

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

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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, 2009 and the related Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of 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 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.

The supplementary information, Schedule Reconciling Net Income to Cash Flows from Operations for the year ending December 31, 2009, has been compiled from information that is the representation of management without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Savas Greene & Company, LLC*

Savas Greene & Company, LLC  
February 13, 2010

## **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, 2009. 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 \$80 thousand.
- Fund balance of the District's enterprise funds increased by \$7 thousand resulting in an ending fund balance of \$80 thousand. This change in net assets was due to a reported excess of expenses over revenues in 2009.

### **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.

### **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. The assets of the fund exceed liabilities by about \$80 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, 2009 and 2008, respectively:

### Skyline Mountain School District Balance Sheet

	<b>Business-type Activities <u>2009</u></b>	<b>Business-type Activities <u>2008</u></b>
Current and Other Assets	\$ 83,285	\$ 73,436
Capital Assets	-	-
<b>Total Assets</b>	<b>\$ 83,285</b>	<b>\$ 73,436</b>
Current Liabilities	3,318	493
<b>Total Liabilities</b>	<b>\$ 3,318</b>	<b>\$ 493</b>
Net Assets		
Investment in Capital Assets, Net of Related Debt	-	-
Restricted for:		
Debt Service	-	-
Capital Projects	-	-
Emergencies	-	-
Unrestricted	79,967	72,943
<b>Total Net Assets</b>	<b>79,967</b>	<b>72,943</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 83,285</b>	<b>\$ 73,436</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>2009</u></b>	<b>Business-type Activities <u>2008</u></b>
<b>Revenues</b>		
Member Dues	\$ 80,095	\$ 84,151
Fire Grant Money	12,355	-
Water Billing	30,122	11,481
General Revenues:		
Earnings on Investments	384	805
<b>Total Revenue</b>	<b>122,956</b>	<b>96,437</b>
<b>Expenses</b>		
Dues & Fees	7,084	5,838
Equipment Rental	-	395
Fire Escape	-	5,000
Insurance	2,137	2,137
Lease	50	100
Professional Fees	16,080	36,630
Repairs & Maintenance	68,335	92,947
Supplies	15,115	508
Telephone	-	126
Training	800	700
Travel	3,449	2,005
Water Improvements & Maint.	2,882	5,517
<b>Total Expenses</b>	<b>115,932</b>	<b>151,903</b>
Change in Net Assets	7,024	( 55,466)
Net Assets - January 1, 200X	72,943	128,409
<b>Net Assets - December 31, 200X</b>	<b>\$ 79,967</b>	<b>\$ 72,943</b>

### *Total Revenues*

Total revenues increased by 27.5% as compared to 2008. The primary source of revenue for the District comes from monthly dues for water and electrical billings. This was the major source of increased revenues, as well as a State grant for fire prevention.

### *Total Expenses*

Total expenses decreased by 23.7% as compared to 2008. This was largely due to a net decrease in the cost of repairs and maintenance (26.5% decrease from 2008) and the cost of professional fees (56.1% decrease from 2008). This was due to the fact that the water study commissioned in 2008 was completed in 2008 as well.

### *Net Assets*

Business-type activities increased the District's net assets by \$7 thousand in 2009. The net increase in net assets is due to an increase in revenues with a simultaneous decrease in expenses as detailed 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:

Terry Behunin, Board Member  
Skyline Mountain Special Service District  
2201 Skyline Mountain Resort  
Fairview, UT 84729-5401

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT  
BALANCE SHEET  
DECEMBER 31, 2009**

ASSETS

CURRENT ASSETS

Cash - Mountain America Checking	Note B	\$ 9,166.95		
Cash - Far West Savings Account		38,786.37		
Cash - Mountain America Savings		25.00		
Cash - Far West Certificate of Deposit		<u>18,839.98</u>		
Accounts Receivable	Note C			<u>66,818.30</u>
				<u>16,466.76</u>
TOTAL CURRENT ASSETS				<u>83,285.06</u>

TOTAL ASSETS \$ 83,285.06

LIABILITIES AND FUND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	Note E	\$ 3,317.57		
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FUND NET ASSETS

Unrestricted Net Assets				<u>79,967.49</u>
TOTAL FUND NET ASSETS				<u>79,967.49</u>

TOTAL LIABILITIES AND FUND NET ASSETS \$ 83,285.06

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, 2009**

OPERATING REVENUE

Fire Grant Money		\$ 12,355.20
Member Dues		80,095.00
Water Billing		<u>30,122.02</u>

TOTAL OPERATING REVENUE	Note F	122,572.22
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OPERATING EXPENSES

Accounting		1,395.58
Bank Fees		7.59
Board of Director Fees		6,916.25
Contract Labor		834.00
Dues & Subscriptions		160.00
Engineering	Note G	7,049.43
Gate Maintenance		35.00
Insurance		2,137.00
Leases		50.00
Legal	Note G	7,635.00
Magnesium Chloride		12,961.68
Office Supplies		1,318.84
Pump and Well Maintenance	Note G	6,317.56
Road Repairs & Maintenance	Note G	59,320.78
Snow Removal		2,661.36
Training		800.00
Travel		3,449.22
Water Maintenance	Note G	<u>2,882.13</u>

TOTAL OPERATING EXPENSES	<u>115,931.42</u>
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OPERATING INCOME (LOSS)	6,640.80
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NON-OPERATING INCOME

Interest Income	<u>383.88</u>
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TOTAL OTHER NON-OPERATING INCOME	383.88
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NET INCOME/(LOSS)	7,024.68
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BEGINNING FUND NET ASSETS	72,942.81
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ENDING FUND NET ASSETS	<u><u>\$ 79,967.49</u></u>
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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, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Collected from Customers	114,923.46
Interest and Dividends Received	383.88
Cash Paid to Employees and Suppliers	<u>(113,106.96)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	2,200.38
NET DECREASE IN CASH	2,200.38
CASH AT BEGINNING OF YEAR	<u>64,617.92</u>
CASH AT END OF YEAR	<u><u>66,818.30</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, 2009**

**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 accounting principles generally accepted 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 Company 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 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, 2009 consisted of \$66,818.30 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 six 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, 2010 and earns a current annual interest rate of 1.69%.

**NOTE C: Trade Accounts Receivable**

Trade accounts receivable are recorded at the amount the Company 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.

**NOTE D: Capital Assets**

The Company has no capital assets because the purpose of this Company 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: Trade Accounts Payable**

Trade accounts payable are recorded at the amount the Company expects to pay on balances outstanding at year-end. Management closely monitors outstanding balances and pays all amounts within the terms stated on the invoices.

**NOTE F: Revenue**

The Company 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.

**NOTE G: Pump and Well Maintenance; Road Repairs and Maintenance; and Water Improvements**

During 2009 the Company continued regular maintenance and repair of pumps, wells and roads. This entire expense consists of labor and materials necessary to perform these functions. No equipment was purchased in order to construct or maintain the pumps, wells and roads as these services are outsourced to other companies or individuals. As such, the end product is not considered an asset of the Company 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, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 7,024.68
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in receivables	7,648.76
Increase in payables	2,824.46

NET CASH PROVIDED BY OPERATING ACTIVITIES:	2,200.38
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See Accountant's Compilation Report  
(The accompanying notes are an integral part of the financial statements)