

Figure 1

OMAO CONSTRUCTED VESSEL

Total Cost: \$30,000,000
Acceptance Date: 10/1/2009
Useful Life in Years: 30

CWIP

Vessel

Cost \$26,250,000
Acceptance Date: 10/1/2009
Useful Life in Years 30

Accounting Treatment: Capitalized & depreciated over 30 yr.
useful life

"NON INTEGRAL" EQUIPMENT

Launch

Cost \$1,750,000
Acceptance Date: 10/1/2009
Useful Life in Years 15

Accounting Treatment: To be discussed with Finance Office
for potential capitalization separate
from CWIP asset.

INITIAL OUTFITTING LIST & SPARE PARTS (No single item cost over \$200,000)

Cost \$2,000,000
Acceptance Date: NA
Useful Life in Years NA

Accounting Treatment: Expensed

Figure 2

TREATMENT OF MAINTENANCE AND REPAIR VS. ENHANCEMENT OF INTEGRAL COMPONENT

	Cost	Orig. Useful Life	Salvage Value		
Vessel	\$50,000,000	30	0		
Integral Component Replacement in year 11	\$800,000				
Expense each year:	Years 1-10	Year 11	Years 12-30	Years 31-35	Total
Example 1: Replacing integral component, maintaining similar function of vessel with same useful life					
Vessel depreciation expense	\$1,666,667	\$1,666,667	\$1,666,667		\$50,000,000
Maintenance & repair expense		\$800,000			\$800,000
<i>Total Cost</i>	<i>\$1,666,667</i>	<i>\$2,466,667</i>	<i>\$1,666,667</i>	<i>\$0</i>	<i>\$50,800,000</i>
Example 2: Replacing integral component, enhancing function of vessel with same useful life.					
Vessel depreciation expense	\$1,666,667	\$1,706,667	\$1,706,667		\$50,800,000
Maintenance & repair expense		\$0			\$0
<i>Total Cost</i>	<i>\$1,666,667</i>	<i>\$1,706,667</i>	<i>\$1,706,667</i>	<i>\$0</i>	<i>\$50,800,000</i>
Example 3: Replacing integral component, enhancing function of vessel and extending useful life by 5 years.					
Vessel depreciation expense	\$1,666,667	\$1,365,333	\$1,365,333	\$1,365,333	\$50,800,000
Maintenance & repair expense		\$0			\$0
<i>Total Cost</i>	<i>\$1,666,667</i>	<i>\$1,365,333</i>	<i>\$1,365,333</i>	<i>\$1,365,333</i>	<i>\$50,800,000</i>

1/14/08

OMAO Organization Chart

