



**METROPOLITAN SCHOOL DISTRICT OF
WASHINGTON TOWNSHIP**
Indianapolis, Indiana



Proposal to Provide Fixed Asset Valuation Services
April 30, 2009

Submitted by:

Michael A. Domin
Director
American Appraisal
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Lisle, Illinois 60532
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Leading / Thinking / Performing

April 30, 2009

Mr. Joe Licata
Chief Business officer
Metropolitan School District of Washington Township
8550 Woodfield Crossing Blvd
Indianapolis, IN 46240

Dear Mr. Licata:

American Appraisal is pleased to provide our proposal for professional valuation services to Metropolitan School District of Washington Township (the "School District"). This proposal is based on information provided by the School District, our previous experience working with the School District, and our extensive experience with similar engagements and school districts. We believe that our expertise will be of benefit to you in your present and future management of the School District's fixed assets.

SCOPE OF SERVICES

Nature of the Service

It is American Appraisal's understanding that Metropolitan School District of Washington Township requires an updated fixed asset and insurance reports that reflects all additions, disposals, and transfers since the last physical inventory performed by American Appraisal as of fiscal year end June 30, 2005.

Upon completion, American Appraisal will provide an updated fixed asset record and insurance reports to assist the School District's need to: (a) achieve property accountability and stewardship of assets, (b) obtain a valuation of assets in compliance with the requirements of GAAP, GASB 34, and GAAFR, and (c) provide data whereby the School District can monitor assets, and (d) insurance placement.

Project Inclusions

The engagement will include a complete physical inventory of moveable equipment consistent with the client's \$5,000 capitalization threshold. We will scan existing bar codes and apply new bar code tags to untagged assets meeting the capitalization threshold.

We understand that the moveable equipment assets to be inventoried and bar code tagged are in twenty-two (22) buildings, with approximately 2,300,000 square feet of space.

American Appraisal will not be responsible for moveable equipment not physically present or observed during American Appraisal's on-site field inspections.

We will record the following data on untagged assets: Location, Function Code, Tag Number, Account, Classification Code, Description, Original Cost and Acquisition Date.

Project Exclusions and Client Provided Data

The following types of fixed assets will be excluded from the physical inventory but will be updated based on information provided by the School District.

- Land
- Building Improvements/Additions
- Land Improvements

In addition any capital account information presented on our June 30, 2005 report will be carried forward to our June 30, 2009 report unless informed otherwise by the client.

The above information must include original cost and date of acquisition to be provided to us upon completion of field work.

The following types of equipment will be excluded from American Appraisal's report because of accounting, impairment, or ownership issues: Leased equipment under operating leases, Equipment not-in-service or pending disposal, Personal property of employees or others.

EFFECTIVE DATE OF THE APPRAISAL

The effective or "as of" date of the appraisal for accounting purposes will be June 30, 2009 on this project, unless otherwise advised by the client. For insurance purposes the effective or "as of" date will be the last day of field work.

PREMISE OF VALUE

The premises of value, as well as certain related valuation terms, are defined as follows:

- **Direct Costing (Client provided)** - Inventoried assets will match a historical cost record and will be recorded at that amount, if possible.
- **Normal Costing** - When direct costing cannot be employed to apply historical cost, the cost is estimated based on a current Cost of Reproduction New indexed by a reciprocal factor of the price increase from the estimated date acquired to the appraisal date. GAAP states "... it may be impossible or time-consuming to reconstruct the actual cost of the property. GAAP states "... fixed assets should be accounted for at cost or, if the cost is not practicably determinable at estimated cost..." (Section 2.12 of HBJ MILLER Governmental GAAP Guide 1999).

- **Historical Cost** - The actual cost of a property to the present owner - the cost as of the date the property was first constructed or originally installed. When historical cost is provided in a usable format, it will be included. When this information is not readily available, American Appraisal will estimate the original cost by applying reverse inflation indices to the cost of reproduction new.
- **Original Cost** - The estimated original cost of the property in accordance with costs as of the actual or estimated date the property was first constructed, originally installed, or purchased.

Depreciation will be calculated for assets in accordance with the School District's financial capitalization threshold of \$5,000, unless otherwise confirmed with American Appraisal staff, in writing, depreciation will be based on the straight line method of depreciation and the utilization of the half year convention. Under the half-year convention, a half-year of depreciation is recognized in the year of addition and in the year of retirement of the asset.

For **insurance purposes**, we will establish the Cost of Reproduction New (replacement cost) as of the appraisal date as the basis for the insurable values report.

- **Cost of Reproduction New (CRN)**, defined as the amount required to reproduce a duplicate or a replica of the entire property at one time in like kind and materials in accordance with current market prices for materials, labor and manufactured equipment, contractors' overhead and profit, and fees, but without provision for overtime, bonuses for labor, or premiums for material or equipment. Cost of Reproduction New is synonymous to the insurance industry term "Replacement Cost".

VALUATION APPROACH

One or more of the cost, market and income approaches to value are typically used when appraising tangible assets. Given that Metropolitan School District of Washington Township requires an estimation of insurable value, we will rely solely on the cost approach.

The cost approach recognizes that the value of an asset may be represented by the cost to reconstruct or reproduce it with another of like utility. These costs reflect current market prices for labor, materials and manufactured equipment, inclusive of freight and installation.

Sources of information that may be relied upon to estimate costs include:

- Manufacturers' price lists, catalogs and quotes;
- Distributor and supply-company catalogs;
- Consulting, cost engineering and cost estimating manuals and handbooks;
- Technical and pricing subscription services and pricing guides; and
- Any contract documents or invoices that you might supply.

In accordance with the USPAP guidelines, all basic approaches to value will be considered; however, because the purpose of our investigation will be to express an opinion on the existence and the historical cost, accumulated depreciation, and cost of reproduction new of the subject assets for financial reporting, insurance placement, and risk management purposes, it will be considered appropriate to rely solely on the cost approach.

METHODOLOGY

Moveable Equipment

A detailed inventory of moveable equipment will include a physical inspection of all owned equipment with a unit cost in excess of the \$5,000 capitalization policy that are located throughout the School District see Schedule of Properties to be Appraised (Exhibit C). Additionally, we will include modeled values for insurance purposes less than the \$5,000 threshold. The modeling approach for building contents is an analysis of the square footage of space, the usage (occupancy) of each building and our internally developed, proprietary data base for equipment values. The equipment database contains contents data from thousands of detailed equipment inventories performed by American Appraisal's Fixed Asset Management & Insurance Solutions practice over the last several years. This system categorizes buildings by like type (occupancy) and develops an average contents value per-square-foot of building area. This unique approach generates a replacement cost estimate for a given building's contents (based on building type and size) without requiring the more lengthy and costly physical inventory process. In addition, the appraiser has the ability to alter the model, when necessary, to account for above or below average density of contents, based on the extent of equipment observed during the inspection.

Floor plans will be required to assist the inventory team in assuring that no areas are missed.

Bar Code Tagging

American Appraisal will tag all assets with a unit cost of \$5,000 and greater. Our inventory team will follow consistent guidelines when affixing tags. The tags will be placed on assets so that they can be readily scanned with bar code scanners in the future. It is important that tags be placed uniformly so that during subsequent inventories your staff will know where to locate and place tags.

When tagging specific types of assets, such as solid wood furniture, care will be taken so not to place the tag in a location that will deface the asset. These guidelines can be available to you after our team completes the inventory so you can tag your additions in the same consistent manner.

American Appraisal recommends plastic bar coded asset tags from ParCode Symbology Inc. The tags will be plastic (polyester) labels, Code 39, and the approximate size will be 1" x 2". The ParCode Symbology tag order form is included as Exhibit D for the purpose of ordering tags. Please note the cost for these tags are **not** included in our fee estimate and will be the responsibility of the client.



It is important to note that we will not be performing a detailed reconciliation to the School District's existing fixed asset ledger.

The application of "reverse inflation indices" adjusts the current Cost of Replacement estimates to price levels that would have prevailed at the time of original purchase or installation. The sources of the indices to be used will combine published research price trends.

American Appraisal will exclude interest costs, cost overruns, overhead/profit charged by contractors, and premiums paid for services performed, unless evidence of such historical cost is provided by the School District.

SPECIFIC DATA ELEMENTS TO BE COLLECTED

In compiling fixed asset records for the School District the following data are typically collected:

- Asset Location
- Building Identification
- Department Number
- Asset Number
- Asset Account Code
- Asset Classification Code
- Function Code
- Quantity
- Asset Description

PROJECT TEAM

Professionals assigned to this project will involve several levels of management: executive review, project manager, contract manager, and the appraisal staff.

The project staff will include Bradley Schulz, ASA, Manager, as the Project Executive and Michael Domin, Director, as Contract Manager.

These professional staff members will have overall responsibility and are key personnel to the successful completion of the assignment. Specific appraisal staff assignments may vary depending upon current availability at the time of the authorization to proceed with this project. An outline of American Appraisal's Qualifications is included as Exhibit A.



DELIVERABLES

Summary Appraisal Report - American Appraisal will provide the School District with a Summary Appraisal Report, in accordance with the reporting requirements set forth by the Uniform Standards of Professional Appraisal Practice ("USPAP"). The report will present only summary discussions of the data, reasoning, and analyses used in the appraisal process to develop American Appraisal's opinion of value. Supporting documentation concerning the data, reasoning, and analyses will be retained as a part of the work papers. American Appraisal is not responsible for unauthorized use of its report.

Fixed Asset Accounting Summary Report - The standard Fixed Asset Accounting Summary Report displays description of fields being summarized, original cost, accumulated depreciation, net book value, annual depreciation, projected provision, by account.

Fixed Asset Accounting Ledger Report - The Fixed Asset Accounting Ledger Report will include all fixed assets in accordance with the School District's financial capitalization threshold of \$5,000, and the related historical cost/estimated original cost, accumulated depreciation, and current depreciation data for financial reporting purposes. This information will be sorted and reported upon by account.

Fixed Asset Additions Report - The Fixed Asset Additions Report will include moveable equipment assets inventoried and bar code tagged during field work, but not contained in the School District's existing records. American Appraisal assumes these items represent moveable equipment assets that were purchased since the last physical inventory.

Fixed Asset Retirements Report - The Fixed Asset Retirements Report will include moveable equipment assets contained in the School District's existing records, but not found during the field work. American Appraisal assumes these items represent moveable equipment assets that were retired since the last physical inventory. However, it should be noted that the items in the Unrecorded Retirements Report could also be included in the Unrecorded Additions Report if their bar code tag has been removed since the last physical inventory. It should be noted that the scope of American Appraisal's engagement does not include any reconciliation procedures.

Detailed Listing of Insurable Values - The standard Detailed Listing of Insurable Values displays asset tag number, class code, quantity, description, manufacturer's name, model number, serial number, and cost of reproduction new. This information will be sorted and reported by location.

TIMING

We understand that the district would like to complete a physical inventory the week of June 1, 2009. Upon receipt of your signed authorization, American Appraisal will work closely with the School District to establish project start, field work and report delivery schedules to meet your reporting requirements.



FEE

The scope of our work and resultant fee estimate reflects our expectations regarding the complexity of the Valuation, as well as the information that Metropolitan School District of Washington Township will make available to us. Our fee for this engagement is \$14,300, including expenses.

The fee quotation is based on our current understanding of your requirements and the Engagement scope. The School District and American Appraisal will mutually revise the fee to reflect any changes in services.

Fees do not include any applicable excise, sales, use or value added taxes. All such taxes shall be the responsibility of the School District and will be added to the School District's invoice if American Appraisal pays these taxes on the School District's behalf.

American Appraisal's compensation is not contingent in any way upon its opinions or conclusions, or upon any subsequent event related to those opinions or conclusions.

The School District has the right to cancel this Engagement at any time and will only be obligated to pay for fees and expenses accumulated up to the date of cancellation.

Invoicing – American Appraisal will invoice its fees and expenses as follows:

- Upon Commencement of Engagement 30% of fee
- Progress billing as time and expenses are incurred Balance

For your convenience, we are providing our remittance address and wire transfer instructions.

Remittance Address:

American Appraisal Associates, Inc.
Bin 88391
Milwaukee, WI 53288-0391

Wire Transfer Instructions:

| | |
|-----------------------------------|--|
| Bank Name/Address: | M&I Bank 770 North Water Street Milwaukee, WI 53202 |
| Routing Number: | 075000051 |
| For the Credit to the Account of: | American Appraisal Associates, Inc. Account Number – 0024274888 |

We reserve the right to withhold deliverables if any previously issued invoice remains unpaid.

April 30, 2009



Our professional fees include professional time for planning and executing the work effort up through, and including, the issuance of our final reports.

Both parties agree and acknowledge, however, that the fees set forth above represent only an estimate, and should not be construed as a fixed fee. We will keep you informed of the amount of fee accrued as the project progresses and will not proceed with any additional work until fees are approved in advance by you.

This estimate is based on the anticipated professional services to be furnished, according to our understanding of your requirements. Our fee is no way contingent upon our opinions of value. Further details regarding fee, expenses and invoicing can be found in our attached Terms and Conditions.

TERMS AND CONDITIONS

This engagement is subject to our Terms and Conditions, which are attached hereto as **Exhibit B**, and embodied herein by reference.

April 30, 2009



AUTHORIZATION OF SERVICES

This Agreement is provided in duplicate; if it correctly reflects Metropolitan School District of Washington Township’s understanding of American Appraisal’s agreement, please confirm such by signing and returning one copy. This agreement shall remain open and valid for signature for 90 days from the issue date. The School District hereby affirms that its stated purpose is to use the report created by American Appraisal for financial reporting and property control purposes only and insurance placement.

We will be unable to deliver any conclusions, verbal or written, until we are in receipt of this acknowledgment. To avoid any delays, please fax the signed Agreement in its entirety, **Michael A. Domin, at (630) 541-4660**. Thereafter, please forward the original to **American Appraisal, 801 Warrenville Road, Suite 600, Lisle, Illinois 60532**.

We look forward to the opportunity of serving the valuation needs of Metropolitan School District of Washington Township and assure you, if selected, that the work will receive our careful and continued attention.

Respectfully submitted,

Michael A. Domin
Director

MAD:jmp

Client of Record: Metropolitan School District of Washington Township

Signature: _____

Name (typed/printed) _____

Title: _____

Date: _____

E-Mail: _____

Phone: _____

Exhibit A

American Appraisal's Qualifications

OUR QUALIFICATIONS

American Appraisal is a unique valuation resource. Our 750 consultants are located in major financial cities throughout Asia, Europe and North America. Valuation and advisory services are our only business. We are employee owned, and we have been since 1896. For you, that means greater objectivity. Our reputation for impartiality is why our valuations are accepted by the world's most discerning regulatory, judicial and taxing authorities. Financial institutions, boards of directors and stockholders have looked to us for more than 110 years.

American Appraisal provides expertise in all classifications of tangible and intangible assets. Our portfolio of services focuses on four key competencies:

- Valuation
- Transaction Consulting
- Real Estate Advisory
- Fixed Asset Management

We have been in the valuation business for more than 110 years, and it is tempting to say that we have experience in all market sectors and all classifications of tangible and intangible assets. Our experience is both deep and broad, reflecting the demands of the international marketplace.

Globally, our recent experience encompasses the following market sectors:

- Basic Materials
- Consumer Products
- Educational Institutions
- Financial Services
- Government & Public Sector
- HealthCare
- Industrial Products
- Services
- Technology

Our consultants' experience in these sectors ensures familiarity with your industry's particular challenges and cycles. Your staff will not need to bring us up to speed. We will make sure that you benefit from our years of experience.

We are proud to have been instrumental in creating the standards by which valuations are judged. Throughout our history, our consultants have occupied the most senior positions within the Appraisal Foundation, Appraisal Issues Task Force, Appraisal Standards Board and the American Society of Appraisers.

Metropolitan School District of Washington Township has our guarantee of a professional, independent and impartial valuation.

Exhibit B

Terms and Conditions

TERMS AND CONDITIONS

Entire Agreement – This agreement represents the entire agreement (“Agreement”) between American Appraisal and Metropolitan School District of Washington Township and supersedes any prior oral or written agreements, and may only be modified in writing. If Metropolitan School District of Washington Township issues a purchase order covering this engagement, Metropolitan School District of Washington Township agrees that such purchase order is only for Metropolitan School District of Washington Township’s internal needs and that it shall not modify this Agreement.

Client of Record & Limited Reliance – Only the signed Client of Record may rely on American Appraisal’s report, and Metropolitan School District of Washington Township may not substitute this reliance for its own due diligence. Metropolitan School District of Washington Township may disclose a complete copy of our report to its auditor, tax, or legal advisors. However, no third party shall have the right of reliance on the report and neither receipt nor possession of the report by any third party shall create any express or implied third-party beneficiary rights.

Confidentiality – American Appraisal shall maintain the confidentiality of Metropolitan School District of Washington Township’s information and will not disclose or use it for any purpose other than Metropolitan School District of Washington Township’s engagement. This excludes information: (i) available to the public, (ii) already in American Appraisal’s possession, or (iii) from a party having no confidentiality obligation to Metropolitan School District of Washington Township. American Appraisal may include Metropolitan School District of Washington Township’s name and logo in its client list, with proper reference.

Independent Contractor – American Appraisal shall have no authority to contract for, or on behalf of, Metropolitan School District of Washington Township or to obligate Metropolitan School District of Washington Township in any way. American Appraisal shall perform as an independent contractor and reserves the right to use subcontractors.

Information Provided by Metropolitan School District of Washington Township – Other than a limited review for reasonableness, American Appraisal does not independently verify information provided by Metropolitan School District of Washington Township, its advisors, or third parties acting at Metropolitan School District of Washington Township’s direction, and Metropolitan School District of Washington Township acknowledges that American Appraisal will assume and rely on the accuracy and completeness of all such information.

Retention – All files, documents and work papers developed during the engagement will be retained for five years. During this retention period Metropolitan School District of Washington Township shall have full access to these documents, subject only to reasonable notification. If lawfully compelled to disclose any such documents, American Appraisal will provide Metropolitan School District of Washington Township with written notice so that Metropolitan School District of Washington Township may seek a protective remedy, if applicable. Work papers for engagements canceled or abandoned prior to producing a final report will be discarded.

Indemnification – American Appraisal shall indemnify Metropolitan School District of Washington Township for losses and reasonable attorneys’ fees associated with any bodily injury or property damage caused by American Appraisal’s personnel or representatives related to the performance of the engagement, except to the extent caused by Metropolitan School District of Washington Township’s negligence or misconduct. American Appraisal personnel will comply with all safety instructions.

Metropolitan School District of Washington Township shall indemnify American Appraisal for all reasonable attorneys’ fees that American Appraisal incurs as a result of becoming part of, or named in, an administrative or legal dispute in connection with this engagement, except to the extent caused by American Appraisal’s negligence or misconduct. Metropolitan School District of Washington Township shall have the right to approve American Appraisal’s counsel in any such proceeding.

Environmental Policy – American Appraisal will not investigate, nor assume any responsibility for, the existence or impact of any contamination or hazardous substance on any of the property or assets valued as part of this engagement.

Engagement Limits – American Appraisal’s report may only be used for the specific purpose and premise of value stated in this Agreement and the report, and may not be referenced in any SEC filing without American Appraisal’s prior written consent.

Governing Law, Jurisdiction and Venue – This Agreement shall be governed by the laws of the state as addressed to Metropolitan School District of Washington Township in this Agreement.

Exhibit C

Schedule of Properties to be Appraised

METROPOLITAN SCHOOL DISTRICT OF WASHINGTON TOWNSHIP

| <u>Name</u> | <u>Address</u> | <u>Square Feet</u> |
|---|-----------------------------------|---------------------------|
| Allisonville Elementary School | 4900 East 79 th Street | 76,300 |
| Crooked Creek Elementary School | 2150 Kessler Blvd. W. Dr. | 78,000 |
| Fox Hill Elementary School | 802 Fox Hill Drive | 96,888 |
| Greenbriar Elementary School | 8201 Ditch Road | 74,505 |
| Harcourt Elementary School | 7535 Harcourt road | 82,576 |
| John Strange Elementary School | 3660 East 62 nd Street | 72,916 |
| Nora Elementary School | 1000 East 91 st Street | 87,850 |
| Spring Mill Elementary School | 8250 Spring Mill Road | 79,884 |
| Wyandotte School | 3575 East 79 th Street | 55,598 |
| Eastwood Middle School | 4401 East 62 nd Street | 153,363 |
| Northview Middle School | 8401 Westfield Blvd. | 224,610 |
| Westlane Middle School | 1301 West 73 rd Street | 157,342 |
| North Central High School | 1801 East 86 th Street | 755,780 |
| J. Everett Light Career Center | 1901 East 86 th Street | 159,149 |
| Hilltop Adult Education Center | 1915 East 86 th Street | 34,041 |
| H. Dean Evans Community and Education Center | 8550 Woodfield Crossing | 37,405 |
| Barbara S. Wynne Tennis Center | 1805 East 86 th Street | 11,500 |
| 1605 Building | 1605 East 86 th Street | 7,500 |
| Stadium | 1801 East 86 th Street | 30,040 |
| Warehouse | 1549 East 95 th Street | 35,023 |
| Transportation Center | 1815 East 86 th Street | 25,400 |

Exhibit D

Tag Order Form

ParCode
PAR CODE SYMBOLOGY INC

119 Harrison Avenue
Roseland, NJ 07068
Phone: 800-524-0599, ext. 31, Fax 973-618-9901
email: krys@parcode.com

BAR CODE LABEL ORDER FORM

To place an order, email to Krystyna Olsiewicz at krys@parcode.com or fax to 973-618-9901

| | | | |
|--------------|----------------------|------------------------|----------------------|
| Date: | <input type="text"/> | Client PO #: | <input type="text"/> |
| Ordered by: | <input type="text"/> | American Appraisal Use | Dept #: |
| Phone: | <input type="text"/> | | Contract #: |
| Client Name: | <input type="text"/> | | |

SPECIFICATIONS

Wording to appear on tag:

Line one:
Line two:

Number of Tags: Starting #:
Number of digits: (standard 5 or 6) Ending #:

Date Needed: Time Needed:

Item #: LTF2010SP004  1" x 2" laminated polyester labels

| Qty | Price | Qty Ordered | = | Total |
|---------------|-----------|----------------------|---|----------------------|
| 1,000 - 2,499 | \$0.18 x | <input type="text"/> | = | <input type="text"/> |
| 2,500 - 4,999 | \$0.08 x | <input type="text"/> | = | <input type="text"/> |
| 5,000 - 9,999 | \$0.065 x | <input type="text"/> | = | <input type="text"/> |
| 10,000 & up | \$0.06 x | <input type="text"/> | = | <input type="text"/> |

If you have received a quote from Par Code on another Item # with different pricing, enter here:

| | | | | |
|----------------------|----------------------|----------------------|---|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | = | <input type="text"/> |
| Item # | Price | Qty | | |
| | Freight Charges: | | = | <input type="text"/> |
| | GRAND TOTAL: | | = | <input type="text"/> |

Ship to: American Appraisal Client

Attention _____
Company _____
Address _____
City _____ State _____ ZIP _____
Phone _____

Bill to: American Appraisal Client

Attention _____
Company _____
Address _____
City _____ State _____ ZIP _____
Phone _____

NOTES

Referral by: American Appraisal