March 30, 2016

Mr. David R. Bean
Director or Research and Technical Activities
Government Accounting Standards Board (GASB)
Project No. 3-27E
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Statement of the Governmental Accounting Standards Board
   Certain Asset Retirement Obligations

Dear Mr. Bean,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to GASB’s exposure draft proposing a GASB Statement regarding Certain Asset Retirement Obligations. ALGA represents more than 340 audit organizations and over 2,200 members. This topic may be of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We have reviewed the exposure draft and agree that the proposed statement will provide financial statement users with information about certain asset retirement obligations that are not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations.

There are two areas where we believe clarification would provide added value.

**Item #1**

Under paragraph 8, the exposure draft states “Incurrence of a liability is manifested by the occurrence of both an external obligating event and an internal obligating event resulting from normal operations.” This dual requirement becomes problematic when considering a government body taking action to retire an asset without a corresponding external event. For example, a Colorado city governing body took action to retire a coal-fired power plant in 20 years due to the age and perceived impact of the plant to the surrounding area. However under paragraph 8, there does not appear to be an external obligating event to trigger the requirement under this exposure draft. We recommend adding an exception that automatically triggers the reporting requirements when a governing body takes
action to retire an asset where: 1) no asset retirement obligation liabilities have been previously recorded; and 2) legally enforceable remediation activities are required to retire or decommission the asset.

Item #2
Under the exposure draft’s “Scope and applicability of this Standard”, there is no mention of materiality in the type of asset for which reporting is required. The only place where materiality is mentioned is in the text box on page six of the draft under the heading “Effective Date and Transition”. We recommend adding a specific statement regarding materiality to the list of items that the Standard does not apply to on page two. This will place all of the notices of applicability in one location.

Thank you for the opportunity to provide input in the standards development process.

Respectfully submitted,

Larry Stafford  
Chair, Professional Issues Committee

Key ALGA Contributors:  
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