

**SKYLINE MOUNTAIN SPECIAL SERVICE DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

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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, 2007 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, 2008

## **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, 2007. 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 \$128 thousand.
- Fund balance of the District's enterprise funds decreased by \$8 thousand resulting in an ending fund balance of \$128 thousand. This change in net assets was due to a reported excess of expenses over revenues in 2007.

### **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 \$128 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, 2007 and 2006, respectively:

### Skyline Mountain School District Balance Sheet

	<b>Business-type Activities <u>2007</u></b>	<b>Business-type Activities <u>2006</u></b>
Current and other assets	\$ 130,716	\$ 136,388
Capital assets	-	-
<b>Total Assets</b>	<b>\$ 130,716</b>	<b>\$ 136,388</b>
Current liabilities	2,307	-
<b>Total Liabilities</b>	<b>\$ 2,307</b>	-
Net assets		
Investment in capital assets, net of related debt	-	-
Restricted for:		
Debt Service	-	-
Capital Projects	-	-
Emergencies	-	-
Unrestricted	128,409	136,388
<b>Total Net Assets</b>	<b>128,409</b>	<b>136,388</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 130,716</b>	<b>\$ 136,388</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>2007</u></b>	<b>Business-type Activities <u>2006</u></b>
<b>Revenues</b>		
Federal Aid	\$ -	\$ 67,324
Member Dues	105,535	92,186
Water Billing	12,219	12,891
Road Use Fee	-	60
Road Damage	-	1,264
General Revenues:		
Earnings on Investments	944	888
<b>Total Revenue</b>	<b>118,698</b>	<b>174,613</b>
<b>Expenses</b>		
Dues & Fees	5,500	5,860
Construction	-	57,581
Electricity	-	401
Engineering	-	6,856
Fire Escape	425	-
Insurance	2,264	1,599
Professional Fees	28,957	4,339
Repairs & Maintenance	59,045	58,256
Supplies	242	180
Telephone	82	-
Training	700	-
Travel	1,925	-
Water Improvements & Maint.	27,537	22,798
<b>Total Expenses</b>	<b>126,677</b>	<b>157,870</b>
Change in net assets	( 7,979)	16,743
Net Assets - January 1, 200X	136,388	119,645
<b>Net Assets - December 31, 200X</b>	<b>\$ 128,409</b>	<b>\$ 136,388</b>

### *Total Revenues*

Total revenues decreased by 32.02% as compared to 2006. This decrease was due to the fact that no Federal Aid was received in 2007, which had accounted for approximately 38.56% of the revenues for 2006. The primary source of revenue for the District comes from monthly dues for water and electrical billings which in fact increased by 14.48%.

### *Total Expenses*

Total expenses decreased by 19.76% as compared to 2006. This was largely due to a net decrease in the costs of construction.

### *Net Assets*

Business-type activities decreased the District's net assets by \$8 thousand in 2007. This is the first year since 2005 that the net assets have decreased. The net decrease in net assets of 147.65% from 2007 to 2006 is due to a greater net decrease in income over 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:

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, 2007**

ASSETS

CURRENT ASSETS

Cash - Far West Checking Account	Note B	\$ 60,780.88
Cash - Far West Savings Account		43,278.24
Cash - Far West Certificate of Deposit		17,980.58
Accounts Receivable	Note C	<u>8,676.00</u>

TOTAL CURRENT ASSETS 130,715.70

TOTAL ASSETS \$ 130,715.70

LIABILITIES AND FUND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	Note E	\$ 2,306.40
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FUND NET ASSETS

Unrestricted Net Assets	<u>128,409.30</u>
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TOTAL FUND NET ASSETS 128,409.30

TOTAL LIABILITIES AND FUND NET ASSETS \$ 130,715.70

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, 2007**

OPERATING REVENUE

Member Dues		\$ 98,190.00
Magnesium Chloride		7,345.00
Water Billing		<u>12,218.71</u>
 TOTAL OPERATING REVENUE	Note F	117,753.71

OPERATING EXPENSES

Accounting		1,509.70
Board of Director Fees		5,500.00
Fire Escape		425.00
Insurance		2,264.00
Legal	Note G	27,446.76
Office Supplies		242.26
Pump and Well Maintenance	Note G	25,744.92
Road Repairs & Maintenance	Note G	31,841.03
Snow Removal		1,459.27
Telephone		82.40
Training		700.00
Travel		1,924.60
Water Maintenance	Note G	<u>27,537.24</u>
 TOTAL OPERATING EXPENSES		<u>126,677.18</u>

OPERATING INCOME (LOSS) (8,923.47)

NON-OPERATING INCOME

Interest 944.36

TOTAL OTHER NON-OPERATING INCOME 944.36

NET INCOME/(LOSS) (7,979.11)

BEGINNING FUND NET ASSETS 136,388.41

ENDING FUND NET ASSETS \$ 128,409.30

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, 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Collected from Customers	114,575.71
Interest and Dividends Received	944.36
Cash paid to Employees and Suppliers	<u>(122,840.78)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	(7,320.71)
NET DECREASE IN CASH	(7,320.71)
CASH AT BEGINNING OF YEAR	<u>129,360.41</u>
CASH AT END OF YEAR	<u><u>122,039.70</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, 2007**

**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 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, 2007 consisted of \$122,039.70 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, 2008 and earns a current annual interest rate of 2.98%.

**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. This is 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 2007 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. In addition the Company replaced a pump at the lower section. 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 Company as it is required maintenance and improvement as per the lease agreement. Legal fees increased substantially this year as compared to 2006 because the Company is attempting to secure water rights and bring culinary water to the Company. Final approval and federal funding for this is anticipated to occur in 2008.

**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, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ (7,979.11)
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in receivables	(1,648.00)
Increase in payables	2,306.40
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES:	(7,320.71)

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