March 29, 2016

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

RE: Exposure Draft – Certain Asset Retirement Obligations (Project No. 3-27E)

Dear David:

On behalf of the New York State Government Finance Officers’ Association, Inc. (NYS GFOA), the Accounting, Auditing and Financial Reporting Committee, comprised of members with governmental accounting and auditing backgrounds in state and local governments as well as members in academia and public accounting, has reviewed the Exposure Draft (ED) document on Certain Asset Retirement Obligations.

Although we agree with much of the proposed guidance, we wish to share several comments, observations and questions posed by the Committee after its examination of the ED.

Asset Retirement Obligations (ARO) Concerns

1) Paragraph 10 b (3): Why would there be an ARO for a plant that is abandoned and unused (in contrast to any other building)? If unused, it has no environmental issues and requires no special disposal. Unless there is some legal requirement(s) for a government to do something with the plant, the only real costs are those to maintain security.

2) Paragraphs 22 and 23: There should be a way for accumulated resources to “count” against an ARO, similar to what is in place for pension and OPEB obligations (which we would consider “personnel retirement obligations” or “PROs” which seems appropriate when considering the expertise of retired and soon to be retired government workforce). If a financial bond (but not a Letter of Credit or assurance) holding(s) in an ARO (see below) should be considered an ARO asset and only an unfunded ARO should be carried as a liability. An ARO fund is one that:

   a. Is a bond amount required to be posted by a government asset owner/operator and held by a superior government or is put into a legal trust or escrow;
   b. Is legally and (or perhaps and/or) practically dedicated to asset retirement; and
   c. Will be released to a government for the purpose of, or upon, its fulfillment of applicable asset retirement requirements.

3) Paragraph 24: We interpret Paragraph 24 to be a blanket prohibition on offsetting resources restricted for asset retirement obligations against those obligations. The statement makes no exception for such resources even if they are held in a trust, in a legal escrow account, or even by a federal (or other senior government) regulator.

   We encourage GASB to permit offset where resources restricted for asset retirement obligations are legally imposed and are protected against the government obligor’s own creditors.

4) Appendix C (Codification Instructions): We have several questions regarding this section…

   a. Are the proposed amendments to the Codification of Governmental Accounting and Financial Reporting Standards (assuming this proposed standard is adopted) only in the ED for commenters to reference or will they be listed in the final standard?
b. How does or will GASB track versions of the Codification as well as the Comprehensive Implementation Guide (CIG), if those sections in the Codification listed as superseded are updated to reflect current GAAP when new standards are effective (as well as the impact on questions in the CIG)?

c. Will CIG numbers be retired and questions on the same theme with new answers be assigned completely new numbers?

Otherwise, in listing changes to the Codification (as well as impacts on the CIG); the final standards need to specify which edition is being referenced.

Conclusion

This response has been presented to the NYS GFOA Board of Governors and approved for submission to GASB. Please direct any questions to Fred Shellard, Director of Professional Services at 518-465-1512, who can answer or direct questions to the appropriate NYS GFOA representative for follow up.

Sincerely,

John A. Savash II, CPA
Christopher Reino, CPA

Co-Chairs, NYS GFOA Accounting, Auditing and Financial Reporting Committee

cc: L. Kay Wharmby, Clerk-Treasurer, Village of Fairport
    Maura K. Ryan, Executive Director
    President, NYS GFOA
    NYS GFOA

Approved by the NYS GFOA Accounting, Auditing and Financial Reporting Committee 02/10/2016.
Approved by the NYS GFOA Board of Governors 03/28/2016.