Capital Expenditure Proposal for a Non-Replaceable Category of Assets:

A proposal to create a capital asset category for capital asset retained after having been replaced has been submitted for consideration. Any asset classified as non-replaceable would not be eligible for replacement at end of life. The primary justification for this proposal is to provide the PPOA management with an asset retention process.

FINANCE COMMITTEE REVIEW

Points of Clarification:

(1) Why is there a need to place a $ limitation on the use of this non-replaceable asset category?

Response:

- Finance Committee unanimously agreed that a specified limit would insure the integrity of the "$50,000 New Capital Annual Spending Limit" as stated in PPOA By-Laws.
- An asset retained after having been replaced results in an increase of the PPOA existing capital asset base. A $ limitation per item provides a restriction of the impact.

(2) Why is a maximum of $2500 placed on non-replaceable asset item? What is the cost basis for the $2500 valuation?

Response:

- Capital Asset Policy states $2500 as minimum cost of capitalization.
- $2500 Valuation per retained item is based on accredited trade-in, resale or market values, not book value.

(3) What other considerations should be incorporated into this proposal?

Response:

- Finance Committee and PPOA Board need to review and approve the business analysis for a non-replaceable asset classification.
- A cost & benefit justification for the retained asset by recipient department should accompany the AFE document for replacement asset. This should include operational costs, such as insurance, repairs and maintenance.
- Controller should maintain a report of the existing non-replaceable assets. Our objective is not to create asset graveyards.

July 15, 2008