



SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the Skyline Mountain Special Service District provides an overview of the District's financial activities for the calendar year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the Financial Statements and Notes provided hereafter.

Financial Highlights

- Business-type activities have an unrestricted net asset surplus of \$120 thousand.
- Fund balance of the District's enterprise funds increased by \$46 thousand resulting in an ending fund balance of \$120 thousand. \$12 thousand of this increase is due to a prior year adjustment for converting from cash to accrual basis. See Note G Prior Period Adjustment for further details. The remaining \$34 thousand change in net assets was due to a reported excess of revenues over expenses in 2005.

Overview of the Financial Statements

The annual report consist of four parts - management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements. The management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document.

Fund Financial Statements

Because Skyline Mountain Special Service District provides business-type activities there is only one set of basic financial statements which are Fund Financial Statements. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. 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 Skyline Mountain Special Service District, like other governments, uses fund accounting to ensure and demonstrate compliance. The only fund of the District is the proprietary fund.

Proprietary Funds

Skyline Mountain maintains one type of proprietary fund called the enterprise fund. Enterprise funds are used to present the business-type activities similar to those found in the private-sector which are funded primarily through user charges. The District uses an enterprise fund to account for its water and road service operation. It is a self-supporting activity that provides services on a per person per month basis to Skyline Mountain Resort. However, there is a federal grant that is provided to the State of Utah for the funding of these projects.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

Fund Financial Analysis

Balance Sheet

All assets of the Skyline Mountain Special Service District are classified as current assets. There are no long term assets or capital assets (see Notes D, E & G for further information). Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of current assets are the result of the member dues and water service billings.

As noted earlier, net assets may serve over time as a useful indicator of a district's financial position. As there are no liabilities, the assets of the fund exceed liabilities by almost \$120 thousand resulting in an unrestricted net asset balance of the same amount. The following is a summary of the District's balance sheet as of December 31, 2005 and 2004, respectively:

Skyline Mountain School District Balance Sheet

	Business-type Activities <u>2005</u>	Business-type Activities <u>2004</u>
Current and other assets	\$ 119,645	\$ 73,715
Capital assets	-	-
Total Assets	\$ 119,645	\$ 73,715
Long-term liabilities outstanding	-	-
Other liabilities	-	-
Total Liabilities	-	-
Net assets		
Investment in capital assets, net of related debt	-	-
Restricted for:		
Debt Service	-	-
Capital Projects	-	-
Emergencies	-	-
Unrestricted	119,645	73,715
Total Net Assets	119,645	73,715
Total Liabilities and Net Assets	\$ 119,645	\$ 73,715

Changes in Net Assets

The following is a summary of the District's change in net assets:

**Skyline Mountain Special Service District
Changes in Net Assets**

	Business-type Activities <u>2005</u>	Business-type Activities <u>2004</u>
Revenues		
Federal Aid	\$ 37,070	\$ 26,820
Member Dues	85,270	88,850
Water Billing	13,180	13,900
Road Use Fee	-	150
General Revenues:		
Earnings on Investments	480	210
Total Revenue	136,000	129,930
Expenses		
Dues & Fees	7,090	4,490
Construction	29,425	39,410
Electricity	5,850	7,510
Engineering	12,495	16,270
Insurance	1,495	1,450
Professional Fees	1,620	4,380
Repairs & Maintenance	20,390	30,905
Supplies	415	210
Travel	-	175
Water Improvements & Maint.	23,625	13,030
Total Expenses	102,405	117,830
Change in net assets	33,595	12,100
Net Assets - January 1, 2005	73,715	61,615
Prior Period Adjustment	12,335	-
Net Assets - December 31, 2005	\$ 119,645	\$ 73,715

Total Revenues

Total revenues increased by 4% as compared to 2004. This increase was boosted by an increase in Federal Aid of approximately 27.6% (see Note F Item 1 for more information). However, the primary source of revenue for the District comes from monthly dues for water and electrical billings which decreased 4%. Being the primary source of income, it diluted the net increase in total revenues.

Total Expenses

Total expenses decreased by 15.1% as compared to 2004. This was largely due to a net decrease in the costs of construction, engineering and maintenance work.

Net Assets

Business-type activities increased the District's net assets by \$33,595 in 2005 almost 2.8 times the increase in 2004. This is due to a total net increase in revenues and net decrease in expenses as discussed above.

Capital Assets and Debt

The District has neither capital assets nor any type of debt. Please see Notes D, E and G for further explanation.

Budgetary Highlights

As Skyline Mountain Special Service District uses the Enterprise Fund only, no budgeting information is necessary for the purposes of this MD&A.

Requests for Information

This financial report is designed to provide a general overview of the Skyline Mountain Special Service District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Roger Mace, Board Member
Skyline Mountain Special Service District
2201 Skyline Mountain Resort
Fairview, UT 84729-5401

Skyline Mountain Special Service District
Fairview, Utah

ACCOUNTANT'S COMPILATION REPORT

We have compiled the accompanying balance sheet for Skyline Mountain Special Service District as of December 31, 2005 and the related statement of income and changes in fund net assets, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financials statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As discussed in the note the financials statements regarding prior period adjustments, certain errors resulting in an understatement of previously reported accounts receivable as of December 31, 2004, were discovered by management of the Company subsequent to the issuance of our report on those financial statements dated February 15, 2005. Accordingly, an adjustment has been made to fund net assets as of January 1, 2005, to correct the error.

Savas Greene & Company, LLC

Savas Greene & Company, LLC
June 19, 2006

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT
BALANCE SHEET
DECEMBER 31, 2005**

ASSETS

CURRENT ASSETS

Cash - Far West Checking Account	Note B	\$ 16,851.62
Cash - Far West Savings Account		52,035.59
Cash - Far West Certificate of Deposit		42,575.34
Accounts Receivable	Note C	<u>8,182.91</u>

TOTAL CURRENT ASSETS 119,645.46

TOTAL ASSETS **\$ 119,645.46**

LIABILITIES AND FUND NET ASSETS

FUND NET ASSETS

Unrestricted 119,645.46

TOTAL FUND NET ASSETS 119,645.46

TOTAL LIABILITIES AND FUND NET ASSETS **\$ 119,645.46**

See Accountant's Compilation Report
(The accompanying notes are an integral part of the financial statements)

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT
STATEMENT OF INCOME AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

REVENUE

Federal Aid		\$ 37,067.43
Member Dues		85,270.00
Water Billing		11,898.29
Water Connection		1,200.00
Water Meters		80.00
Interest		<u>481.55</u>
 TOTAL REVENUE	Note F	 135,997.27

EXPENSES

Accounting		984.81
Association Dues		60.00
Bank Fees		226.11
Board of Director Fees		6,800.00
Construction	Note G	29,423.76
Electricity		5,850.28
Engineering		12,492.85
Insurance		1,494.00
Legal		632.80
Office Supplies		259.69
Printing		155.04
Repairs & Maintenance	Note G	20,388.88
Travel		0.00
Water Improvements	Note G	19,667.64
Water Maintenance		<u>3,966.08</u>
 TOTAL EXPENSES		 <u>102,401.94</u>

NET INCOME (LOSS) 33,595.33

BEGINNING FUND NET ASSETS		73,716.63
Prior Period Adjustment	Note I	12,333.50
ENDING FUND NET ASSETS		<u><u>\$ 119,645.46</u></u>

See Accountant's Compilation Report
(The accompanying notes are an integral part of the financial statements)

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	<u>37,264.37</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	37,264.37

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>481.55</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES:	481.55

NET INCREASE IN CASH	37,745.92
CASH AT BEGINNING OF YEAR	<u>73,716.63</u>
CASH AT END OF YEAR	<u><u>111,462.55</u></u>

See Accountant's Compilation Report
(The accompanying notes are an integral part of the financial statements)

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE A: Summary of Significant Accounting Policies

This summary of accounting policies of Skyline Mountain Special Service District (Company) is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Organization and Business Activities:

Skyline Mountain Special Service District is a subdivision of the State of Utah, a component unit of Sanpete County (the entity that created it) and was organized in 2001.

2. Basis of Accounting:

The District uses the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the same time the liabilities are *incurred* regardless of when the related cash flow takes place.

3. Intangible Lease:

The Company signed a lease with Skyline Mountain Resort on October 26, 2000, to provide these services. The lease covers the existing road system, certain water rights, and an existing water system. The lease continues for a term of 49 (forty nine) years and can be automatically renewed with 6 (six) months' notice. This lease was recorded with the Sanpete County Recorder on October 31, 2000.

NOTE B: Cash & Cash Equivalents

Cash and cash equivalents as of December 31, 2005 consisted of \$111,462.55 in deposits with financial institutions. For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less, cash on hand or in commercial banks and amounts due from banks, including certificates of deposit, as cash and cash equivalents.

Investments authorized by the Board of Directors include the investment of cash in a Certificate of Deposit (CD) with Far West Bank. The current maturity date for this CD is February 11, 2006 and earns a current annual interest rate of 2.5%.

NOTE C: Trade Accounts Receivable

Trade accounts receivable are recorded at the amount the District expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that have not been collected by the time the financial statements are issued.

NOTE D: Capital Assets

The District has **no** capital assets. This is because the purpose of this District is to *maintain* the water and roads which are leased from the Skyline Mountain Resort. Equipment needed for new construction or continuing maintenance is rented or the project itself is outsourced to companies and individuals to perform this function. Therefore the maintenance and purchase of equipment to perform these functions is not necessary.

NOTE E: Liabilities

The Company has no liabilities, neither short- nor long-term.

NOTE F: Revenue

The District is funded by monthly dues of \$10 per person belonging to Skyline Mountain Resort, water and electrical billings income, and interest income; which are its primary sources of revenue.

1) Federal Aid:

In 2002, Skyline Mountain Resort applied for and received a Federal Grant to help reduce the fuel load on the mountain. The grant is a \$325,000 matching grant that is provided through the State of Utah. As Skyline Mountain Special Service District is a governmental agency, it was easier for the State to issue funds through this district. The special service district performs the work necessary and then sends invoices and documentation of this work to the State of Utah, who then reimburses the District for these expense through this Federal Grant. The related expenses for this work is booked to the construction and engineering expense accounts and offsets the income received and booked under the federal aid income account.

NOTE G: Construction, Water Improvements and Repairs and Maintenance Expense

During 2005 the Company continued constructing an escape route over the top of the mountain and also installed a pump house (a structure to contain meters, pumps and other water related equipment) at Phads Peak Well as required by the State. A Federal grant to the State of Utah provided funds for these projects. Construction includes not only new construction but also the maintenance of roads. This entire expense consists of labor and materials necessary to perform these functions. No equipment was purchased in order to construct or maintain, as this was outsourced to other companies or individuals. The end product is not considered an asset of the District as it is required maintenance and improvement as per the lease agreement.

NOTE H: Income Taxes

The Company is a subdivision of the State of Utah and is therefore, exempt from income taxes.

NOTE I: Prior Period Adjustment

Whilst compiling the financial statements as of December 31, 2005, it was discovered that although the notes to the December 31, 2004 financial statements stated that the Company used the accrual basis of accounting, the December 31, 2004 financial statements were actually presented on the *cash* basis of accounting. This discrepancy resulted in accounts receivable not being reported for that year. As such, an adjustment to retained earnings for the balance in accounts receivable was made on January 31, 2005. There are no accounts payable to be reported.

NOTE J: Use of Estimates

No estimates were used in the preparation of these financial statements.