March 30, 2016

Mr. David R. Bean
Director of Research and Technical Activities, Project No. 3-27E
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We appreciate the opportunity to respond to the Governmental Accounting Standards Board’s exposure draft (ED) titled Certain Asset Retirement Obligations.

Overall we agree with the provisions of the exposure draft, except that we consider the alternative view regarding the discounting of future estimated liabilities as persuasive and recommend the board reconsider this portion of the ED. As expressed in paragraph B78, the practice of discounting liabilities that will occur in the distant future (such as pensions and OPEB) is well established. Discounting these obligations will establish a consistency among the valuations of these long-term liabilities. Given the types of assets that this standard will address, such as nuclear power plants or sewage treatment plants, we agree with the alternative view that it is likely that significant time will pass between the recognition of the liability and the retirement of the related asset. Since we also agree with the alternative view that there will likely be few of these types of obligations within each government, we would not consider the requirement to establish and disclose a discount rate applicable to retirement obligations as overwhelming or unreasonable.

We also noted a word missing in the fourth sentence of paragraph B28 and request this be clarified.

If you have any questions regarding our comments, please contact me or Craig M. Murray, Director of Professional Practice.

Sincerely,

Doug Ringler
Auditor General

C: C. Murray, CPA, CIA

Via e-mail