

April 5, 2016

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

Dear Mr. Bean:

Thank you for the opportunity to respond to the Exposure Draft (ED) on Certain Asset Retirement Obligations. This letter serves as the Illinois Government Finance Officers Association's (IGFOA) Technical Accounting Review Committee's (TARC) response to this Exposure Draft.

The TARC has reviewed and discussed this ED and we have concerns regarding 1) certain external obligating events, 2) certain internal obligated events for non-contamination-related asset retirements, and 3) balance sheet reporting for the asset retirement obligation and related deferred outflow of resources.

Regarding the external obligating event, the criterion in paragraph 9. a. "Approval of federal, state, or local laws or regulations" is too vague to be meaningful. There should be clarification of how those laws result in an external obligating event resulting in a better definition of what should be included. This would provide a more consistent application from government to government.

Regarding the non-contamination-related asset retirement obligation, paragraph 10.b.(2) disregards the concept of government perpetuity. It is a faulty assumption that simply using a capital asset results in a retirement obligation. For example, a swimming pool that is constructed and opened (placed into operation) will be repaired or replaced as needed in the same location. Thus the internal obligating event should not be placing it into service.

With respect to balance sheet reporting of the asset retirement obligation, the question arises as to the value of reporting a liability with an offsetting deferred outflow of resources. For example, capital repairs and maintenance on a sewage treatment facility may extend the life of that facility to well over 100 years, if not in perpetuity. We question the usefulness of carrying a retired. We feel the uncertainty of events that may occur far in the future outweighs any benefit that may be gained by reporting this liability.

Finally, TARC feels that paragraph 16 and paragraph 21 provide for exceptions to complying with the standard for which there is no theoretical basis. The Committee recommends either the theoretical basis be developed or that the exception be removed from both paragraphs.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Christina Coyle". The signature is fluid and cursive, with a long horizontal stroke at the end.

Christina Coyle, CPA
Chair, Technical Accounting Review Committee
Illinois Government Finance Officers Association