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**ACCOUNTANT'S COMPILATION REPORT**

Board of Directors  
Fairmont Estates Condominium Association  
Anaconda, Montana 59711

I have compiled the accompanying statements of assets, liabilities, and fund balances-income tax basis of Fairmont Estates Condominium Association as of August 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in fund balance-income tax basis 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. The financial statements have been prepared on the basis of accounting used by the Association for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, I do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Association's assets, liabilities, fund balances, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

  
Henry Fenton  
Certified Public Accountant

Helena, Montana  
September 27, 2010

1524 Cedar Street, Helena, Montana 59601

**FAIRMONT ESTATES CONDOMINIUM ASSOCIATION**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES-INCOME TAX BASIS**  
**AUGUST 31, 2010, AND 2009**

<b>ASSETS</b>		
	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash, including interest-bearing deposits	\$ 337,550	\$ 346,237
Assessments receivable (net of estimated uncollectibles of \$391,956/\$357,503)	15,308	24,488
Prepaid Expenses	20,965	21,261
Total Current Assets	373,823	391,986
<b>PROPERTY AND EQUIPMENT</b>		
Office equipment	5,105	5,105
Land	45,000	45,000
	50,105	50,105
Less accumulated depreciation	(4,284)	(3,838)
Total Property and Equipment	45,821	46,267
<b>OTHER ASSETS</b>		
Time share units held for sale	72,600	98,100
Total Other Assets	72,600	98,100
Total Assets	\$ 492,244	\$ 536,353
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,431	\$ 6,450
Property taxes payable	16,131	16,131
Accrued liabilities	8,596	5,011
Assessments received in advance	14,678	13,337
Total Liabilities	44,836	40,929
<b>FUND BALANCES</b>		
Fund Balances	447,408	495,424
Total Fund Balances	447,408	495,424
Total Liabilities and Fund Balances	\$ 492,244	\$ 536,353

See the accompanying accountant's compilation report

**FAIRMONT ESTATES CONDOMINIUM ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCE - INCOME TAX BASIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2010**

	<u>OPERATIONS</u>	<u>CAPITAL IMPROVEMENTS</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Regular assessments	\$ 615,550	\$ 33,525	649,075
Bonus time	13,790		13,790
Late charges	5,969		5,969
Interest income	13,773	-	13,773
Miscellaneous income	7,070		7,070
	<u>656,152</u>	<u>33,525</u>	<u>689,677</u>
Total Revenues			
<b>FIXED EXPENSES</b>			
Amenity fees	61,602	-	61,602
Insurance	71,370	-	71,370
Property taxes	24,090	-	24,090
	<u>157,062</u>	<u>-</u>	<u>157,062</u>
Total Fixed Expenses			
<b>OPERATING EXPENSES</b>			
Contract labor	2,501	-	2,501
Repairs and maintenance	22,592	-	22,592
Telephone	3,181	-	3,181
Utilities	64,912	-	64,912
Wages-housekeeping	50,160	-	50,160
Wages-maintenance	60,695	-	60,695
Water charges	8,674	-	8,674
Cable television	4,085	-	4,085
Refuse disposal	2,036	-	2,036
Refunds	2,906	-	2,906
	<u>221,742</u>	<u>-</u>	<u>221,742</u>
Total Operating Expenses			
<b>ADMINISTRATIVE EXPENSES</b>			
Accounting	\$ 6,680	\$ -	\$ 6,680
Meeting expense	1,677	-	1,677
Bad Debts	34,453	-	34,453
Depreciation expense	446		446
Bank charges	1,894		1,894
Management fee	107,228		107,228
Office expenses	13,101		13,101
Office wages	41,954		41,954
Payroll taxes	20,452	-	20,452
	<u>227,885</u>	<u>-</u>	<u>227,885</u>
Total Administrative Expenses			

see the accompanying accountant's compilation report

**FAIRMONT ESTATES CONDOMINIUM ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCE -INCOME TAX BASIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2010**

	OPERATIONS	CAPITAL IMPROVEMENTS	TOTAL
<b>RESERVE EXPENDITURES</b>			
Appliances	\$ -	\$ 12,457	\$ 12,457
Exterior roofing	-	135	135
Interior painting	-	37	37
Floor coverings	-	17,428	17,428
Furnishings	-	57,485	57,485
Remodel-refurbish	-	21,268	21,268
Landscaping	-	1,857	1,857
	-	110,667	110,667
Total Reserve Expenditures	-	110,667	110,667
Total Expenses	606,689	110,667	717,356
<b>OTHER INCOME AND (EXPENSES)</b>			
Sale of units	\$ 16,000	\$ -	\$ 16,000
Cost of sales	(27,254)	-	(27,254)
Recording fees	(550)	-	(550)
Upgrade fees	400	-	400
Income taxes	(8,933)	-	(8,933)
	(20,337)	-	(20,337)
Total other Income (Expenses)	(20,337)	-	(20,337)
Excess (Deficiency) of Revenues Over Expenses	29,126	(77,142)	(48,016)
Fund Balance as of August 31, 2009			495,424
Fund Balance as of August 31, 2010			\$ 447,408

See the accompanying accountant's compilation report

**FAIRMONT ESTATES CONDOMINIUM ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCE - INCOME TAX BASIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2009**

	OPERATIONS	CAPITAL IMPROVEMENTS	TOTAL
<b>REVENUES</b>			
Regular assessments	\$ 617,139	\$ 33,611	650,750
Bonus time	13,640	-	13,640
Late charges	5,769		5,769
Interest income	5,607	4,590	10,197
Miscellaneous income	6,407	-	6,407
Total Revenues	<u>648,562</u>	<u>38,201</u>	<u>686,763</u>
<b>FIXED EXPENSES</b>			
Amenity fees	61,161	-	61,161
Insurance	69,213	-	69,213
Property taxes	24,243	-	24,243
Total Fixed Expenses	<u>154,617</u>	<u>-</u>	<u>154,617</u>
<b>OPERATING EXPENSES</b>			
Contract labor	1,356	-	1,356
Repairs and maintenance	17,694	-	17,694
Telephone	2,777	-	2,777
Utilities	68,994	-	68,994
Wages-housekeeping	49,554	-	49,554
Wages-maintenance	57,860	-	57,860
Water charges	9,740	-	9,740
Cable television	4,587	-	4,587
Refuse disposal	2,041	-	2,041
Refunds	765	-	765
Total Operating Expenses	<u>215,368</u>	<u>-</u>	<u>215,368</u>
<b>ADMINISTRATIVE EXPENSES</b>			
Accounting	\$ 6,475	\$ -	\$ 6,475
Meeting expense	1,591	-	1,591
Bad Debts	34,165	-	34,165
Depreciation expense	1,519		1,519
Bank charges	2,024		2,024
Management fee	104,449		104,449
Office expenses	13,948		13,948
Office wages	30,400		30,400
Payroll taxes	16,973	-	16,973
Total Administrative Expenses	<u>211,544</u>	<u>-</u>	<u>211,544</u>

see the accompanying accountant's compilation report

**FAIRMONT ESTATES CONDOMINIUM ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCE -INCOME TAX BASIS (CONTINUED)  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2009**

	<u>OPERATIONS</u>	<u>CAPITAL IMPROVEMENTS</u>	<u>TOTAL</u>
<b>RESERVE EXPENDITURES</b>			
Appliances	\$ -	\$ 2,344	\$ 2,344
Exterior roofing	-	16,284	16,284
Interior painting	-	218	218
Floor coverings	-	-	-
Furnishings	-	11,540	11,540
Remodel-refurbish	-	31,668	31,668
Landscaping	-	550	550
	<hr/>	<hr/>	<hr/>
Total Reserve Expenditures	-	62,604	62,604
	<hr/>	<hr/>	<hr/>
Total Expenses	581,529	62,604	644,133
	<hr/>	<hr/>	<hr/>
<b>OTHER INCOME AND (EXPENSES)</b>			
Sale of units	\$ 15,900	\$ -	\$ 15,900
Cost of sales	(5,007)	-	(5,007)
Recording fees	(867)	-	(867)
Upgrade fees	1,300	-	1,300
Income taxes	(2,975)	-	(2,975)
	<hr/>	<hr/>	<hr/>
Total other Income (Expenses)	8,351	-	8,351
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenses	75,384	(24,403)	50,981
	<hr/>	<hr/>	<hr/>
Fund Balance as of August 31, 2008			444,443
			<hr/>
Fund Balance as of August 31, 2009			\$ 495,424
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See the accompanying accountant's compilation report

FAIRMONT ESTATES CONDOMINIUM ASSOCIATION

AUGUST 31, 2010 AND 2009

**SELECTED INFORMATION – Substantially All Disclosures Ordinarily Included In  
Financial Statements Prepared On The Income Tax Basis Of Accounting Are Not Included**

**Change in Presentation** – Prior years' financial statements have presented separate columns for an operating fund and a replacement fund, each with separate cash balances and fund balances. A portion of assessments income and interest income has been allocated to the replacement fund each year and expenditures for improvements to member units have been charged against the replacement fund. However, the reported cash and fund balance for the replacement fund did not correspond to any specific cash accounts. Management has invested cash in a certificate of deposit (\$152,300 at August 31, 2010) as a reserve to used at the discretion of the board of directors. However income allocated to the replacement fund is deposited in the general operating account and expenditures for improvements are taken from the general operating account.

The current year's financial statements present two columns – for operations and capital improvements – on the statement of revenues, expenses, and changes in fund balance – income tax basis. These segregate income and expenses for the two categories. A portion of assessments is assigned to capital improvements as in the past and expenditures are deducted to show net expenditures over or under the assigned amount. A cumulative fund balance is shown in total only and the replacement fund is no longer presented as a separate fund. Assets, liabilities, and fund balances are presented in total only in one column on that statement which now presents both fiscal years in comparative form on one page.