

TOWN OF DAVIE
TOWN COUNCIL AGENDA REPORT

TO: Mayor and Councilmembers

FROM/PHONE: William Ackerman/797-1050

PREPARED BY: Herb Hyman/797-1016

SUBJECT: Resolution

AFFECTED DISTRICT: All

ITEM REQUEST: Schedule for Council Meeting

TITLE OF AGENDA ITEM: A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING THE MAYOR TO EXECUTE A CONTRACT WITH AMERICAN APPRAISAL ASSOCIATES, INC. FOR ASSET VALUATION SERVICES FOR GASB 34 COMPLIANCE.

REPORT IN BRIEF: The Town Council approved the selection of American Appraisal Associates, Inc. for asset valuation services by Resolution R-2007-131 and authorized staff to negotiate a contract for these services. The attached contract is a result of negotiations authorized by R-2007-131. This contract will allow the Town to comply with the requirements of GASB 34.

PREVIOUS ACTIONS: R-2007-131.

CONCURRENCES: The contract was negotiated by the Director of Budget & Finance and reviewed by the Town Attorney.

FISCAL IMPACT: Yes

Has request been budgeted? Yes

If yes, expected cost: \$67,250.00.

Account Name: Budget & Finance-Contractual Services Account

Additional Comments: The contract contains an option for American Appraisal Associates, Inc. to update the report annually for an additional cost of \$1000.00.

RECOMMENDATION(S): Motion to approve the resolution.

Attachment(s):

Contract Document

RESOLUTION NO. _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING THE MAYOR TO EXECUTE A CONTRACT WITH AMERICAN APPRAISAL ASSOCIATES, INC. FOR ASSET VALUATION SERVICES FOR GASB 34 COMPLIANCE.

WHEREAS, the Town Council approved American Appraisal Associates, Inc. as the highest ranking firm to perform asset valuation services by Resolution R-2007-131; and

WHEREAS, staff negotiated a contract pursuant to Resolution R-2007-131; and

WHEREAS, after review, the Town Council authorizes the Mayor to execute a contract with American Appraisal Associates, Inc.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council authorizes the Mayor to execute a contract with American Appraisal Associates, Inc. for asset valuation services for GASB 34 compliance which is attached hereto and identified as Attachment "A".

SECTION 2. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS _____ DAY OF _____, 2007

MAYOR/COUNCILM

EMBER

Attest:

TOWN CLERK

APPROVED THIS _____ DAY OF _____, 2007



**PROPOSAL TO PROVIDE ASSET VALUATION SERVICES
FOR GASB 34 COMPLIANCE:**

TOWN OF DAVIE, FLORIDA

September 5, 2007
(REVISED)

Submitted by:

Lori Flemming
Director, Fixed Asset Management and Insurance Solutions
American Appraisal Associates, Inc.
Cornelius, North Carolina
Phone: 704-439-2515
Fax: 704-439-0384
Mobile: 704-953-9780
Email address: lflemming@american-appraisal.com

American Appraisal Associates, Inc.
8633 Westmoreland Lake Drive, Cornelius, NC 28031
direct 704 439 2515 / mobile 704 953 9780
fax 704 439 0384

Leading / Thinking / Performing



(REVISED)
September 5, 2007

Mr. Herb Hyman
Town of Davie
Procurement Manager
6591 Orange Drive
Davie, FL 33314-3399

Dear Mr. Hyman:

American Appraisal ("American Appraisal") is pleased to provide our recommendations and proposal to the Town of Davie ("the Town") for valuation services to address the need for comprehensive asset valuation services for GASB 34 compliance.

Our proposal is based on information provided to us by the Town, and our unparalleled experience appraising large cities and municipal properties throughout the United States. We believe that our experience will be of benefit to you for your present and future valuation consulting needs.

We have made every effort to be responsive to your current objectives and to help you better understand our appraisal approach and our service philosophy. With American Appraisal Associates, you can be assured that you will receive the very highest level of attention, responsiveness, and quality service that you expect and deserve. We are excited about the opportunity to work with you and look forward to a mutually rewarding relationship.

Please feel free to contact me directly at 704-439-2515 if you have any questions or if you need any additional information.

Best regards,

A handwritten signature in black ink, appearing to read 'Lori Flemming', is written over a light grey horizontal line.

Lori Flemming
Director, Fixed Asset Management and Insurance Solutions

LF/dar



1.0 EXECUTIVE SUMMARY

The Town of Davie requires a comprehensive asset valuation for all capital assets owned in order to comply with the requirements of GASB Statement No. 34 and standard fixed asset accounting and property control procedures required by Generally Accepted Accounting Principles. The capital assets to be included are land, buildings, site improvements other than buildings, infrastructure, machinery, equipment, vehicles and furniture & fixtures. Additionally, the Town wishes to utilize its extensive Geographic Information Systems (GIS) dataset as a key source of information for the process of asset valuation.

American Appraisal will develop a detailed capital asset record to assist the Town's need to: (a) achieve property accountability and stewardship of assets, (b) obtain a valuation of capital assets owned to comply with the requirements of GAAP, GASB 34, and GAAFR, and (c) provide data to assist you in monitoring assets.

2.0 COMPANY BACKGROUND

American Appraisal Associates is the oldest and largest independent valuation firm in the world, having continually provided appraisal services since 1896. Regarded as a dominant force in the industry, American Appraisal is an innovative enterprise, growing nationally and internationally as one cohesive unit. Our Fixed Asset Management & Insurance Solutions group has the largest dedicated appraisal staff committed to serving the public sector including state, local governments, and school districts; we annually serve a significant number of public entities regarding asset valuation to comply with GASB Statement No. 34. Valuation consulting is our only business. We are committed to maintain total independence and protect our clients from any concerns of a "conflict of interest".

Our client base includes 85% of the firms on the Fortune 500 list; public and private middle-market companies in all services and industries, commercial, religious, healthcare, higher education and government institutions. Our consultants are from the financial, legal and accounting disciplines, with valuation experience in virtually every major industry. Many of our employees are Certified Public Accountants, Chartered Financial Analysts and Senior Members of the American Society of Appraisers. Services are performed to support financial and tax reporting requirements, mergers and acquisitions, and insurance and risk management.

Upon completion of the project you will be asked for your opinion on the services provided because quality service is, and will continue to be, the primary focus of American Appraisal Associates. We regard our clients as the best judges of quality service. During our fiscal year ended March 31, 2006, our Fixed Asset Management & Insurance Solutions group achieved a 97% quality rating.

American Appraisal has offices in 19 locations in the United States, as follows:

| | | |
|------------|--------------|----------------|
| Atlanta | Irvine | Pittsburgh |
| Charlotte | Lisle | Princeton |
| Chicago | Los Angeles | San Francisco |
| Cincinnati | Milwaukee | Stamford |
| Dallas | New Orleans | Washington, DC |
| Detroit | New York | |
| Houston | Philadelphia | |



American Appraisal has 334 full time, permanent staff members (in the United States) including:

- Sales - 26
- Administrative Support - 110
- Appraisers - 205
- ASA Members - 93

We have 25 international locations, as follows:

| | |
|----------------|-----------------------|
| Austria | Italy (3) |
| Canada (3) | Japan |
| China (5) | Portugal |
| Czech Republic | Russia (2) |
| France | Spain |
| Germany | Thailand |
| Greece | United Kingdom |
| Hungary | Venezuela (affiliate) |

Our consultants are ready to work with you to conduct a complete fixed asset inventory with bar code tagging, a data collection study for your infrastructure assets, revise existing records, create a turnkey system, convert existing manual records to a computerized system or help in the planning and supervision of an in-house project. We offer you, our client, the industry experts and resources needed to meet your valuation needs:

- The largest professional staff in the valuation industry that is dedicated to serving the public sector community.
- Experience with large, medium, and small engagements.
- American Appraisal's size allows us to invest in technology which in turn, permits
- More efficient project performance.
- Our strategic alliances with other professional services firms engineering/accounting/software) allow us to offer our clients a total solution to meet the challenges of complex engagements.
- We tailor our professional services to meet each individual client's specific needs.

AMERICAN APPRAISAL TEAM

The clearest evidence of our commitment to serve the Town is the quality of the team we have chosen to serve you. The professionals assigned to the engagement have been selected based on their qualifications, technical knowledge, service orientation, ability to make decisions, and extensive experience serving state and local governments.

As Senior Vice President of the Fixed Asset Management and Insurance Solutions Group, Paul Hartnett will act as Executive-in-Charge and will have ultimate responsibility for the coordination and review of the services provided to the Town. Brian Roe, Managing Director of the Atlanta office, will act as the Engagement Manager and be responsible for scheduling the engagement, assigning staff, determining the appropriate appraisal approach and methodology, and the final management review of the reports. Fernando Sosa, who is based in Florida, will act as the Project Manager and will be responsible for scheduling the inspection of the properties and the day-to-day supervision of the consultants performing the



fieldwork. Brian Roe, Director of Public Services, will provide technical support for defining the approach on complex properties, resolution of any appraisal issues, and assist in the review of the final reports. Dave Meeuwssen, Manager of the Technology Consulting Services Group, will be responsible for any technology issues including the definition of any electronic file layouts, date conversion to prescribed formats for client software, and responding to any other information technology inquiries. This team will employ comprehensive project planning and active engagement management coupled with frequent and thorough communications among members of the team and Town staff to ensure the timely delivery of distinctively high quality service.

The project team will include members of our Fixed Asset Management and Insurance Solutions consulting staff who specialize in property appraisals for local and state governments, risk pools, school districts, colleges and universities and healthcare institutions. Our consulting staff includes consultants with a significant amount of experience (3-40 years) and various educational backgrounds including a number of individuals who have a degree in engineering or architecture. Specific appraisal staff assignments will be made at the time of scheduling the fieldwork. **It should be noted that our Fixed Asset Management and Insurance Solutions Group does not utilize subcontractors, and all staff assigned to this project will be full-time members of our firm.**

3.0 PROPOSED SCOPE OF SERVICE

BACKGROUND AND PURPOSE

On June 30, 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement establishes new financial reporting standards for state and local governments including states, counties, cities, towns, villages and special purpose governments such as school districts and public utilities.

American Appraisal will develop a detailed capital asset record to assist the Town'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, (c) provide data to assist you in monitoring assets, and (d) insurance placement.

INCLUSION AND EXCLUSIONS

The appraisal will include land, buildings, improvements other than buildings, infrastructure, machinery, equipment, vehicles and furniture & fixtures. The appraisal will exclude fine arts, intangible assets, and assets and personal property owned by Town employees.

PROPOSED VALUED ADDED COMPONENT: Replacement Cost Values for Insurance Purposes

We recommend that the Town consider increasing the scope of service to include insurable values for property for insurance placement and risk management purposes, by providing valuations to estimate the Cost of Reproduction New (CRN) of all property. Cost of Reproduction New is 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.



In insurance industry terminology, cost of reproduction new, as defined above, is synonymous with the insurance industry phrase, "replacement cost."

4.0 OVERVIEW OF ALTERNATE 1

We have familiarity with ArcInfo and have the capability, knowledge and experience to use and manipulate data and provide the asset value results for roadway related features in a GIS format that is attached to the Town's roadway centerline network. It is our understanding that the network consists of street centerlines divided into segments, primarily from intersection to intersection. We will conform to the Alternate 1 requirements by valuing roadway related features in accordance with these segments. Additionally, the values associated with Town land and buildings will be attached as attributes to the parcels owned by the town on the GIS parcel based map. **David Meeuwsen, Senior Manager of our Technical Consulting Services Group, has personally confirmed compatibility of our systems and reports with tech support and the software producer at ArcInfo.**

5.0 IMPLEMENTATION PLAN

RESPONSIBILITIES OF THE TOWN AND AMERICAN APPRAISAL

Although the responsibility for the completion of this project rests with American Appraisal, the successful execution of the project plan requires a cooperative effort between the Town and American Appraisal.

THE TOWN'S RESPONSIBILITIES

1. Provide a list of all property to be included in the assignment, along with physical location/street address, on-site property contact/department liaison, and telephone number.
2. Identify a representative of the Town to serve as the primary on-site contact and liaison between the Town and American Appraisal.
3. Provide copies of any prior fixed asset listings, including schedules of infrastructure assets, in hard copy and electronic media.
4. Provide complete and open access to all designated areas including security escorts for security-sensitive areas.

AMERICAN APPRAISAL'S RESPONSIBILITIES

1. Develop a project work plan for approval by the Town prior to commencement of our field investigations.
2. Conduct an inventory of the assets.
3. Prepare final reports.
4. Provide status reports as to our progress, or challenges, incurred throughout the study from start to delivery.



6.0 METHODOLOGY OF SERVICE

The capital assets to be included in this engagement include:

- Land
- Land Improvements
- Buildings and Building Improvements
- Moveable Equipment (at a \$1,500 threshold)
- Infrastructure
- Vehicles

Excluded from the services provided by this proposal are:

- Assets Below the \$1,500 Capitalization Threshold
- Leased Equipment – Operating
- Assets in or at locations that are considered as not easily accessible or identified locations within the proposal
- Personal Property of Employees or Others
- Supplies/Expendable Inventories
- Fine Arts
- Historical Treasures

When equipment is not easily accessible, we will consult with you to gather the information, or the assistance, needed to perform American Appraisal's inventory.

If desired, library books, radios, musical instruments, band uniforms, computer software, fine arts and historical treasures ("Special Assets") can also be incorporated into the record, based on information supplied by the Town. This information must be provided to American Appraisal during the initial field inspection to be included in the reports. We will not inspect, tag or value any of the Special Assets identified by the Town.

ENGAGEMENT METHODOLOGY

Land

Land will be included based on the data provided to us by the Town. As a part of this engagement, we will conduct a cursory review of the data.

If the data is not available, or sufficient, for an additional fee of \$125 per parcel, American Appraisal will research Town records to identify the Town's owned land assets. In gathering this data, we will:

- Research the County Assessor's databases and files to identify land owned by the Town;
- Utilize data gathered from the County Assessor's office to research deed information;
- Compile a data report indicating, as available, the following items:



- Parcel Number
- Date of Sale
- Parcel Size
- Estimated Acquisition Price
- Street Address when available
- Other pertinent data such as:
 - Any reference to existing improvements
 - Any reference to other official records referred to in the deed, which may provide additional information.

Upon completion of the identification process we will meet with you and your external auditors to discuss American Appraisal's findings. At that time, we will be prepared to discuss the materiality of developing the historical costs for parcels for which acquisition costs were unavailable.

Land Improvements

While inspecting site structures, we will also conduct an inventory of site / land improvements and miscellaneous structures. Pertinent data regarding assets in these categories, i.e. paving, lighting, fencing, park improvements, below grade data communication systems, etc, will be recorded to permit assignment of value.

Buildings

The appraisal will include an inspection of all Town-owned buildings that are included on the to-be-supplied Schedule of Properties to be appraised. The inspection will include a tour of the premises, the recognition and recording of various components of construction, measuring and photographing the buildings, preparing an inventory of the fixed equipment, and preparing a map of the site. Site maps will be requested to assist the appraisal team in determining the identification and location of buildings.

Upon the completion of the building inspection, the buildings will be compared to your current property records to assure the consistency in data elements such as date and cost of original construction, as well as any significant renovations and additions or improvements to the designated buildings. Individual buildings where this information is not provided will be estimated utilizing accepted appraisal procedures.

The methodologies to be utilized to assign a cost and depreciation for each building will be Direct and Normal Costing, as defined within the costing methodology section of this proposal.

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 \$1,500 capitalization policy. Floor plans will be required to assist the inventory team in assuring that no areas are missed.

American Appraisal can provide plastic bar coded asset tags or utilize tags that you supply. Our tags will be Plastic (Polyester) labels, Code 39, and the approximate size will be 1" x 2". We will plan to apply these tags to each capital asset and record the tag number as part of



the asset's data record. Should you decide that American Appraisal will provide the tags, you will be responsible for the extra cost. It is important to note that we will not be performing a detailed reconciliation to the Town's existing fixed asset ledger.

Infrastructure

American Appraisal will require access to certain information currently maintained by the Town regarding infrastructure assets to be appraised. This information will include:

- Asset Classes (roads, bridges, lighting, etc.)
- Quantitative (lane miles, square feet, etc.)
- Description of the Asset
- Locational Information
- Historical Cost
- Date of Acquisition

The designated infrastructure assets that will be included are as follows:

- Roads and subsurface utilities
- Drainage systems
- Water and sewer systems

American Appraisal will value the Town's infrastructure, as identified above. American Appraisal will require data from the Town which may include maps, CADs, pavement management systems, highway bid specifications and GIS system, as appropriate.

American Appraisal will assign dates of construction, depreciable lives and original cost estimates consistent with the methodology promulgated in the Statement. American Appraisal will assign current replacement values and apply reverse inflation indices to these values.

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 construction or purchase. The sources of the indices to be used will combine published research price trends for the various classes of infrastructure property and data maintained in our files for the same purpose.

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 Town.

SPECIFIC DATA ELEMENTS/DEFINITIONS

In preparing the comprehensive fixed asset record of the Town's assets, we will provide the following items of data on each asset, as appropriate. The specific data elements to be captured are:

1. **Asset Location** - A system to identify the physical location of the appraised property (site, floor, room, etc.).



2. **Building Identification** - Where used, existing numerical identifications will remain; unidentified space will be numbered sequentially following the last assigned number.
3. **Department Number** - Existing numbers will be utilized. When not available, American Appraisal will identify those particular areas. Generally, only one unit number will be applied to a particular space. The largest department representation will be utilized.
4. **Asset Number** - A sequentially assigned asset number placed on controlled property by the Fixed Asset System. This can be a bar coded tag that is affixed to each controllable asset or a computer-generated number for group-controlled, or untaggable assets.
5. **Asset Account Code** - A major classification of property to identify major grouping of assets, i.e. buildings, land improvements, equipment, vehicles, etc.
6. **Asset Classification Code** - A subdivision of property to further identify assets, i.e. outdoor equipment, business machines, data processing equipment, furniture, audiovisual equipment, books, food service equipment, etc. This field may be used to include the Town's commodity code.
7. **Function Code** - As provided, and applicable by the Town.
8. **Quantity** - Unit-controlled (tagged) property will be recorded as one.
9. **Asset Description** - Manufacturer's name, model, generic nomenclature, and serial number will be utilized for unit-controlled assets. For buildings, we will describe the type of structure, size, square footage, and building materials used as well as the fire, safety, and security apparatus/systems in place.

COSTING METHODOLOGY/DEFINITIONS

1. **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.
2. **Estimated 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.
3. **Direct Costing** - Additional research into the historical cost documented as provided by the Town in a readily available and useable format, in the Town's property records for the original construction, improvements and betterments.
4. **Normal Costing** - Estimated cost based on the cost of reproduction new indexed by a reciprocal factor of the price increase from the appraisal date to the actual or estimated acquisition date.



5. **Acquisition Date** - When readily available, we will use the actual acquisition date of the property. In the absence of readily available information, the acquisition date will be estimated based upon American Appraisal's knowledge of the property type and its condition.
6. **Estimated Life** - An estimate will be made of the useful life of each unit-controlled asset and each group-controlled asset. The matter of historical lifing practice versus estimated actual lives will be discussed during the planning meeting and an acceptable approach will be developed.
7. **Accumulated Depreciation** - Will be based on the asset's cost, acquisition date and the estimated useful life utilizing the straight-line basis of depreciation. Useful lives will be based on information provided by the Town or industry standards.
8. **Insurable Value** - Cost of reproduction new (replacement cost) as of the appraisal date will be used as a basis for insurable values for all controlled property.
9. **Cost of Reproduction New** - 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. In insurance industry terminology, cost of reproduction new, as defined above, is synonymous with the insurance industry phrase, "replacement cost."

7.0 REPORTS TO BE DELIVERED

MANAGEMENT REVIEW OF REPORTS

American Appraisal Associates continues to be a leader in the development of innovative valuation consulting solutions. Our internal standards are based on the Uniform Standards of Professional Appraisal Practice (USPAP) and include specific guidance regarding the consistent application of valuation approaches and consulting methodologies, work paper documentation, the management review process, and the form and content of reports. As a result, all of our consulting staff's work is subject to two levels of review before the report is issued.

The Town will receive a full complement of reports, one hard copy and a .PDF file reflecting the results of American Appraisal's investigation, to include:

1. A narrative for use by management and outside auditors to assist the Town's efforts in meeting GASB 34 capital asset reporting requirements.
2. Certificate of Values.
3. Glossary of accounts and descriptive abbreviations used.
4. Customized appraisal reports (available at a nominal charge, upon request).



- A. **Report** - American Appraisal will provide the Town 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.
- B. **Property Accounting Summary** - The standard Property Accounting Summary Report displays description of fields being summarized, original cost, accumulated depreciation, net book value, annual depreciation, projected provision, by account.
- C. **Property Accounting Ledger Report** - The Property Control Report will include all capital assets with a unit cost in excess of the Town's capitalization threshold of \$1,500 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.
- D. **Insurance Summary** - The standard Insurance Summary Report displays description of fields being summarized, cost of reproduction new, and original cost values.
- E. **Insurance/Property Record Report** - The standard Insurance/Property Record Report 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

Upon receipt of your signed authorization, American Appraisal will work closely with the Town to establish project start, field work and report delivery schedules to meet your reporting requirements. Because of our size, American Appraisal has the resources and flexibility to adjust our schedule to best suit the specific timing requirements of the Town. Our team will begin the planning and scheduling of the engagement immediately upon award of the contract.

OPTIONAL SERVICES

Annual Update Service

American Appraisal's experience has shown that appraisals have an effective useful life of up to five (5) years depending upon such factors as:

- Quality of reported changes
- Level of asset activity (additions, retirements, changes)
- Inflationary level of economy
- Continuity of the reporting officials



- Periodic authorization of additional on-site time

The appraisal renewal service, based on office re-pricing, provides the following benefits:

1. A detailed program to establish an ongoing procedure for recording and reporting changes in the property appraised.
2. By prior arrangement, our appraisal representatives will assist in the verification of property changes and preparation of your report of changes.
3. An annual revised Statement of Insurable Values that reflects current values of the property under service. Our update of values will reflect the following factors:
 - Changes in real and personal property reported to us
 - Selective re-pricing and adjustment of the appraisal base tailored to the building and equipment mix to reflect current material and labor prices in the area through customized adjustment factors.
4. If the appraised property is damaged or destroyed, we will work with you to provide consultation, as required.

Our fee for this annual appraisal update is shown as an optional service in the fee section.

FEE AND PAYMENT TERMS

Based on the information currently available to us, and on our experience in performing similar projects, we estimate that our fee, including expenses, for this engagement will be:

PRIMARY SERVICE:

| | |
|---------------------------------------|------------------|
| Appraisal of 127 Buildings/Structures | \$14,000 |
| Appraisal of Moveable Equipment | \$7,000 |
| Appraisal of 59 Lift Stations | \$8,000 |
| Appraisal of 353 Land Improvements | \$10,000 |
| Appraisal of Land | \$125 per parcel |
| Appraisal of Treatment Plants | \$9,000 |
| Appraisal of Infrastructure | \$12,000 |
| Insurable Values | \$ 3,500 |

OPTIONAL SERVICE:

| | |
|-----------------------|---------|
| Annual Update Service | \$1,000 |
|-----------------------|---------|



Fees include professional time for planning and executing the work through, and including, our final report. Should you require additional consultation, based on your reviews of our work, or those of your external auditors or other advisors, we will bill the Town of Davie for those services at our prevailing hourly rate for the personnel involved.

Expenses, which are included in our fee, include those costs for such items as office and report processing, travel, living, computer charges, postage and copying, which are directly incurred by staff while executing the work. These expenses are included in our fee.

It is understood that our fees will be net of any applicable remittance or withholding taxes; any such applicable taxes will be the responsibility of Client.

American Appraisal will invoice you for professional services rendered, including out-of-pocket expenses. Invoices are payable by the Town of Davie, upon receipt, and will be issued as the engagement progresses, as follows:

| | |
|---------------------------------|---------------------------------------|
| Upon commencement of engagement | 30% of fee |
| Balance | Progress billings as time is incurred |

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 delivery of our preliminary conclusions or final report(s) if, when either of these is ready for delivery, any previously issued invoice remains unpaid. We reserve the right to issue interim or final invoices, as appropriate, should you delay the project and/or in the event that our preliminary or draft report has been in your possession for more than 30 days.

In the event that the Town of Davie issues a purchase order to us covering this engagement, it is agreed that such purchase order is issued for purposes of authorization, and the Town of Davie's internal use only, and none of its terms and conditions shall modify the terms and conditions of this letter and/or related documentation, or affect either party's responsibility to the other party, as defined in this letter.



Should American Appraisal incur additional costs as a result of the Town of Davie's failure to pay invoices in accordance with the terms stated herein, the Town of Davie will be responsible for all costs (including, but not limited to, attorney's and collection agency's fees) associated with the collection of any and all unpaid amounts to which American Appraisal is legally entitled. Further, American Appraisal reserves the right to charge interest for the Town of Davie's failure to pay on a timely basis.

Town of Davie has the right to terminate this assignment at any time, in which case there will be no further obligation on the part of either party to continue. In such event, the Town of Davie will be obligated to pay only for the actual time and charges accumulated through the date of cessation. If we have not reached a final conclusion at the time of such termination, we will destroy all work file contents, unless the Town of Davie requests at that time that the materials furnished by the Town of Davie or others on its behalf are returned.

TERMS & CONDITIONS

Entire Agreement - This agreement represents the entire agreement ("Agreement") between American Appraisal and the Town of Davies and supersedes any prior oral or written agreements, and may only be modified in writing. If Town of Davies issues a purchase order covering this engagement, Town of Davies agrees that such purchase order is only for Town of Davies'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 Town of Davies may not substitute this reliance for its own due diligence. Town of Davies 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 Town of Davies's information and will not disclose or use it for any purpose other than Town of Davies'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 Town of Davies. American Appraisal may include Town of Davies'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, Town of Davies or to obligate Town of Davies in any way. American Appraisal shall perform as an independent contractor and reserves the right to use subcontractors.

Information Provided by Town of Davies - Other than a limited review for reasonableness, American Appraisal does not independently verify information provided by Town of Davies, its advisors, or third parties acting at Town of Davies's direction, and Town of Davies acknowledges that American Appraisal will assume and rely on the accuracy and completeness of all such information.



Should American Appraisal incur additional costs as a result of the Town of Davie's failure to pay invoices in accordance with the terms stated herein, the Town of Davie will be responsible for all costs (including, but not limited to, attorney's and collection agency's fees) associated with the collection of any and all unpaid amounts to which American Appraisal is legally entitled. Further, American Appraisal reserves the right to charge interest for the Town of Davie's failure to pay on a timely basis.

Town of Davie has the right to terminate this assignment at any time, in which case there will be no further obligation on the part of either party to continue. In such event, the Town of Davie will be obligated to pay only for the actual time and charges accumulated through the date of cessation. If we have not reached a final conclusion at the time of such termination, we will destroy all work file contents, unless the Town of Davie requests at that time that the materials furnished by the Town of Davie or others on its behalf are returned.

TERMS & CONDITIONS

Entire Agreement - This agreement represents the entire agreement ("Agreement") between American Appraisal and the Town of Davies and supersedes any prior oral or written agreements, and may only be modified in writing. If Town of Davies issues a purchase order covering this engagement, Town of Davies agrees that such purchase order is only for Town of Davies'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 Town of Davies may not substitute this reliance for its own due diligence. Town of Davies 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 Town of Davies's information and will not disclose or use it for any purpose other than Town of Davies'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 Town of Davies. American Appraisal may include Town of Davies'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, Town of Davies or to obligate Town of Davies in any way. American Appraisal shall perform as an independent contractor and reserves the right to use subcontractors.

Information Provided by Town of Davies - Other than a limited review for reasonableness, American Appraisal does not independently verify information provided by Town of Davies, its advisors, or third parties acting at Town of Davies's direction, and Town of Davies 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 Town of Davies shall have full access to these documents, subject only to reasonable notification. If lawfully compelled to disclose any such documents, American Appraisal will provide Town of Davies with written notice so that Town of Davies 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 Town of Davies 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 Town of Davies's negligence or misconduct. American Appraisal personnel will comply with all safety instructions.

Town of Davies 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. Town of Davies 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 Town of Davies in this Agreement.



Elaine F. Marshall
Secretary

North Carolina
DEPARTMENT OF THE SECRETARY OF STATE
PO Box 29622 Raleigh, NC 27626-0622 (919)807-2000

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