

SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

CONTENTS

	<u>PAGE</u>
ACCOUNTANT'S COMPILATION REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 7
FINANCIAL STATEMENTS	
Balance sheet	8
Statement of revenues, expenses and changes in fund net assets	9
Statement of cash flows	10
Notes to financial statements	11-12
SUPPLEMENTARY INFORMATION	
Schedule I: Reconciliation of net income to cash flows from operations	14



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, 2011 and the related Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for the year then ended, and the accompanying supplementary information contained in Schedule I, which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary schedule and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedule are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedule in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and supplementary schedule.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedule without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary schedule.

We are not independent with respect to Skyline Mountain Special Service District as of and for the year ended December 31, 2011, because we performed certain accounting services that impaired our independence. Specifically, the general ledger coding was determined by us.

Savas Greene & Company, LLC

Savas Greene & Company, LLC
March 2, 2012

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, 2011. 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 \$8 hundred.
- Fund balance of the District's enterprise funds decreased by \$5 thousand resulting in an ending fund balance of \$8 hundred. This change in net assets was due to a reported excess of expenses over revenues in 2011.

Overview of the Financial Statements

The annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and the supplemental information. 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 Note C 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 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 \$8 hundred 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, 2011 and 2010, respectively:

Skyline Mountain School District Balance Sheet

	Business-type Activities <u>2011</u>	Business-type Activities <u>2010</u>
Current and Other Assets	\$ 799	\$ 6,564
Capital Assets	-	-
Total Assets	\$ 799	\$ 6,564
Current Liabilities	0	669
Total Liabilities	\$ 0	\$ 669
Net Assets		
Investment in Capital Assets, Net of Related Debt	-	-
Restricted for:		
Debt Service	-	-
Capital Projects	-	-
Emergencies	-	-
Unrestricted	799	5,895
Total Net Assets	799	5,895
Total Liabilities and Net Assets	\$ 799	\$ 6,564

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>2011</u>	Business-type Activities <u>2010</u>
Revenues		
Water Billing	11,166	8,281
General Revenues:		
Donations	-	1,000
Earnings on Investments	-	546
Total Revenue	11,166	9,827
Expenses		
Dues & Fees	1,001	10,779
Insurance	2,073	2,073
Lease	-	38
Professional Fees	2,022	9,584
Repairs & Maintenance	11,166	54,707
Supplies	-	3,161
Training	-	925
Meals & Travel	-	18
Water Improvements & Maint.	-	2,614
Total Expenses	16,262	83,899
Change in Net Assets	(5,096)	(74,072)
Net Assets - January 1, 20XX	5,895	79,967
Net Assets - December 31, 20XX	\$ 799	\$ 5,895

Total Revenues

Total revenues increased by 13.6% as compared to 2010. The source of revenue for the District in 2011 came from monthly dues for water billings. Amounts collected were then turned over to Skyline Mountain Resort. In 2011 Skyline Mountain Resort entered into an agreement to lease the water system to Skyline Mountain resort. Along with that lease, the responsibility to maintain the roads was also transferred. Under terms of the agreement, Skyline Special Service District will use its resources to protect and maintain the water rights it owns on behalf of the agreement, Skyline Mountain Resort now operates, maintains and monitors the water system, roads and water wells.

Total Expenses

Total expenses decreased by 80.65% as compared to 2010. This was due to the revision of the terms of the lease agreement with Skyline Mountain Resort as described above.

Net Assets

Business-type activities decreased the District's net assets by \$5 thousand in 2011. The net decrease in net assets is due to a decrease in revenues with a simultaneous decrease in expenses due to the change in the lease agreement as detailed above.

Capital Assets and Debt

The District has neither capital assets nor any type of debt. Please see Notes C 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:

Monte Pugmire, Board Member
Skyline Mountain Special Service District
2201 Skyline Mountain Resort
Fairview, UT 84729-5401

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT
BALANCE SHEET
DECEMBER 31, 2011**

ASSETS

CURRENT ASSETS

Cash - Far West Money Market	Note B	<u>\$ 799.50</u>
------------------------------	--------	------------------

799.50

TOTAL CURRENT ASSETS

799.50

TOTAL ASSETS

\$ 799.50

LIABILITIES AND FUND NET ASSETS

CURRENT LIABILITIES

FUND NET ASSETS

Unrestricted Net Assets	<u>799.50</u>
-------------------------	---------------

TOTAL FUND NET ASSETS

799.50

TOTAL LIABILITIES AND FUND NET ASSETS

\$ 799.50

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, 2011**

OPERATING REVENUE

Water Billing		<u>\$ 11,165.76</u>
TOTAL OPERATING REVENUE	Note D	11,165.76

OPERATING EXPENSES

Accounting		1,889.06
Bank Fees		41.50
Board of Director Fees		960.00
Insurance		2,073.00
Legal		132.66
Road Repairs & Maintenance	Note E	<u>11,165.76</u>
TOTAL OPERATING EXPENSES		<u>16,261.98</u>

OPERATING INCOME/(LOSS) (5,096.22)

NON-OPERATING INCOME 0.00

NET INCOME/(LOSS) (5,096.22)

BEGINNING FUND NET ASSETS 5,895.72

ENDING FUND NET ASSETS 799.50

\$ 799.50

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, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Collected from Customers	\$ 11,165.76	
Cash Paid to Employees and Suppliers	<u>(16,930.70)</u>	
Total Cash Flows from Operating Activities		<u>(5,764.94)</u>
NET DECREASE IN CASH		(5,764.94)
CASH AT BEGINNING OF YEAR		6,564.44
CASH AT END OF YEAR		<u>\$ 799.50</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, 2011**

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. In 2010, Skyline Mountain Resort breached the terms of the lease and stopped paying the Company for its road maintenance services. A new lease was signed on July 12, 2010, which states that: (1) Skyline Mountain Resort will be responsible for the maintenance of the road and water systems, (2) the Company will retain the water rights and continue to defend them as needed, and (3) Skyline Mountain Report would pay to the Company amounts as needed to continue the protection of the water rights. Along with the lease, the responsibility to maintain the roads was also transferred. Under terms of the agreement Skyline Special Service District will use its resources to protect and maintain the water rights it owns on behalf of the Skyline Mountain Resort. Skyline Mountain Resort operates, maintains and monitors the water system, roads and water wells.

See Accountant's Compilation Report

NOTE B: Cash & Cash Equivalents

Cash and cash equivalents as of December 31, 2011 consisted of \$799.50 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.

NOTE C: Capital Assets

The Company has no capital assets because the purpose of this Company is to retain and protect the water rights at Skyline Mountain Resort. Any equipment needed for continuing maintenance was rented or the project was outsourced to companies and individuals to perform this function. Therefore, the maintenance and purchase of equipment to perform these functions was not necessary.

NOTE D: Revenue

After July 12, 2010 the Company is to be funded as needed by Skyline Mountain Resort to defend the water rights the Company retains. This and interest income are now the primary sources of revenue.

NOTE E: Pump and Well Maintenance; Road Repairs and Maintenance; and Water Improvements

A new lease was signed on July 12, 2010, which states that: (1) Skyline Mountain Resort will be responsible for the maintenance of the road and water systems, (2) the Company will retain the water rights and continue to defend them as needed, and (3) Skyline Mountain Report would pay to the Company amounts as needed to continue the protection of the water rights. Along with the lease, the responsibility to maintain the roads was also transferred. Under terms of the agreement Skyline Special Service District will use its resources to protect and maintain the water rights it owns on behalf of the Skyline Mountain Resort. Skyline Mountain Resort operates, maintains and monitors the water system, roads and water wells.

NOTE F: Income Taxes

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

NOTE G: Use of Estimates

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

SUPPLEMENTARY INFORMATION

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT
SCHEDULE I - RECONCILIATION OF NET INCOME TO
CASH FLOWS FROM OPERATIONS
YEAR ENDED DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ (5,096.22)
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in payables	<u>(668.72)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES:	\$ (5,764.94)
---	----------------------

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