



**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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Board of Directors  
Skyline Mountain Special Service District  
2201 Skyline Mountain Road  
Fairview, Utah 84629

### ACCOUNTANT'S COMPILATION REPORT

We have compiled the accompanying balance sheet for Skyline Mountain Special Service District as of December 31, 2006 and the related statement of revenues, expenses and changes in fund net assets, and cash flows for the year then ended, and the accompanying supplementary information, which are presented only for supplementary purposes, 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 and supplementary schedule, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedule and, accordingly, do not express an opinion or any other form of assurance on them.

*Savas Greene & Company, LLC*

Savas Greene & Company, LLC  
February 7, 2007

## **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, 2006. 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 \$136 thousand.
- Fund balance of the District's enterprise funds increased by \$17 thousand resulting in an ending fund balance of \$136 thousand. This change in net assets was due to a reported excess of revenues over expenses in 2006.

### **Overview of the Financial Statements**

The annual report consists of three 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. There is a federal grant that is provided through the State of Utah for the funding of wild fire fuel load mitigation (the removal of any fire hazards such as dry trees etc.) and the building of escape routes.

### **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 & 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 \$136 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, 2006 and 2005, respectively:

### Skyline Mountain School District Balance Sheet

	Business-type Activities <u>2006</u>	Business-type Activities <u>2005</u>
Current and other assets	\$ 136,388	\$ 119,645
Capital assets	-	-
<b>Total Assets</b>	<b>\$ 136,388</b>	<b>\$ 119,645</b>
Long-term liabilities outstanding	-	-
Other liabilities	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
Net assets		
Investment in capital assets, net of related debt	-	-
Restricted for:		
Debt Service	-	-
Capital Projects	-	-
Emergencies	-	-
Unrestricted	136,388	119,645
<b>Total Net Assets</b>	<b>136,388</b>	<b>119,645</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 136,388</b>	<b>\$ 119,645</b>

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**

	<b>Business-type Activities <u>2006</u></b>	<b>Business-type Activities <u>2005</u></b>
<b>Revenues</b>		
Federal Aid	\$ 67,324	\$ 37,070
Member Dues	92,186	85,270
Water Billing	12,891	13,180
Road Use Fee	60	-
Road Damage	1,264	
General Revenues:		
Earnings on Investments	888	480
<b>Total Revenue</b>	<b>174,613</b>	<b>136,000</b>
<b>Expenses</b>		
Dues & Fees	5,860	7,090
Construction	57,581	29,425
Electricity	401	5,850
Engineering	6,856	12,495
Insurance	1,599	1,495
Professional Fees	4,339	1,620
Repairs & Maintenance	58,256	20,390
Supplies	180	415
Water Improvements & Maint.	22,798	23,625
<b>Total Expenses</b>	<b>157,870</b>	<b>102,405</b>
Change in net assets	16,743	33,595
Net Assets - January 1, 200X	119,645	73,715
Prior Period Adjustment	-	12,335
<b>Net Assets - December 31, 200X</b>	<b>\$ 136,388</b>	<b>\$ 119,645</b>

*Total Revenues*

Total revenues increased by 28.39% as compared to 2005. This increase was boosted by an increase in Federal Aid of approximately 22.24% (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 increased 5.10%.

*Total Expenses*

Total expenses increased by 54.16% as compared to 2006. This was largely due to a net increase in the costs of construction and maintenance work.

*Net Assets*

Business-type activities increased the District's net assets by \$17 thousand in 2006. This is less than the increase of \$34 thousand in 2005. The net decrease of 50.16% from 2005 to 2006 is due to a greater net increase 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  
BALANCE SHEET  
DECEMBER 31, 2006**

**ASSETS**

**CURRENT ASSETS**

Cash - Far West Checking Account	Note B	\$ 69,045.95
Cash - Far West Savings Account		42,940.92
Cash - Far West Certificate of Deposit		17,373.54
Accounts Receivable	Note C	<u>7,028.00</u>

TOTAL CURRENT ASSETS 136,388.41

TOTAL ASSETS \$ 136,388.41

**LIABILITIES AND FUND NET ASSETS**

**FUND NET ASSETS**

Unrestricted 136,388.41

TOTAL FUND NET ASSETS 136,388.41

TOTAL LIABILITIES AND FUND NET ASSETS \$ 136,388.41

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



**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

OPERATING REVENUE

Federal Aid		\$ 67,323.75
Member Dues		92,186.00
Road Damage Reimbursement		1,264.00
Road Use Fee		60.00
Water Billing		<u>12,891.29</u>
 TOTAL OPERATING REVENUE	Note F	 173,725.04

OPERATING EXPENSES

Accounting		1,637.76
Association Dues		60.00
Board of Director Fees		5,800.00
Construction	Note G	57,581.43
Electricity		400.57
Engineering		6,855.84
Insurance		1,599.00
Legal		2,701.20
Office Supplies		179.77
Printing		0.00
Repairs & Maintenance	Note G	58,255.68
Travel		0.00
Water Improvements	Note G	14,334.12
Water Maintenance		<u>8,464.22</u>
 TOTAL OPERATING EXPENSES		 <u>157,869.59</u>

OPERATING INCOME (LOSS) 15,855.45

NON-OPERATING INCOME

Interest		<u>887.50</u>
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TOTAL OTHER NON-OPERATING INCOME 887.50

NET INCOME/(LOSS) 16,742.95

BEGINNING FUND NET ASSETS 119,645.46

ENDING FUND NET ASSETS \$ 136,388.41

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, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Collected from Customers	174,879.95
Interest and Dividends Received	887.50
Cash paid to Employees and Suppliers	<u>(157,869.59)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES: 17,897.86

NET INCREASE IN CASH 17,897.86

CASH AT BEGINNING OF YEAR 111,462.55

CASH AT END OF YEAR 129,360.41

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, 2006**

**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 financials 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, 2006 consisted of \$129,360.41 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, 2007 and earns a current annual interest rate of 3.3%.

**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-term nor long-term.

**NOTE F: Revenue**

The District is funded by monthly dues of \$10 per person. Monthly dues, water and electrical billings income, and interest income are the primary sources of revenue.

**1) Federal Aid:**

In 2002, Skyline Mountain Resort applied for and received a Federal Grant to help reduce the wild fire fuel load on the mountain (the removal of fire hazards) and build escape routes. 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 2006 the Company continued constructing an escape route over the top of the mountain which is estimated to be completed in Spring of 2007. A well vault at Phads Peak Well was also completed in 2006 (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: Use of Estimates**

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

**SUPPLEMENTARY INFORMATION**

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT  
SCHEDULE RECONCILING NET INCOME TO  
CASH FLOWS FROM OPERATIONS  
YEAR ENDED DECEMBER 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 16,742.95
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in receivables	1,154.91

NET CASH PROVIDED BY OPERATING ACTIVITIES:	17,897.86
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See Accountant's Compilation Report  
(The accompanying notes are an integral part of the financial statements)