MEADOW 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	15
STATEMENT OF ACTIVITIES	16
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	17
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS	18
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT OF NET ASSETS - PROPRIETARY FUND	21
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	22
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	23
NOTES TO FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
BUDGETARY COMPARISON SCHEDULES:	
GENERAL FUND	40
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	42
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	44
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	46

Kimball & Roberts
Certified Public Accountants
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Richfield, Utah 84701
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Meadow Town
Meadow, Utah 84644

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 Meadow Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Meadow 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 Meadow 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 November 8, 2006, on our consideration of Meadow Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 42 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 supplementary information. However, we did not audit the information and express no opinion on it.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

November 8, 2006
Richfield, Utah

MEADOW TOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

This discussion of Meadow 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, highways and public improvements and parks and recreation.

Financial Highlights

* The assets of the Town exceeded its liabilities as of the close of the most recent year by $1,758,605 (net assets). Of this amount, $684,871 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

* The government's total net assets increased by $459,189. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.

* At the close of the current year, the Town's governmental funds reported ending fund balances of $124,699, an increase of $32,339 in comparison with the prior year. Approximately 25 percent of this total amount, $30,679, 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 $30,379, or 63 percent of total general fund expenditures.

* The Town's total debt increased by $489,719 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Meadow 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 health, highways and public improvements and parks and recreation. The business-type activity of the Town is the enterprise fund, containing water, electric and garbage services.

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. Meadow 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.*

Meadow Town maintains two governmental funds, the general fund, which is always a major fund and the cemetery perpetual care fund, which is a permanent governmental fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget.

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

Proprietary Funds

Meadow Town maintains three types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water, electric and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water, electric and garbage enterprise funds are considered major funds of the Town.

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 Meadow Town, assets exceeded liabilities by $1,758,605 at the close of the most recent fiscal year.

One of the larger portions of the Town's net assets (26 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.

Meadow Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	130,379	110,380	1,242,260	658,603	1,372,639	768,983
Capital Assets	312,815	335,854	873,036	271,777	1,185,851	607,631
Total Assets	443,194	446,234	2,115,296	930,380	2,558,490	1,376,614
Long-Term Liabilities	-	-	527,943	38,224	527,943	38,224
Other Liabilities	5,680	18,020	266,262	20,954	271,942	38,974
Total Liabilities	5,680	18,020	794,205	59,178	799,885	77,198
Net Assets:						
Invested in Capital Assets Net of Related Debt	312,815	335,854	136,459	226,053	449,274	561,907
Restricted	94,020	85,109	530,440	6,200	624,460	91,309
Unrestricted	30,679	7,251	654,192	638,949	684,871	646,200
Total Net Assets	437,514	428,214	1,321,091	871,202	1,758,605	1,299,416

A portion of the Town's net assets (36 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $684,871, 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.

Governmental Activities

Governmental activities increased the Town's net assets by $9,300. Key elements of this decrease follows:

Meadow Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	2,448	2,836	199,155	149,716	201,603	152,552
Operating Grants	24,773	23,553	-	-	24,773	23,553
Capital Grants	-	-	430,500	23,397	430,500	23,397
General Revenues:						
Property Taxes	6,339	7,246	-	-	6,339	7,246
Other Taxes	29,435	26,894	-	-	29,435	26,894
Grants and Contributions Not Restricted	-	-	-	-	-	-
Sale of Fixed Asset	1,529	-	-	-	1,529	-
Unrestricted Investment Earnings	16,834	9,738	18,661	12,966	35,495	22,704
Total Revenues	81,358	70,267	648,316	186,079	729,674	256,346
Expenses:						
General Government	16,742	37,567	193,536	142,757	210,278	180,324
Public Safety	7,060	7,538	-	-	7,060	7,538
Highways & Streets	36,737	25,269	-	-	36,737	25,269
Parks and Recreation	11,519	8,017	-	-	11,519	8,017
Interest on Debt	-	-	4,891	1,963	4,891	1,963
Total Expenses	72,058	78,391	198,427	144,720	270,485	223,111
Decrease in Net Assets Before Transfers	9,300	(8,124)	449,889	41,359	459,189	33,235
Transfers	-	-	-	-	-	-
Increase in Net Assets	9,300	(8,124)	449,889	41,359	459,189	33,235
Net Assets - Beginning	428,214	436,338	871,202	829,843	1,299,416	1,266,181
Net Assets - Ending	437,514	428,214	1,321,091	871,202	1,758,605	1,299,416

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 $449,889. Key elements of the changes are shown above.

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.

At the end of the year, the Town's governmental funds reported ending fund balance of $124,699 an increase of $32,339 in comparison with the prior year. Approximately 25 percent of this amount, $30,679 constitutes constitutes *unreserved fund balance,* which is available for spending at the government's discretion. The remainder of fund bund is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to highways and public improvements, $56,511, 2) perpetual care, $37,509.

The general fund is the chief operating fund of the Town. At the end of the current year, unreserved fund balance of the general fund was $30,679, while total fund balance reached $124,699. 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 63 percent of total general fund expenditures, while total fund balance represents 178 percent of that same amount.

Proprietary Funds

The Town'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 enterprise fund at the end of the year was $654,192. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

Of the total general fund expenditures, $0 was funded out of prior year's unreserved fund balance.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2006, was $312,815 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, and highways. There were no capital additions in the governmental funds this fiscal year.

The Town's investment in capital assets for it business-type activities as of June 30, 2006, was $873,036 (net of accumulated depreciation). This investment in capital assets includes water and electrical systems and construction in progress. The total increase in the business-type assets for the current year was $615,984. The major additions during the year were:

* Construction-In-Progress for the water project, $615,984.

Meadow Town's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	124,430	124,430	-	-	124,430	124,430
Infrastructure	118,125	135,000	-	-	118,125	135,000
Buildings	25,216	26,059	-	-	25,216	26,059
Improvements Other than Buildings	12,581	13,754	197,463	212,188	210,044	225,942
Equipment	32,463	36,611	-	-	32,463	36,611
Construction in Progress	-	-	675,573	59,589	675,573	59,589
Total	312,815	335,854	873,036	271,777	1,185,851	607,631

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 had revenue bonds outstanding of $527,943. The Town issued $492,000 of Parity Water Revenue Bonds Series 2006 during this fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Long-Term Debt	-	-	527,943	38,224	527,943	38,224

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

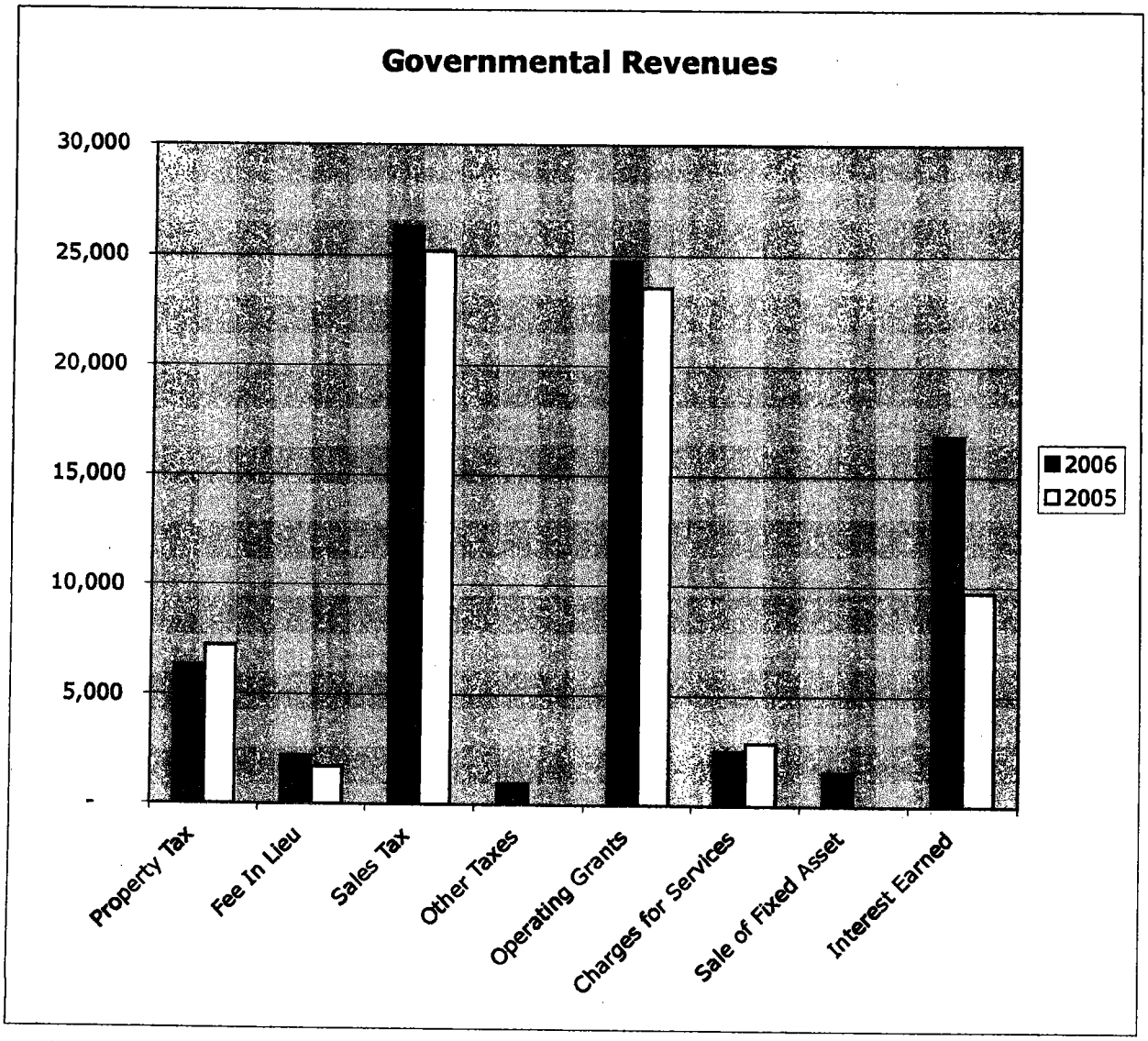
Additional information on the Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Meadow 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 Meadow Town Treasurer, P.O. Box 88, Meadow, Utah, 84644.

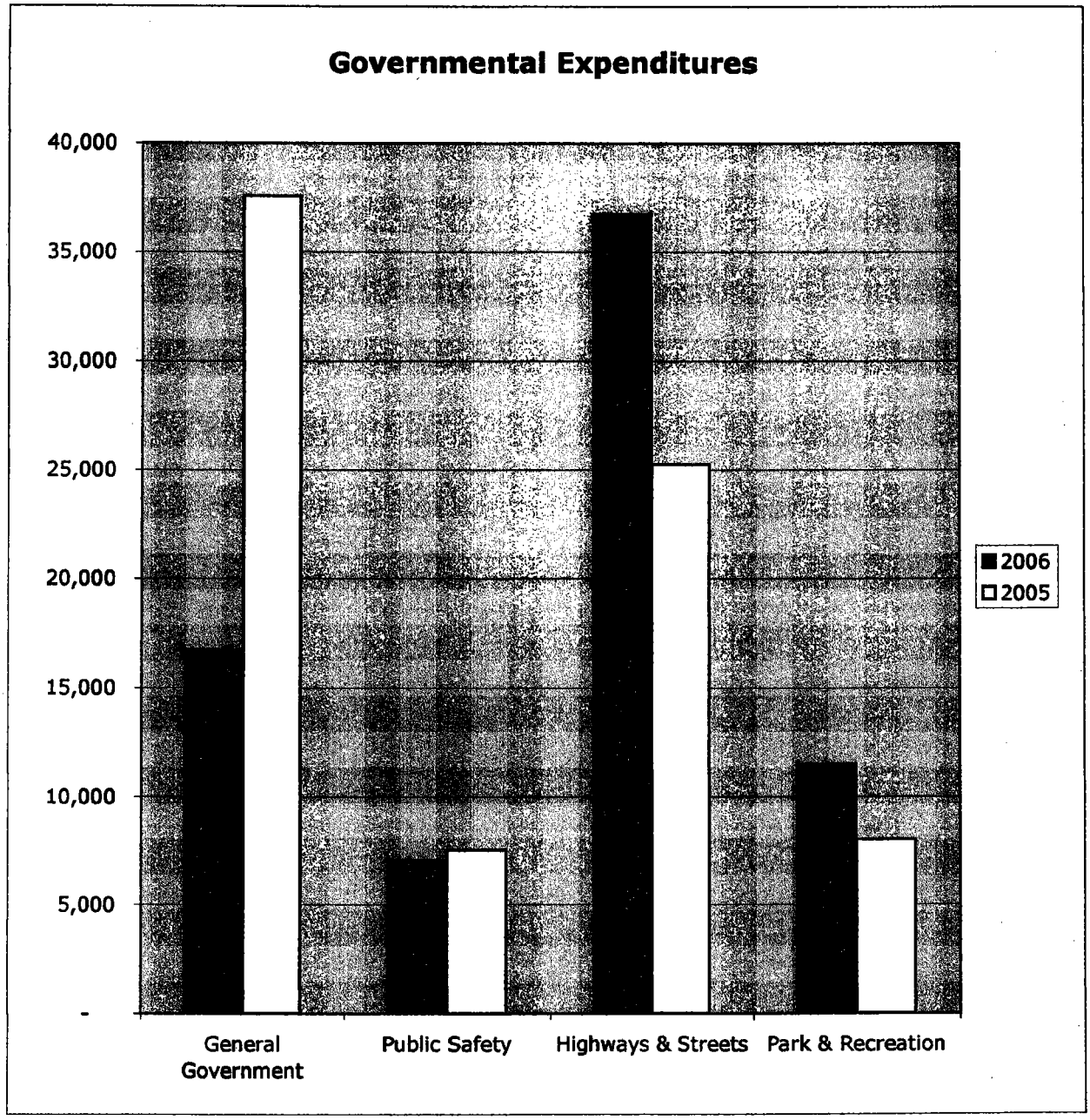
Meadow Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Property Tax	6,339	7,246
Fee In Lieu	2,191	1,698
Sales Tax	26,291	25,196
Other Taxes	953	
Operating Grants	24,773	23,553
Charges for Services	2,448	2,836
Sale of Fixed Asset	1,529	
Interest Earned	16,834	9,738
Total Revenues	81,358	70,267



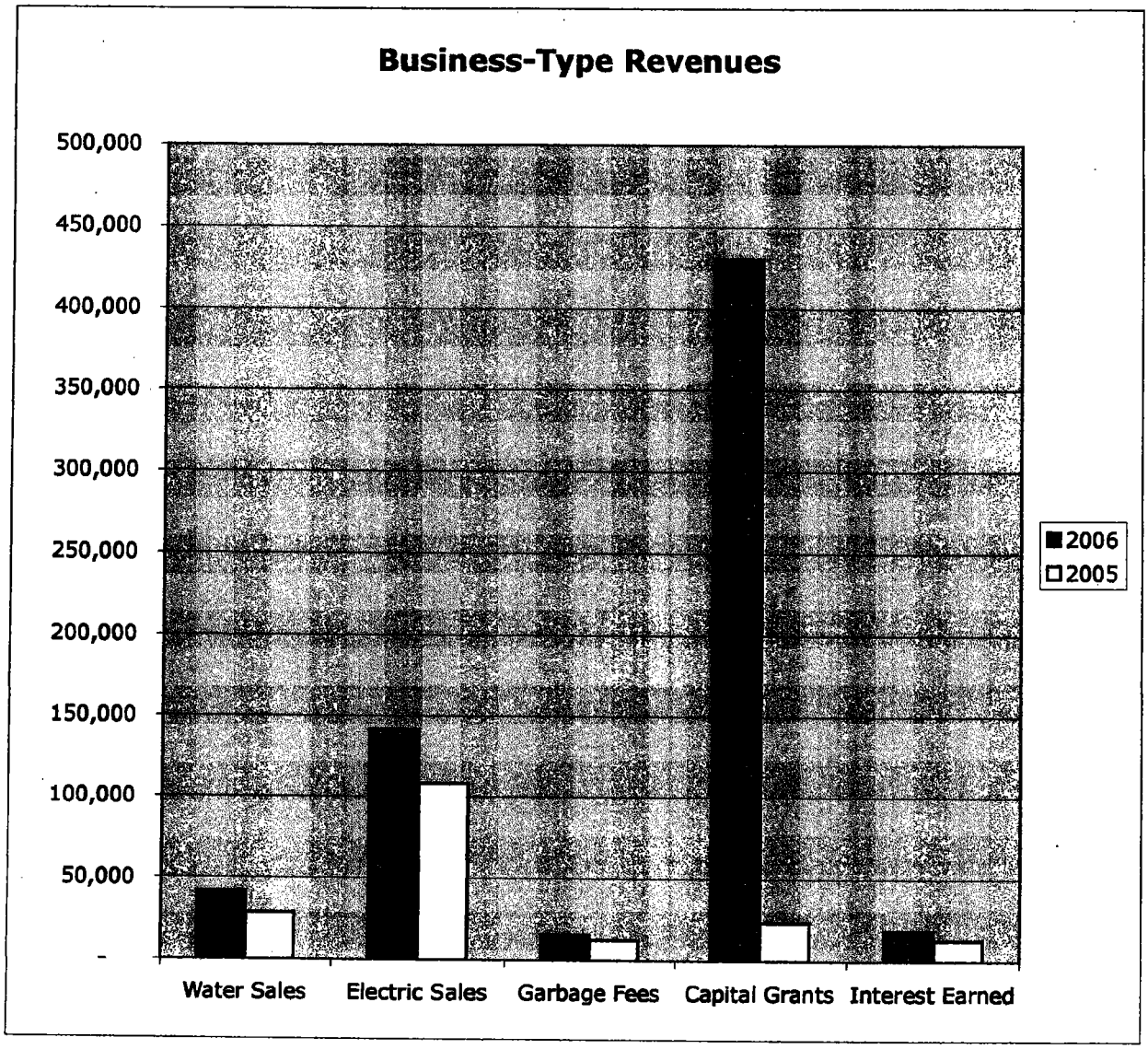
Meadow Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	16,742	37,567
Public Safety	7,060	7,538
Highways & Streets	36,737	25,269
Park & Recreation	11,519	8,017
Total Expenditures	72,058	78,391



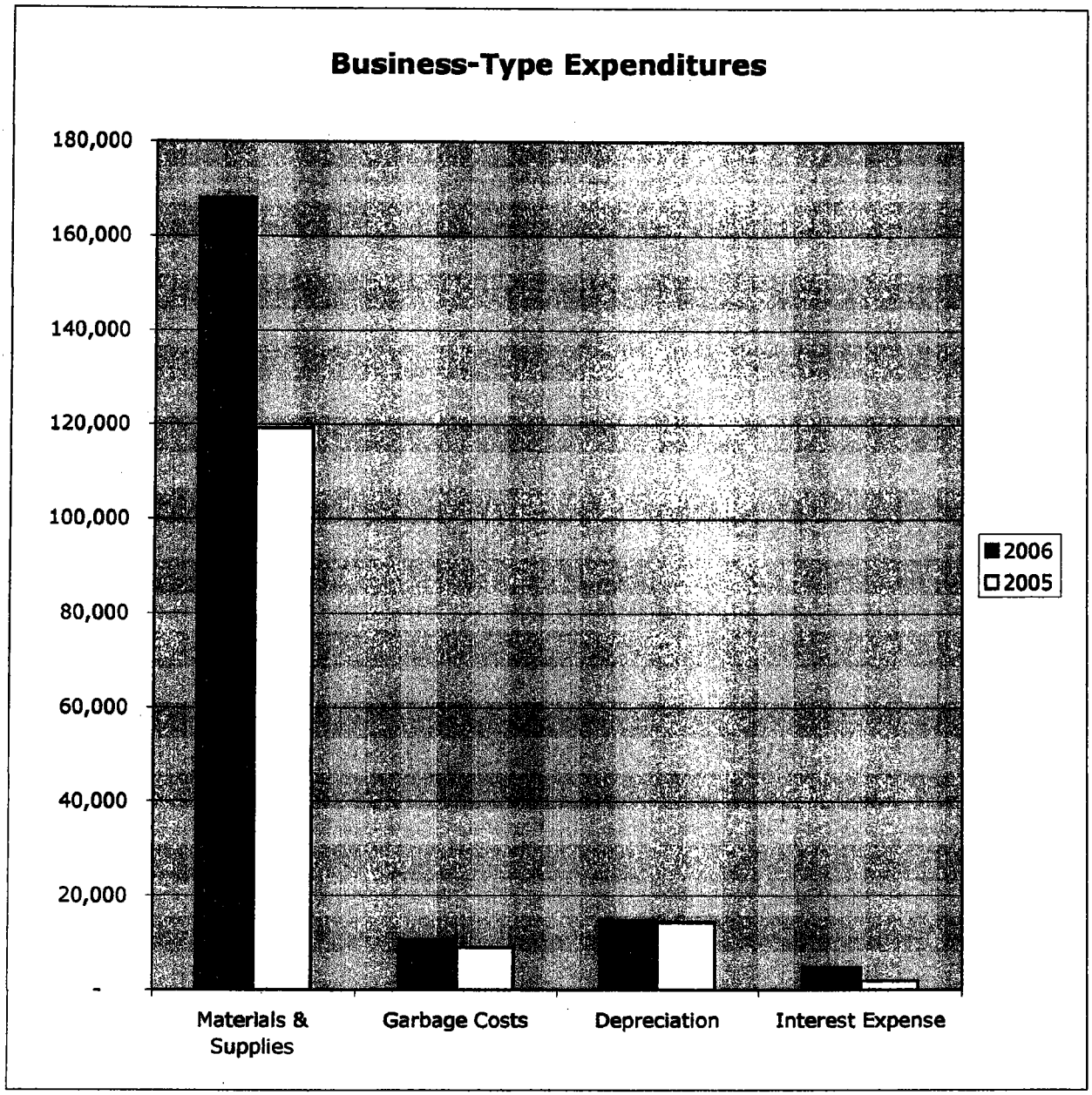
Meadow Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Water Sales	41,925	28,929
Electric Sales	141,615	108,141
Garbage Fees	15,615	12,646
Capital Grants	430,500	23,397
Interest Earned	18,661	12,966
Total Revenues	648,316	186,079



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

	2006	2005
Materials & Supplies	168,027	119,205
Garbage Costs	10,786	9,120
Depreciation	14,723	14,432
Interest Expense	4,891	1,963
Total Expenditures	198,427	144,720



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BASIC FINANCIAL STATEMENTS

MEADOW TOWN
STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	126,271	645,088	771,359
Accounts Receivable (Net)	-	16,870	16,870
Due From Contractor	-	49,862	49,862
Due From Other Government Units	4,108	-	4,108
Total Current Assets	130,379	711,820	842,199
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	530,440	530,440
Capital Assets (Net of Accumulated Depreciation):			
Land	124,430	-	124,430
Buildings	25,216	-	25,216
Improvements Other Than Buildings	12,581	-	12,581
Equipment	32,463	-	32,463
Water and Electric Systems	-	197,463	197,463
Infrastructure	118,125	-	118,125
Construction in Progress	-	675,573	675,573
Total Noncurrent Assets	312,815	1,403,476	1,716,291
TOTAL ASSETS	443,194	2,115,296	2,558,490
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,680	215,673	221,353
Accrued Liabilities	-	39,957	39,957
Deposits Payable	-	7,600	7,600
Bond Interest Payable	-	3,032	3,032
Revenue Bonds Payable - Due Within One Year	-	2,397	2,397
Total Current Liabilities	5,680	268,659	274,339
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	525,546	525,546
TOTAL LIABILITIES	5,680	794,205	799,885
NET ASSETS			
Investment in Capital Assets, Net of Debt	312,815	136,459	449,274
Restricted For:			
Class C Road	56,511	-	56,511
Perpetual Care	37,509	-	37,509
Bond Retirement		6,200	6,200
Water Project		524,240	524,240
Unrestricted	30,679	654,192	684,871
TOTAL NET ASSETS	437,514	1,321,091	1,758,605
TOTAL LIABILITIES AND NET ASSETS	443,194	2,115,296	2,558,490

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

MEADOW 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	16,742	2,048	-	-	(14,694)	-	(14,694)
Public Safety	7,060	-	5,304	-	(1,756)	-	(1,756)
Streets and Public Improvements	36,737	-	19,469	-	(17,268)	-	(17,268)
Park and Recreation	11,519	400	-	-	(11,119)	-	(11,119)
Interest on Long-Term Debt	-	-	-	-	-	(4,891)	(4,891)
Total Governmental Activities	72,058	2,448	24,773	-	(44,837)	(4,891)	(49,728)
Business-Type Activities:							
Water	44,377	41,925	-	430,500	-	428,048	428,048
Sanitation	10,786	15,615	-	-	-	4,829	4,829
Electric	138,373	141,615	-	-	-	3,242	3,242
Total Business-Type Activities	193,536	199,155	-	430,500	-	436,119	436,119
Total Primary Government	265,594	201,603	24,773	430,500	(44,837)	431,228	386,391
General Revenues:							
Property Taxes					6,339	-	6,339
Fee-In-Lieu of Property Taxes					2,191	-	2,191
Sales Taxes					26,291	-	26,291
Other Taxes					953	-	953
Sale of Fixed Assets					1,529	-	1,529
Unrestricted Investment Earnings					16,834	18,661	35,495
Total General Revenues and Transfers					54,137	18,661	72,798
Change in Net Assets					9,300	449,889	459,189
Net Assets - Beginning					428,214	871,202	1,299,416
Net Assets - Ending					437,514	1,321,091	1,758,605

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

BLANDING CITY
BALANCE SHEET
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Nonmajor Perpetual Care Permanent Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	88,762	37,509	126,271
Due From Other Government Units	4,108	-	4,108
TOTAL ASSETS	92,870	37,509	130,379
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	5,680	-	5,680
Total Liabilities	5,680	-	5,680
Fund Balances:			
Reserved For:			
Class C Roads	56,511	-	56,511
Perpetual Care	-	37,509	37,509
Unreserved, Reported In:			
General Fund	30,679	-	30,679
Total Fund Balance	87,190	37,509	124,699
TOTAL LIABILITIES AND FUND BALANCE	92,870	37,509	130,379

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

MEADOW TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types		124,699
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	124,430	
Buildings	25,216	
Improvements	12,581	
Equipment	32,463	
Infrastructure	118,125	
Total		312,815
Net Assets of Government Activities		437,514

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

For The Fiscal Year Ended June 30, 2006

	General Fund	Nonmajor Perpetual Care Permanent Fund	Total Governmental Funds
Revenues:			
Taxes	35,774	-	35,774
Licenses and Permits	2,048	-	2,048
Intergovernmental Revenue	24,773	-	24,773
Interest	16,834	-	16,834
Perpetual Care	-	400	400
Miscellaneous Revenues	1,529	-	1,529
Total Revenues	80,958	400	81,358
Expenditures:			
Current:			
General Government	16,742	-	16,742
Public Safety	7,060	-	7,060
Streets and Public Improvements	17,544	-	17,544
Parks and Recreation	7,673	-	7,673
Total Expenditures	49,019	-	49,019
Net Change In Fund Balance	31,939	400	32,339
Fund Balance - Beginning	55,251	37,109	92,360
Fund Balance - Ending	87,190	37,509	124,699

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

MEADOW 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	32,339
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:	
Depreciation	(23,039)
Changes In Net Assets of Governmental Activities	9,300

MEADOW TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund			
	Water System	Sanitation System	Electric System	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	44,039	12,396	588,653	645,088
Accounts Receivable	3,640	1,342	11,888	16,870
Due from Contractor	49,862	-	-	49,862
Total Current Assets	97,541	13,738	600,541	711,820
Noncurrent Assets:				
Investments - Restricted:				
Bond Retirement	6,200	-	-	6,200
Water Project	524,240	-	-	524,240
Capital Assets: (Net of Accum. Depr.)				
Improvements Other Than Buildings	167,460	-	30,003	197,463
Construction in Progress	675,573	-	-	675,573
Total Noncurrent Assets	1,373,473	-	30,003	1,403,476
TOTAL ASSETS	1,471,014	13,738	630,544	2,115,296
LIABILITIES:				
Current Liabilities:				
Accounts Payable	3,151	-	23,585	26,736
Accounts Payable - Water Project	188,937	-	-	188,937
Retention Payable	12,197	-	-	12,197
Cash Bond Payable	26,791	-	-	26,791
Sales Tax Payable	-	-	969	969
Deposits Payable	725	-	6,875	7,600
Loans Payable	3,032	-	-	3,032
Bonds Payable - Current Portion	2,397	-	-	2,397
Total Current Liabilities	237,230	-	31,429	268,659
Noncurrent Liabilities:				
Bonds Payable - Long-Term Portion	525,546	-	-	525,546
TOTAL LIABILITIES	762,776	-	31,429	794,205
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	106,456	-	30,003	136,459
Restricted for Bonded Retirement	530,440	-	-	530,440
Unrestricted	71,342	13,738	569,112	654,192
TOTAL NET ASSETS	708,238	13,738	599,115	1,321,091
TOTAL LIABILITIES AND NET ASSETS	1,471,014	13,738	630,544	2,115,296

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

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

June 30, 2006

	Business-Type Activity Enterprise Fund			
	Water System	Sanitation System	Electric System	Totals
Operating Revenues:				
Charges for Sales and Services:				
Utility Fees	37,925	15,615	134,415	187,955
Utility Fees	4,000	-	7,200	11,200
Utility Fees	41,925	15,615	141,615	199,155
Operating Expenses:				
Costs of Sales and Services	32,022	10,786	136,005	178,813
Depreciation	12,355	-	2,368	14,723
Total Operating Expenses	44,377	10,786	138,373	193,536
Operating Income	(2,452)	4,829	3,242	5,619
Nonoperating Revenues (Expenses):				
Investment Earnings	8,987	-	9,674	18,661
Interest Expense	(4,891)	-	-	(4,891)
Grant Proceeds	430,500	-	-	430,500
Total Nonoperating Revenues (Expenses)	434,596	-	9,674	444,270
Change in Net Assets	432,144	4,829	12,916	449,889
Total Net Assets - Beginning	276,094	8,909	586,199	871,202
Total Net Assets - Ending	708,238	13,738	599,115	1,321,091

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

MEADOW TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund			
	Water System	Sanitation System	Electric System	Total
Cash Flows From Operating Activities:				
Receipts From Customers	40,315	15,360	137,450	193,125
Payments to Suppliers	(26,988)	(10,786)	(116,156)	(153,930)
Net Cash Provided by Operating Activities	13,327	4,574	21,294	39,195
Cash Flows From Capital and Related Financing Activities:				
Principal Paid on Capital Debt	(2,281)	-	-	(2,281)
Interest Paid on Capital Debt	(1,859)	-	-	(1,859)
Loan Proceeds	(7,500)	-	-	(7,500)
Due from Contractor	49,862	-	-	49,862
Grant Proceeds	430,500	-	-	430,500
Bond Proceeds	492,000	-	-	492,000
Net Cash Provided (Used) by Capital and Related Financing Activities	960,722	-	-	960,722
Cash Flows from Investing Activities:				
Interest Received	8,987	-	9,674	18,661
Construction in Progress	(490,813)	-	-	(490,813)
Net Cash Provided (Used) by Investing Activities	(481,826)	-	9,674	(472,152)
Net Increase (Decrease) in Cash and Cash Equivalents	492,223	4,574	30,968	527,765
Cash and Cash Equivalents - Beginning	82,256	7,822	557,685	647,763
Cash and Cash Equivalents - Ending	574,479	12,396	588,653	1,175,528
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:				
Operating Income	(2,452)	4,829	3,242	5,619
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:				
Depreciation	12,355	-	2,368	14,723
Increase (Decrease) in Operating Assets:				
Accounts Receivable	(1,610)	(255)	(4,165)	(6,030)
Accrued Liabilities	5,034	-	19,849	24,883
Total Adjustments	15,779	(255)	18,052	33,576
Net Cash Provided (Used) by Operating Activities	13,327	4,574	21,294	39,195

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Meadow 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

Meadow Town is a municipal corporation in Millard County, Utah. It is governed by an elected mayor and a four member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Meadow 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 SIGNIFICANT ACCOUNTING POLICIES

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, Meadow 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 also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water, sanitation and electric 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, sanitation and electric 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 revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Water System	40 Years
Electric System	40 Years

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 Millard 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 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 council 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:

The Town's carrying amount of bank deposits at June 30, 2006, was $190,794 and the bank balance was $192,410. Of this amount $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
Cash on Hand	40
Demand Deposits	190,794
Investments - PTIF	1,110,965
Total Cash and Investments	1,301,799

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

Governmental Activities	126,271
Business-Type Activities - Unrestricted	645,088
Business-Type Activities - Restricted	530,440
Total Cash and Cash Equivalents	1,301,799

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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 Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the 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, $92,410 of the local government's bank balances of $192,410 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 Money Management Act.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

For the year ended June 30, 2006, the local governments has investments of $1,110,965 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 Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

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 - BOND RESERVES

Meadow Town is required to deposit into three reserve funds in connection with their bond issues:

1. Water Reserve Fund - $35.00 per month until it reaches a maximum of $4,100.00.

2. Water Emergency Repair and Replacement Reserve - $25.00 per month until it reaches a maximum of $1,500.00.

3. Sinking Fund - $50.00 per month to assure the prompt payment of annual installments.

All of the reserve funds are fully funded for a total bond reserve of $6,200.00.

NOTE 4 - 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	113,630	-	-	113,630
Land Under Roads	10,800	-	-	10,800
Total Capital Assets Not Being Depreciated	124,430	-	-	124,430
Capital Assets Being Depreciated:				
Buildings	80,130	-	-	80,130
Improvements	57,020	-	-	57,020
Equipment	57,379	-	-	57,379
Infrastructure	337,500	-	-	337,500
Total Capital Assets Being Depreciated	532,029	-	-	532,029
Less Accumulated Depreciation For:				
Buildings	54,071	843	-	54,914
Improvements	43,266	1,173	-	44,439
Equipment	20,768	4,148	-	24,916
Infrastructure	202,500	16,875	-	219,375
Total Accumulated Depreciation	320,605	23,039	-	343,644
Total Capital Assets Being Depreciated (Net)	211,424	(23,039)	-	188,385
Governmental Activities Capital Assets, Net	335,854	(23,039)	-	312,815

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business Type Activities:				
Capital Assets Being Depreciated:				
Utility Systems	588,931	-	-	588,931
Construction In Progress	59,589	615,984	-	675,573
Total Capital Assets Being Depreciated	648,520	615,984	-	1,264,504
Less Accumulated Depreciation For:				
Utility Systems	376,744	14,723	-	391,467
Total Accumulated Depreciation	376,744	14,723	-	391,467
Total Capital Assets Being Depreciated (Net)	271,776	601,261	-	873,037
Business Type Activities Capital Assets, Net	271,776	601,261	-	873,037
Total Capital Assets	607,630	578,222	-	1,185,852

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

	Governmental Activities	Business Type Activities	Total
Public Health	-	14,723	14,723
Highways and Public Improvements	19,193	-	19,193
Parks and Recreation	3,846	-	3,846
Total Depreciation Expense	23,039	14,723	37,762

NOTE 5 - LONG-TERM DEBT

Utility Fund

Note Payable:

In 2004-2005 fiscal year the Town borrowed $7,500 from Zions Bank to fund the costs of studies on the proposed water system improvements. This note was paid in full during the current fiscal year.

1990 Water Revenue Bonds:

In 1990 the Town obtained Water Revenue Bonds from Farmers Home Administration for the purpose of improving the culinary water system in the Town. The interest rate is 5% per annum. Payments are $345 per month. Bonds will be retired by November 2017.

The following is an amortization of the debt to maturity:

	Principal	Interest	Total
2007	2,397	1,743	4,140
2008	2,520	1,620	4,140
2009	2,649	1,491	4,140
2010	2,784	1,356	4,140
2011	2,860	1,280	4,140
2012-2016	16,595	4,105	20,700
2017-2021	6,138	422	6,560
Total	35,943	12,017	47,960

2006 Parity Water Revenue Bonds:

On April 24, 2006 the Town issued $492,000 of Parity Water Revenue Bonds for the purpose of a new culinary well, a new tank, water lines and fire hydrants. The bonds were purchased by Utah Drinking Water Board. The bonds carry an interest rate of 3.04% for a 20 year pay back. Payments will begin on January 1, 2008 and continue until January 1, 2027.

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is an amortization of the debt to maturity:

	Principal	Interest	Total
2007	-	-	-
2008	17,000	14,957	31,957
2009	18,000	14,440	32,440
2010	18,000	13,893	31,893
2011	19,000	13,346	32,346
2012-2016	104,000	57,669	161,669
2017-2021	124,000	40,918	164,918
2022-2026	157,000	19,882	176,882
2027-2031	35,000	1,064	36,064
Total	492,000	176,169	668,169

The following is an amortization of the debt to maturity:

	Principal	Interest	Total
2007	2,397	1,743	4,140
2008	19,520	16,577	36,097
2009	20,649	15,931	36,580
2010	20,784	15,249	36,033
2011	21,860	14,626	36,486
2012-2016	120,595	61,774	182,369
2017-2021	130,138	41,340	171,478
2022-2026	157,000	19,882	176,882
2027-2031	35,000	1,064	36,064
Total	527,943	188,186	716,129

NOTE 5 - LONG-TERM DEBT CONTINUED

The following is a schedule of changes in bonds payable:

	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Bond Issues:							
Water Revenue Bonds							
FHA	1980	5%	70,000	38,224	-	2,281	35,943
Parity Water Revenue Bonds							
Utah Drinking Water Board	2006	3.04%	492,000	-	492,000	-	492,000
Total			562,000	38,224	492,000	2,281	527,943

NOTE 6 - CLASS C ROAD - RESERVED FUND BALANCE

The following is schedule of changes in Class C Roads:

Fund Balance - Beginning of Year	48,000
Receipts:	
State of Utah	22,926
Interest	1,600
Sale of Vehicle	1,529
Total Receipts	26,055
Disbursements:	
Maintenance	(17,544)
Fund Balance - End of Year	56,511

NOTE 7 - PERPETUAL CARE PERMANENT FUND

The following is schedule of changes in the Cemetery Perpetual Care Fund:

Fund Balance - Beginning of Year	37,109
Receipts:	
Perpetual Care	400
Disbursements	-
Fund Balance - End of Year	37,509

NOTE 8 - RESTRICTED NET ASSETS

	Governmental Activities	Business-Type Activities
Class C Road Funds	56,511	-
Perpetual Care Fund	37,509	-
Bond Retirement	-	6,200
Water Project	-	524,240
	94,020	530,440

NOTE 9 - PENSION PLANS

Local Governmental - Cost Sharing:

Plan Description:

Meadow Town contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement System (System). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and school Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Meadow Town is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Meadow Town contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, $898.32, $798.48 and $692.64. The contributions were equal to the required contributions for each year.

NOTE 10 - RISK MANAGEMENT

Meadow 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 disasters. The Town is insured through National Casualty Company for general liability coverage. The limits of coverage is $2,000,000 with a $1,000 deductible for each occurrence.

The Town has $1,000,000 coverage for bodily injury and property damage liability and $100,000 coverage for fire damage liability. Personal and advertising injury liability coverage amounts to $1,000,000 with medical payment of $5,000.

Coverage for automobile liability is $1,000,000 including uninsured motorist.

Worker's compensation coverage is with the State of Utah.

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

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is used to assist in formatting, for easier reading)

REQUIRED SUPPLEMENTARY INFORMATION "UNAUDITED"

MEADOW 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	7,500	7,500	6,339	(1,161)
General Sales and Use Taxes	25,000	25,000	26,291	1,291
Telecommunications Tax	450	450	953	503
Fee-In-Lieu	2,000	2,000	2,191	191
Total Taxes	34,950	34,950	35,774	824
Licenses and Permits	900	900	2,048	1,148
Intergovernmental Revenue:				
Class C Road	22,000	22,000	19,469	(2,531)
State Liquor Allotment	375	375	391	16
Other - County Fire District	6,550	6,550	4,913	(1,637)
Total Intergovernmental Revenue	28,925	28,925	24,773	(4,152)
Miscellaneous Revenue:				
Interest	11,000	11,000	16,834	5,834
Other	-	-	1,529	1,529
Use of Fund Balance	2,625	2,625	-	(2,625)
Total Miscellaneous Revenue	13,625	13,625	18,363	4,738
Total Revenues	78,400	78,400	80,958	2,558

Continued

MEADOW 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:				
General Administration	28,000	28,000	11,647	16,353
Professional Services	2,550	2,550	1,786	764
Other	1,900	1,900	3,309	(1,409)
Total General Government	32,450	32,450	16,742	15,708
Public Safety:				
Police	-	2,000	915	1,085
Fire Department	6,550	6,550	6,145	405
Total Public Safety	6,550	8,550	7,060	1,490
Streets and Public Improvements:				
Class C Road	22,000	22,000	17,544	4,456
Parks and Recreation:				
Cemetery	2,400	2,400	783	1,617
Parks and Recreation	15,000	13,000	6,890	6,110
Total Parks and Recreation	17,400	15,400	7,673	7,727
Total Expenditures	78,400	78,400	49,019	29,381
Excess Revenues over Expenditures	-	-	31,939	31,939
Fund Balance - Beginning			55,251	
Fund Balance - Ending			87,190	

MEADOW 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 form 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.

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
Meadow Town
Meadow, Utah 84644

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Meadow Town as and for the year ended June 30, 2006, which collectively comprise Meadow Town's basic financial statements and have issued our report thereon dated November 8, 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 Meadow 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 Meadow 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

November 8, 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
Meadow Town
Meadow, Utah 84644

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 Meadow Town, for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 8, 2006. As part of our audit, we have audited Meadow 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:

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

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

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

The management of Meadow 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 instances of noncompliance with the requirements referred to above.

In our opinion, Meadow 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

November 8, 2006
Richfield, Utah