in dollars and as a percentage of covered payroll were approximately \$ 777,000 (10.2%), \$ 687,000 (9.3%), and \$ 452,000 (6.2%), respectively, equal to the statutory required contribution for each year.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Defined Benefit Pension Plan (Continued)

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information may be found in the required supplementary information accompanying these basic financial statements.

10 - Risk Management

The City is exposed to various risks of loss from torts; theft of, damage to or destruction of assets; errors and omissions; business interruption; employee injuries; and natural disasters. These risks are covered by the City's participation in the Missouri Intergovernmental Risk Management Association (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for its members. The City pays an annual premium to the Pool for its property, liability, workers' compensation, auto and crime insurance coverages. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts. Settlements have not exceeded insurance coverage for each of the last three years. There have been no reductions in insurance coverage from the prior year. Commercial insurance coverage is purchased for claims arising from employee health matters.

11 - Commitments and Contingencies

Capital Projects

Normal commitments have been made for future expenditures related to the City's capital projects program.

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Commitments and Contingencies (Continued)

Capital Projects (Continued)

In 2002 and 2003, the City acquired approximately 26 acres of the Lake Taneycomo lakefront property in the downtown district of Branson. In 2004, the City acquired approximately 12 additional acres, which when added to property the City previously owned totals 57 acres. The City is utilizing this property to develop a waterfront entertainment district and convention center. The City sought assistance from the State of Missouri and received approval of the state's participation in a tax increment-financing district. Construction was completed on the entertainment district portion of the project, opening in mid 2006. Construction on the convention center and hotel began in July of 2005, with a projected opening date in 2007.

The City will continue to work with its chosen developer, HCW Development Company L.L.C., on this project through fruition.

Litigation

The City is a defendant in various lawsuits relating to easements, condemnations and other matters which are considered normal to the City's operations. It is the opinion of the City's management that the outcome of the litigation will not result in a material loss to the City in excess of applicable insurance coverage.

12 - Interfund Transactions

Interfund transfers for the year ended September 30, 2006, consisted of the following:

Transfers to debt service fund from:	
General fund	\$ 750,000
Transfers to capital projects fund from:	
General fund	\$ 1,234,000
Tourism tax fund	2,955,608
Transportation sales tax fund	2,391,434
Total transfers to capital projects fund	\$ 6,581,042
Transfers to water and sewer fund from:	
Tourism tax fund	\$ 1,658,925
Transfers to nonmajor governmental funds from:	
General fund	\$ 500,000

CITY OF BRANSON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Interfund Transactions (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Due to and due from other funds as of September 30, 2006 are reported in the financial statements as follows:

Amounts owed from transportation sales tax fund to:

Capital projects fund	<u>\$ 300,000</u>
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The outstanding balance between the transportation sales tax fund and the capital projects fund results from the time lag between the dates that interfund services are provided and reimbursable expenditures occur.

13 - Fund Balance Reserves

The governmental fund financial statements include a number of reserves that are maintained for specific purposes. The nature and purposes of the significant reserves are:

Reserved for Encumbrances

An account to segregate commitments that have been appropriated but not yet expended.

Reserved for Other Purposes

An account to segregate monies that are reserved for marketing in the tourism tax fund, for a rainy day reserve in the general fund, and reserved for perpetual care by state statute in the nonmajor governmental funds.

Reserved for Inventories and Prepaid Expenses

An account to segregate monies relating to inventories and prepaid expenses that are not available for future spending.

Reserved for Debt Service

An account to segregate monies that are reserved for current and future payments of debt.