JUNCTION TOWN

FINANCIAL STATEMENTS

JUNE 30, 2006

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	17
STATEMENT OF ACTIVITIES	18
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	19
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS	20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	22
STATEMENT OF NET ASSETS - PROPRIETARY FUND	23
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	24
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	25
NOTES TO FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	38
BUDGETARY COMPARISON SCHEDULES:	
GENERAL FUND	39
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	42
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	44

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
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Honorable Mayor and Town Council
Junction Town
Junction, Utah 84740

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 Junction Town as of and for the year ended June 30, 2006, which collectively comprise Junction Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Junction Town's management. Our responsibility is to express an opinion 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 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 opinion.

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 Junction Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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 our report dated December 29, 2006, on our consideration of Junction Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 38 through 40 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.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 29, 2006
Richfield, Utah

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JUNCTION TOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006

This discussion of Junction Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, public Health, highways and public improvements, culture and recreation and airport.

Financial Highlights

* The assets of the Town exceeded its liabilities as of the close of the most recent year by $769,791 (net assets). Of this amount, $126,929 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.

* The government's total net assets increased by $34,218. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.

* At the close of the current year, the Town's governmental funds reported ending fund balance of $82,038, an increase of $10,997 in comparison with the prior year. Approximately 51 percent of this total amount, $41,634 is available for spending at the government's discretion (unreserved fund balance).

* At the end of the current year, unreserved fund balance for the general fund was $41,634 or 72 percent of total general fund expenditures.

* The Town's total debt decreased by $33,272 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town'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 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 Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town'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 Town 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 Town 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. The governmental activities of the Town include general government, public safety, highways and public improvements, parks and recreation, and airport. The business-type activity of the Town is water operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 Town can be divided into two categories: governmental funds and enterprise 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 statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* , as well as on balance of spendable resources available at the end of the 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, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* .

Junction Town maintains one individual governmental fund. 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 Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Junction Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type 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 financial statements provide separate information for the water operations.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

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 are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

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 Junction Town, assets exceeded liabilities by $769,791 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (78 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town'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.

A portion of the Town's net assets, $40,404 (5 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $126,929, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town 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.

Junction Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Current and Other Assets	82,038	71,041	85,295	374,243	167,333	445,284
Capital Assets	301,330	340,260	772,128	547,431	1,073,458	887,691
Total Assets	383,368	411,301	857,423	921,674	1,240,791	1,332,975
Long-Term Liabilities	-	-	452,000	479,292	452,000	479,292
Other Liabilities	-	-	19,000	118,110	19,000	118,110
Total Liabilities	-	-	471,000	597,402	471,000	597,402
Net Assets:						
Invested in Capital Assets Net of Related Debt	301,330	340,260	301,128	43,159	602,458	383,419
Restricted	40,404	29,775	-	293,418	40,404	323,193
Unrestricted	41,634	41,266	85,295	(12,305)	126,929	28,961
Total Net Assets	383,368	411,301	386,423	324,272	769,791	735,573

Governmental Activities

Governmental activities decreased Junction Town's net assets by $27,933 in 2006 and $59,251 in 2005.

Junction Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	14,861	10,423	47,206	54,038	62,067	64,461
Operating Grants	18,811	28,804	-	-	18,811	28,804
Capital Grants	-	-	40,000	120,000	40,000	120,000
General Revenues:						
Property Taxes	18,035	20,254	-	-	18,035	20,254
Other Taxes	15,964	14,630	-	-	15,964	14,630
Unrestricted Investment Earnings	1,145	275	2,915	6,994	4,060	7,269
Total Revenues	68,816	74,386	90,121	181,032	158,937	255,418
Expenses:						
General Government	15,262	12,345	-	-	15,262	12,345
Public Safety	7,426	5,425	-	-	7,426	5,425
Public Health	5,716	7,039	-	-	5,716	7,039
Highways and Public Improvements	49,800	87,417	-	-	49,800	87,417
Parks and Recreation	13,724	13,998	-	-	13,724	13,998
Airport	4,821	7,413	-	-	4,821	7,413
Interest on Long-Term Debt	-	-	13	1,012	13	1,012
Water	-	-	27,957	25,691	27,957	25,691
Total Expenses	96,749	133,637	27,970	26,703	124,719	160,340
Increase in Net Assets Before Transfers	(27,933)	(59,251)	62,151	154,329	34,218	95,078
Transfers	-	-	-	-	-	-
Increase in Net Assets	(27,933)	(59,251)	62,151	154,329	34,218	95,078
Net Assets - Beginning	411,301	470,552	324,272	169,943	735,573	640,495
Net Assets - Ending	383,368	411,301	386,423	324,272	769,791	735,573

* The Town received operating grants of $18,811. Of this amount, $18,451 was received for the road department. The other operating grant is from liquor law allotments.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the Town's net assets by $62,151. No operating grants were received but a capital grant was received for the water project from the Community Impact Board of $40,000.

* The total increase in the business-type activities costs for the water fund is attributed to the capital grant and reduction in operating costs.

* The depreciation in the enterprise funds remained the same as the prior year.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town'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 year.

The reserved fund balance in the general fund is not available for new spending because it has already been committed to Class C Roads for $40,404.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 72 percent of total general fund expenditures, while total fund balance represents 142 percent of that same amount.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was $85,295.

General Fund Budgetary Highlights

The difference between the original and final budget was $0.

Actual revenues were more than budgeted revenues by $2,516 and actual expenditures were less than budgeted expenditures by $8,481 resulting in a net increase in fund balance of $10,997.

Capital Asset and Debt Administration

Capital Assets

Junction Town's investment in capital assets for its governmental activities as of June 30, 2006, was $301,330 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and highways.

Junction Town's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Land	69,000	69,000	-	-	69,000	69,000
Construction in Progress	-	-	682,128	447,431	682,128	447,431
Infrastructure	178,805	204,350	-	-	178,805	204,350
Improvements Other than Buildings	-	-	90,000	100,000	90,000	100,000
Equipment	53,525	66,910	-	-	53,525	66,910
Total	301,330	340,260	772,128	547,431	1,073,458	887,691

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of $471,000. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Junction Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Revenue Bonds	-	-	471,000	504,272	471,000	504,272

During the prior fiscal year the town issued water revenue bonds of $490,000 at 0% interest to the Community Impact Board for the purpose of financing a new water tank and culinary water system improvements.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

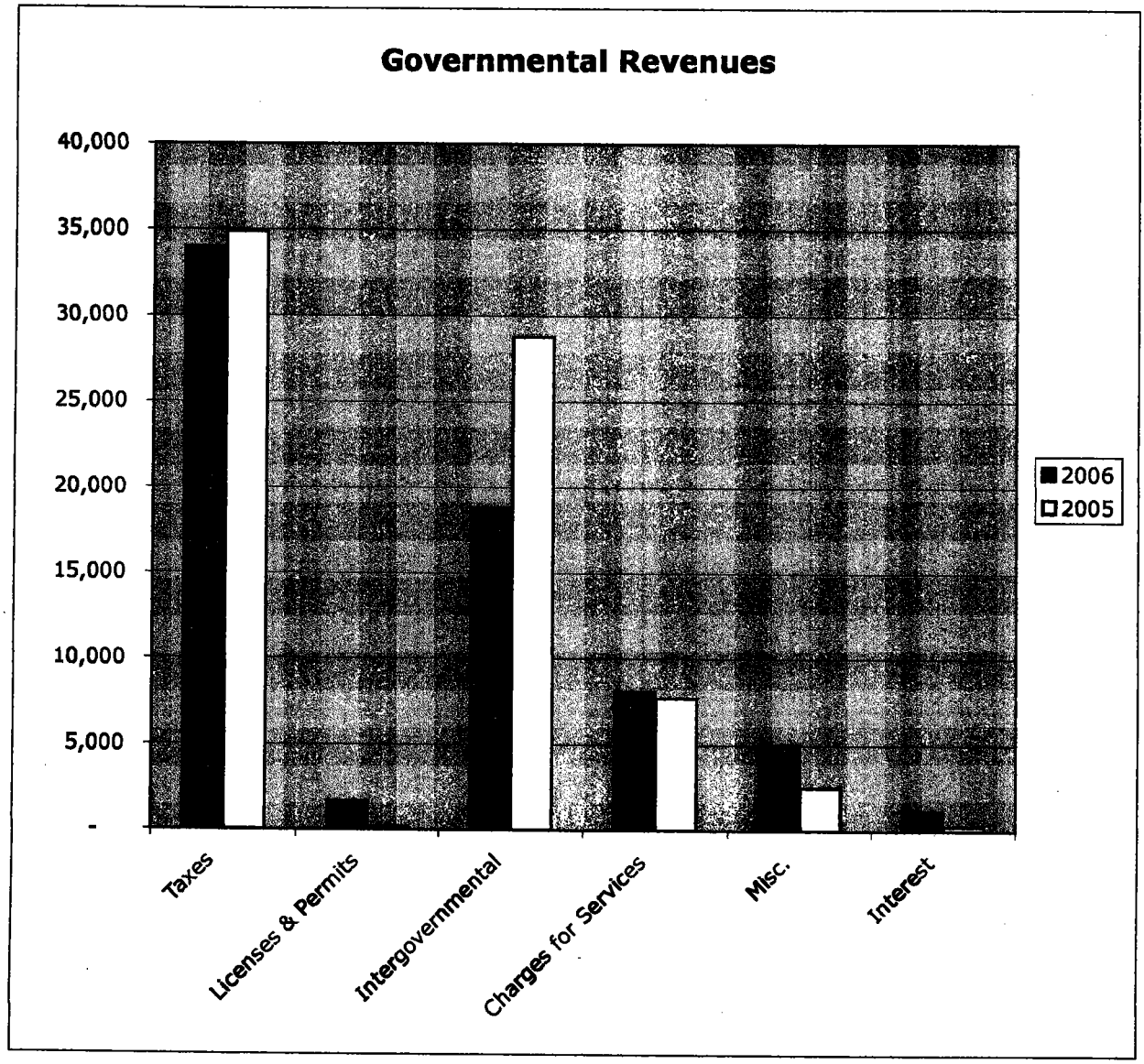
Additional information on Junction Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Junction Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Junction Town Clerk, P.O. Box 26, Junction, Utah, 84740.

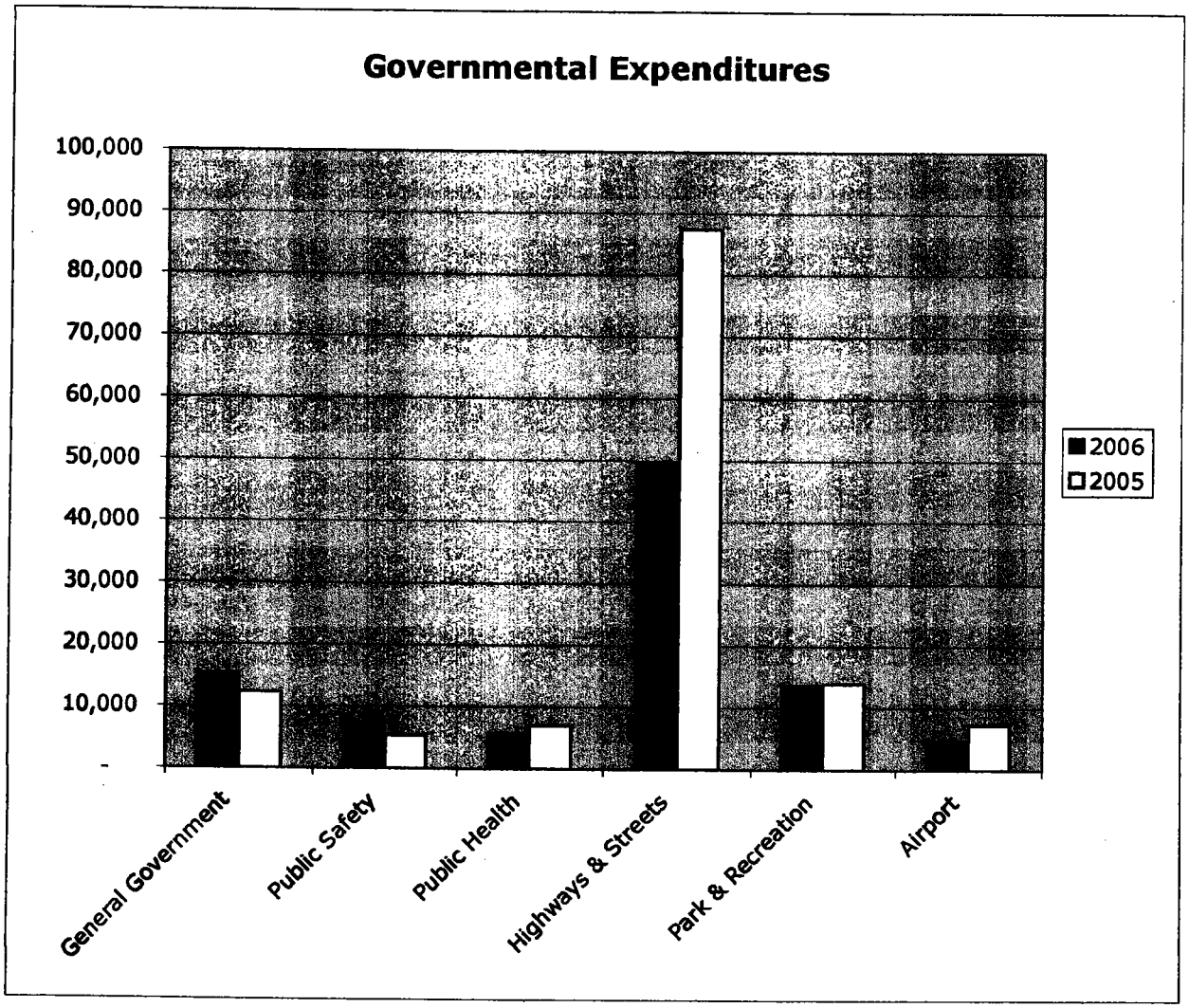
Junction Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Taxes	33,999	34,884
Licenses & Permits	1,670	175
Intergovernmental	18,811	28,804
Charges for Services	8,133	7,713
Misc.	5,058	2,535
Interest	1,145	275
Total Revenues	68,816	74,386



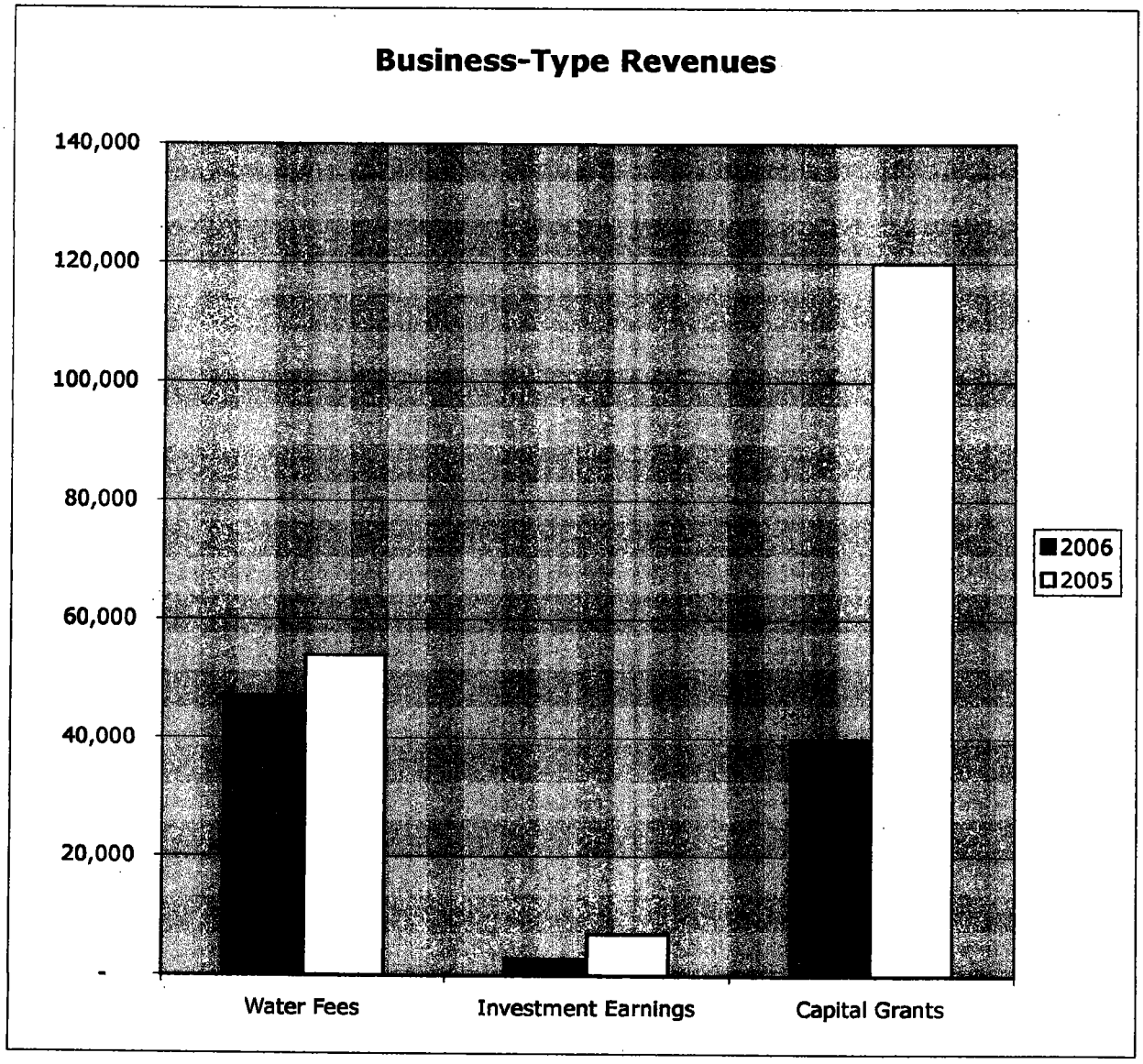
Junction Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	15,262	12,345
Public Safety	7,426	5,425
Public Health	5,716	7,039
Highways & Streets	49,800	87,417
Park & Recreation	13,724	13,998
Airport	4,821	7,413
Total Expenditures	96,749	133,637



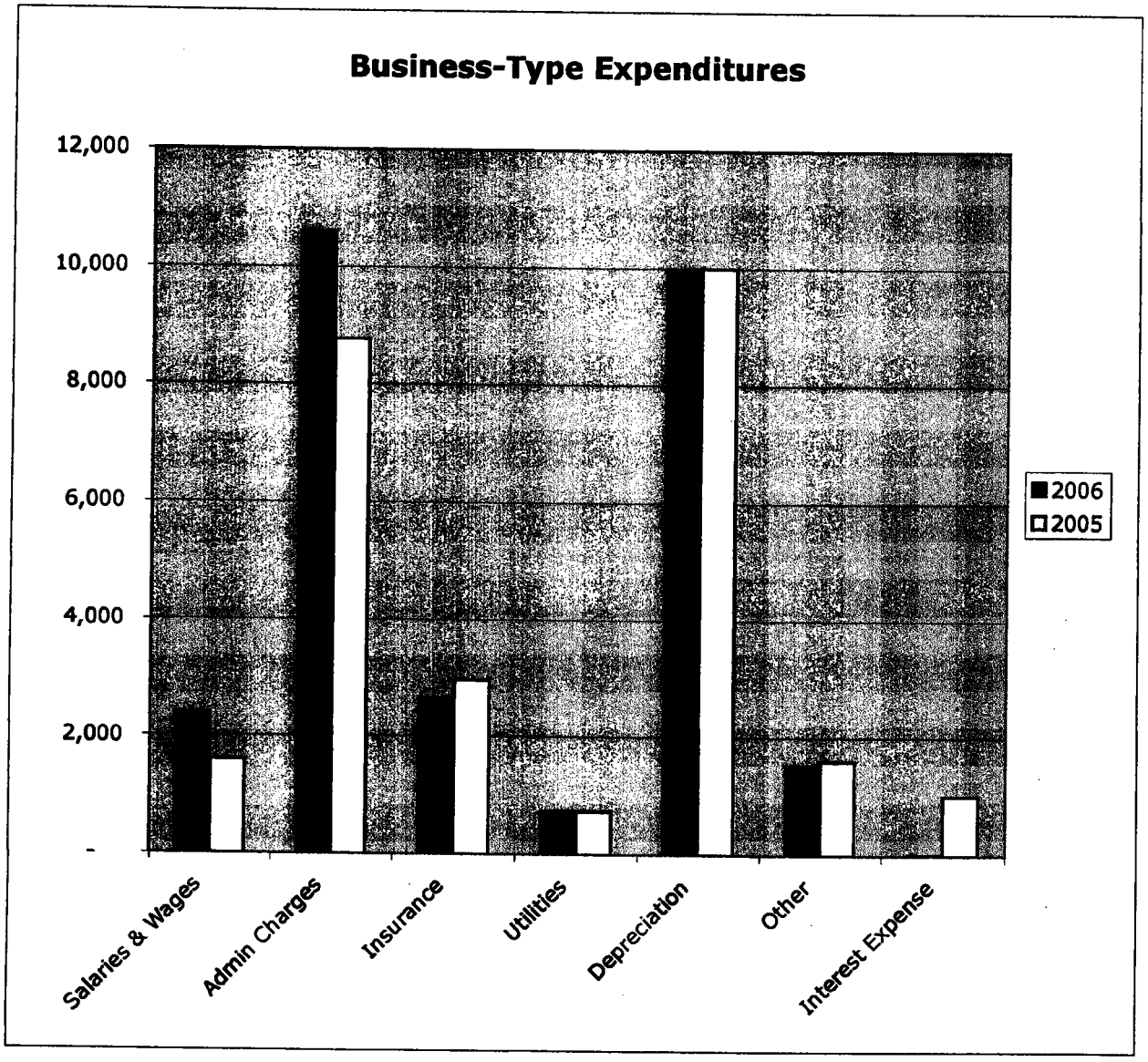
Junction Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Water Fees	47,206	54,038
Investment Earnings	2,915	6,994
Capital Grants	40,000	120,000
Total Revenues	90,121	181,032



Junction Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Wages	2,409	1,600
Admin Charges	10,601	8,767
Insurance	2,666	2,979
Utilities	742	740
Depreciation	10,000	10,000
Other	1,539	1,605
Interest Expense	13	1,012
Total Expenditures	27,970	26,703



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BASIC FINANCIAL STATEMENTS

JUNCTION TOWN
STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	82,038	83,845	165,883
Accounts Receivable (Net)	-	1,450	1,450
Total Current Assets	82,038	85,295	167,333
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation):			
Land	69,000	-	69,000
Improvements Other Than Buildings	-	90,000	90,000
Equipment	16,200	-	16,200
Vehicles	37,325	-	37,325
Infrastructure	178,805	-	178,805
Construction in Progress	-	682,128	682,128
Total Noncurrent Assets	301,330	772,128	1,073,458
TOTAL ASSETS	383,368	857,423	1,240,791
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable - Due Within One Year	-	19,000	19,000
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	452,000	452,000
TOTAL LIABILITIES	-	471,000	471,000
NET ASSETS			
Investment in Capital Assets, Net of Debt	301,330	301,128	602,458
Restricted For:			
Class C Road	40,404	-	40,404
Unrestricted	41,634	85,295	126,929
TOTAL NET ASSETS	383,368	386,423	769,791
TOTAL LIABILITIES AND NET ASSETS	383,368	857,423	1,240,791

The notes to the financial statements are an integral part of this statement.

JUNCTION TOWN
STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Function/Programs Primary Government:							
Governmental Activities:							
General Government	15,262	6,728	-	-	(8,534)	-	(8,534)
Public Safety	7,426	-	360	-	(7,066)	-	(7,066)
Public Health	5,716	7,768	-	-	2,052	-	2,052
Highways and Public Improvements	49,800	-	18,451	-	(31,349)	-	(31,349)
Parks and Recreation	13,724	365	-	-	(13,359)	-	(13,359)
Airport	4,821	-	-	-	(4,821)	-	(4,821)
Total Governmental Activities	96,749	14,861	18,811	-	(63,077)	-	(63,077)
Business-Type Activities:							
Utility Fund	27,970	47,206	-	40,000	-	59,236	59,236
Total Primary Government	124,719	62,067	18,811	40,000	(63,077)	59,236	(3,841)
General Revenues:							
Property Taxes					18,035	-	18,035
Sales Taxes					15,964	-	15,964
Unrestricted Investment Earnings					1,145	2,915	4,060
Total General Revenues and Transfers					35,144	2,915	38,059
Change in Net Assets					(27,933)	62,151	34,218
Net Assets - Beginning					411,301	324,272	735,573
Net Assets - Ending					383,368	386,423	769,791

The notes to the financial statements are an integral part of this statement.

JUNCTION TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund
ASSETS	
Cash and Cash Equivalents	82,038
TOTAL ASSETS	82,038
LIABILITIES AND FUND BALANCES	
Liabilities	-
Fund Balances:	
Reserved For:	
Class "C" Road	40,404
Unreserved, Reported In:	
General Fund	41,634
Total Fund Balance	82,038
TOTAL LIABILITIES AND FUND BALANCE	82,038

The notes to the financial statements are an integral part of this statement.

JUNCTION TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types		82,038
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:		
Land	69,000	
Equipment	16,200	
Vehicles	37,325	
Infrastructure	178,805	
Total		301,330
Net Assets of Government Activities		383,368

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

For The Fiscal Year Ended June 30, 2006

	General Fund
Revenues:	
Taxes	33,999
Licenses and Permits	1,670
Intergovernmental Revenue	18,811
Charges for Services	8,133
Interest	1,145
Miscellaneous Revenues	5,058
Total Revenues	68,816
Expenditures:	
Current:	
General Government	15,262
Public Safety	7,426
Public Health	5,716
Highways and Public Improvements	12,670
Parks and Recreation	11,924
Airport	4,821
Total Expenditures	57,819
Net Change In Fund Balance	10,997
Fund Balance - Beginning	71,041
Fund Balance - Ending	82,038

The notes to the financial statements are an integral part of this statement.

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

For The Fiscal Year Ended June 30, 2006

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

Net Changes in Fund Balances - Total Governmental Funds	10,997

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 depreciation exceeded capital outlays in the current period:

Depreciation	(38,930)
Changes In Net Assets of Governmental Activities	(27,933)

JUNCTION TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund
	Utility Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	83,845
Accounts Receivable (Net)	1,450
Total Current Assets	85,295
Noncurrent Assets:	
Capital Assets: (Net of Accumulated Depreciation)	
Improvements Other Than Buildings	772,128
Total Noncurrent Assets	772,128
TOTAL ASSETS	857,423
LIABILITIES:	
Current Liabilities:	
Bonds Payable - Due Within One Year	19,000
Noncurrent Liabilities:	
Bonds Payable - Due In More Than One Year	452,000
TOTAL LIABILITIES	471,000
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	301,128
Unrestricted	85,295
TOTAL NET ASSETS	386,423
TOTAL LIABILITIES AND NET ASSETS	857,423

The notes to the financial statements are an integral part of this statement.

JUNCTION TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund
	Utility Fund
Operating Revenues:	
Charges for Sales and Services:	
Water Fees	47,206
Operating Expenses:	
Labor	2,409
Administrative Costs	10,601
Insurance	2,666
Utilities	742
Depreciation	10,000
Other	1,539
Total Operating Expenses	27,957
Operating Income	19,249
Nonoperating Revenues (Expenses):	
Investment Earnings	2,915
CIB Grant	40,000
Interest Expense	(13)
Total Nonoperating Revenues (Expenses)	42,902
Change in Net Assets	62,151
Total Net Assets - Beginning	324,272
Total Net Assets - Ending	386,423

The notes to the financial statements are an integral part of this statement.

JUNCTION TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund
	Utility Fund
Cash Flows From Operating Activities:	
Receipts From Customers	53,439
Payments to Suppliers	(108,678)
Payments to Employees	(2,409)
Net Cash Provided by Operating Activities	(57,648)
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(33,272)
Interest Paid on Capital Debt	(13)
CIB Grant Received	40,000
Net Cash Provided (Used) by Capital and Related Financing Activities	6,715
Cash Flows from Investing Activities:	
Interest Received	2,915
Water Project Costs	(234,697)
Net Cash Provided (Used) by Investing Activities	(231,782)
Net Increase (Decrease) in Cash and Cash Equivalents	(282,715)
Cash and Cash Equivalents - Beginning	366,560
Cash and Cash Equivalents - Ending	83,845
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	19,249
Adjustments to Reconcile Operating Income to Net Cash Provided Provided (Used) By Operating Activities:	
Depreciation	10,000
Increase (Decrease) in Operating Assets:	
Accounts Receivable	6,233
Accounts Payable	(93,130)
Total Adjustments	(76,897)
Net Cash Provided (Used) by Operating Activities	(57,648)

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Junction Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Junction Town is a municipal corporation in Piute County, Utah. It is governed by an elected Mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Junction Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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 or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund 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. For this purpose, Junction Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. 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 water funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (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 government has elected not to follow subsequent private-sector guidance.

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

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government'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.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and Water Improvements	40 Years
Equipment	10 Years
Infrastructure	20 Years

Long-Term Obligations:

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, 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 issuance 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 not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

F. Property Taxes

Property taxes are assessed and collected for the Town by Piute County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end, the carrying amount of the Town's deposits was $164,762 and the bank balance was $165,214. Of the bank balance $100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	Fair Value
Demand Deposits	164,762
Investments - PTIF	1,121
Total Cash and Investments	165,883

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	82,038
Business-Type Activities - Unrestricted	83,845
Total Cash and Cash Equivalents	165,883

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the UMMA (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council. Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, $65,214 of the local government's bank balances of $165,214 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of $1,121 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the UMMA. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments. in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	56,000	-	-	56,000
Land Related To Infrastructure	13,000	-	-	13,000
Total Capital Assets Not Being Depreciated	69,000	-	-	69,000
Capital Assets Being Depreciated:				
Buildings	22,300	-	-	22,300
Equipment	45,000	-	-	45,000
Vehicles	88,850	-	-	88,850
Infrastructure	510,875	-	-	510,875
Total Capital Assets Being Depreciated	667,025	-	-	667,025
Less Accumulated Depreciation For:				
Buildings	22,300	-	-	22,300
Equipment	24,300	4,500	-	28,800
Vehicles	42,640	8,885	-	51,525
Infrastructure	306,525	25,545	-	332,070
Total Accumulated Depreciation	395,765	38,930	-	434,695
Total Capital Assets Being Depreciated (Net)	271,260	(38,930)	-	232,330
Governmental Activities Capital Assets, Net	340,260	(38,930)	-	301,330

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in Progress	447,431	234,697	682,128	-
Capital Assets Being Depreciated:				
Utility Systems	400,000	682,128	-	1,082,128
Total Capital Assets Being Depreciated	400,000	682,128	-	1,082,128
Less Accumulated Depreciation For:				
Utility Systems	300,000	10,000	-	310,000
Total Accumulated Depreciation	300,000	10,000	-	310,000
Total Capital Assets Being Depreciated (Net)	100,000	672,128	-	772,128
Business Type Activities Capital Assets, Net	547,431	906,825	682,128	772,128
Total Capital Assets	887,691	867,895	682,128	1,073,458

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business Type Activities	Total
Public Health	-	10,000	10,000
Highways and Public Improvements	37,130	-	37,130
Parks and Recreation	1,800	-	1,800
Total Depreciation Expense	38,930	10,000	48,930

NOTE 4 - LONG-TERM DEBT

1985 Water Revenue Bond:

Junction Town had a revenue bond issue with Farmers Home Administration. The Revenue Bond, dated May 20, 1985, was paid from water revenues. The monthly payment was $559.00. The bond carried an interest rate of 5%. The balance at June 30, 2006 was $0.

2004 Water Revenue Bond:

During the 2004-2005 fiscal year the Town issued $409,000 of Water Revenue Bonds at 0% interest to the Community Impact Board for the purpose of financing a new water tank and culinary water system improvements.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2007	19,000	-	19,000
2008	19,000	-	19,000
2009	19,000	-	19,000
2010	19,000	-	19,000
2011	19,000	-	19,000
2012-2016	96,000	-	96,000
2017-2021	100,000	-	100,000
2022-2026	100,000	-	100,000
2027-2031	80,000	-	80,000
Total	471,000	-	471,000

The following is a schedule of changes in long-term debt:

Bond Issue:	Total Authorized	Outstanding June 30, 2005	Issued	Matured	Outstanding June 30, 2006
Water Revenue Bond - FHA	400,000	14,272	-	14,272	-
Water Revenue Bond - CIB	490,000	490,000	-	19,000	471,000
	890,000	504,272	-	33,272	471,000

NOTE 5 - CLASS C ROADS - RECEIPTS AND DISBURSEMENTS

The Town receives Class C Road money from the State of Utah for road construction and maintenance. The unexpended portion of this money is shown as a reserved fund balance in the financial statements.

The following is a schedule of changes in the Class "C" Road reserved fund balance:

Balance - Beginning of Year	29,776
Receipts:	
State Allotments	18,450
Interest	578
Other	920
Total Receipts	19,948
Disbursements	
Equipment Maintenance and Construction	(9,320)
Balance - End of Year	40,404

NOTE 6 - RISK MANAGEMENT

Junction Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries and natural disasters. The Town has obtained certain insurance with commercial insurance carriers for liability, property damage, and automobile coverage in sufficient amounts to cover any estimated future claims.

Claims have not exceeded coverage in any of the last three calendar years.

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is used to assist in formatting, for easier reading)

REQUIRED SUPPLEMENTARY INFORMATION "UNAUDITED"

JUNCTION TOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Fiscal Year Ended June 30, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority aurthorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically laspe to unreserved fund balance at the end of each year.

Current Year Excess of Expentitures over Appropriations:

For the year ended June 30, 2006, spending for all funds and departments of the Town was within the approved budgets.

JUNCTION TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	14,500	14,500	18,035	3,535
Delinquent Property Taxes	2,000	2,000	-	(2,000)
General Sales and Use Taxes	14,000	14,000	15,964	1,964
Fee-In-Lieu	3,500	3,500	-	(3,500)
Total Taxes	34,000	34,000	33,999	(1)
Licenses and Permits	200	200	1,670	1,470
Intergovernmental Revenue:				
Class C Road	20,000	20,000	18,451	(1,549)
State Liquor Allotment	400	400	360	(40)
Total Intergovernmental Revenue	20,400	20,400	18,811	(1,589)
Charges for Services:				
Cemetery	300	300	365	65
Dump	7,400	7,400	7,768	368
Total Charges for Services	7,700	7,700	8,133	433
Other Revenue:				
Interest	200	200	1,145	945
Rentals	3,800	3,800	190	(3,610)
Miscellaneous	-	-	4,868	4,868
Total Miscellaneous Revenue	4,000	4,000	6,203	2,203
Total Revenues	66,300	66,300	68,816	2,516

Continued

JUNCTION TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
Administration	11,000	15,300	15,262	38
Insurance	3,000	-	-	-
Total General Government	14,000	15,300	15,262	38
Public Safety:				
Police Department	3,500	3,500	3,360	140
Fire Department	3,700	4,100	4,066	34
Total Public Safety	7,200	7,600	7,426	174
Highway and Public Improvements:				
Repairs and Maintenance	20,000	15,300	9,320	5,980
Street Lights	3,000	4,000	3,350	650
Total Highways and Public Improvements	23,000	19,300	12,670	6,630
Sanitation	6,000	6,000	5,716	284
Health and Welfare	600	600	-	600
Parks and Recreation:				
Cemetery	1,000	2,000	1,727	273
Parks and Recreation	11,500	10,500	10,197	303
Total Parks and Recreation	12,500	12,500	11,924	576
Nondepartmental:				
Airport	3,000	5,000	4,821	179
Total Charges to Appropriations	66,300	66,300	57,819	8,481
Excess Revenues Over (Under) Expenditures	-	-	10,997	10,997
Fund Balance - Beginning			71,041	
Fund Balance - Ending			82,038	

COMPLIANCE SECTION

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
Phone 896-6488

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

Honorable Mayor and Town Council
Junction Town
Junction, Utah 84740

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Junction Town as and for the year ended June 30, 2006, which collectively comprise Junction Town's basic financial statements and have issued our report thereon dated December 29, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Junction Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 29, 2006
Richfield, Utah

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Junction Town
Junction, Utah 84740

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 Junction Town, for the fiscal year ended June 30, 2006, and have issued our report thereon dated December 29, 2006. As part of our audit, we have audited Junction Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of Blanding City's financial statements.)

Community Impact Board (Department of Community and Economic Development)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Junction Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instance of noncompliance with the requirements referred to above.

In our opinion, Junction Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 29, 2006
Richfield, Utah