



April 4, 2016

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Project: 3-27E

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Government Accounting Standards Board (GASB) on its December 7, 2015 exposure draft entitled Certain Asset Retirement Obligations. The FMSB is comprised of 23 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB agrees with the scope and applicability of the proposed Statement. We are also encouraged by the fact that the Board considered guidance on similar liabilities provided by the FASB and the Federal Accounting Standards Advisory Board, while framing their conclusions within similar provisions in GASB Statements 18 and 49. We are also encouraged as explained in paragraph B6, the Board believes it will be more effective and practical to examine asset retirement obligations for all landfills when Statement 18 is reexamined. We are aware that Statement 49 has been slated to be reexamined.

The proposed Statement primarily provides consistency with many of the provisions of FASB Accounting Standards Codification (ASC) 410, which should make the auditing of such liabilities and assets relatively straightforward in comparison with other liabilities derived primarily through estimation. We also agree with the restricted treatment of assets for payment of the retirement obligations, due to the legal nature of the obligation as discussed in the scope and applicability paragraphs.

In paragraph B12, there is disclosure that the Board considered the need to determine whether the obligation under the doctrine of promissory estoppel becomes a legal obligation and should be recognized as a liability. Though we agree that some form of injustice may occur by not following through on a reasonable expectation of fulfillment, calculating a liability in such a circumstance may be



difficult at best, due to its nebulous nature and potentially long period of accrual.

The FMSB found it difficult though to calculate the current value of a liability as part of the proposed transition and implementation provisions in paragraph 28. A municipal irrigation system may be subject to a legal requirement to set aside funds to retire the system. The system may have started operations decades ago and in the interim, no funds were required to be restricted until a law was passed many years later, but still well prior to the current reporting period. A legal requirement exists, but to calculate the current value of the outlays expected to be incurred may involve researching prior outlays in addition to future outlays. Similarly to environmental remediation, the calculation of the liability and auditing of this estimate (assuming it is material,) may require the work of specialists for both the government and the auditor, which may not have been factored into the cost versus benefits discussion in paragraph B73, other than to note that for governments that do not currently report asset retirement obligations, there may be ongoing costs to comply with the requirements of this Statement in addition to the costs to implement this Statement. Indeed, a utility is likely to have fairly good records due to regulatory provisions, but for a general purpose government, the recordkeeping may not be present.

We also discussed the Alternative View. Though we understand the use of present value, we found it to be more useful for assets that would currently be placed into service rather than existing capital assets subject to the provisions of a final Statement. To use present value on existing assets would render similar results to the present value calculation used to implement infrastructure assets in accordance with GASB Statement No. 34. The valuation of infrastructure assets that are more than a few decades old in a Statement of Net Position is a very subjective estimate of what could be the asset's fairly stated value. The present value calculation could be built into the cost estimate of building the asset subject to retirement obligations in a similar manner to the prospective implementation of the infrastructure provisions of GASB-34, paragraph 148. We suggest that the Board consider this possibility of a compromise.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or Lmiller@eidebailly.com

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller". The signature is written in a cursive, flowing style.

Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board



cc: John E. Homan, MBA, CGFM, CPA, CGMA
AGA National President

Association of Government Accountants
Financial Management Standards Board

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