Dear Mr. Bean:

We appreciate the opportunity to respond to GASB’s Exposure Draft (ED) document entitled *Certain Asset Retirement Obligations*. Generally, we agree with the requirements of the ED and agree there is a need for establishing uniform accounting and financial reporting requirements for asset retirement obligations. Our specific comments follow.

**Paragraph 21:** This paragraph discusses the recognition of the deferred outflows of resources as an expense in a systematic and rational manner over the estimated useful life of the tangible capital asset. We could foresee a tangible capital asset with an asset retirement obligation might continue to be used beyond the estimated useful life (i.e. the asset is fully depreciated). If this happens, how should the government proceed if the deferred outflow of resources has been amortized to zero? Would the government simply continue to annually evaluate the current value of outlays expected to be incurred upon retirement of the asset? (i.e. If the current value has increased, would the government increase the liability and recognize a deferred outflow of resources to be amortized over a new estimated useful life, or would the increase be expensed in that period?) What if the tangible capital asset is not fully depreciated (nor is the deferred outflow of resources fully amortized)? It would be helpful if the GASB included a few examples to illustrate how situations similar to these should be handled.

**Paragraph 23:** Regarding “Effects of Funding and Assurance Provisions,” footnote 2 refers to the discussion of restricted net position in GASB Statement No. 34, while paragraph B52 states that only those assets set aside with restrictions that meet the criteria in paragraphs 8 and 9 of Statement No. 54 should be subject to the provisions in paragraphs 23 and 24 of this Statement. This comment in paragraph B52 seems to establish the disclosure requirements; as a result, we suggest incorporating this reference to GASB Statement No. 54 into footnote 2 of paragraph 23.

**Paragraph B28:** The fourth sentence, “Therefore, this alternative could (delay) the recognition of outflows of resources to periods to which the consumption of net assets is not applicable.” This sentence is missing a word or phrase; should the word *delay* be inserted after the word *could*?
In several instances, the ED refers to the consumption of net assets and restricted net assets. We understand that Concepts Statement No. 4 (issued in 2007) defines consumption/acquisition of net assets; however GASB Statement No. 63 (paragraph 8) states “the statement of net position should report the residual amount as net position, rather than net assets.” Why does the GASB refer to the consumption of net assets and restricted net assets in this ED differently than the requirements of GASB Statement No. 63 (issued in 2011)?

- Consumption of net assets – B15 (second sentence), B26 (last sentence), B28 (fourth sentence)
- Restricted net assets – B52 (second sentence)

Lastly, it would be extremely helpful if the proposed standard incorporated examples to illustrate financial statement presentation and footnote disclosures.

If you have questions or need additional information regarding this response, please do not hesitate to contact Kim Knight at (515) 281-6523.

Sincerely,

Calvin McKelvogue

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