

**SILVERADO II HOMEOWNERS ASSOCIATION**

**ANNUAL FINANCIAL REPORT**

**For the Years Ended  
June 30, 2001 and 2000**

**SILVERADO II HOMEOWNERS ASSOCIATION**

**Annual Financial Report**

**June 30, 2001 and 2000**

**CONTENTS**

Accountants' Report . . . . .	1
Balance Sheets . . . . .	2
Statements of Revenues, Expenses, and Changes in Fund Balances . . . . .	3
Statements of Cash Flows . . . . .	4
Notes to the Financial Statements . . . . .	5-11
<u>Supplementary Information</u>	
Schedules of Expenses . . . . .	12-13
Supplementary Information of Future Major Repairs and Replacements (Whole Owners Fund) . . . . .	14
Supplementary Information of Future Major Repairs and Replacements (Fractional Owners Fund). . . . .	15

**DAY & ASSOCIATES, P.C.**  
Certified Public Accountants

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P.O. Box 612 Fraser, Colorado 80442

(970) 726-9709 Fax: (970) 726-4509


Board of Directors  
Silverado II Homeowners Association  
P.O. Box 3368  
Winter Park, CO 80482

We have reviewed the accompanying balance sheets of Silverado II Homeowners Association, Inc., (a non-profit corporation) as of June 30, 2001 and 2000, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Allegiant Management, LLC.

A review consists principally of inquiries of management personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The supplementary information contained in the schedules of expenses and future major repairs and replacements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information about future major repairs and replacements is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of Allegiant Management, LLC, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



Day & Associates, P.C.

October 9, 2001

**SILVERADO II HOME OWNERS ASSOCIATION**  
**BALANCE SHEETS**  
**AS OF JUNE 30, 2001 AND 2000**

	<u>OPERATING FUNDS</u>		<u>REPLACEMENT FUNDS</u>		<u>TOTALS</u>	
	<u>Whole Owners Fund</u>	<u>Fract'l Owners Fund</u>	<u>Whole Owners Fund</u>	<u>Fract'l Owners Fund</u>	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>						
Cash	\$ 45,613	\$ 33,054	\$115,649	\$160,213	\$354,529	\$324,968
Assessments receivable (less doubtful accounts of \$0 and \$59,661)	1,880	3,676	---	---	5,556	10,098
Special assessment rec.	---	15,856	---	---	15,856	37,245
Building improvements, (less accumulated depreciation of \$964)	36	---	---	---	36	179
Furniture and equip., (less accumulated depreciation of \$61,426)	1,980	---	---	---	1,980	5,856
Loan fees (less accum. amortization of \$498)	<u>1,035</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,035</u>	<u>1,137</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 50,544</u></b>	<b><u>\$ 52,586</u></b>	<b><u>\$115,649</u></b>	<b><u>\$160,213</u></b>	<b><u>\$378,992</u></b>	<b><u>\$379,483</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,975	\$ 1,571	\$ ---	\$ ---	\$ 3,546	\$ 2,923
Tenant deposits	2,250	---	---	---	2,250	1,300
Unearned assessments	2,550	14,166	---	---	16,716	640
Note payable	<u>20,457</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>20,457</u>	<u>34,573</u>
<b>TOTAL LIABILITIES</b>	<b><u>27,232</u></b>	<b><u>15,737</u></b>	<b><u>---</u></b>	<b><u>---</u></b>	<b><u>42,969</u></b>	<b><u>39,436</u></b>
<b>FUND BALANCES</b>	<b><u>23,312</u></b>	<b><u>36,849</u></b>	<b><u>115,649</u></b>	<b><u>160,213</u></b>	<b><u>336,023</u></b>	<b><u>340,047</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 50,544</u></b>	<b><u>\$ 52,586</u></b>	<b><u>\$115,649</u></b>	<b><u>\$160,213</u></b>	<b><u>\$378,992</u></b>	<b><u>\$379,483</u></b>

The accompanying notes are an integral part  
of the financial statements.

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	OPERATING FUNDS		REPLACEMENT FUNDS		TOTALS	
	Whole Owners Fund	Fract'l Owners Fund	Whole Owners Fund	Fract'l Owners Fund	2001	2000
<b>REVENUES</b>						
Homeowner assessments	\$232,340	\$384,450	\$ 70,000	\$ 24,000	\$ 710,790	\$ 684,170
Special asmt. (less disc)	---	---	---	---	---	345,900
Late fees	163	2,687	---	---	2,850	69
Rental income	31,119	---	---	---	31,119	24,539
Telephone income	4,062	---	---	---	4,062	4,150
Interest income	477	5,625	2,162	5,248	13,512	4,285
Vending income	6,073	---	---	---	6,073	6,897
Other income	---	7,235	---	---	7,235	17,676
<b>TOTAL REVENUES</b>	<b>274,234</b>	<b>399,997</b>	<b>72,162</b>	<b>29,248</b>	<b>775,641</b>	<b>1,087,686</b>
<b>EXPENSES</b>						
Administration	7,500	43,759	9	44	51,312	36,935
Utilities	83,812	28,414	---	---	112,226	98,759
Services & contracts	97,441	138,431	---	---	235,872	199,007
Repairs & supplies	38,430	38,325	---	---	76,755	71,384
Association dues	---	100,800	---	---	100,800	92,160
Bad debts	---	19,275	---	---	19,275	43,192
Building repairs/furn.	---	---	29,415	112,528	141,943	255,185
Depreciation	4,019	---	---	---	4,019	6,383
Insurance	14,591	---	---	---	14,591	12,347
Interest expense	2,626	---	---	---	2,626	3,660
Miscellaneous	2,359	101	---	---	2,460	4,246
Property taxes	144	17,642	---	---	17,786	17,860
<b>TOTAL EXPENSES</b>	<b>250,922</b>	<b>386,747</b>	<b>29,424</b>	<b>112,572</b>	<b>779,665</b>	<b>841,118</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>23,312</b>	<b>13,250</b>	<b>42,738</b>	<b>(83,324)</b>	<b>(4,024)</b>	<b>246,568</b>
BEGINNING FUND BALANCE	46,580	84,988	26,331	182,148	340,047	93,479
Transfer between funds	(46,580)	(61,389)	46,580	61,389	---	---
<b>ENDING FUND BALANCES</b>	<b>\$ 23,312</b>	<b>\$ 36,849</b>	<b>\$115,649</b>	<b>\$160,213</b>	<b>\$ 336,023</b>	<b>\$ 340,047</b>

The accompanying notes are an integral part  
of the financial statements.

**SILVERADO II HOMEOWNERS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>OPERATING FUNDS</u>		<u>REPLACEMENT FUNDS</u>		<u>TOTALS</u>	
	Whole Owners <u>Fund</u>	Fract'l Owners <u>Fund</u>	Whole Owners <u>Fund</u>	Fract'l Owners <u>Fund</u>	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Excess (deficiency) of revenues over expenses	\$ 23,312	\$ 13,250	\$ 42,738	\$ (83,324)	\$ (4,024)	\$ 246,568
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:						
Depreciation & amortization	4,121	---	---	---	4,121	6,485
(Increase) decrease in:						
Assessments receivable	1,320	24,611	---	---	25,931	(17,139)
Due from (to) other fund	500	(500)	---	---	---	---
Increase (decrease) in:						
Accounts payable	289	334	---	---	623	(16,816)
Tenant deposits	950	---	---	---	950	---
Unearned assessments	<u>1,910</u>	<u>14,166</u>	<u>---</u>	<u>---</u>	<u>16,076</u>	<u>(14,640)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>32,402</b>	<b>51,861</b>	<b>42,738</b>	<b>(83,324)</b>	<b>43,677</b>	<b>204,458</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Payments on long term debt	(14,116)	---	---	---	(14,116)	(13,084)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Transfer between funds	<u>(46,580)</u>	<u>(61,389)</u>	<u>46,580</u>	<u>61,389</u>	<u>---</u>	<u>---</u>
<b>NET INCREASE (DEC.) IN CASH</b>	<b>(28,294)</b>	<b>(9,528)</b>	<b>89,318</b>	<b>(21,935)</b>	<b>29,561</b>	<b>191,374</b>
CASH AT BEGINNING OF YEAR	<u>73,907</u>	<u>42,582</u>	<u>26,331</u>	<u>182,148</u>	<u>324,968</u>	<u>133,594</u>
<b>CASH AT END OF YEAR</b>	<b>\$ <u>45,613</u></b>	<b>\$ <u>33,054</u></b>	<b>\$ <u>115,649</u></b>	<b>\$ <u>160,213</u></b>	<b>\$ <u>354,529</u></b>	<b>\$ <u>324,968</u></b>
<b>Supplemental disclosure:</b>						
Interest paid					\$ 2,626	\$ 3,660

The accompanying notes are an integral part of the financial statements.

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001 AND 2000**

NOTE 1: ORGANIZATION

Silverado II Homeowners Association is a statutory condominium association organized as a non-profit corporation for the purpose of maintaining and preserving the common property. The Association consists of 72 units and began operations on August 19, 1980. On March 1, 1985, the Association's declarations, articles, and bylaws were amended to permit fractional ownership of units within the Association and, in addition to the whole owners common elements, the maintenance of the interiors of the fractional units became the responsibility of the Association.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles as applied to non-profit organizations. The significant accounting policies followed are described below:

A. Fund Accounting

To record restrictions placed on the use of assets, the Association uses fund accounting. Separate accounts are maintained for each fund, and accordingly, all financial transactions have been recorded and reported by fund. The Association uses four funds as follows:

**Whole Owners' Operating Fund** - is used to account for the operation and routine maintenance of the common elements outside of the units. All units participate in this fund regardless of the method of ownership.

**Fractional Owners' Operating Fund** - is used to account for the operation and routine maintenance of the inside of fractional units.

**Whole Owners' Replacement Fund** - is used to account for the funds set aside for the future replacement of common elements outside of the units.

**Fractional Owners' Replacement Fund** - is used to account for the funds set aside for the future replacement of common elements inside the fractional units.

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001 AND 2000**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Investments

Investments are recorded at the lower of cost or market. During the years ending June 30, 2001 & 2000, the Association restricted its investments to money market accounts or certificates of deposit.

C. Interest Earned

The board's policy is to allocate interest earned on all cash accounts to the fund which owns the underlying cash or investment.

D. Recognition of Assets and Depreciation Policy

Personal property acquired by using the Association's funds is recorded at cost. Property donated to the Association is recorded at fair market value. The property is depreciated over its estimated useful life using the straight line method of depreciation.

Real and personal common property which is not titled in the Association's name, including the property acquired by the original unit owners from the developer, is not recognized on the Association's financial statements because it is owned by the individual owners and its disposition by the Association's board of directors is restricted.

Replacements and improvements to the common property are not recognized, but rather are increases in the values of the individual unit owners' property.

The original furniture and personal property purchased by the fractional owners from the developer are not recorded in the financial statements because they are titled to the owners. Subsequent purchases of furniture by the Fractional Fund are expensed.

The estimated useful lives of the fixed assets are as follows:

Furniture and Equipment	5-10 years
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**SILVERADO II HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001 AND 2000**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Recognition of Assets and Depreciation Policy (cont.)

A summary of the fixed assets follows:

	Whole Ownership June 30, <u>2001</u>
Telephone Equipment	\$ 19,859
Other Equipment & Furn.	43,547
Building Improvements	<u>1,000</u>
 Total	 64,406
Less: Accumulated Depreciation	 <u>(62,390)</u>
 <b>Net Fixed Assets</b>	 <b>\$ <u>2,016</u></b>

E: Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: UNINSURED CASH BALANCES

The Association maintains its cash balances at two financial institutions located in Colorado. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$100,000. Uninsured balances are approximately \$15,649 for the whole owners replacement fund and \$577 for the fractional owners replacement fund at June 30, 2001.

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001 AND 2000**

NOTE 4: OWNERS ASSESSMENTS

For the years ended June 30, 2001 and 2000, assessments to owners were \$350 and \$320, respectively, per unit per month for the whole owners and \$350 per week per year for the fractional owners.

The annual budget and owners' assessments are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

A study was conducted by the management company in 2000 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for the major repairs and replacements. If additional funds are needed, the board has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements.

The Association had accumulated replacement and reserve funds which aggregated \$115,649 and \$26,331 for the whole owners and \$160,213 and \$182,148 for the fractional owners at June 30, 2001 and 2000. These funds are separated from operating cash and are generally not available for operating purposes.

Following is a summary of the replacement fund expenses for the Association for the year ended June 30, 2001:

Common Area

Asphalt resurfacing	\$ 3,000
Bank charges	9
Board/rail replacement	4,066
HVAC repair/replacement	342
Roof repair	4,007
Roof replacement	<u>18,000</u>
Total Common Area	29,424

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001 AND 2000**

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS (cont.)

Fractional Interior

Appliances	3,501
Bank charges	44
Bedding	527
Electronics	7,231
Fixtures	265
Furniture	95,741
Water heaters	5,203
Window coverings	<u>60</u>
 Total Fractional Interior	 <u>112,572</u>
 Total Replacement Fund Expenses	 <u>\$141,996</u>

NOTE 6: INCOME TAXES

The Association elected to be taxed as a membership organization as defined by Internal Revenue Code Section 277. Generally, it is subject to tax only on net income sources other than member assessments when membership income is allocated to the subsequent year's assessments. As of June 30, 2001 and 2000, the Association had no income tax liability.

NOTE 7: ASSESSMENTS RECEIVABLE

The Association's policy is to retain legal counsel and place liens on properties of homeowners whose assessments are in arrears. As of June 30, 2001 and 2000, the Association had delinquent assessments receivable of \$1,880 and \$3,200 in the whole owners' operating fund and \$63,337 and \$87,194 in the fractional ownership operating fund. It is the opinion of management that no provision for doubtful accounts is necessary for the whole owners' operating fund, but it has designated \$59,661 for the fractional ownership operating fund.

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001 AND 2000**

NOTE 8: MANAGEMENT COMPANY

The day to day operations of the Association are contracted to Allegiant Management, LLC under the direction of the Board. This contract establishes the basic services to the Association as well as specifying service and material charges which the management company may pass on to the Association. The management company provides staff necessary for administration, accounting, supervision and maintenance, and the Association, therefore, has no employees.

Included in charges by the management company for the year ended June 30, 2001:

	<u>2001</u>
<u>Whole Owners</u>	
Bar & kitchen expenses	\$ 442
Building maintenance	21,276
Miscellaneous	1,680
Management fees	75,948
Pool supplies/towels	3,996
Replacement fund expenses	<u>1,750</u>
Total Whole Owners	105,092
<u>Fractional Owners</u>	
Cleaning fees	81,977
Desk labor reimbursement	28,000
Guest supplies	2,436
Interior maintenance	24,822
Kitchen utensils	4,752
Linen replacement	3,879
Management fees	27,456
Timeshare resale administration	135
Replacement fund expenses	<u>16,003</u>
Total Fractional Owners	189,460
Total Management Company Charges	\$ 294,552

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2001 AND 2000**

NOTE 9: NOTE PAYABLE

Note payable consists of the following:

	<u>2001</u>	<u>2000</u>
Note payable to Colorado Community First National Bank, payable in monthly installments of \$1,387 including interest at a variable rate based on the Fraser reference rate starting at 8.25% with the balance to be paid off in 2 years.	\$ 20,457	\$ 34,573

Principal maturities of the note payable for each of the next two years are as follows:

Year Ending June 30,	Amount
2002	15,598
2003	4,859
Total	\$ 20,457

NOTE 10: SPECIAL ASSESSMENT

A special assessment was billed in the prior year to the fractional owners in the amount of \$300 per owner totaling \$345,900. These funds are being used to replace drapes, furniture, mattresses, carpet, ceiling fans, artwork and interior painting. As of June 30, 2001, \$330,044 was collected and transferred to the fractional owners replacement fund, leaving \$15,856 in special assessments receivable.

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**SCHEDULE C - EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2001 AND 2000**

	<u>OPERATING FUNDS</u>		<u>REPLACEMENT FUNDS</u>		<u>TOTALS</u>	
	<u>Whole Owners Fund</u>	<u>Fract'l Owners Fund</u>	<u>Whole Owners Fund</u>	<u>Fract'l Owners Fund</u>	<u>2001</u>	<u>2000</u>
<b>ADMINISTRATION:</b>						
Accounting services	\$ 489	\$ 475	\$ ---	\$ ---	\$ 964	\$ 426
Annual review	1,000	1,000	---	---	2,000	2,368
Bank charges	---	10	9	44	63	108
Collection fees	---	7,059	---	---	7,059	5,339
Legal fees	6,011	25,828	---	---	31,839	19,694
Rent - laundry room	---	2,400	---	---	2,400	2,400
Rent - meeting room	---	1,200	---	---	1,200	1,200
Rent - office	---	2,400	---	---	2,400	2,400
Timeshare resale admin.	---	3,387	---	---	3,387	3,000
TOTAL ADMINISTRATION	7,500	43,759	9	44	51,312	36,935
<b>UTILITIES:</b>						
Cable television	15,705	2,015	---	---	17,720	15,567
Electric	22,428	25,999	---	---	48,427	47,908
Natural gas	20,498	---	---	---	20,498	9,804
Water & sewer	25,181	400	---	---	25,581	25,480
TOTAL UTILITIES	83,812	28,414	---	---	112,226	98,759
<b>SERVICES AND CONTRACTS:</b>						
Cleaning fees	---	82,975	---	---	82,975	56,448
Desk labor reimbursement	---	28,000	---	---	28,000	28,000
Elevator maintenance	4,119	---	---	---	4,119	4,504
Management fees	75,948	27,456	---	---	103,404	92,856
Telephone	7,528	---	---	---	7,528	9,083
Trash removal	9,846	---	---	---	9,846	8,116
TOTAL SERVICES AND CONTRACTS	97,441	138,431	---	---	235,872	199,007

See accountants' report.

**SILVERADO II HOMEOWNERS ASSOCIATION**  
**SCHEDULES C. EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2001 AND 2000**  
(continued)

	<u>OPERATING FUNDS</u>		<u>REPLACEMENT FUNDS</u>		<u>TOTALS</u>	
	<u>Whole Owners Fund</u>	<u>Fract'l Owners Fund</u>	<u>Whole Owners Fund</u>	<u>Fract'l Owners Fund</u>	<u>2001</u>	<u>2000</u>
<b>REPAIRS AND SUPPLIES:</b>						
Bar & kitchen expenses	3,993	4,752	---	---	8,745	4,343
Building maint.- regular	29,170	---	---	---	29,170	28,435
Guest supplies	---	4,520	---	---	4,520	4,957
Interior maintenance	---	25,115	---	---	25,115	23,195
Linen replacement	---	3,938	---	---	3,938	4,859
Pool supplies/towels	3,996	---	---	---	3,996	3,996
Vending purchases	<u>1,271</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,271</u>	<u>1,599</u>
TOTAL REPAIRS/SUPPLIES	38,430	38,325	---	---	76,755	71,384
<b>ASSOCIATION DUES</b>	---	100,800	---	---	100,800	92,160
<b>BAD DEBTS</b>	---	19,275	---	---	19,275	43,192
<b>BUILDING REPAIRS/ FURNITURE</b>	---	---	29,415	112,528	141,943	255,185
<b>DEPRECIATION</b>	4,019	---	---	---	4,019	6,383
<b>INSURANCE</b>	14,591	---	---	---	14,591	12,347
<b>INTEREST EXPENSE</b>	2,626	---	---	---	2,626	3,660
<b>MISCELLANEOUS</b>	2,359	101	---	---	2,460	4,246
<b>PROPERTY TAXES</b>	<u>144</u>	<u>17,642</u>	<u>---</u>	<u>---</u>	<u>17,786</u>	<u>17,860</u>
<b>TOTAL EXPENSES</b>	<u>\$250,922</u>	<u>\$386,747</u>	<u>\$ 29,424</u>	<u>\$112,572</u>	<u>\$ 779,665</u>	<u>\$ 841,118</u>

See accountants' report.

***SUPPLEMENTARY INFORMATION***



**SILVERADO II HOMEOWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
JUNE 30, 2001**

Whole Owners Fund

The management company conducted a study in 2000 to estimate the remaining useful lives and the replacement costs of the components of common property.

The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Repl. Cost</u>	<u>Replacement Fund Balance at June 30, 2001</u>
Asphalt Resurfacing	1-2	\$ 27,000	\$ 2,000
Elevator - Repairs	1-5	10,000	2,000
- Replacement	6-7	100,000	---
Exercise Equipment	5	5,000	---
Exterior Wood Doors	4	8,000	---
Hallway Carpet	6	40,000	---
Heater - Hot Tub	2	2,500	---
- Pool	2	3,000	---
- Sauna	2	1,000	---
HVAC Repairs/Repl.	1-3	3,000	1,000
Interior Wood Staining	1-2	3,000	1,500
Landscaping	7	40,000	---
Painting - Exterior	2	110,000	107,149
- Interior	2	11,000	---
Pool - Resurfacing	6	5,000	---
- Ceiling	3	10,000	---
Retaining Wall	3	30,000	---
Roof - Repairs	1-2	4,000	2,000
- Replacement	2-5	<u>204,000</u>	<u>---</u>
<b>TOTALS</b>		<b>\$ <u>616,500</u></b>	<b>\$ <u>115,649</u></b>

See accountants' report.

**SILVERADO II HOMEOWNERS ASSOCIATION  
 SUPPLEMENTARY INFORMATION ON FUTURE  
 MAJOR REPAIRS AND REPLACEMENTS  
 JUNE 30, 2001**

Fractional Owners Fund

The management company conducted a study in 2000 to estimate the remaining useful lives and the replacement costs of the components of common property.

The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance at June 30, 2001</u>
Appliances	1-5	\$ 43,150	\$ 43,150
Bedding	3	7,200	7,200
Cabinets/Kitchen	5	28,800	15,353
Electronics	1-4	8,100	8,100
Fixtures & Bath Cabinets	1-6	45,600	33,000
Furniture	1-5	16,610	16,610
Painting	3	26,400	26,400
Water Heater	1-6	11,700	10,400
Window Coverings	6	<u>14,000</u>	<u>---</u>
<b>TOTALS</b>		\$ <u>201,560</u>	\$ <u>160,213</u>

See accountants' report.