

Spalding Management Services, LLC
P.O. Box 49
Aspen, Colorado 81612
(970) 925-9131 telephone; (970) 925-1811 fax
spalding3@comcast.net

November 28, 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 year ended October 31, 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.

Sincerely,

Susan

Susan W. Spalding

Enclosure

SHADOW MOUNTAIN TOWNHOMES ASSOCIATION
Notes to the Financial Statements
Year Ended October 31, 2011

Operating Results

The Operating expenses of the Shadow Mountain Townhomes Association totaled \$300,013 for the year ended October 31, 2011 which was \$3,613 over budget. The component parts of the operating expenses included the following:

1. Owners were assessed \$294,000 for operating expenses. Rental income of \$2,400 was received for Unit A. Income from the coin operated laundry machines totaled \$171. The operating account earned \$51 of interest income which includes an interest penalty for early withdrawal of a certificate of deposit. Finance charges were assessed against late paying owners which totaled \$224.
2. Administrative Expenses of \$65,875 were \$4,385 under budget for the year.
 - a. Account 6010 – Administration Fee was on budget at \$24,300.
 - b. Account 6020 – Condominium Association Costs of \$8,032 was \$12,468 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. Multiple inclinometer readings were budgeted for but only one was taken which cost \$1,551.
 - c. Account 6030 – Insurance costs totaled \$19,413 and were on budget.
 - d. Account 6040 – Legal expenses totaled \$14,089 which was \$8,089 over budget. Monies were spent to revise the Laverman management agreement and for work done on neighborhood development issues.
 - e. Account 6050 – Income taxes totaled \$41 for the year. Taxes were paid on the interest income, vending machine income, and rental income.
3. Building Maintenance expenses for the year totaled \$150,232, which was \$7,782 over budget.
 - a. Account 6110 – Building Maintenance costs of \$77,000 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 \$33,219 were \$5,219 over 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 and October which cost \$2,735.

- Roto Rooter performed three sets of routine maintenance (November 2010, April and October 2011) and cleared a frozen drain line which totaled \$8,702.
 - Additional radon testing for Unit 16 cost \$350.
 - Seasonal pest control services cost \$830.
 - 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.
 - A cracked sewer pipe was replaced in June at a cost of \$657.
 - Unit 17's deck was jacked up which cost \$1,150.
 - Repairs to the base of a driveway light cost \$939.
 - The walkways were epoxied which cost \$5,000.
 - Masonry repairs and repairs to the snow slide area near Unit 14 cost \$5,650.
 - Upgrades to the irrigation system cost \$625.
 - Barbeque deck repairs cost \$542.
- c. Account 6130 – Supplies costs totaled \$7,141 which was \$559 under budget. Sample heated stair treads cost \$455. A new fixture for a driveway light cost \$647.
- d. Account 6140 – Snow Removal costs of \$12,165 were \$3,965 over budget. John Laverman shoveled the roof at a cost of \$9,500.
- e. Account 6150 – Grounds expenses totaled \$14,992 which was \$6,992 over budget. Lawn mowing costs totaled \$1,937. The garden area in front of Units 2, 3, and 4 had been excavated during the work done on that building in the winter. The garden was redesigned and planted at a cost of \$5,195. \$7,860 was paid for the summer flowers and their maintenance, the total of which also included replacing the tree above the pool.
- f. Account 6175 – Tram expenses of \$1,828 were \$5,422 under budget. The expenses were for the annual license fee and multiple inspections.
- g. Account 6180 – Pool expenses totaled \$862 which was \$2,138 under budget.
- h. Account 6190 – Security costs of \$3,025 were \$275 under budget due to a change in the vendor's billing process.
4. Utilities expenses totaled \$75,165 for the year, which was \$525 under budget. Utility costs included:
- Electricity cost \$23,605 which was \$4,605 over budget.
 - Water costs totaled \$4,410 which was \$590 under budget.

- Gas totaled \$16,661 which was \$5,339 under budget.
 - Cable television service cost \$11,444.
 - Sewer costs totaled \$5,507.
 - Trash removal cost \$6,375.
 - The tram phone cost \$647.
 - High speed internet service cost \$6,516 which was \$116 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 \$36,000 for Capital Reserves. Interest income of \$4,628 was received on the Capital Reserve bank accounts.

Capital expenditures totaled \$83,807. 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. Updating of the Tram Electrical panel was initiated, the total cost of which is \$34,750. The pool was re-plastered at a cost of \$11,000.

Balance Sheet

The Operating account bank balance was \$25,582 as of October 31. The total in the Capital Reserve accounts was \$430,942. The Capital Reserve account balances were comprised of the following:

- Account 1060 – Capital Reserve Checking – earns no interest and had a balance of \$5,700.
- Account 1061 – Alpine Bank Capital Reserve Money Market – earns approximately .5% interest and had a balance of \$87,100.
- Account 1062 – Alpine Bank Capital Reserve CD – earns 1% and matures on 6/9/12. Its balance was \$105,805.
- Account 1066 – Community Bank Capital Reserve CD 2 – earns 2.25% and matures on 2/17/12. Its balance was \$132,116.
- 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 as the interest is paid annually.

Accounts Receivable

A number of owners have not paid the first quarter assessment which was due on November 1. An Accounts Receivable listing is included for review.

10:44 AM

11/28/11

Accrual Basis

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

	Nov '10 - Oct 11	Budget	\$ Over Budget
Income			
4100 · Common Assessments	294,000.00	294,000.00	0.00
4110 · Vending Machine Income	170.85	0.00	170.85
4120 · Finance Charges - Assessments	223.78	0.00	223.78
4130 · Interest Income -Operating Acct	51.29	0.00	51.29
4300 · Rental Income	2,400.00	2,400.00	0.00
Total Income	296,845.92	296,400.00	445.92
Expense			
Administration			
6010 · Administration Fee	24,300.00	24,300.00	0.00
6020 · Condominium Assoc. Cost	8,032.14	20,500.00	-12,467.86
6030 · Insurance	19,413.00	19,460.00	-47.00
6040 · Legal & Professional	14,088.75	6,000.00	8,088.75
6050 · Income Taxes	41.00	0.00	41.00
Total Administration	65,874.89	70,260.00	-4,385.11
Maintenance			
6110 · Building	77,000.00	77,000.00	0.00
6120 · Outside Services	33,219.37	28,000.00	5,219.37
6130 · Supplies	7,140.87	7,700.00	-559.13
6140 · Snow Removal	12,165.00	8,200.00	3,965.00
6150 · Grounds	14,992.00	8,000.00	6,992.00
6175 · Tram	1,827.87	7,250.00	-5,422.13
6180 · Pool	862.21	3,000.00	-2,137.79
6190 · Security	3,025.00	3,300.00	-275.00
Total Maintenance	150,232.32	142,450.00	7,782.32
Utilities			
6210 · Electric	23,605.01	19,000.00	4,605.01
6220 · Water	4,409.53	5,000.00	-590.47
6230 · Common Gas	16,661.17	22,000.00	-5,338.83
6240 · Cable Television Service	11,444.29	11,320.00	124.29
6250 · Sewer	5,506.72	5,300.00	206.72
6260 · Trash Removal	6,375.42	6,000.00	375.42
6270 · Tram Phone	646.90	670.00	-23.10
6280 · High Speed Internet	6,515.57	6,400.00	115.57
Total Utilities	75,164.61	75,690.00	-525.39
Other Expenses			
6310 · Operating Reserve	0.00	8,000.00	-8,000.00
6315 · Water Leak - Unit 2 Exterior	8,374.69		
Total Other Expenses	8,374.69	8,000.00	374.69
6600 · Unit A			
6650 · Depreciation	366.00	0.00	366.00
Total 6600 · Unit A	366.00	0.00	366.00
Total Expense	300,012.51	296,400.00	3,612.51
Net Income	-3,166.59	0.00	-3,166.59

10:45 AM

11/28/11

Accrual Basis

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

	<u>Nov '10 - Oct 11</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Income			
4200 · Capital Assessments	36,000.00	36,000.00	0.00
4210 · Interest Income Cap Res	4,628.32	0.00	4,628.32
Total Income	<u>40,628.32</u>	<u>36,000.00</u>	<u>4,628.32</u>
Expense			
6500 · Capital Reserve Expenses			
6510 · Pool Deck Work	25,399.00		
6513 · Exterior Drainage Repair	12,657.70		
6596 · Tram Electrical Repair	34,750.00		
6598 · Pool Replastering	11,000.00		
Total 6500 · Capital Reserve Expenses	<u>83,806.70</u>		
Total Expense	<u>83,806.70</u>		
Net Income	<u>-43,178.38</u>	<u>36,000.00</u>	<u>-79,178.38</u>

10:47 AM

11/28/11

Accrual Basis

Shadow Mountain Townhomes

Balance Sheet

As of October 31, 2011

	<u>Oct 31, 11</u>
ASSETS	
Current Assets	
Checking/Savings	
1050 · Management Escrow Account	25,582.32
1060 · Capital Reserve Checking	5,700.00
1061 · Alpine Bank Cap Res Mny Mkt	87,100.02
1062 · Alpine Bank Cap Res CD	105,804.53
1066 · Comm Bank Cap Res CD 2	132,116.43
1067 · U.S. Bank Cap Res CD	100,220.86
Total Checking/Savings	<u>456,524.16</u>
Accounts Receivable	
1200 · Accounts Receivable - Owners	40,914.17
Total Accounts Receivable	<u>40,914.17</u>
Other Current Assets	
1235 · Prepaid Insurance	1,614.00
1240 · Prepaid Taxes	999.00
Total Other Current Assets	<u>2,613.00</u>
Total Current Assets	500,051.33
Fixed Assets	
1510 · Unit #1AB & C Construction Remo	14,259.00
1511 · Accumulated Depr Units A, B, C	-6,200.61
1600 · Unit 1ABC- Furniture & Fixtures	6,614.39
1601 · Accum Depr -Unit 1ABC Furniture	-6,614.39
Total Fixed Assets	<u>8,058.39</u>
TOTAL ASSETS	<u>508,109.72</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2101 · Accts Payable - Mgt Escrow	2,393.10
2102 · Accts Payable - Cap Reserve	25,848.00
Total Accounts Payable	<u>28,241.10</u>
Other Current Liabilities	
2130 · Deferred Assessments	82,500.00
Total Other Current Liabilities	<u>82,500.00</u>
Total Current Liabilities	<u>110,741.10</u>
Total Liabilities	110,741.10
Equity	
3000 · Operating Acct Owners Equity	-3,756.62
3100 · Capital Reserve Owners Equity	447,470.21
Net Income	-46,344.97
Total Equity	<u>397,368.62</u>
TOTAL LIABILITIES & EQUITY	<u>508,109.72</u>

10:49 AM

11/28/11

Shadow Mountain Townhomes
A/R Aging Summary
As of November 28, 2011

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 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
SM13 - Carroccio	0.00	3,719.47	0.00	0.00	0.00	3,719.47
SM20 - Aerie Partnership	0.00	3,719.47	0.00	0.00	0.00	3,719.47
TOTAL	0.00	14,877.88	0.00	0.00	0.00	14,877.88