

From: John Maher <JMahe@mahercpa.com>
To: Maureen Cassingham <mlc1948@aol.com>
Cc: Daniel Hom <dhom@novatofire.org>; David Greenblat <DGreenblat@mahercpa.com>; Mike Maher <MMahe@mahercpa.com>
Sent: Mon, Oct 21, 2013 11:11 am
Subject: MERA Depreciation

Maureen,

One point that I did not make clear during our call Friday.

Much of the MERA equipment was considered placed in service 7/1/04. Except for hand-held radios, the depreciation life is 20 years. Since depreciation started in the 2004-05 fiscal year, the "normal" date that the equipment would be fully depreciated would be 6/30/24.

If we assume the equipment is replaced in 2018 or 2019, there will be about 25% of the cost that will be written-off at that time. To the extent that that amount represents the "then" value of equipment that will remain in service (towers, other?), no adjustment will be needed at the time the system is replaced. The net book value of the equipment (original cost minus accumulated depreciation) that will be retired from service will be charged to expense in the year of retirement.

If the "useful" life is still estimated to be 20 years from 7/1/04, it is appropriate to continue as we have. Therefore, it will be appropriate to report the loss on early disposal in the year of retirement. Considering the uncertainty of funding, this may be the best approach for now.

Another item that you should consider: A recent GASB pronouncement (effective for next year but encouraged to be put in place for this audit year) provides that financing cost be charged to expense when incurred. (Such costs have historically be capitalized and amortized over the term of the debt). When implemented, the previously capitalized cost will be removed from the balance sheet as a "prior period adjustment." When new financing is obtained, the cost to obtain that funding (underwriter fees, etc.) will be charged to expense when incurred. The current draft of the financial statements assume that this new provision will be implemented next year. Would you like to implement this year instead?

We can have this discussion with the Executive Board.

Thanks,
John

John W. Maher, CPA, CGMA
Maher Accountancy
1101 Fifth Avenue, Suite 200
San Rafael, CA 94901
Main: 415.459.1249
Direct: 415.459.2393
Fax: 415.459-5406
Email: jmahe@mahercpa.com

U.S. Treasury Circular 230 Notice: Any tax advice contained in this communication (including any attachments) was not intended or written to be used, and cannot be used, for the purpose of (a) avoiding penalties that may be imposed under the Internal Revenue Code or by any other applicable tax authority; or (b) promoting, marketing or recommending to another party any tax-related matter addressed herein. We provide this disclosure on all outbound e-mails to assure compliance with new standards of professional practice, pursuant to which certain tax advice must satisfy requirements as to form and substance.

This message is intended for the person(s) named above. If you are not the intended recipient, please notify the sender by e-mail. Furthermore, if you are not the intended recipient, you may not copy, disclose, or distribute this message or its contents to any other person and any such actions may be unlawful. Maher Accountancy reserves the right to monitor and review the content of all messages sent to or from this e-mail address. Messages sent to or from this e-mail address may be stored on the Maher Accountancy e-mail system.

Initial assets placed in service 7/1/04

	Acquisition Date	Cost	Depr Method	Life	Accum Depr /Amort Year 11-12	Dep and Amort Year 12-13	Accum Depr /Amort Year 12-13	
Capital assets:								
Land & improvements	01/02	160,000	N/A	N/A				
Motorola	00/01	10,131,855	SL	20	4,052,744	506,593	✓	4,559,337
Motorola	01/02	2,536,335	SL	20	1,014,536	126,817	✓	1,141,353
Motorola	02/03	2,017,862	SL	20	807,144	100,893	✓	908,037
Motorola	03/04	3,093,354	SL	20	1,237,344	154,668	✓	1,392,012
Motorola	04/05	1,732,757	SL	20	649,785	86,638	✓	736,423
Motorola	05/06	2,389,848	SL	20	776,698	119,492	✓	896,190
Motorola	05/06	744,119	SL	20	223,236	37,206	✓	260,442
Motorola	06/07	1,449,204	SL	20	434,760	72,460	✓	507,220
Motorola	09/10	875,949	SL	20	88,115	43,797	✓	131,912
Motorola	10/11	32 846,918	SL	20	84,692	42,346	✓	127,038
Total		25,818,201						
Reclassify radio equipment		(7,500,000)	SL	20	(2,625,000)	(375,000)	✓	(3,000,000)
Radio equipment *		7,500,000	SL	10	5,250,000	750,000	✓	6,000,000
Project Development Costs	00/01	1,155,660	SL	20	462,264	57,783	✓	520,047
Project Development Costs	01/02	101,029	SL	20	40,408	5,051	✓	45,459
Project Development Costs	02/03	655,009	SL	20	262,000	32,750	✓	294,750
Project Development Costs	03/04	1,006,919	SL	20	402,768	50,346	✓	453,114
Project Development Costs	04/05	85,239	SL	20	31,965	4,262	✓	36,227
Project Development Costs	05/06	24,713	SL	20	8,034	1,236	✓	9,270
Project Development Costs	05/06	116,668	SL	20	34,998	5,833	✓	40,831
Project Development Costs	06/07	109,057	SL	20	32,718	5,453	✓	38,171
Project Development Costs	07/08	20	SL	20	4	1	✓	5
Total		3,254,314						
Radios	07/08	26,877	SL	10	13,440	2,688	✓	16,128
Logging recorder	07/08	31 24,600	SL	10	9,840	2,460	✓	12,300
Volunteer fire alert project	07/08	31 21,914	SL	10	8,764	2,191	✓	10,955
Motorola	07/08	32 3,581	SL	10	1,432	358	✓	1,790
Logging recorder	08/09	34 48,000	SL	10	19,200	4,800	✓	24,000
Bi-Directional Amplifier	11/12	32 65,052	SL	10	6,505	6,505	✓	13,010
Air conditioner - Big Rock	11/12	30 5,413	SL	12	451	451	✓	902
Generator	12/13	36 36,293	SL	10	0	3,629	✓	3,629
Command Channel	12/13	32 21,922	SL	10	0	2,192	✓	2,192
Total		253,652						
Capitalized interest costs	00/01	614,726	SL	20	245,888	30,736	✓	276,624
Capitalized interest costs	01/02	644,482	SL	20	257,792	32,224	✓	290,016
Capitalized interest costs	02/03	1,004,312	SL	20	401,728	50,216	✓	451,944
Capitalized interest costs	03/04	877,277	SL	20	350,912	43,864	✓	394,776
Total		3,140,797						
Total Fixed Assets:		<u>32,626,964</u>			<u>14,585,165</u>	<u>2,010,939</u>		<u>16,596,104</u>
						wp 30		net for audit 16,030,860 F
Intangible Assets:								
Bond issuance costs	1999	332,739	SL	22	163,168	15,125		178,293
								net for audit 154,446 G

* Starting in 05-06, a portion of the Motorola costs are being depreciated over 10 years based on an estimate of the cost of radio and computer equipment. This amount was derived from a "one time cost summary" developed on 12/16/98. See F3-2 in 05-06 audit