

**ALPINE HAVEN PROPERTY OWNERS
ASSOCIATION, INC.**

d/b/a ALPINE HAVEN ASSOCIATION

SERVICE COSTS & FEE STRUCTURE REPORT

Years Ended April 30, 2011 through April 30, 2016

ALPINE HAVEN PROPERTY OWNERS ASSOCIATION, INC.
d/b/a ALPINE HAVEN ASSOCIATION

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Years ended April 30, 2011 through April 30, 2016

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CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors and Management of
Alpine Haven Property Owners Association, Inc.
d/b/a Alpine Haven Association

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of Alpine Haven Property Owners Association, Inc. d/b/a Alpine Haven Association, solely to assist you in evaluating the accompanying Service Costs & Fee Structure Reports (prepared in accordance with the criteria specified therein) for the years ended April 30, 2011 through April 30, 2016. Alpine Haven Property Owners Association, Inc. d/b/a Alpine Haven Association's management is responsible for the Service Costs & Fee Structure Report schedules. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We reviewed all the schedules and notes which are included in the Service Costs & Fee Structure report. These pages are a summary calculation of the approximate, relative cost of each service provided by Alpine Haven Property Owners Association, Inc. d/b/a Alpine Haven Association. They are based on the last six years of audited financial information. For each service there is a schedule of the components of its costs and the notes on how the components were obtained or derived. We reviewed and checked all of the figures back to the source data in the Association's general ledger and rechecked all of the computations. We also reviewed whether or not the allocations or calculations that were made were reasonable. We did not find any instances where the reports were materially misstated from what was reported and there were no allocations or calculations that appeared to be unreasonable.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Service Costs & Fee Structure reports. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and management of Alpine Haven Property Owners Association, Inc. d/b/a Alpine Haven Association, and any other groups that they decide to present this too at their discretion, and is not intended to be and should not be used by anyone other than these specified parties.

Lee A. White + Associates

Barre, Vermont

VT Registration No.: 92-0000340

July 13, 2017

ALPINE HAVEN PROPERTY OWNERS ASSOCIATION, INC.
d/b/a ALPINE HAVEN ASSOCIATION

SERVICE COSTS & FEE STRUCTURE
Years Ended April 30, 2011 through April 30, 2016

Service Costs & Fee Structure

Alpine Haven Property Owners Association

Notes to Service Cost & Fee Structure

- Deeded services include road network maintenance & lighting, and garbage collection, disposal & recycling.
- Non-deeded services include driveway snow plowing and recreational facilities, swimming pool & tennis court.
- All services will be provided to Association Members.
- Deeded services, or road services only, will be provided to Non-Members.
- Service costs are based on direct costs, allocated shared costs and allocated overhead.
- Direct and shared costs can be directly related to one or more service and are generally variable in nature based on number of properties serviced and other conditions.
- Overhead is not directly related to any specific service and is generally fixed in nature.
- Overhead variability year-to-year is primarily due to legal expenses.
- Fees based on relative % of overall costs, plus a 15% surcharge for Non-Members.
- Cost analysis is based on most recent 6 fiscal years audited expense numbers, 2011 through 2016, inclusive.
- In aggregate, revenues equaled expenses, i.e., over past 7 years, for \$1,300,000 in total expenses incurred, revenue was only off by \$2,000, a deficit of .15%; in other words, the difference per property owner per year was less than \$4.

SERVICE COSTS & FEE STRUCTURE

Years Ended April 30, 2011 through April 30, 2016

Recreational Facilities Cost

	2011	2012	2013	2014	2015	2016	TOTAL	6 Year Average
Contracted Services	\$3,434	\$3,315	\$3,955	\$1,666				
Electricity	\$2,425	\$1,848	\$2,212	\$1,746	\$2,195	\$2,695		
Social Event	\$574	\$498	\$347	\$381	\$481	\$869		
Landscape Maintenance	\$5,155	\$5,590	\$5,895	\$5,424	\$5,392	\$5,680		
Pool Maint. Supplies & Repairs	\$4,615	\$4,655	\$6,389	\$7,270	\$7,947	\$7,016		
Property Taxes	\$94	\$90	\$309	\$319	\$647	\$507		
Tennis Court Maint. Supplies & Repairs	\$1,779	\$1,844	\$2,716	\$458	\$1,641	\$2,931		
Misc. Exp / R&M / S&M / Sun	\$50	\$104	\$1,625		\$506	\$5		
Total Direct Cost	\$18,126	\$17,944	\$23,448	\$17,263	\$18,808	\$19,704		
General Overhead Allocation	\$3,351	\$10,246	\$10,524	\$3,605	\$8,241	\$8,367		
Total Cost	\$21,477	\$28,191	\$33,972	\$20,868	\$27,049	\$28,070		
Cost Per Unit	\$236	\$310	\$373	\$229	\$297	\$308	\$1,753	\$292

Recreational Facilities Cost Notes

- The cost of daily opening and closing of the pool and tennis court was recorded in Contracted Services for 2011 through 2014; and Pool Maintenance and Tennis Court Maintenance thereafter.
- Social Event is 100% for the annual Alpine Haven picnic which the litigants have cited as something for which they do not want to contribute..
- Landscape Maintenance is for mowing of green space.
- Property taxes are split between recreational facilities and roads. Only Westfield assess property taxes. Montgomery does not. Westfield's last tax assessment was in 2013. The assessed value of the pool and tennis court land is 15% of the total assessed value of the property being taxed; therefore, 15% of the taxes are being attributed to recreational facilities.
- The Association has 4 electricity meters, street lights, entrance sign/lighting, garage and pool house/bathroom. The first three all relate to road services, 100%. Pool house/bathroom is split between road services and pool, or recreational facilities. The road services portion relates to maintaining a bathroom for contractors and employees working on the roads.
During non-pool months, electricity usage averages \$280; therefore, this amount is used as a "normal cost" for all months to cover street lights and other road-related electricity usage. Any amount over this is attributed to the pool/recreational facilities.
- Miscellaneous Expense, Repairs & Maintenance, Supplies & Materials, and Sundry accounts were reviewed and expenses allocated for anything that could be directly related to recreational facilities or common areas, e.g., flowers, planters, volleyball net, fence repair, painting, holiday gifts to staff.
- Overhead is allocated to recreational facilities based on the proportion of direct costs for recreational facilities to overall direct cost, and adjusted for seasonality. Recreational facilities are only maintained and used 3 months out of the year, so the proportional overhead is multiplied by 3/12.
- It is estimated that there are approximately 91 property owners eligible for recreational facilities.

ALPINE HAVEN PROPERTY OWNERS ASSOCIATION, INC.
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SERVICE COSTS & FEE STRUCTURE

Years Ended April 30, 2011 through April 30, 2016

Driveway Snowplowing Cost

	2011	2012	2013	2014	2015	2016	TOTAL	6 Year Average
Contracting Snow Removal	\$3,788	\$1,763	\$3,210	\$2,504	\$3,087	\$1,683		
Workers Comp Insurance					\$220	\$120		
Vehicles Complete (IRS) - Chevy	\$749	\$815	\$830	\$823	\$845	\$793		
Vehicles Complete (IRS) - Kubota	\$749	\$815	\$830	\$823	\$845	\$793		
Payroll Expenses				\$119	\$293	\$160		
Misc. Exp / R&M / S&M / Sun	\$125					\$351		
Total Direct Cost	\$5,411	\$3,393	\$4,870	\$4,267	\$5,290	\$3,901		
General Overhead Allocation	\$1,334	\$2,583	\$2,914	\$1,188	\$3,090	\$2,208		
Total Cost	\$6,744	\$5,976	\$7,784	\$5,456	\$8,380	\$6,109		
Cost Per Unit	\$74	\$66	\$86	\$60	\$92	\$67	\$445	\$74

Driveway Snowplowing Cost Notes

- Contracting Snow Removal consists contractor fees from 2011 through 2013 and salaries from 2014 and thereafter.
- The cost of Contracting Snow Removal is allocated between roads and driveways based on amounts paid to Cedric or Freddie (& others), respectively. Cedric primarily plows the roads and Freddie the driveways. However, Cedric does do some driveway plowing, and Freddie, some road-related plowing. Mike Pratt, the Association's Property Manager, believes the time spent by each on the other's primary responsibility would net.
- We converted contractors to employees in 2015; however, we started paying workers comp insurance and employer payroll taxes, voluntarily, a year earlier. The rate Union Mutual, our insurance carrier, is charging for snow removal employees is \$7.14 per \$100 of gross earnings. Employer payroll taxes are approximately 9.5% on average of gross earnings. The Association paid a full year of workers comp in 2014 and a half-year of voluntary employer payroll taxes.
- The Chevy pickup and Kubota tractor are used approximately 50/50 on driveway plowing. The cost of operating each for driveway plowing is based on estimated mileage times the US IRS mileage rate for business use of vehicles. The IRS rate is comprehensive. It reflects the cost of fuel, registration, insurance, maintenance and repairs. The IRS Rates for 2011 through 2016 are: \$.510, \$.555, \$.560, \$.575 and \$.540, respectively. Driveways are estimated at 3.3 miles, 200 feet of average length, times the number of driveways plowed, divided by 5,280, the number of feet in a mile. In addition, while plowing driveways there is travel over 4.5 miles of roads.
- Due to the elevation of Alpine Haven and high average snowfall, driveways are plowed an estimated 15 times a year, on average.
- A 5X multiplier was applied to the IRS mileage rate, average driveway length and road travel to reflect off-road, stop-and-go, back-and-forth use of vehicles during driveway plowing.
- Miscellaneous Expense, Repairs & Maintenance, Supplies & Maintenance, and Sundry accounts were reviewed and expenses allocated for anything that could be directly related to driveway plowing, e.g., fixing Sarita's fence when it got damaged during driveway plowing, holiday gifts to staff.
- Overhead is allocated to driveway plowing based the proportion of direct costs for driveway plowing to overall direct cost, and adjusted for seasonality. At most driveway plowing only occurs 4 months out of the year, so the proportional overhead is multiplied by 4/12.
- It is estimated that there are approximately 91 property owners eligible for driveway snowplowing.

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SERVICE COSTS & FEE STRUCTURE

Years Ended April 30, 2011 through April 30, 2016

Garbage Collection Cost

	2011	2012	2013	2014	2015	2016	TOTAL	6 Year Average
Garbage	\$9,418	\$8,717	\$8,883	\$8,742	\$8,349	\$6,223		
Recycling				\$1,287	\$2,064	\$2,201		
Workers Comp Insurance - Garbage		\$576	\$593	\$562	\$545	\$510		
Workers Comp Insurance - Recycling				\$164	\$226	\$214		
Vehicles Complete (IRS) - Chevy	\$1,528	\$1,663	\$1,693	\$2,098	\$2,584	\$2,427		
Payroll Expenses - Garbage		\$368	\$379	\$360	\$349	\$326		
Payroll Expenses - Recycling				\$105	\$144	\$137		
Misc. Exp / R&M / S&M / Sun	\$150	\$150		\$141				
Total Direct Cost	\$11,096	\$11,475	\$11,548	\$13,458	\$14,261	\$12,037		
General Overhead Allocation	\$8,206	\$26,208	\$20,732	\$11,242	\$24,995	\$20,444		
Total Cost	\$19,302	\$37,683	\$32,280	\$24,699	\$39,256	\$32,480		
Cost Per Unit	\$212	\$414	\$355	\$271	\$431	\$357	\$2,040	\$340

Garbage Collection Cost Notes

- Garbage collection and disposal is recorded to garbage and recycling.
- Converting contractors to employees, workers comp started in 2012 at a rate of \$14.86/\$100 and payroll taxes in 2014 at 9.5%.
- The vehicle cost for garbage and recycling collection and disposal is based on estimated mileage times the US IRS mileage rate for business use of vehicles. The IRS rate is comprehensive. It reflects the cost of fuel, registration, insurance, maintenance and repairs. The IRS Rates for 2011 through 2016 are: \$.510, \$.555, \$.565, \$.575 and \$.540, respectively.

The parameters used are 1.25% times the 4.5 miles of roads traveled in Alpine Haven to pick up the garbage and recycling, 52 miles' round trip to the dump, 52 garbage collections a year, and 26 additional collections for recycling, starting mid-year in 2014.

- **Miscellaneous Expense, Repairs & Maintenance, Supplies & Materials, and Sundry** accounts were reviewed and expenses allocated for anything that could be directly related to garbage collection, e.g., installing sides on Chevy truck bed to contain garbage, Christmas gift to Dirk.
- **Overhead** is allocated to garbage and recycling based on the proportion of direct costs for garbage and recycling to overall direct cost.
- It is estimated that there are approximately 91 property owners eligible for garbage collection.

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 Years Ended April 30, 2011 through April 30, 2016

Road Service Cost

	2011	2012	2013	2014	2015	2016	TOTAL	6 Year Average
Direct Cost of Road Services Only	\$50,164	\$31,998	\$40,556	\$43,271	\$47,846	\$46,614		
Overhead	\$49,818	\$108,989	\$110,209	\$49,338	\$114,762	\$108,689		
Total Cost of Road Services Only	\$99,982	\$140,988	\$150,765	\$92,609	\$162,608	\$155,303		
Cost Per Unit	\$1,075	\$1,516	\$1,621	\$996	\$1,748	\$1,670	\$8,626	\$1,438

Road Service Cost Notes

- The Association operates on a zero-based budget, i.e., expenses equal revenue
- The Association only provides four services, road network maintenance, garbage collection, driveway plowing and recreational facilities.
- The Association basically exists for the roads. All other services are ancillary and could be suspended, except for road services.
- All costs that are not directly related to or allocated to ancillary services are road service related.
- It is estimated that there are approximately 93 properties with road services.

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SERVICE COSTS & FEE STRUCTURE
Years Ended April 30, 2011 through April 30, 2016

Overall Cost Summary

	2011	2012	2013	2014	2015	2016	6 Year Average	Percentage
Road Services Only	\$1,075	\$1,516	\$1,621	\$996	\$1,748	\$1,670	\$1,438	67%
Garbage	\$212	\$414	\$355	\$271	\$431	\$357	\$340	16%
Deeded Services	\$1,287	\$1,930	\$1,976	\$1,267	\$2,180	\$2,027	\$1,778	83%
Driveway Plowing	\$74	\$66	\$86	\$60	\$92	\$67	\$74	3%
Recreational Facilities	\$236	\$310	\$373	\$229	\$297	\$308	\$292	14%
Deeded & Non-Deeded Services	\$1,597	\$2,306	\$2,435	\$1,556	\$2,569	\$2,402	\$2,144	100%

Tiered Fee Structure

	2011	2012	2013	2014	2015	2016	2017	
Base Chalet (Member/All Services)	\$2,028	\$2,028	\$2,028	\$2,028	\$2,028	\$2,028	\$2,028	100%
Deeded Services Only	\$1,986	\$1,986	\$1,986	\$1,986	\$1,986	\$1,986	\$1,986	98%
Road Services Only	\$1,664	\$1,664	\$1,664	\$1,664	\$1,664	\$1,664	\$1,664	82%