

October 3, 2007

Theresa A.M. Wood, Deputy Commissioner

Department of Disabilities, Aging and Independent Living
103 South Main Street
Waterbury, VT 05671-1604

Dear Theresa:

Bob Thorn asked me to respond to your letter dated September 24, 2007 regarding questions you have about the Counseling Service of Addison County's application for a Certificate of Approval.

1. Why are salary and contracted expenses decreasing beginning in FY 2009? The anticipated increase in operating expenses associated with the building will require a planned reduction in expenses elsewhere. Programs arrived at reducing salary expense by not filling targeted vacancies; this salary reduction also includes fringe benefit expense savings. Reduction of Administrative contracted expenses (e.g. contracts on I.T. technological assistance) is also part of the plan.

2. If the land for the new building is being purchased for \$200,000, shouldn't the Land account in the balance sheet be \$200,000 in FY 2008? The reason why the land amount showed \$110,000 was confusion on CSAC's end. We removed the \$90,000 after FY 06 from the Balance sheet under table 4A which includes \$90,000 of land CSAC already owns. The \$200,000 is realized when both the existing land of \$90,000 is added back to FY 07, FY 08, FY 09 and FY 10 and yet to be purchased land are added together. Please see attached financial spreadsheet as we have updated the information based on the responses to this question.

3. Why did Depreciation Expense drop from \$117,258 to \$34,629 in FY 2009? The Statement of Cash flows for Catamount Park reflects a negative Depreciation Expense of \$104,220. What is that? CSAC acknowledges the depreciation expense recorded on the Statement of Cash flows is not correct. The amount should have increased not decreased. The reason for this decrease is that we incorrectly included on the Statement of cash flows the removal of accumulated depreciation of the anticipated sale of a building. That transaction was made on the Balance sheet but was also incorrectly included in the Statement of Cash flow. The depreciation amounts for FY 2009 for the Catamount building project on the Statement of cash flows should have been a prorated amount of a positive \$58,678 for building and equipment rather than a negative \$104,220. Please see attached financial spreadsheet as we have updated the information based on the responses to this question.

4. Why isn't the entire cost of the new building booked in FY 2008, instead of only \$1 million? If the project is approved, construction is not scheduled to begin until March or April of 2008 and will not be completed until November 2008. Since June 30, 2008 is the end of FY 2008 it is anticipated that roughly \$1,000,000 of the cost at that point will have been realized. That is also the reason depreciation does not start until FY 09 and why it is only a part of the year.

5. What are your plans for owner's contingency for Catamount Park construction? We are confident that, within defined parameters we have predictable costs based on several factors. First, we plan to use the same contractor we used for our 2003 Catamount Park construction project where costs were right on target. Second, the contractor is offering a "turn-key" arrangement where costs become more contained and predictable. CSAC will remove or omit certain features as its owners contingency as the need to do so become apparent.

6. How much space have you identified for future growth; will basement space at Catamount Park be potentially usable for staff/program space in the future? Yes CSAC has identified the basement as a possible growth area and it is factored into the construction design. Additionally, there will be an unused parcel of land to the West that CSAC will own giving us the capability for a future building if needed. This was part of the proposal for the current Catamount building project that was conditionally approved by the Town of Middlebury.

We look forward to receiving a further response from you or your office in the near future.

If there are any questions regarding our projects please contact me at 802-388-0302 ext 468. Thank you for your time and assistance.

Sincerely,

William Claessens
Chief Financial Officer

Cc: Bob Thorn
Len Rowell
Dawn Philibert, DMH
Bill Snyder, DMH