

**Spalding Management Services, LLC**  
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May 17, 2011

Board of Managers  
Shadow Mountain Townhomes Association  
Aspen, CO 81611

Dear Board Member:

Enclosed you will find the financial statements for the Shadow Mountain Townhomes Association for the six months ended April 30, 2011. Items of interest are explained in the attached notes to the financial statements.

Please feel free to call me with any questions that you might have. I can be reached at (970) 925-9131 or via e-mail at [spalding3@comcast.net](mailto:spalding3@comcast.net).

Sincerely,

*Susan*

Susan W. Spalding

Enclosure

**SHADOW MOUNTAIN TOWNHOMES ASSOCIATION**  
**Notes to the Financial Statements**  
**Six Months Ended April 30, 2011**

Operating Results

The Operating expenses of the Shadow Mountain Townhomes Association totaled \$150,994 for the six months ended April 30, 2011 which was \$12,066 under budget. The component parts of the operating expenses included the following:

1. Owners were assessed \$147,000 for operating expenses. Rental income of \$1,200 was received for Unit A. Income from the coin operated laundry machines totaled \$100. The operating account earned \$51 of interest income which includes an interest penalty for early withdrawal of a certificate of deposit.
2. Administrative Expenses of \$29,230 were \$8,870 under budget for the six months.
  - a. Account 6010 – Administration Fee was on budget at \$12,150.
  - b. Account 6020 – Condominium Association Costs of \$6,071 was \$7,129 under budget. \$870 was spent for preparation of the annual tax return. Room rental for the annual Owners’ meeting cost \$175. Staff Christmas gifts cost \$1,024. Martin/Martin charged \$880 to review the cracks in Unit 5/6. The annual Owners’ dinner cost \$1,993. Inclinator readings were budgeted for but not taken.
  - c. Account 6030 – Insurance costs of \$9,729 was on budget.
  - d. Account 6040 – Legal expenses totaled \$1,280 which was \$1,720 under budget. The monies were spent to revise the Laverman management agreement.
3. Building Maintenance expenses for the six months totaled \$67,937, which was \$3,013 under budget.
  - a. Account 6110 – Building Maintenance costs of \$38,000 were on budget. This account represents the monies paid to Summit Property Management for maintenance of the property, including snow shoveling.
  - b. Account 6120 – Outside Services costs of \$13,358 were \$642 under budget. Services provided by outside vendors included the following:
    - Furnaces for all units were cleaned at a cost of \$1,570.
    - Exterior windows were washed in December for \$1,235.
    - Roto Rooter performed two sets of routine maintenance and cleared a frozen drain line which totaled \$5,587.
    - Additional radon testing for Unit 16 cost \$350.
    - Pest control services cost \$230 for November and April.
    - Resealing of the parking lot cost \$1,964.

- Installation of additional heat tape and gutter repairs cost \$1,727.
  - The annual roof inspection cost \$200.
  - The annual fire extinguisher inspection and maintenance cost \$206.
- c. Account 6130 – Supplies costs totaled \$2,060 which was \$1,540 under budget. Sample heated stair treads cost \$455.
- d. Account 6140 – Snow Removal costs of \$12,065 were \$3,865 over budget. John Laverman shoveled the roof at a cost of \$9,500.
- e. No expenses were incurred for Account 6150 – Grounds.
- f. Account 6175 – Tram expenses of \$573 were \$3,427 under budget. This was the cost of the annual license fee.
- g. Account 6180 – Pool expenses totaled \$506 which was \$994 under budget.
- h. Account 6190 – Security costs of \$1,375 were \$275 under budget due to a change in the vendor's billing process.
4. Utilities expenses totaled \$45,452 for the six months, which was \$558 under budget. Utility costs included:
- Electricity cost \$15,662 which was \$3,012 over budget.
  - Water costs totaled \$1,907 which was \$793 under budget.
  - Gas totaled \$12,532 which was \$3,467 under budget.
  - Cable television service cost \$5,652 which was basically on budget.
  - Sewer costs totaled \$2,753.
  - Trash removal cost \$3,196.
  - The tram phone cost \$323.
  - High speed internet service cost \$3,426 which was \$366 over budget due to repairs to the system.
5. Other expenses totaled \$18,283 for the water leak outside of Unit 2. The insurance company reimbursed the Association \$9,908, which left the net expense to the Association of \$8,375. Of this, \$5,000 was for the deductible. The remaining \$3,375 was for non-covered items, such as the cost to move occupants to rented condominiums while the water was turned off.

#### Capital Reserve Results

Owners were assessed \$18,000 for Capital Reserves. Interest income of \$2,557 was received on the Capital Reserve bank accounts.

Capital expenditures totaled \$38,057. Expenses included \$25,399 for installation of the pool fence which was required by Fireman's Fund. Installing waterproofing around the exterior of Units 2, 3, and 4 cost \$12,658.

### Balance Sheet

The Operating account bank balance was \$16,942 as of April 30. The total in the Capital Reserve accounts was \$405,270, with an additional \$25,000 due from the Operating to the Capital Reserve account due to the income reclassification from 2010. The account balances were comprised of the following:

- Account 1061 – Alpine Bank Capital Reserve Money Market – earns approximately .5% interest and had a balance of \$69,023.
- Account 1062 – Alpine Bank Capital Reserve CD – earns 1% and matures on 6/9/12. Its balance was \$105,278.
- Account 1066 – Community Bank Capital Reserve CD 2 – earns 2.25% and matures on 2/17/12. Its balance was \$130,649.
- Account 1067 – U.S. Bank Capital Reserve CD – earns 1.15% and matures on 9/22/12. This account was set up so as to create a banking relationship with U.S. Bank in case it was needed in the future. Its balance was \$100,221.

### Accounts Receivable

A number of Owners have not paid the third quarter assessment which was due on May 1. An Accounts Receivable listing is included for review.

## Shadow Mountain Townhomes Operating Budget vs. Actual November 2010 through April 2011

	Nov '10 - Apr 11	Budget	\$ Over Budget
<b>Income</b>			
4100 · Common Assessments	147,000.00	147,000.00	0.00
4110 · Vending Machine Income	100.50	0.00	100.50
4130 · Interest Income -Operating Acct	51.29	0.00	51.29
4300 · Rental Income	1,200.00	1,200.00	0.00
<b>Total Income</b>	<b>148,351.79</b>	<b>148,200.00</b>	<b>151.79</b>
<b>Expense</b>			
<b>Administration</b>			
6010 · Administration Fee	12,150.00	12,150.00	0.00
6020 · Condominium Assoc. Cost	6,071.07	13,200.00	-7,128.93
6030 · Insurance	9,729.00	9,750.00	-21.00
6040 · Legal & Professional	1,280.00	3,000.00	-1,720.00
<b>Total Administration</b>	<b>29,230.07</b>	<b>38,100.00</b>	<b>-8,869.93</b>
<b>Maintenance</b>			
6110 · Building	38,000.00	38,000.00	0.00
6120 · Outside Services	13,358.01	14,000.00	-641.99
6130 · Supplies	2,060.13	3,600.00	-1,539.87
6140 · Snow Removal	12,065.00	8,200.00	3,865.00
6175 · Tram	573.00	4,000.00	-3,427.00
6180 · Pool	506.10	1,500.00	-993.90
6190 · Security	1,375.00	1,650.00	-275.00
<b>Total Maintenance</b>	<b>67,937.24</b>	<b>70,950.00</b>	<b>-3,012.76</b>
<b>Utilities</b>			
6210 · Electric	15,661.69	12,650.00	3,011.69
6220 · Water	1,907.15	2,700.00	-792.85
6230 · Common Gas	12,532.38	16,000.00	-3,467.62
6240 · Cable Television Service	5,651.97	5,620.00	31.97
6250 · Sewer	2,753.36	2,650.00	103.36
6260 · Trash Removal	3,196.49	3,000.00	196.49
6270 · Tram Phone	323.33	330.00	-6.67
6280 · High Speed Internet	3,426.05	3,060.00	366.05
<b>Total Utilities</b>	<b>45,452.42</b>	<b>46,010.00</b>	<b>-557.58</b>
<b>Other Expenses</b>			
6310 · Operating Reserve	0.00	8,000.00	-8,000.00
6315 · Water Leak - Unit 2 Exterior	8,374.69		
<b>Total Other Expenses</b>	<b>8,374.69</b>	<b>8,000.00</b>	<b>374.69</b>
<b>Total Expense</b>	<b>150,994.42</b>	<b>163,060.00</b>	<b>-12,065.58</b>
<b>Net Income</b>	<b>-2,642.63</b>	<b>-14,860.00</b>	<b>12,217.37</b>

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Accrual Basis

**Shadow Mountain Townhomes**  
**Capital Reserve Budget vs. Actual**  
November 2010 through April 2011

	<u>Nov '10 - Apr 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>
<b>Income</b>			
4200 · Capital Assessments	18,000.00	18,000.00	0.00
4210 · Interest Income Cap Res	2,556.85	0.00	2,556.85
<b>Total Income</b>	<u>20,556.85</u>	<u>18,000.00</u>	<u>2,556.85</u>
<b>Expense</b>			
6500 · Capital Reserve Expenses			
6510 · Pool Deck Work	25,399.00		
6513 · Exterior Drainage Repair	12,657.70		
<b>Total 6500 · Capital Reserve Expenses</b>	<u>38,056.70</u>		
<b>Total Expense</b>	<u>38,056.70</u>		
<b>Net Income</b>	<u><u>-17,499.85</u></u>	<u><u>18,000.00</u></u>	<u><u>-35,499.85</u></u>

## Shadow Mountain Townhomes Balance Sheet As of April 30, 2011

	Apr 30, 11
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1050 · Management Escrow Account	16,942.23
1060 · Capital Reserve Checking	100.00
1061 · Alpine Bank Cap Res Mny Mkt	69,023.06
1062 · Alpine Bank Cap Res CD	105,277.56
1066 · Comm Bank Cap Res CD 2	130,648.89
1067 · U.S. Bank Cap Res CD	100,220.86
<b>Total Checking/Savings</b>	422,212.60
<b>Accounts Receivable</b>	
1200 · Accounts Receivable - Owners	63,230.99
<b>Total Accounts Receivable</b>	63,230.99
<b>Other Current Assets</b>	
1235 · Prepaid Insurance	11,298.00
1240 · Prepaid Taxes	1,037.00
1270 · Due from Mgt Esc to Cap Reserve	25,000.00
<b>Total Other Current Assets</b>	37,335.00
<b>Total Current Assets</b>	522,778.59
<b>Fixed Assets</b>	
1510 · Unit #1AB & C Construction Remo	14,259.00
1511 · Accumulated Depr Units A, B, C	-5,834.61
1600 · Unit 1ABC- Furniture & Fixtures	6,614.39
1601 · Accum Depr -Unit 1ABC Furniture	-6,614.39
<b>Total Fixed Assets</b>	8,424.39
<b>TOTAL ASSETS</b>	<b>531,202.98</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2101 · Accts Payable - Mgt Escrow	-2,368.13
<b>Total Accounts Payable</b>	-2,368.13
<b>Other Current Liabilities</b>	
2130 · Deferred Assessments	82,500.00
2140 · Security Deposits	2,500.00
2170 · Due to Cap Res from Mgt Escrow	25,000.00
<b>Total Other Current Liabilities</b>	110,000.00
<b>Total Current Liabilities</b>	107,631.87
<b>Total Liabilities</b>	107,631.87
<b>Equity</b>	
3000 · Operating Acct Owners Equity	-3,756.62
3100 · Capital Reserve Owners Equity	447,470.21
Net Income	-20,142.48
<b>Total Equity</b>	423,571.11
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>531,202.98</b>

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**Shadow Mountain Townhomes**  
**A/R Aging Summary**  
As of May 17, 2011

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>&gt; 90</u>	<u>TOTAL</u>
SM05 - Klindworth	0.00	3,719.47	0.00	0.00	0.00	3,719.47
SM06 - Klindworth	0.00	3,719.47	0.00	0.00	0.00	3,719.47
SM11 - Leonard-Peck	0.00	3,719.47	0.00	0.00	0.00	3,719.47
SM13 - Carroccio	0.00	3,719.47	0.00	0.00	0.00	3,719.47
SM16 - Cope	0.00	3,719.47	0.00	0.00	0.00	3,719.47
<b>TOTAL</b>	<b>0.00</b>	<b>18,597.35</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>18,597.35</b>