

IMPORTANT INFORMATION

TO: Property/Casualty Program Council Representatives

FROM: Martha H. Rademacher, Director of Finance & Programs

DATE: May 27, 2005

RE: Fixed Asset Appraisal Program - Update

STATEMENT OF ISSUE

Since late 2002, Maximus, Inc. has completed fixed asset appraisals for 67 member agencies and is in some stage of completion for another 48 agencies. The first appraisal was started in January 2003 and it is anticipated that all PDRMA members will have an appraisal completed by March 2006. This will not be the end of the project, however. Completed appraisal information is the beginning of a new process for PDRMA and its members.

BACKGROUND

The PDRMA Board of Directors has made a considerable financial commitment to this project with the expectation that the value will extend far into the future for PDRMA members.

To date, PDRMA has paid \$619,710 to Maximus for appraisal services and another \$200,000 for ASSETMAXX. Appraisals in progress are estimated to cost another \$204,915. This significant financial commitment on the part of the PDRMA Board of Directors was made in recognition of the importance of accurate insurance values as well as fixed asset accounting values (or capital assets in the nomenclature GASB 34 prefers).

Training is essential to the proper use of the ASSETMAXX system

PDRMA's Board has also committed to funding the annual cost of licensing one user per member for use of the ASSETMAXX system. As members' appraisals are completed, their data is loaded into ASSETMAXX and the member is set up for access through the internet. The system is user friendly, but training on its use is provided so users can receive an orientation of what is available in the system and how to maximize its use.

May 31, 2005

Fixed Asset Appraisal Program – Update

Page 2 of 3

PDRMA has sponsored eight training classes so far, at which sixty members have been represented. The classes are designed to familiarize members with ASSETMAXX enough to be able to use it on their own for adding, deleting or modifying their asset information. Training will continue to be offered until all members have had a chance to be trained .

In July, we will be offering abbreviated sessions for those members who do not have a lot of assets and do not need as much detail. There are plans underway to also provide refresher courses, and possibly a user's group for sharing tips and tricks.

In the meantime, Crystell Palmer is the voice on the other end of the ASSETMAXX help desk and she is a great source of information and assistance.

*The ASSETMAXX help desk number is
800-876-0350*

<p>In order for this project to be successful, all PDRMA members need to maintain their assets in ASSETMAXX on an on-going basis.</p>

The maintenance of accurate property values in the ASSETMAXX system requires that members record purchases and acquisitions, sales and retirements of assets. Ideally, members will be able to use the ASSETMAXX database for their fixed asset accounting purposes as well as to report insurance values.

The recording of all assets begins with cost information. For accounting purposes, those costs are then depreciated to reflect the current value to the member. Once purchased, assets begin to lose value. For insurance purposes however, most of members' assets are covered at replacement cost. This means that a member recovers on the basis of replacement cost at the time and place of the loss, with no deduction for physical depreciation.

As assets are added, members will need to add them to the database with the cost information. At that point in time, the replacement cost for insurance purposes is the same as the amount paid. The system will trend the replacement cost on an annual basis.

The real value of replacement cost coverage is that in case of a loss, the member is able to rebuild or replace the property at the current cost of materials, labor and equipment. Accurate property values ensure that PDRMA pays the appropriate excess insurance or reinsurance premium and that claims are paid promptly and accurately.

May 31, 2005

Fixed Asset Appraisal Program – Update

Page 3 of 3

Some assets are more complicated and portions of the cost are excluded because they are not insured. Typically, exclusions are things like land, underground plumbing, excavation costs, architects' fees, and parking lots. Assistance may be needed in adding these more complicated assets and PDRMA along with Maximus is committed to continuing to provide that support.

ACTION

The following actions are required:

If your fixed asset report is already complete

Please review your report and contact

Bob Dengel at Maximus, Inc. at (847)513-5570 or robertdengel@maximus.com

with any issues as soon as possible. If you are using a fixed asset program already, there will be some reconciliation required between the systems. Since ASSETMAXX is to be used going forward, it makes sense to resolve the problems now.

If your fixed asset report is in process

Continue to cooperate with Maximus until your report is completed and then be sure to review carefully as mentioned above.

Thanks so much for your assistance and cooperation. If you have any questions at all

call Martha Rademacher or Johanna McFadden at (630) 769-0332

or email at mrademacher@pdrma.org or jmcfadden@pdrma.org