March 11, 2016

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

Re: Exposure Draft-Certain Asset Retirement Obligation, Project No. 3-27E

Dear Mr. Bean:

The following is the response of the Government Accounting and Auditing Committee of the Washington Society of Certified Public Accountants (WSCPA). The views expressed are the views of the Committee and not necessarily the views of the individual members or the WSCPA as a whole. We are pleased to have the opportunity to respond to the Governmental Accounting Standards Board’s (GASB) Exposure Draft (ED) Certain Asset Retirement Obligation.

We support the mission of GASB, to establish and improve standards of state and local governmental accounting and financial reporting.

**Overview of Our Response:**

**We generally support this ED to allow comparability of financial statements of Certain Asset Retirement Obligation transactions among governmental entities and non-governmental entities.**

**Specific Comments:**

**Issue 1 Classification of “Outflow of resources” (Paragraph 13, 20b and 21)**

We agree that in the following paragraphs that “outflow of resources” is used to be recognized and recorded the transactions. However, for proprietary fund, would the “outflow of resources” be classified as operating expenses or nonoperating expenses or the classification of expense will follow paragraph 102 of GASB No. 34 which stated to consider mirroring the classification would be done for preparing a statement of cash flows. Since the Asset retirement obligation relates to
tangible capital assets, these transaction would fall under “Capital and related financing activities” in the statement of cash flows, hence, a nonoperating expense?

- Paragraph 13 – immediate recognition of “outflow of resources” when a tangible capital asset is permanently abandoned before it is ready for use.
- Paragraph 20b – changes of Asset Retirement Obligation estimates at or after retirement of the tangible capital assets.
- Paragraph 21 – subsequent recognition of reduction of the deferred outflow of resources in a systematic and rational manner.

**Issue 2 Amortization period of “Deferred outflow of Resources” (Paragraph 21)**

We agree that after initial measurement of a deferred outflow of resources for an asset retirement obligation, a government should recognize a reduction of the deferred outflow of resources as an outflow of resources in a systematic and rational manner over the estimated useful life of the tangible capital asset. However, if one of the external obligating events such as paragraph 9a, approval of a (new) federal, state, or local laws or regulations, or paragraph 9b, creation of a legally binding contract (lease arrangement), is triggered with an already existed internal obligating event(s), should the amortization period be the “remaining” estimated useful life of the tangible capital asset if the capital asset is already in service?

Thank you for the opportunity to respond. If you have any questions or need additional information regarding this response, please contact Lisa Lam at (206) 787-4334.

Sincerely,

**SENT VIA E-MAIL** to director@gasb.org

Olga A. Darlington, Chair
Government Accounting and Auditing Committee
Washington Society of Certified Public Accountants