March 16, 2016

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

Via email: director@gasb.org

RE: Comment on the Exposure Draft related to Project #3-27E Certain Asset Retirement Obligations

Dear Mr. Bean:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the Government Accounting Standard Board's (GASB) Invitation to Comment on the Exposure Draft related to Project #3-27E Certain Asset Retirement Obligations. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We understand that the primary objective of this Statement is to improve accounting and financial reporting by providing recognition and measurement guidance for certain asset retirement obligations. We further understand that another objective of this Statement is to enhance the transparency and decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying obligations of a government.

Recognition

Recognition of a Liability:
We concur that a liability should be recognized when a reasonably estimable asset retirement obligation occurs.

Recognition of a Deferred Outflow of Resources:
We concur that when an asset retirement obligation liability is recognized, a government should recognize a deferred outflow of resources in a corresponding amount. We also concur that an expense be reported immediately should a tangible capital asset be permanently abandoned prior to being ready for use.

Initial Measurement

Initial Measurement of a Liability:
We concur that when determining the types of activities to be included in the liability measurement, a government should consider all relevant legal requirements that create an asset retirement obligation that have been approved as of the financial reporting date, regardless of their effective dates.
We also concur that the amount of expected future outlays and that the liability estimate should be determined using all available evidence that can be obtained at reasonable cost, and that if the cost is not reasonable, a range of potential outcomes should be used. However, we do not concur that the liability be reported at current value. Rather, we prefer the alternative view presented in paragraphs B77 – B84. The alternate view's argument that long-term liabilities are generally discounted and reported at present value has merit. Specifically, the frequently long interval between initial recognition of the liability and its liquidation can result in material differences, depending upon whether the liability is presented at current versus present value, especially when compared to any amounts accumulated to fund the liability in advance of liquidation, which presumably would increase over time as investment income is earned.

Initial Measurement of a Deferred Outflow of Resources:
We concur that when an asset retirement obligation liability is recognized, a government should recognize a deferred outflow of resources in a corresponding amount.

Subsequent Measurement and Recognition

Subsequent Measurement and Recognition of a Liability:
We concur that a government should at least annually evaluate all relevant factors and remeasure the liability when the evaluation results indicate there is a significant change in estimated outlays. We also concur that changes in the liability prior to retirement of the asset be recorded as a corresponding adjustment to deferred outflows of resources and that changes in the liability subsequent to retirement of the asset be recognized as an outflow or inflow of resources during the reporting period in which the change occurs.

Subsequent Measurement and Recognition of a Deferred Outflow of Resources:
We concur 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 (for example, expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

Recognition and Measurement in Financial Statements Prepared Using the Current Financial Resources Measurement Focus

We concur that the financial statements prepared using the current financial resources measurement focus (fund statements), liabilities should be recognized for goods and services used for asset retirement activities upon receipt of those goods and services, to the extent that the amounts are normally expected to be liquidated with expendable available financial resources to the extent that they are due and payable. We also concur that the accumulation of resources in a governmental fund for eventual payment of asset retirement liabilities does not constitute an outflow of current financial resources and should not result in the recognition of an additional governmental fund liability or expenditure, and that any facilities and equipment acquisitions associated with asset retirement activities should be reported as expenditures in the statement of revenues, expenditures, and changes in fund balances.

Effects of Funding and Assurance Provisions

We concur, that if a government is subject to legal, regulatory, or contractual requirements to provide funding and assurance for its asset retirement obligations by setting aside assets restricted for payment of the asset retirement obligations, the government should disclose that fact in the notes to the financial statements. Additionally, we concur that providing funding and assurances that the government will be able to satisfy its asset retirement obligations does not satisfy or extinguish the related liabilities, nor should the assets restricted for payment of asset retirement obligations be used to offset the related liabilities. Any costs associated with
complying with funding and assurance provisions should be accounted for separately from the asset retirement obligations.

**Notes to Financial Statements**

We concur that a government should disclose a general description and legal source of the asset retirement obligations and associated tangible capital assets, methods and assumptions used to measure the liabilities, estimated remaining useful life of the associated tangible capital assets, how any legally required funding and assurance provisions associated with asset retirement obligations are being met, and the amount of assets restricted for payment of the liabilities, if not separately displayed in the financial statements. We also concur that, if a liability for an asset retirement obligation, or portions thereof, has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government should disclose that fact and the reasons therefor.

We would like to thank the GASB for their efforts in preparing the proposed exposure draft and for the opportunity to respond. Feel free to contact me at (407) 836-5719 or barry.skinner@occompt.com.

Sincerely,

Barry Skinner, CPA, CGFO, CPFO
President