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Statement No. 83 of the
Governmental Accounting
Standards Board

Certain Asset Retirement Obligations

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

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Summary

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 3 discusses the applicability of this Statement.

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Certain Asset Retirement Obligations

November 2016

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

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INTRODUCTION

1. Existing laws and regulations require state and local governments to take specific actions to retire certain tangible capital assets, such as the decommissioning of nuclear reactors, removal and disposal of wind turbines in wind farms, dismantling and removal of sewage treatment plants, and removal and disposal of x-ray machines. Obligations to retire certain tangible capital assets also arise from contracts or court judgments. Accounting and financial reporting standards exist for costs of the closure and postclosure care of municipal solid waste landfills, but those standards do not address retirement obligations associated with other types of tangible capital assets.

2. The objective of this Statement is to provide financial statement users with information about **asset retirement obligations**[1] **(AROs)** that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

3. This Statement establishes standards of accounting and financial reporting for certain AROs. The requirements of this Statement apply to financial statements of all state and local governments.

[1]Terms defined in the glossary are printed in **boldface type** the first time they are used in this Statement.

4. For purposes of applying this Statement, an ARO is a legally enforceable liability associated with the **retirement of a tangible capital asset** (that is, the tangible capital asset is permanently removed from service). The retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some other manner; however, it does not encompass the temporary idling of a tangible capital asset.

5. AROs result from the normal operations of tangible capital assets, whether acquired or constructed, and include legally enforceable liabilities associated with all of the following activities:

a. Retirement of a tangible capital asset
b. Disposal of a replaced part that is a component of a tangible capital asset
c. Environmental remediation associated with the retirement of a tangible capital asset that results from the normal operation of that capital asset.

This Statement also applies to legally enforceable liabilities of a lessor in connection with the retirement of its leased property if those liabilities meet the definition of an ARO.

6. This Statement does not apply to the following:

a. Obligations that arise solely from a plan to sell or otherwise dispose of a tangible capital asset
b. Obligations associated with the preparation of a tangible capital asset for an alternative use
c. Obligations for pollution remediation, such as asbestos removal, that result from the other-than-normal operation of a tangible capital asset
d. Obligations associated with maintenance, rather than retirement, of a tangible capital asset
e. The cost of a replacement part that is a component of a tangible capital asset
f. Landfill closure and postclosure care obligations, including those not covered by Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*
g. Conditional obligations to perform asset retirement activities.

7. This Statement amends NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles,* paragraphs 42 and 43; Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* paragraph 4; Interpretation No. 6, *Recognition and Measurement of Certain*

Liabilities and Expenditures in Governmental Fund Financial Statements, paragraphs 9, 11, 14, and footnote 7; NCGA Interpretation 6, *Notes to the Financial Statements Disclosure,* paragraph 5; and *Implementation Guide No. 2015-1,* Question 3.51.1.

Recognition

Recognition of an ARO

8. A government should recognize an ARO when the liability is incurred and reasonably estimable. Incurrence of a liability is manifested by the occurrence of both an external obligating event and an internal obligating event resulting from normal operations. An obligating event refers to an event whose occurrence determines the timing for recognition of an ARO.

9. An external obligating event is one of the following:

a. Approval of federal, state, or local laws or regulations
b. Creation of a legally binding contract
c. Issuance of a court judgment.

10. An internal obligating event is one of the following:

a. For contamination-related AROs, the event is the occurrence of **contamination.** For purposes of this Statement, contamination refers only to contamination that (1) is a result of the normal operation of a tangible capital asset (such as nuclear contamination of a nuclear reactor vessel as a result of the normal operation of a nuclear power plant) and (2) is not in the scope of Statement 49, as amended.
b. For non-contamination-related AROs:
   (1) If the pattern of incurrence of the liability is based on the use of the tangible capital asset, the event is placing that capital asset into operation and consuming a portion of the usable capacity by the normal operations of that capital asset. For example, the internal obligating event to recognize a liability for the retirement of a coal strip mine is the excavation of the coal strip mine and using a portion of the capacity of the coal strip mine.

(2) If the pattern of incurrence of the liability is not based on the use of the tangible capital asset, the event is placing that capital asset into operation. For example, the internal obligating event to recognize a liability for the retirement of a wind turbine is placing the wind turbine into operation.

(3) If the tangible capital asset is permanently abandoned before it is placed into operation, the event is the permanent abandonment itself. For example, the internal obligating event to recognize a liability for the retirement of a tangible capital asset that is permanently abandoned during construction is the abandonment of the construction.

c. For AROs related to acquired tangible capital assets, the event is the acquisition of the tangible capital asset. For example, the internal obligating event to recognize a liability for an acquired power plant with an existing ARO is the acquisition of the power plant.

11. The action of completing a plan to retire a tangible capital asset is not, by itself, an internal obligating event.

Recognition of a Deferred Outflow of Resources

12. When an ARO is recognized, a government also should recognize a corresponding deferred outflow of resources.

13. If a tangible capital asset is permanently abandoned before it is placed into operation, a government should immediately report an outflow of resources (for example, an expense) rather than a deferred outflow of resources when an ARO is recognized.

Initial Measurement

Initial Measurement of an ARO

14. A government should determine the types of activities to be included in the measurement of an ARO based on relevant legal requirements; that is, the relevant laws, regulations, contracts, or court judgments. The legal requirements resulting from laws and regulations should be based on applicable federal, state, or local laws or regulations that have been approved as of the financial reporting date, regardless of their effective dates.

15. The measurement of an ARO should be based on the best estimate of the **current value** of outlays expected to be incurred. Current value is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the current reporting period.

16. The best estimate should be determined using all available evidence. This approach requires probability weighting of potential outcomes when sufficient evidence is available or can be obtained at reasonable cost. When probability weighting cannot be accomplished at reasonable cost, the most likely amount in the range of potential outcomes should be used. The determination of that amount should take into consideration all other available evidence that can be obtained at reasonable cost, including the potential for higher or lower outcomes.

Initial ARO Measurement Exception for a Minority Owner

17. A government may have a minority share (less than 50 percent) of ownership interest in an undivided interest[2] arrangement in which (a) the government and one or more other entities jointly own a tangible capital asset to the extent of each entity's ownership interest and (b) each joint owner is liable for its share of the ARO. When a nongovernmental entity is the majority owner of the jointly owned tangible capital asset, the nongovernmental majority owner normally would report its ARO in accordance with the guidance of another recognized accounting standards setter. For example, a governmental utility district may have a 10 percent ownership interest in a power plant with a related ARO, for which 75 percent of the ownership interest belongs to a publicly traded energy company that reports using Financial Accounting Standards Board guidance. In addition, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in an undivided interest arrangement in which (1) none of the joint owners has a majority ownership (more than 50 percent) and (2) a nongovernmental joint owner has the operational responsibility for the jointly owned tangible capital asset and reports the associated ARO

[2]Statement No. 14, *The Financial Reporting Entity,* paragraph 80, states that "an 'undivided interest' (also known as a joint operation) is an arrangement that resembles a joint venture but no entity or organization is created by the participants." It provides the following definition and guidance: "An undivided interest is an ownership arrangement in which two or more parties own property in which title is held individually to the extent of each party's interest. Implied in that definition is that each participant is also liable for specific, identifiable obligations (if any) of the operation. . . . A government participating in this type of arrangement should report its assets, liabilities, expenditures/expenses, and revenues that are associated with the joint operation."

in accordance with the guidance of another recognized accounting standards setter. (Both situations hereinafter are referred to as a government's minority share of an ARO.) In those situations, the provisions for initial measurement of an ARO as described in paragraphs 14–16 do not apply to a government's minority share of an ARO associated with a jointly owned tangible capital asset. Instead, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner, or the nongovernmental minority owner that has operational responsibility, following the guidance of another recognized accounting standards setter. The ARO should not be adjusted to conform to the liability measurement and recognition requirements in this Statement. The measurement date of such an ARO should be no more than one year and one day prior to the government's financial reporting date.

Initial Measurement of a Deferred Outflow of Resources

18. A government should initially measure a deferred outflow of resources associated with an ARO at the amount of the corresponding liability upon initial measurement.

Subsequent Measurement and Recognition

Subsequent Measurement and Recognition of an ARO

19. Subsequent to initial measurement, a government should at least annually adjust the current value of its ARO for the effects of general inflation or deflation.

20. A government also should at least annually evaluate all relevant factors to determine whether the effect of one or more of those factors is expected to significantly increase or decrease the estimated outlays associated with the ARO. A government should remeasure the ARO only when the results of the evaluation indicate there is a significant change in the estimated outlays. Factors that may lead to a significant change in the estimated outlays include, but are not limited to the following:

a. Price increases or decreases due to factors other than general inflation or deflation for specific components of the estimated outlays
b. Changes in technology

c. Changes in legal or regulatory requirements resulting from changes in laws, regulations, contracts, or court judgments
d. Changes in the type of equipment, facilities, or services that will be used to meet the obligations to retire the tangible capital asset.

21. Changes in the estimated outlays should be recognized as an increase or decrease in the carrying amount of the ARO in one of the following ways:

a. For a liability that increases or decreases before the time of retirement of the tangible capital asset, a government should adjust the corresponding deferred outflow of resources.
b. For a liability that increases or decreases at or after retirement of the tangible capital asset, at which time the corresponding deferred outflow of resources has been fully recognized as outflows of resources (as described in paragraph 23), a government should recognize an outflow of resources or an inflow of resources in the reporting period in which the increase or decrease occurs.

Subsequent ARO Measurement Exception for a Minority Owner

22. For a government that has a minority share of an ARO as described in paragraph 17, the provisions for subsequent liability measurement and recognition as described in paragraphs 19 and 20 do not apply. Instead, subsequent to initial measurement, such a government should continue to report its minority share of an ARO using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility in accordance with the requirements described in paragraph 17. The measurement date of such an ARO should be no more than one year and one day prior to the government's financial reporting date.

Subsequent Measurement and Recognition of a Deferred Outflow of Resources

23. Upon initial measurement of a deferred outflow of resources for an ARO, 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 a period of time, in one of the following ways:

a. For a deferred outflow of resources initially reported at the beginning of a tangible capital asset's estimated useful life, the reduction of the deferred outflow of resources should be recognized as an outflow of resources (for example, expense) over the *entire* estimated useful life of the tangible capital asset.
b. For a deferred outflow of resources initially reported after a tangible capital asset has been placed into operation, but before the end of its estimated useful life, the reduction of the deferred outflow of resources should be recognized as an outflow of resources (for example, expense) over the *remaining* estimated useful life of the tangible capital asset, starting from the point at which the deferred outflow of resources is initially recognized.

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

24. In financial statements prepared using the current financial resources measurement focus, liabilities and expenditures 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. Those amounts are normally expected to be liquidated with expendable available financial resources to the extent that they are due and payable. The accumulation of resources in a governmental fund for eventual payment of unmatured general long-term indebtedness, including AROs, does not constitute an outflow of current financial resources and should not result in the recognition of an additional governmental fund liability or expenditure. In the statement of revenues, expenditures, and changes in fund balances, any facilities and equipment acquisitions associated with asset retirement activities should be reported as expenditures.

Effects of Funding and Assurance Provisions

25. If a government is subject to legal, regulatory, or contractual requirements to provide funding and assurance for its AROs by setting aside assets restricted[3] for payment of the AROs, the government should disclose that fact in accordance with the disclosure requirements in paragraphs 27d, 27e, 29c, and 29d.

26. Providing funding and assurance that a government will be able to satisfy its AROs does not satisfy or extinguish the related liabilities, nor should the assets restricted for payment of AROs be used to offset the related liabilities. Any costs associated with complying with funding and assurance provisions should be accounted for separately from the AROs.

Notes to Financial Statements

27. A government should disclose the following information about its AROs, except for its minority share of an ARO as described in paragraphs 17 and 22:

a. A general description of the AROs and associated tangible capital assets, as well as the source of the obligations (whether they are a result of federal, state, or local laws or regulations, contracts, or court judgments)
b. The methods and assumptions used to measure the liabilities
c. The estimated remaining useful life of the associated tangible capital assets
d. How any legally required funding and assurance provisions associated with AROs are being met; for example, surety bonds, insurance policies, letters of credit, guarantees by other entities, or trusts used for funding and assurance
e. The amount of assets restricted for payment of the liabilities, if not separately displayed in the financial statements.

28. If an ARO 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.

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[3]The term *restricted* is discussed in the context of restricted net position in paragraph 34 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended. Restricted refers to constraints that "are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation" (footnote reference omitted).

29. If a government has a minority share of an ARO as described in paragraphs 17 and 22, the government should disclose the following information about its minority share:

a. A general description of the ARO and associated tangible capital asset, including:
   (1) The total amount of the ARO shared by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, other minority owners, if any, and the reporting government
   (2) The reporting government's minority share of the total amount of the ARO, stated as a percentage
   (3) The dollar amount of the reporting government's minority share of the ARO
b. The date of the measurement of the ARO produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, if that date differs from the government's reporting date
c. How any legally required funding and assurance provisions associated with the government's minority share of an ARO are being met; for example, surety bonds, insurance policies, letters of credit, guarantees by other entities, or trusts used for funding and assurance
d. The amount of assets restricted for payment of the government's minority share of the ARO, if not separately displayed in the financial statements.

EFFECTIVE DATE AND TRANSITION

30. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

31. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

The provisions of this Statement need not be applied to immaterial items.

This Statement was issued by the affirmative vote of six members of the Governmental Accounting Standards Board. Mr. Granof dissented.

Members of the Governmental Accounting Standards Board:

GLOSSARY

32. This paragraph contains definitions of certain terms *as they are used in this Statement;* the terms may have different meanings in other contexts.

Asset retirement obligation (ARO)

A legally enforceable liability associated with the retirement of a tangible capital asset.

Contamination

An event or condition normally involving a substance that is deposited in, on, or around a tangible capital asset in a form or concentration that may harm people, equipment, or the environment due to the substance's radiological, chemical, biological, reactive, explosive, or mutagenic nature.

Current value

The amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the current reporting period.

Retirement of a tangible capital asset

The permanent removal of a tangible capital asset from service.

Appendix A

BACKGROUND

A1. Some governments, including public power utilities, have legal obligations to retire certain tangible capital assets at the end of their estimated useful lives. Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs,* provides guidance for the retirement of municipal solid waste landfills but does not address other types of asset retirement obligations (AROs). Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* requires governments to report pollution-related AROs at the time of the retirement, if not previously reported, but does not address reporting during periods leading up to the retirement. Prior to this Statement, there was no specific authoritative guidance regarding governments' AROs associated with other types of tangible capital assets.

A2. When the GASB sought public comment on GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* respondents requested further accounting and reporting guidance for AROs. Those stakeholders indicated that without government-specific guidance, accounting and financial reporting for certain AROs was inconsistent. In practice, some governments applied Financial Accounting Standards Board (FASB) Statement No. 143, *Accounting for Asset Retirement Obligations* (codified into *FASB Accounting Standards Codification*® Subtopic 410-20, Asset Retirement and Environmental Obligations—Asset Retirement Obligations), but others applied GASB Statement 18 by analogy or used some other industry practice.

A3. The Governmental Accounting Standards Advisory Council (GASAC) considered a potential ARO standards-setting topic during its annual discussions of technical plan priorities in 2011–2013, ranking it as high as sixth among all potential topics and pre-agenda research activities in 2013. The GASAC also commented favorably on the possibility of performing pre-agenda research on AROs at its October 2013 meeting.

A4. Pre-agenda research on AROs was initiated by the Board in December 2013. The research included a review of the financial reports of governments, relevant laws and regulations, and existing accounting standards, including those of other accounting standards setters. Financial statement users were surveyed about their perceptions of the usefulness and importance of information regarding AROs. Preparers and auditors of governmental financial statements were interviewed to assess current practice, such as the diversity in the nonauthoritative guidance that governments applied to account for and report their AROs.

A5. Based on the research results, an educational memorandum was presented to the Board at its July 2014 teleconference, and a project prospectus was discussed with the Board in August 2014. To address the perceived need for guidance in this area, the Board added a project to its current technical agenda in August 2014. Deliberations began in November 2014.

A6. In December 2015, the Board approved an Exposure Draft, *Certain Asset Retirement Obligations*. The Board received responses from 29 organizations and individuals.

A7. During the comment period for the Exposure Draft, a field test of the proposed standards was conducted. Participants were asked to apply the provisions of the Exposure Draft to their most recently issued financial statements on a pro forma basis. Field test participants provided information that addressed whether the provisions of the Exposure Draft were understandable and operational, as well as estimated costs to implement the proposed requirements in the Exposure Draft.

A8. The Board assembled a task force for this project composed of members broadly representative of the GASB's stakeholders, including preparers, auditors, and users. The task force members provided feedback on issues discussed by the Board and on drafts of this Statement. In addition, feedback on key issues was provided by members of the GASAC at several of its meetings.

Appendix B

BASIS FOR CONCLUSIONS AND DISSENT

Basis for Conclusions

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

General Approach for the Project

B2. Through the pre-agenda research activities, the Board became aware that there is diversity in practice with regard to the accounting and financial reporting of certain AROs, as a result of governmental preparers and their auditors applying analogies to GASB Statements 18 and 49 and nonauthoritative guidance. That nonauthoritative guidance includes FASB Codification Subtopic 410-20. The Board based the guidance in this Statement on the GASB conceptual framework and relevant accounting standards of the GASB and other recognized accounting standards setters, incorporating specific guidance to address the governmental environment and, when needed, developing additional guidance to address specific issues identified in the stakeholder outreach activities conducted during the development of this Statement. The Board believes this approach to developing the guidance is conceptually sound and best provides for cost efficiency and practicality.

B3. This Statement is based on general principles (for example, recognition, measurement, and disclosure) and provides specific requirements in some areas to operationalize the general principles when needed. The Board believes that this approach is appropriate because:

a. AROs exist for a wide variety of tangible capital assets. Therefore, the guidance needs to have broad applicability to address various types of asset retirement activities and to respond to future changes in technology.

b. The legally enforceable liabilities to retire tangible capital assets result in part from various federal, state, and local laws and regulations, contracts, and court judgments. Therefore, the guidance needs to be flexible enough to accommodate a variety of legal requirements and to allow future changes in the legal and regulatory environment to be addressed by the general principles.
c. When guidance is needed to address unique issues, more specific requirements should be incorporated to operationalize the general principles.

The Board believes this approach is broadly applicable, sufficiently flexible to accommodate a wide variety of AROs within the scope of this Statement, and capable of accommodating future changes in factors that may affect these AROs.

Scope and Applicability

Scope of This Statement

B4. The GASB's pre-agenda research indicated that some governments have potential AROs but do not report them in their financial statements due to the lack of specific authoritative guidance. In addition to governmental utilities that own or operate power plants, general purpose governments and governments that operate in specialized industries, such as healthcare organizations and institutions of higher education, also may have AROs. Examples of such AROs include those associated with the retirement of sewage treatment plants and those associated with the retirement of x-ray machines, magnetic resonance imaging machines, or similar equipment that needs to be disposed of in a specific way due to the radioactive material or waste generated by equipment regulated by federal, state, or local laws and regulations. Other examples include legal obligations associated with the retirement of research facilities owned by public universities, such as the decommissioning liabilities of nuclear research reactors. The Board believes financial information about AROs is essential to a user's understanding of governmental financial statements, regardless of the types of tangible capital assets and types of governments that AROs are associated with.

B5. In framing the scope of this Statement, the Board considered guidance for similar liabilities provided by other standards setters, including the FASB, the International Public Sector Accounting Standards Board, the International Accounting Standards Board, and the Federal Accounting Standards Advisory

Board. The Board also considered previously issued GASB standards and scope-related issues identified during the pre-agenda research. The resultant scope of this Statement incorporates those considerations and covers a broad range of issues. Because the objective of this Statement does not include a reexamination of GASB Statement 18, municipal solid waste landfills covered in the scope of GASB Statement 18 are outside the scope of this Statement.

B6. The Board also considered whether to address landfills that are not covered by Statement 18. Statement 18 limits its scope to only one type of landfill—municipal solid waste landfills, a term that is defined by the U.S. Environmental Protection Agency and similar state and local laws and regulations. (See paragraph 30 of GASB Statement 18.) Therefore, accounting and financial reporting for other types of landfills that do not meet the definition of *municipal solid waste landfill* are not within the scope of Statement 18. The Board decided not to include those other landfills in the scope of this Statement because landfills generally are similar in nature. Many governments currently analogize to Statement 18 to account for and report other landfills, such as hazardous waste landfills, regardless of whether those landfills meet the definition of a municipal solid waste landfill. Given that the nature of all landfills is somewhat similar, the Board believes it would be more effective and practical to examine AROs for all landfills when Statement 18 is reexamined. The Board also believes that excluding landfills not addressed in Statement 18 from the scope of this Statement would avoid potentially prejudging the outcome of a Statement 18 reexamination.

B7. Additionally, the Board considered the relationship between the scope of Statement 49 and the scope of this Statement. Paragraph 4b of Statement 49 excludes from its scope "other future pollution remediation activities that are required upon retirement of an asset (asset retirement obligations, such as nuclear power plant decommissioning) during the periods preceding the retirement" (footnote omitted). Paragraph 44 in the Basis for Conclusions of Statement 49 notes that those obligations "represent a different set of accounting issues than present obligations to address existing pollution. . . ." On the other hand, paragraph 4b also states that Statement 49 applies to other future pollution remediation activities that occur *at the time of retirement* if obligating events are met and a liability has not previously been recorded. In other words, if an ARO is not recognized prior to the retirement of a tangible capital asset and a government is obligated to perform pollution remediation as part of asset retirement activities when that asset is retired, the government will need to apply the guidance in Statement 49 at the time of the retirement. The Board concluded that because provisions in this Statement would cover AROs incurred during periods prior to the retirement of a tangible capital asset, as well as those obligations incurred at and after the time of retirement, governments would no longer need to apply the guidance in Statement 49 to AROs. Therefore, this Statement amends the scope provisions in paragraph 4b of Statement 49.

B8. Some respondents to the Exposure Draft recommended that the Board expand the scope of the project to include a reexamination of Statements 18 and 49. They argued that a comprehensive project on this topic would align all accounting guidance for environmental obligations. Although Statements 18 and 49 were considered in establishing the scope of this project, the Board decided that reexamination of Statements 18 and 49 would significantly expand the scope of this project and that reexamination of those Statements should be the subject of one or more separate projects.

B9. A respondent to the Exposure Draft expressed concerns that this Statement is not consistent with Statements 18 and 49. Throughout the development of this Statement, the Board considered the guidance in Statements 18 and 49. The Board believes that, even though there are some differences in guidance for specific areas, many of the principles remain consistent between this Statement and Statements 18 and 49. Examples include the definition of current value, recognition of liabilities when incurred and reasonably estimable, measurement of liabilities at current value of the expected outlay, and the essential information required for the notes to the financial statements.

B10. This Statement addresses AROs associated with tangible capital assets because the Board's research indicates that AROs generally are not associated with intangible assets.

B11. The scope of this Statement does not include conditional obligations to perform asset retirement activities, such as conditional obligations to remove asbestos if it becomes friable. The Board noted that existing guidance on contingencies in Statement 62 would apply to obligations that meet the criteria in that Statement for the recognition of a liability.

B12. A respondent to the Exposure Draft noted that paragraph 5 requires lessors to recognize AROs associated with leased properties and recommended that the Statement also provide guidance for lessees. The Board noted that a lessee's liability as a result of obtaining the right to use an underlying asset generally would be incorporated into lessee's lease payments, which would be subject to guidance for leases. Therefore, the Board decided that no further guidance is necessary in this Statement.

Definition of Asset Retirement Obligations

B13. The definition of an ARO in this Statement is based on the definition in FASB Codification Subtopic 410-20, with modification to emphasize the key element of legal enforceability embedded in a legal obligation, as discussed in GASB Concepts Statement No. 4, *Elements of Financial Statements*. FASB Codification Subtopic 410-20 defines an ARO as "an obligation associated with the retirement of a tangible long-lived asset." Paragraph 17 of Concepts Statement 4 defines liabilities as "present obligations to sacrifice resources that the government has little or no discretion to avoid." Paragraph 18 of that Concepts Statement further states "the reason that many liabilities cannot be avoided is that they are legally enforceable, meaning that a court could compel the government to fulfill the obligation. Generally, legally enforceable liabilities arise from legislation of other levels of government or contractual relationships, which may be written or oral."

B14. In limiting the scope of this Statement to legal obligations, the Board noted that existing guidance on general recognition for loss contingencies in Statement 62 would apply to situations involving a certain type of constructive obligation that meets the criteria in Statement 62 for the accrual of an estimated loss and rises to the level of recognition of a liability. Therefore, the Board believes constructive obligations are sufficiently addressed under existing guidance for recognition of liabilities in Statement 62. Furthermore, the Board believes that relying on the existing guidance to address loss contingencies and other potential liabilities, such as termination benefits, would avoid the unintended consequences of including all types of obligations within the scope of this Statement. Based on these considerations, the Board concluded that the term *legally enforceable liability,* as established in Concepts Statement 4, should be used when defining an ARO.

B15. The Board considered whether termination benefits associated with a government's asset retirement activities should be included in an ARO. Termination benefit plans can vary significantly based on facts and circumstances. Under existing standards, not all termination benefits meet the definition of a liability (for example, termination benefits that require future services as discussed in paragraph 15 of Statement No. 47, *Accounting for Termination*

Benefits). Further, depending on the specific legal requirements that result in an ARO, termination benefits may or may not be part of a legal requirement that a government has little or no discretion to avoid when engaging in the legally required asset retirement activities. Consequently, the Board does not believe it is appropriate to require that an ARO include or exclude termination benefits. Instead, the Board believes that governments should use professional judgment to determine whether a specific termination benefit should be included in an ARO based on existing standards, specific legal requirements, and specific facts and circumstances.

B16. In addition, the Board considered a scenario in which a government may need to determine whether an obligation under the doctrine of *promissory estoppel*[4] becomes a legal obligation and should be recognized as a liability. However, the Board noted that the recognition criteria in this Statement are based on the definition of a liability in Concepts Statement 4; the Board believes that definition adequately addresses the various ways in which liabilities can arise. The Board believes that governments should consider the definition of a liability in Concepts Statement 4 to determine whether a legal obligation would rise to the level of recognition of a liability. Therefore, the Board concluded it is not within the scope of this Statement to identify when an obligation under the doctrine of promissory estoppel becomes a legal obligation.

Recognition

Recognition of an ARO

B17. This Statement requires governments to recognize AROs. As previously noted, liabilities are defined in Concepts Statement 4 as "present obligations to sacrifice resources that the government has little or no discretion to avoid." The Board believes that an ARO meets all three characteristics of a liability in that definition. First, a present obligation associated with an ARO results from existing legal requirements. The existence of legal requirements is one indication of a present obligation on the government. Second, a government legally required to incur costs to perform asset retirement activities also would be

[4] *Black's Law Dictionary* defines *promissory estoppel* as, "The principle that a promise made without consideration may nonetheless be enforced to prevent injustice if the promisor should have reasonably expected the promisee to rely on the promise and if the promisee did actually rely on the promise to his or her detriment" (Garner, Brian A. *Black's Law Dictionary.* 7th ed. Minnesota: West Group, 1999).

required to sacrifice resources. Those costs may vary with the type of tangible capital asset and the provisions in the laws or regulations, contracts, or court judgments; nonetheless, they all require the government to sacrifice resources for payment of those costs. Third, because AROs are defined as legally enforceable liabilities, other parties could compel the government to fulfill the obligation, leaving the government with little or no discretion to avoid the obligation.

B18. Some respondents to the Exposure Draft disagreed with the recognition of an ARO, expressing concern about the uncertainty in estimating the amount of the liability many years in advance of its settlement. A respondent also argued that the uncertainty makes disclosure more appropriate than recognition. The Board noted that the uncertainty related to the amount of an ARO is incorporated in the estimation of the liability based on the probability of potential outcomes, when sufficient evidence is available or can be obtained at reasonable cost. The Board believes that despite any issues associated with uncertainty of measurement, the existence of the liability is not uncertain because legal requirements impose a present obligation on the government to sacrifice resources. The Board also noted that paragraph 34 of Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements,* states, "Disclosure in the notes to financial statements . . . is not an adequate substitute for recognition in the financial statements." The Board concluded that an ARO meets the definition of a liability in Concepts Statement 4 and that a government should recognize an ARO when the liability is incurred and reasonably estimable.

Pattern of recognition of a liability

B19. As stated above, this Statement requires governments to recognize an ARO when the liability is incurred and reasonably estimable. The Board believes this approach is appropriate as a general principle because it is consistent with guidance in other Statements for liabilities with similar patterns of recognition. For example, Statement 49 requires a pollution remediation obligation to be recognized when an obligating event occurs and a liability can be reasonably estimated. Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* requires recognition of a liability for incurred but not reported claims if it is probable that a loss has been incurred and the amount can be reasonably estimated.

B20. The Board also considered two alternatives for the pattern of recognition of an ARO. One alternative, similar to the approach used in Statement 18, would have been to base the pattern of recognition of a liability on the use of the asset. Statement 18 requires governments with municipal solid waste landfills to recognize and measure the accrued liability for closure and postclosure care using a formula that assigns that liability to periods based on cumulative landfill use. However, as discussed in paragraph B17, the Board believes that obligations within the scope of this Statement should be recognized when they become legally enforceable, rather than being recognized based on the use of the asset. The other alternative considered by the Board was to base the pattern of recognition of a liability on the passage of time. However, the Board did not favor that alternative because it would have delayed the recognition of legally enforceable obligations and it would not have been adaptable to potential changes in an ARO that may occur from year to year. Those potential changes may be caused by advances in technology, changes in laws and regulations, or changes in other relevant factors that affect the asset retirement activities. Therefore, the Board concluded that those two alternatives were not viable bases for the pattern of recognition of an ARO.

Timing of recognition of a liability—external and internal obligating events

B21. This Statement requires consideration of the occurrence of both an external obligating event and an internal obligating event to determine when an ARO is incurred. The Board believes that the requirement to use obligating events as indicators of the timing of recognition of the liability operationalizes the general principle for recognition of a liability. The Board concluded that the occurrence of both an external obligating event and an internal obligating event is evidence that a government has a reasonable expectation that a sacrifice of resources will occur and recognition of a liability would be required if the sacrifice of resources can be reasonably measured. This approach is similar to the approach used in Statement 49, which requires that a government determine whether one or more components of a pollution remediation obligation are recognizable as a liability once an obligating event occurs. The Board believes that, similar to Statement 49, the approach of using an external obligating event and an internal obligating event to determine the timing of recognition provides a practical way of specifying when a government should recognize an ARO.

B22. A respondent to the Exposure Draft stated that using both external and internal obligating events to indicate when an ARO is incurred may cause confusion and suggested removing the notion of obligating events from the recognition criteria. The Board noted that the obligating-events approach is a practical solution and proved to be effective for the implementation of Statement 49. The Board also noted that participants in the field test of the Exposure Draft generally were able to apply the recognition provisions using the obligating-events approach without significant issues. In the Board's view, the notion of obligating events assists in operationalizing the general principle of recognition because it helps governments identify when an ARO should be recognized. Therefore, the Board concluded that the obligating-events approach should be incorporated into the recognition provisions.

External Obligating Events

B23. An external obligating event is an event external to a government that establishes the legal enforceability of requirements to perform asset retirement activities. An external obligating event can include the approval of a law or regulation, creation of a contract, or issuance of a court judgment. The Board believes the existence of legal requirements from those external sources that legally bind a government to perform asset retirement activities is inherent in the definition of an ARO. In the case of laws or regulations, their enactment normally would constitute an event external to the government that is bound by them. Therefore, the Board concluded that the approval of laws or regulations indicates that an external obligating event has occurred. The Board also believes that the creation of a contract indicates that an external obligating event has occurred because contracts are legally binding documents that impose enforceable legal obligations on parties entering into the contracts. Finally, the Board believes that the issuance of a court judgment against a government that requires the government to perform asset retirement activities also is an external obligating event because a court judgment is legally binding.

B24. Paragraph 9a of the Exposure Draft stated that one type of external obligating event is the "approval of federal, state, or local laws or regulations." Some respondents to the Exposure Draft believe that the date when the laws or regulations become *effective* should be the external obligating event rather than the date of *approval,* because certain laws do not become effective for a number of years after approval. The Board acknowledges that approval of laws may occur before the laws become effective. Although an ARO may not be enforceable at the time of approval, it is unlikely that a government would have the discretion to avoid that obligation in the future once the law is approved. The Board believes that not requiring the recognition of a liability until the effective date will not adequately inform the users about significant liabilities that a government is aware of. In addition, the provision that requires legal obligations resulting from laws or regulations to be based on their approval rather than on their effective dates is consistent with those in Statements 18 and 49. Therefore, the Board concluded that the approval of federal, state, or local laws or regulations is an appropriate external obligating event, and that provision should be included in this Statement.

B25. A respondent to the Exposure Draft suggested adding an external obligating event for a government's voluntary action to retire a capital asset without any legal requirement. The Board believes a government's voluntary action does not have the same legal enforceability as a legal obligation. Without legal enforceability, which results in an obligation that a government has little or no discretion to avoid, the Board does not believe a government's voluntary action generally would result in a liability. Therefore, the Board decided not to expand external obligating events to include governments' voluntary actions associated with asset retirement activities.

Internal Obligating Events

B26. An internal obligating event is an action taken by a government (hence the term *internal*) that requires the government to apply legal requirements to the government's specific circumstances. Through pre-agenda research and outreach to project task force members, the Board noted that, due to the unique nature of contamination-induced AROs, especially nuclear contamination-related AROs, existing AROs generally can be divided into two groups: (a) AROs that are related to contamination, such as AROs incurred by nuclear reactors, and (b) non-contamination-related AROs. Therefore, to differentiate between these two groups, the Board decided to use the classifications "contamination-related AROs" and "non-contamination-related AROs."

B27. Some Statements refer to the term *contamination,* although it is not defined in current literature. For example, the glossary of Statement 49 defines *pollution remediation obligation* as "an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. For example . . . obligations to remove contamination such as asbestos are pollution remediation obligations." The scope of this Statement excludes obligations for contamination removal, such as asbestos, that result from other-than-normal operations. In other words, contamination covered in Statement 49, as amended, would not be included in this Statement. For that reason, paragraph 10a of this Statement limits contamination to that which is either "a result of the normal operation of the tangible capital asset" or "not in the scope of Statement 49, as amended."

B28. This Statement provides different recognition guidance depending on whether an ARO arises from contamination. Consequently, the Board concluded that a definition of the term *contamination* should be provided in this Statement. The Board decided to develop a definition of contamination for the purposes of this Statement. The definition is derived from definitions provided by federal agencies, such as the U.S. Nuclear Regulatory Commission, with modifications to make it applicable to other types of substances that may contaminate an asset and result in a retirement obligation.

B29. Statement 18 uses a "plan" approach to determine when a liability should be initially recognized. Specifically, paragraph 4a of Statement 18 states that the estimated total current cost of municipal solid waste landfill closure and postclosure care should include "the cost of equipment expected to be installed and facilities expected to be constructed (based on the [municipal solid waste landfill] MSWLF operating plan). . . ." Paragraph 6 of Statement 18 requires that current cost be "adjusted when changes in the closure or postclosure care plan or MSWLF operating conditions increase or decrease estimated costs." For this Statement, the Board considered including a similar plan approach in the list of internal obligating events but did not believe completion of an asset retirement plan is a feasible internal obligating event for all types of tangible capital assets that may be subject to the requirements of this Statement. Research results and outreach activities indicate that, in many cases, tangible capital assets subject to AROs are not required to have a completed asset retirement plan before a regulatory agency grants a government the license or permit to start operations. In addition, research indicates that it is fairly common for a government to complete a legally required asset retirement plan after the operation of the tangible capital asset commences. Therefore, the Board concluded that completion of an asset retirement plan should not, by itself, be an internal obligating event.

B30. Some respondents requested modification to the provisions of the internal obligating events to address specific scenarios, and others requested clarifications and additional guidance. The Board considered how the internal obligating events would apply to each scenario raised by the respondents. The Board believes the provisions in this Statement describe the general approach to identifying internal obligating events and provide sufficient guidance to address possible scenarios. Therefore, the Board decided it is not necessary to modify the provisions of internal obligating events for this Statement.

Recognition of a Deferred Outflow of Resources

B31. This Statement requires a government to report a corresponding deferred outflow of resources when an ARO is recognized, unless the tangible capital asset is permanently abandoned before it is placed into operation. By requiring a government to generally report a deferred outflow of resources rather than an outflow of resources when a liability is initially recognized, this Statement reflects the Board's view that in the context of an ARO, the outflow of resources is applicable to future reporting periods rather than just to the current reporting period. The Board does not believe asset retirement costs meet the definition of assets in paragraph 8 of Concepts Statement 4: "resources with present service capacity that the government presently controls." The Board believes that because asset retirement costs represent resources that will be needed to permanently remove a tangible capital asset from service, such resources generally do not provide present service capacity to the government. Therefore, the Board concluded that asset retirement costs should not be capitalized as part of a tangible capital asset.

B32. Using the hierarchy developed by the Board in deliberating the provisions of Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the Board considered the deferred outflows of resources element. A deferred outflow of resources is defined in paragraph 32 of Concepts Statement 4 as "a consumption of net assets by the government that is applicable to a future reporting period." The Board noted that when a government recognizes an ARO in the current reporting period, the outflow of resources does not necessarily relate to the same reporting period. Although those costs do not enhance the service capacity of the related tangible capital asset, the costs are applicable to future periods when that capital asset provides services. Therefore, the Board believes asset retirement costs meet the definition of a deferred outflow of resources.

B33. The Board noted that, in some cases, a tangible capital asset may be permanently abandoned before it is placed into operation. However, there may be existing legal requirements that require the government to perform asset retirement activities for the tangible capital asset after permanent abandonment. In those cases, a government would recognize an outflow of resources instead of a deferred outflow of resources for the costs to retire the tangible capital asset because those costs are not applicable to future periods.

Exclusion of Regulatory Accounting

B34. The Board considered how this Statement should address regulatory accounting with respect to asset retirement costs and how they can be recovered by rate-regulated entities. The Board noted that, in GASB literature, guidance on rate-regulated operations is provided in paragraphs 476–500 of GASB Statement 62, which incorporates FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation,* and its amendments issued prior to November 30, 1989, including FASB Statement No. 90, *Regulated Enterprises—Accounting for Abandonments and Disallowances of Plant Costs.* In addition, GASB Statement 65 amends paragraph 482 of GASB Statement 62 by incorporating the concept of deferred inflows of resources in the criteria for recognition of a regulatory liability. However, the amendments do not change the essence of those criteria.

B35. The Board considered two alternatives for addressing regulatory accounting. One alternative was to examine the guidance in paragraphs 476–500 of Statement 62 and paragraphs 28 and 29 of Statement 65 to determine whether the guidance needs to be amended and whether AROs and associated costs should be recognized as regulatory assets, regulatory liabilities, deferred outflows of resources, or deferred inflows of resources. However, the Board concluded that this alternative was not appropriate because it would have required reexamination of the guidance on regulatory accounting in Statement 62, as amended. Whether certain costs are allowable for rate-making purposes determines whether they can be recovered from the rates charged to customers of governmental utilities. That determination would depend on whether those costs meet the criteria presented in the guidance for regulatory accounting. Costs related to asset retirement comprise some, but not all, of the costs that would be considered for rate-making purposes. Without a comprehensive study of regulatory accounting, the Board believes it would be premature and inappropriate to make any changes to the existing guidance on regulatory accounting. Furthermore, the Board believes such a study is beyond the scope of this project.

B36. The other alternative considered by the Board was to continue applying the current guidance in Statement 62, as amended, on regulatory accounting. This approach relies on the criteria in that Statement to determine whether AROs and associated costs meet the criteria for a regulatory asset, regulatory liability, deferred outflow of resources, or deferred inflow of resources, and to recognize those elements when the criteria are met. The Board concluded that this alternative, which continues the regulatory accounting guidance in Statement 62, as amended, is the appropriate approach. The Board noted that outreach to the project task force members indicated that neither the preparers nor the auditors who apply the guidance on regulatory accounting in Statement 62, as amended, have faced significant issues or difficulties in applying that guidance to AROs. The Board believes this approach also would avoid expansion of the scope of this project to cover the much broader subject of regulatory accounting.

Initial Measurement of an ARO

Settlement Amount

B37. To measure an ARO, the Board considered two measurement attributes: (a) fair value, which would measure the liability as the exit price that would be paid to transfer the liability in an orderly transaction between market participants, and (b) settlement amount, which would measure the liability as the amount that the government expects to pay to settle the liability. The Board concluded that settlement amount is more appropriate for measuring an ARO. Governments generally do not attempt to sell or transfer a liability for AROs to other market participants in an active market. Instead, governments generally pay to settle or liquidate that liability. In fact, certain legal requirements may prohibit governments from transferring their AROs to other parties. Some may argue that choosing fair value over settlement amount would better reflect the assumptions that AROs are settled with third parties in an active market. However, the Board does not believe that an ARO should reflect those assumptions because governments generally settle their AROs internally.

B38. A respondent to the Exposure Draft expressed concern regarding the use of settlement amount as the measurement attribute for an ARO. That respondent argued that some government utilities may settle AROs outside the organization and, therefore, fair value would be a more appropriate measurement attribute. However, the Board noted that government utilities participating in pre-agenda research and the field test indicated it is common practice to settle AROs internally, and it is rare for them to transfer an ARO to other market participants. The Board also noted that a fair value measurement represents an exit price and, therefore, would not reflect the costs that a government expects to incur to settle an ARO internally. In conclusion, the Board affirmed that settlement amount is the appropriate measurement attribute for an ARO.

Current Value

B39. This Statement requires an ARO to be measured based on its current value—the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the current reporting period—rather than its present value. Measurement at current value is consistent with the requirements in Statement 18 to estimate landfill closure and postclosure care costs at their "current cost" and in Statement 49 to estimate pollution remediation obligations. Recognizing that many governments may determine the initial estimate of an ARO liability during the reporting period and then roll that estimate forward to the end of the reporting period, the Board modified the definition of current value for this Statement to explicitly state that the measurement date is the end of the current reporting period, except as provided for minority owners in paragraph 17.

B40. The Board believes there is uncertainty related to the timing and eventual amount of an ARO. Therefore, the Board believes that projecting uncertain cash flows to future periods and discounting those cash flows would add more subjectivity than relevance to the ARO measurement. The Board noted that in current literature for similar liabilities, present value generally is used to measure a liability when future cash flows result from specific contractual obligations that set the timing and amount of contractual payments. However, when future cash flows are nonstructured and, therefore, are uncertain in timing and amount, discounting may not be warranted. Present value also may be appropriate in situations in which many individual liabilities are measured in the aggregate such that statistical methods can approximate the timing and amount of payments, but that condition does not apply to most AROs. On the other hand, current value is equivalent to discounting expected future costs at the inflation rate, thus achieving much of what present value intends to achieve.

B41. An additional issue in applying present value would be selecting an appropriate discount rate. There are many possibilities for what discount rate may be used and whether flexibility should be allowed for different governments to use different rates. Potential rates could include the risk-free rate, credit-adjusted risk-free rate, incremental borrowing rate, investment rate, applicable inflation rate, or other rates. If the inflation rate is chosen, it would be equivalent to using current value and annually remeasuring the liability's current value measurement with the inflation rate. If another rate is chosen, additional issues regarding remeasurement of that rate could make the potential guidance on measurement more complex; for example, by requiring different discount rates for different reporting periods.

B42. The Board believes that, although both present value and current value can achieve the objectives and qualitative characteristics of financial reporting, current value is less subjective and less complex than present value for the measurement of AROs and, therefore, may be less burdensome to apply. For example, the Board's research indicated that, for nuclear power plant decommissioning, the engineers developing estimates of asset retirement costs typically start with current value information. Therefore, for cost–benefit reasons and simplicity of measurement, the Board believes current value is more appropriate than present value for measuring an ARO.

B43. Some respondents to the Exposure Draft expressed concerns regarding the use of current value instead of present value to measure AROs. Some believe present value provides more relevant information, and some expressed concerns about the inconsistency with private-sector standards that require the use of present value. The Board noted that, in pre-agenda research and the field test, many preparers and auditors of governmental utilities remarked on various challenges in applying present value to AROs. One major challenge relates to the projection of the future cash flows and the estimate of probabilities for potential future outcomes, which are part of the calculation of the present value of expected future cash flows measurement. Another challenge involves complexities in tracking future upward and downward adjustments associated with the layering approach, as discussed in paragraph B53, to undiscounted cash flows in each reporting period and applying separate discount rates to each adjustment. The Board weighed potential complexity and cost versus benefit when comparing current value with present value, in addition to the consideration of the governmental environment. The Board acknowledges the differences between current value and present value but also noted the benefits of consistency with Statements 18 and 49. The Board concluded that measuring AROs at current value achieves much of what present value intends to achieve without added complexity and is more appropriate for the governmental environment.

Measurement Approach

B44. Measurement of an ARO requires probability weighting of potential outcomes when sufficient evidence is available or can be obtained at reasonable cost. It also allows the use of the most likely amount in the range of potential outcomes when probability weighting cannot be accomplished at reasonable cost.

B45. The Board considered two conventional measurement approaches: (a) a probability-weighted approach and (b) a best-estimate approach. Because those two approaches are not defined in GASB Concepts Statements, individual Statements have applied both approaches on a broad basis. Furthermore, some Statements have tailored their use of the terms to meet the needs of that specific guidance such that application of those two measurement approaches would faithfully reflect the economics of the transactions being measured.

B46. An obligation measured using a probability-weighted approach is the sum of probability-weighted amounts in a range of possible estimated amounts. For example, Statement 49 requires measuring pollution remediation obligations using the probability-weighted approach because the Board believes the prevalence of pollution remediation and the existence of comparable data about ranges of potential outcomes provides governments with access to enough information to use such an approach. An obligation measured using a best-estimate approach would typically be the "single most likely amount" in a range of possible estimated amounts.

B47. After considering the advantages and disadvantages of a probability-weighted approach and a best-estimate approach currently used in existing standards, the Board concluded that the measurement approach for an ARO should be based on a best-estimate approach in a broad sense. In other words, it is an approach that requires probability weighting when relevant data can be obtained at reasonable cost, and when probability weighting cannot be achieved at reasonable cost, the most likely amount in a range of potential outcomes can be used without probability weighting.

B48. Some respondents to the Exposure Draft were concerned that the best-estimate approach described in this Statement would introduce inconsistencies with the measurement approaches used in Statements 18 and 49. Although the approach described in this Statement as the best estimate may appear different from how some other GASB Statements apply a best-estimate or a probability-weighted approach, the Board believes it is, in fact, consistent with the general application of these two approaches in the existing guidance.

Subsequent Measurement and Recognition of an ARO

B49. The Board considered two general approaches to subsequent measurement of an ARO to adjust for the effects of factors other than general inflation and deflation: (a) automatically remeasure the ARO annually or (b) use a two-step process of evaluating relevant factors first, remeasuring the ARO only when annual (or more frequent) evaluation of one or more relevant factors indicates there are significant changes in estimated asset retirement outlays. Because the current value of the ARO implies that the effects of general inflation or deflation should be incorporated in the subsequent measurement, the Board believes that a government should at least annually adjust the current value for the effects of general inflation or deflation. In addition, the Board believes that a government also should remeasure the ARO when the results of the annual evaluation of the relevant factors, such as those described in paragraph 20, indicate a significant increase or decrease in estimated asset retirement outlays.

B50. A respondent to the Exposure Draft commented that annual adjustments for the effects of general inflation or deflation would be burdensome to preparers and suggested changing the measurement to present value. The Board does not believe using present value will alleviate the monitoring efforts and likely would be more costly in most circumstances. The Board noted that using present value also would require subsequent monitoring efforts, including recalculation of the projected future cash flows and adjustments to the discount rate. Projecting future cash flows and adjusting the projections in subsequent reporting periods would require considerable monitoring. As discussed in paragraphs B39–B43, the Board believes that current value measurement is the appropriate measurement technique for AROs. The Board continues to believe it is necessary to require annual adjustment of the current value for the effects of general inflation or deflation.

B51. Some respondents raised concerns that there may be inconsistent application of the remeasurement provisions because the term *significant* is not defined. The Board believes determining what constitutes a significant change is a matter of professional judgment based on facts and circumstances and does not believe a definition and specific criteria for determining significance would be applicable to all situations. Therefore, the Board decided not to provide clarification or a definition of the term *significant.*

B52. Some respondents requested that the subsequent measurement guidance be simplified by requiring annual remeasurement of the ARO rather than the two-step periodic reevaluation approach required by this Statement. Apart from the adjustment for general inflation or deflation, this Statement requires remeasurement only when an evaluation of relevant factors indicates a significant change in estimated outlays. This approach is consistent with that of Statements 18 and 49, partly for the purpose of reducing the ongoing monitoring efforts for governments. The Board believes the two-step approach will allow governments to avoid incurring unnecessary costs to remeasure liabilities when none of the relevant factors indicate a significant change to the liability has occurred. The Board acknowledges that requiring governments to remeasure the liability without an evaluation process may be less complex; however, it believes that approach would take away the cost relief provided by the two-step approach. In conclusion, the Board believes the two-step approach is more cost effective for subsequent measurement of the liability.

B53. A respondent expressed the view that using a "layering" method for remeasurement of an ARO would be more beneficial for determining how costs should be recognized in future periods. A layering method would require any incremental liability incurred in a subsequent reporting period to be considered an additional layer of the original liability and would require that additional layer to be separately measured for the applicable subsequent reporting periods. The Board noted that the interviewees in the pre-agenda research, field test participants, and project task force members generally expressed the view that applying a layering method introduces significant complexity and increases monitoring efforts. The Board believes that requiring a layering method for subsequent measurement would impose a significant burden on preparers and auditors with limited benefits and that it would negate much of the simplicity and cost–benefit factors that current value measurement is intended to provide. Therefore, the Board concluded that layering should not be required.

B54. The Board concluded that governments should evaluate all relevant factors at least annually when assessing the need to remeasure an ARO. The Board was concerned that if a government evaluates those factors less frequently than on an annual basis, potential significant changes in the estimated asset retirement outlays resulting from changes in any of those factors may not be identified and reported on a timely basis. The Board also noted that certain legal requirements may require some governments to report their financial information more frequently than on an annual basis. For example, some governments may be subject to quarterly regulatory reporting. The provisions in this Statement establish a requirement to perform an evaluation of all relevant factors at least annually.

B55. The Board decided to include the factors in paragraph 20 as examples that may indicate a change in the estimated asset retirement outlays. Those factors are consistent with existing accounting literature from the GASB and other accounting standards-setting bodies for similar obligations. Additionally, the Board believes those examples of factors will help operationalize the general approach to remeasuring an ARO when new information indicates estimated asset retirement outlays have significantly changed.

B56. The Board believes that under the concept of interperiod equity, changes in estimated asset retirement outlays should be applicable not only to the period of change but also to future periods during which the asset's service utility is consumed, regardless of what factors have caused those changes. The Board does not believe the expected benefits of separating the changes due to general inflation or deflation from changes due to other factors would justify the potential cost and complexity of doing so. Consequently, the Board concluded that changes in an ARO due to general inflation or deflation should not be separately accounted for as an outflow of resources. Instead, they should be reported as a deferred outflow of resources and be recognized as an outflow of resources over the remaining estimated useful life of the tangible capital asset in the same way that governments would report changes in an ARO due to factors other than general inflation or deflation.

B57. This Statement requires that, in subsequent periods, for changes in AROs that occur before the time of retirement of the tangible capital asset, a government also should adjust the corresponding deferred outflow of resources. The Board believes this approach achieves interperiod equity by recognizing the asset retirement outlays in the applicable periods in which the service is provided.

B58. There may be circumstances in which changes in an ARO occur at or after the time of retirement of the tangible capital asset, as described in paragraph 21b. The Board considered an example in which a governmental power plant reached the end of its estimated useful life and asset retirement activities have commenced. The deferred outflows of resources have been completely recognized as outflows of resources by the time of retirement of the power plant. However, the government incurred additional asset retirement outlays that were not previously included in the ARO. In such circumstances, because the tangible capital asset is no longer in service, the additional asset retirement outlays would not be applicable to future periods. Consequently, the Board concluded that the additional asset retirement outlays in this example do not meet the definition of an asset or the definition of a deferred outflow of resources in Concepts Statement 4. Instead, the Board believes the additional asset retirement outlays that are incurred at or after the time of retirement of the tangible capital asset are applicable to the reporting period in which those outlays are incurred and, therefore, should be recognized as outflows of resources in the resource flows statement. Similarly, the Board believes a reduction of asset retirement outlays that reduce the original estimated total ARO at or after the time of retirement should be recognized as an inflow of resources in the resource flows statement.

ARO Measurement Exception for a Minority Owner

B59. Paragraph 80 of Statement No. 14, *The Financial Reporting Entity,* provides the definition of an undivided interest (also known as a joint operation) and the following guidance: "A government participating in this type of arrangement should report its assets, liabilities, expenditures/expenses, and revenues that are associated with the joint operation." When a government has a minority share (less than 50 percent) of ownership in a jointly owned capital asset, the nongovernmental majority owner normally reports the associated ARO in accordance with the guidance of another recognized accounting standards setter, such as the FASB. A respondent to the Exposure Draft raised a concern about applying the proposed current value measurement to a government's minority share of an ARO in an undivided interest arrangement, in which the nongovernmental majority owner reports the total amount of the ARO based on the fair value measurement under FASB guidance. Some participants in the field test raised similar concerns about potential issues and challenges governments would encounter when applying the measurement provisions in this Statement to those scenarios. The Board also considered another scenario in which there is no majority owner (that is, all owners individually own less than 50 percent of the capital asset with an associated ARO). A nongovernmental minority joint owner may have operational responsibility for the jointly owned capital asset and report the associated ARO in accordance with the guidance of another recognized accounting standards setter, such as the FASB. Some respondents questioned how to apply the measurement provisions of this Statement to that situation.

B60. The Board considered whether to address the reporting of AROs arising from minority ownership in both scenarios and concluded it was necessary to provide guidance in this Statement. The Board noted that even though Statement 14 provides some reporting guidance for undivided interest arrangements, that guidance does not address the measurement issue. Because this issue also was not addressed in Statement 18 or Statement 49, the Board was concerned about potential inconsistency in financial reporting for governments' minority shares of AROs.

B61. The GASB's research indicated the most common arrangements for a government's minority share of an ARO are in the form of an undivided interest, as described in paragraph 80 of Statement 14. In deciding how to address the accounting and financial reporting of a government's minority share of an ARO, the Board considered three alternatives.

B62. One alternative would have required a governmental minority owner to convert the measurement of its minority share of an ARO, which is produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility (nongovernmental owner), to conform to the measurement provisions of this Statement. The Board acknowledges that this approach would enhance the comparability of AROs reported in governmental financial statements; however, it also would be difficult and costly to implement. The Board's outreach indicates that governmental minority owners often find it difficult and sometimes not practicable to obtain from the nongovernmental owner necessary information used in the measurement of an ARO. Such information includes the methods, assumptions, and discount rates used in the ARO cost study. The Board does not believe the cost and complexity involved in this alternative would be justified by the potential benefit.

B63. Another alternative would have required a government to convert to current value the measurement produced by the nongovernmental owner under other recognized accounting standards, if it could be done at a reasonable cost in both the initial year and in subsequent years. Although this approach would provide flexibility, the Board rejected this approach because it would result in inconsistent reporting among governments.

B64. The Board concluded that the most appropriate alternative given the circumstances was to provide an exception to the initial and subsequent measurement provisions of a liability set forth in this Statement for governments that have minority shares of AROs. This exception allows governments to report their minority shares of AROs using the measurement produced by the nongovernmental owner without adjustment to the liability measurement and recognition provisions of this Statement. In all subsequent reporting periods, the government also would report its minority share of AROs using the measurement produced by the nongovernmental owner. The Board believes that when the majority owner or the joint owner that has operational responsibility is a nongovernmental entity, a governmental minority owner would have little or no influence over the accounting of the ARO measurement and may not have access to the information incorporated into the measurement of the ARO. The Board noted that many governments currently report minority shares of AROs using the measurement produced by a nongovernmental owner. The Board believes that this alternative would allow those governments to continue their current practice. Therefore, the Board believes that this alternative would be the least burdensome to implement. As previously noted, this alternative would impact comparability between a government's AROs associated with its wholly owned capital assets and those AROs associated with its minority share in a jointly owned capital asset. However, the Board believes that consistency among governments that report minority shares of AROs is as important.

B65. The Board considered that there may be instances in which a government with a minority share of an ARO is jointly and severally liable for the entire ARO when other joint owners are under severe financial stress such as bankruptcy. That instance could potentially result in a liability for the government with a minority share, depending on factors such as the joint ownership agreement and the ability of other responsible parties to pay their portions of the ARO. The Board considered whether this Statement should provide specific guidance to address (a) whether a government should recognize a liability resulting from joint and several liabilities for other joint owners' shares of the ARO, and (b) if applicable, how a government should account for and report such a liability. However, the Board believes current guidance on loss contingencies included in paragraphs 96–110 of Statement 62 sufficiently addresses accrual of loss contingencies in those circumstances. Therefore, the Board concluded it is not necessary to provide specific guidance in this Statement to address those situations.

B66. This Statement uses the term *another recognized accounting standards setter* to refer to accounting standards that may be followed by a nongovernmental joint owner. The Board acknowledges it is possible that a nongovernmental joint owner that determines the accounting standards used for the measurement of the ARO of the jointly owned capital asset may follow generally accepted accounting principles or international financial accounting and reporting principles, as described in the American Institute of Certified Public Accountant's (AICPA) "Accounting Principles Rule" (AICPA, *Professional Standards,* ET sec. 1.320.001). The Board believes the term *another recognized accounting standards setter* incorporates those possibilities and, therefore, is appropriate to be used in this Statement.

Subsequent Measurement and Recognition of a Deferred Outflow of Resources

B67. The Board believes the pattern of subsequent measurement and recognition of a reduction of a deferred outflow of resources, which refers to the periods to which an outflow of resources (for example, expense) is applicable, should be determined by applying the concept of interperiod equity. Interperiod equity is described in paragraph 27 of Concepts Statement 4 as "the state in which current period inflows of resources equal current period costs of services. For example, the burden of the cost of services is borne by present-year taxpayers and revenue providers. This burden is not shifted to future-year taxpayers or revenue providers through an increase in the level of borrowing. . . . Interperiod equity is a relevant metric to assess accountability, rather than a goal that is expected to be met for any particular period of time." The Board believes financial reporting that is consistent with the concept of interperiod equity helps users assess whether future taxpayers (or ratepayers) will be required to assume burdens for services previously provided. For example, it would help users assess whether future taxpayers will be required to assume AROs that are associated with the service capacity previously provided by the tangible capital asset before it is removed from service upon its retirement.

B68. The Board considered several alternatives for the pattern of subsequent recognition of a reduction of the deferred outflows of resources as outflows of resources after initial measurement. One alternative considered would have resulted in recognition of an outflow of resources according to the actual disbursements made to reduce an ARO. However, the Board noted that most disbursements for goods and services used to retire a tangible capital asset are made near, at, or after the time of its retirement. Therefore, this alternative could delay the recognition of outflows of resources to periods to which the consumption of net assets is not applicable. Under this alternative, the cost of using the tangible capital asset and the cost of retirement would not be reflected in each reporting period that the tangible capital asset is in service. The Board rejected this alternative because it does not believe this approach is consistent with the concept of interperiod equity. Another alternative considered by the Board would have been to require recognition of outflows of resources using the straight-line method over the estimated useful life of the tangible capital asset. Although the Board believes the straight-line method often is consistent with the concept of interperiod equity with regard to AROs, the Board does not believe it necessarily is the only method that would appropriately reflect interperiod equity. The Board believes there are other *systematic and rational methods* that are consistent with that concept.

B69. The Board concluded that the most appropriate recognition method was to recognize a reduction of deferred outflows of resources as outflows of resources in a systematic and rational manner over the estimated useful life of the tangible capital asset. The Board noted that a *systematic and rational method* is widely referred to in current literature. Other GASB Statements require a systematic and rational method for recognition of deferred outflows of resources as outflows of resources and for recognition of deferred inflows of resources as inflows of resources. For example, Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* addresses hedging of expected transactions. When a hedging derivative instrument is terminated in anticipation of a financial instrument being entered into, Statement 53 requires that any deferred outflows of resources or deferred inflows of resources recognized under hedge accounting be recognized in a systematic and rational manner over the life of the financial instrument entered into. Likewise, Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* requires recognition of deferred inflows of resources as revenue in a systematic and rational manner over the term of the service concession arrangement. The Board believes recognition in a systematic and rational manner is consistent with both the concept of interperiod equity and existing literature. In addition, using a systematic and rational method does not preclude a government from applying a straight-line method. In fact, the Board noted that, in practice, a straight-line method is commonly used when preparers apply a systematic and rational method.

B70. The Board also considered when a government should begin to reduce the deferred outflows of resources for an ARO and recognize outflows of resources. One alternative considered was to begin recognizing outflows of resources when the actual disbursements are made. However, the Board rejected that alternative because it believes recognition would be delayed and that the alternative is not consistent with the concept of interperiod equity. Instead, the Board concluded that a government should begin to recognize outflows of resources immediately after an ARO is recognized (along with its corresponding deferred outflows of resources). Because deferred outflows of resources generally are not recognized until a tangible capital asset is placed into service, the Board believes this approach would be consistent with the concept of interperiod equity and would ensure that the full cost associated with operating the tangible capital asset is recognized during the applicable reporting periods.

B71. Some respondents to the Exposure Draft expressed concerns or asked questions about applying the provisions for subsequent measurement and recognition of a reduction of deferred outflows of resources in various scenarios and requested that additional guidance be provided. For example, a respondent expressed concerns about the application of the provisions when the estimated useful life of the asset is extended. The Board noted that extension of the estimated useful life of a capital asset normally indicates an increase in its service capacity and is an extension of the future service periods. The extension affects the length of time over which a reduction of the deferred outflows of resources would be recognized as outflows of resources, but it does not affect how the recognition guidance should be applied.

B72. Some respondents requested guidance for AROs that are associated with capital assets that are fully depreciated but still in use. The Board noted that if the capital asset has been fully depreciated but is still in use, the asset has not actually been retired. The Board noted that the issue regarding the reestimation of the useful life of a capital asset and related accounting changes is not unique to AROs; rather, it is an issue relevant to capital assets in general. For example, Q&A 7.13.5 of *Implementation Guide No. 2015-1* notes that fully depreciated capital assets in use are still reported. In addition, paragraphs 63–89 of Statement 62 provide guidance on accounting and financial reporting for various types of accounting changes and for corrections of errors.

B73. Some respondents requested clarification about whether the deferred outflows of resources should be recognized over the *estimated useful life* of the capital asset or over the *estimated remaining useful life* of the capital asset under specific scenarios. The Board noted that although their questions relate to the period over which the deferred outflows of resources should be recognized as an outflow of resources, the answer depends on when an ARO and the corresponding deferred outflows of resources are initially recognized. To provide the clarification requested, the Board added guidance in paragraphs 23a and 23b of this Statement to assist in understanding the application of subsequent recognition and measurement of deferred outflows of resources.

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

B74. For governmental funds, this Statement provides guidance for reporting liabilities related to asset retirement activities that is consistent with the guidance provided in Statements 18 and 49. The Board noted that the governmental fund liabilities for asset retirement activities discussed in paragraph 24 are not AROs. Rather, they are liabilities for goods and services used in asset retirement activities, which are expected to be settled using current-period expendable available resources.

Effects of Funding and Assurance Provisions

B75. Governmental entities may be obligated by legal requirements to provide funding and assurance that they will be able to satisfy their AROs when the obligations become due. For example, a government may be required to set up a separate trust and place assets in that trust to fund its ARO. In the absence of legal requirements, some governments may, nevertheless, voluntarily choose to set up a trust or provide other forms of funding and financial assurance for their AROs.

B76. The Board decided that only those assets set aside with restrictions that meet the criteria in paragraphs 8 and 9 of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* should be subject to the provisions in paragraphs 25 and 26 of this Statement. Paragraph 34 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended, discusses the term *restricted* and explains what constraints are considered to be restrictions in the context of restricted net position rather than restricted assets. Paragraph 99 of that Statement explains when restricted assets should be reported by proprietary funds. The Board believes accounting and financial reporting guidance on assets set aside for an ARO should be established for and apply only to those constraints placed on asset use that have legal enforceability. This conclusion is consistent with the definition of an ARO in this Statement as "a legally enforceable liability associated with the retirement of a tangible capital asset." The Board also considered whether assets that have been *committed,* as defined in paragraphs 10–12 of Statement 54, should be subject to the provisions in paragraphs 25 and 26 of this Statement. Based on the relative strength of the constraints that dictate how specific amounts can be spent by governments, the categories of *restricted* and *committed,* as described in paragraphs 8–12 of Statement 54, impose the highest level of constraints. However, compliance with constraints imposed by a government that *commits* amounts to specific purposes may not be considered legally enforceable. Therefore, the Board concluded that assets of the government that are committed, rather than restricted, should not be subject to the funding and assurance provisions of this Statement.

B77. The Board considered whether this Statement should provide general requirements for the accounting treatment of assets restricted for payment of AROs but concluded it is not necessary. The Board noted that the financial reporting requirements for restricted assets is addressed in current literature, such as the provisions of Statement 34.

B78. The Board considered whether this Statement should permit governments to offset their AROs with assets restricted for payment of those liabilities. Statement 62 provides that assets and liabilities should not offset each other unless a right of offset exists. The Board also noted the definition of *setoff* (interchangeable with the term *offset*) in *Black's Law Dictionary* is "a debtor's right to reduce the amount of a debt by any sum the creditor owes the debtor; the counterbalancing sum owed by the creditor." The Board does not believe a government's use of assets restricted for payment of AROs meets the definition of a setoff because the transaction does not represent a traditional debtor–creditor relationship in which such a legal right exists and could be exercised. Therefore, the Board concluded that governments should not report the assets restricted for payment of AROs as an offset to the related liabilities.

B79. A respondent disagreed with the provisions that prohibit offsetting AROs with assets restricted for ARO payments. The respondent believes resources held in a trust, in a legal escrow account, or by a senior government regulator for ARO payments are similar to funds held for postemployment benefit liabilities and, therefore, AROs should be allowed to be offset by those restricted resources. The Board noted that offsetting is an exception rather than the rule and that the Board had previously concluded that it would be inappropriate to analogize guidance for postemployment benefit liabilities to other long-term liabilities. The Board noted that offsetting also is specifically addressed in debt extinguishment guidance; however, AROs are different from debt instruments. For example, AROs do not come "due" at a specific point in time. In addition, there is no "debtor–creditor relationship" in the context of AROs. The uncertainty in the payment stream of AROs is inherently different from the scheduled and structured payment schedule of debt instruments. The Board believes that allowing AROs to be offset by restricted assets would unnecessarily result in inconsistencies with accounting for other types of long-term liabilities. The Board believes separately displaying AROs and the resources restricted for the payment of AROs provides necessary transparency to the users of the financial statements. The Board concluded, therefore, that offsetting AROs with restricted assets should not be permitted.

B80. The Board considered whether assets restricted for payment of AROs should be reported as a separate line item with their own category of restriction on the face of the financial statements or disclosed in the notes to the financial statements. Concepts Statement 3 contains criteria for reporting information items in the financial statements or disclosing information in the notes to the financial statements. The Board does not believe there is a compelling reason to require assets restricted for payment of AROs to be reported as a separate line item on the face of the financial statements, with their own category of restriction and distinct from the aggregate amount of restricted assets. There are few precedents in current guidance for requiring one specific restriction to be separately reported as its own line item on the face of the financial statements. The Board does not believe such an exception is necessary for AROs. Based on the criteria in Concepts Statement 3, the Board believes the notes to the financial statements can be used to provide more detail about the nature or purposes of the restriction placed on assets that are aggregated on the face of the financial statements, thereby informing users of the amount of assets that are restricted for payment of AROs. Therefore, the Board decided that governments should disclose assets restricted for payment of AROs in the notes to the financial statements, if not apparent from the financial statements.

B81. Compliance with funding and assurance provisions may require a government to incur certain costs, such as legal and consulting fees and additional staffing costs. Those costs would not directly affect the amount of an ARO because the liability exists regardless of whether the government complies with specified funding and assurance provisions. Therefore, the Board concluded that the costs to comply with funding and assurance provisions should be separately accounted for as period costs and not as part of an ARO.

Notes to Financial Statements

B82. In addition to the concepts related to note disclosure in GASB Concepts Statement 3 and the feedback from task force and GASAC members, the Board considered each disclosure required by GASB Statements 18 and 49 and FASB

Codification Subtopic 410-20. Because each of those pronouncements provides guidance for transactions that are similar to AROs, the Board decided to develop the disclosure requirements for AROs based on those pronouncements rather than creating an entirely new set of disclosures. The Board believes that providing similar disclosures for AROs is practical and will reduce compliance costs.

Required Disclosures

B83. This Statement requires the disclosure of a general description of AROs and associated tangible capital assets, as well as disclosure of the nature and source of the obligations. The Board believes this information is essential for users of the financial statements to understand how AROs originate and why AROs are legal obligations that governments have little or no discretion to avoid.

B84. This Statement also requires the disclosure of the methods and assumptions used to estimate AROs. Various assumptions may be used to develop estimates, and the Board believes that disclosure of the methods and assumptions is necessary for users to evaluate the reasonableness of those estimates and to apply their own judgment. The absence of this information could imply a level of certainty in the estimates that may not exist. The Board concluded that requiring the disclosure of the methods and assumptions used in formulating the estimate of AROs provides essential information for users to understand the economics of those estimates.

B85. The Board decided that the estimated remaining useful life of tangible capital assets associated with AROs should be disclosed. The Board believes this information is essential for users, especially considering the Board's decision that AROs should be measured at their settlement amount. The Board believes that it is vital for users to understand the time remaining until the settlement of the liability is expected to commence.

B86. This Statement requires governments that are legally required to provide funding and assurance to disclose how those legal requirements are being met. The Board believes that when a government is legally required to provide this type of funding and assurance, that fact and the methods used to meet those requirements constitute essential information for users of the financial statements.

B87. Similarly, this Statement requires disclosure of the amount of assets restricted for payment of AROs if that information is not apparent from the financial statements. Based on pre-agenda research, the Board believes this information is essential for users' understanding of how governments plan to cover the costs of asset retirement activities.

B88. In some situations, a government may be aware of an ARO that has been incurred but is not reasonably estimable in whole or in part. In such situations, this Statement requires that the government disclose that fact and the reasons that make it impossible to reasonably estimate the liability. The Board expects situations in which a government is unable to reasonably estimate at least some portion of the liability to be infrequent. However, it may be more common that a portion of the liability cannot yet be estimated with sufficient reliability to support recognition. The Board believes it is important to disclose the existence of those circumstances, as well as the reasons therefor.

B89. This Statement requires disclosures of general information about a government's minority share of an ARO. A minority share of an ARO in a jointly owned capital asset for some governments may not be as significant as an ARO associated with a government's wholly owned capital asset; however, the Board believes the general description about a government's minority share of an ARO still would provide essential information to users of the government's financial statements. For example, that information may help users understand the full scale of a government's AROs and how the government's financial position may be affected by the liability and corresponding deferred outflows of resources.

Disclosures Considered but Not Required

B90. Other disclosure requirements were considered by the Board but not adopted in this Statement. The Board discussed the possibility of requiring a reconciliation schedule. Such a disclosure would provide information about the amount of the beginning and ending balance of an ARO, as well as the sources of the increase or decrease in the liability during the reporting period. However, the Board was concerned that such a requirement could be redundant, considering the existing requirement in paragraph 119 of Statement 34 to disclose a reconciliation of changes in all long-term liabilities by major class. The Board also considered requiring governments to disclose the amount of each significant addition and reduction in the estimated liabilities for the reporting period, as well as the factors that caused those significant changes. The Board noted that information related to changes in long-term liabilities by major class is required to be presented in management's discussion and analysis under existing guidance. The Board believes that when AROs are significant enough to warrant note disclosures, existing guidance already would require governments to provide the information users need. Therefore, it is not necessary to separately require those disclosures for AROs in this Statement.

B91. In addition to disclosing the estimated remaining useful life of a tangible capital asset associated with a government's ARO, the Board considered whether a government also should disclose the percentage of that tangible capital asset's estimated service utility already used. This disclosure would have been similar in some respects to the Statement 18 requirement to disclose the percentage of landfill capacity used to date. However, the Board noted that, under Statement 18, governments are required to measure a liability for municipal solid waste landfills' closure and postclosure care costs in each reporting period based on a formula that incorporates the percentage of the landfill's capacity used to date. Consequently, information about that percentage is essential for users to understand the liability recognized for closure and postclosure care costs in each reporting period. In contrast, AROs in the scope of this Statement are not measured in the same manner. Therefore, the Board does not believe information about the percentage of a capital asset's estimated service utility already used would provide essential information to users.

B92. The Board considered the disclosure of the potential for changes based on factors such as price increases and decreases, changes in technology, and changes in applicable laws and regulations. The Board acknowledged that this language could be used to inform users of the potential for large changes. However, the Board believes that disclosures in other existing standards that clearly present the changes that occur in the estimates of those amounts should be sufficient to demonstrate to users that those estimates are subject to change.

B93. The Board also considered the requirement in Statement 49 to disclose estimated recoveries as a potential disclosure for this Statement. In assessing this disclosure, the Board noted that some governments purchase insurance to cover risks of, for example, early retirement of a nuclear power plant or retirement cost overruns. The Board also noted that often there is shared responsibility between governments and other potentially responsible parties for pollution remediation obligations as addressed by Statement 49. However, AROs typically are extinguished using resources of the responsible government. Further, the Board believes that in cases in which recoveries may exist for a government's AROs, paragraph 112 of Statement 62, which requires disclosure of gain contingencies, would apply.

B94. A field test participant recommended that disclosure of the obligating events that trigger recognition of an ARO be required. Part of the general description of an ARO would be equivalent to the disclosure of the external obligating event. As for the internal obligating event, the Board noted that disclosure of that information for different types of AROs may involve engineering and industry-specific jargon and lead to overly detailed notes. The Board believes that the required general description of an ARO should provide users with essential information about the basic nature of the ARO while considering the costs of requiring such information. The Board noted that disclosing the internal obligating events may be useful to certain interested parties but would not be essential for most users' understanding of governments' AROs. As a result, the Board decided not to require disclosure of internal obligating events.

B95. The Board considered whether this Statement should explicitly require governments to disclose loss contingencies resulting from joint and several liabilities for other joint owners' shares of AROs, as discussed in paragraph B65. However, the Board believes that current guidance included in paragraphs 96–110 of Statement 62 sufficiently addresses disclosure of such loss contingencies. Therefore, the Board concluded that it is not necessary to include disclosure requirements to address those situations in this Statement.

B96. The Board also considered whether to require detailed disclosures about governments' minority shares of AROs, including the methods and assumptions used by the nongovernmental majority owner to measure the AROs and the estimated remaining useful life of the jointly owned capital asset. Those disclosures could provide additional information about the AROs and the jointly owned capital asset, and may indicate the majority owner's ability to pay for its share of the AROs. However, the Board was concerned that such a provision could potentially require governments to disclose information that they may not be legally allowed to disclose, such as a nondisclosure agreement with the majority owner. In addition, such disclosures may not be essential for user needs. The Board also considered a requirement to disclose each minority share of an ARO separately and to include the name of the majority owner. However, the Board noted that disaggregation is not required for other assets and liabilities, such as accounts receivable, accounts payable, derivative instruments, and bonds. Therefore, the Board does not believe that information should be required by this Statement.

Considerations Related to Benefits and Costs

B97. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant user need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B98. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in conformity with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze information to meaningfully inform their assessments and decisions.

B99. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has actually taken place. Nonetheless, the Board undertakes this assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B100. The Board assessed the expected benefits and perceived costs of these requirements at two levels—for individual decisions and for the entirety of the Statement. Throughout its deliberations, the Board specifically considered the relative expected benefits and perceived costs of individual decisions and also considered information gathered related to AROs from the pre-agenda research. For example, the Board took into account feedback from project task force members and GASAC members regarding the availability of information related to AROs and the estimated effort that would be necessary to collect information that is not already on hand. The Board also considered information from the field test as well as stakeholders' responses to the Exposure Draft.

B101. Certain decisions made by the Board in developing this Statement were intended to minimize the cost of compliance with the standards. For instance, the decision to require the use of current value to measure AROs may not be as complex as fair value measurement using the expected present value technique. Also, the approach selected for the measurement of AROs explicitly includes consideration of the costs required to obtain information.

B102. The Board considered the aggregate expected benefits and perceived costs associated with the entirety of the requirements of this Statement. The Board is aware that the cost of implementing the provisions of this Statement may be significant for some governments; in particular, for those governments that have not previously reported AROs. The Board noted that this project addresses a topic for which there currently is no authoritative guidance. This lack of authoritative guidance has contributed to diversity in practice in which some governments analogize to nonauthoritative guidance or do not report AROs at all. For those governments that already report AROs by analogizing to other guidance, the costs of applying this guidance may not be significant, and these costs would principally relate to initial implementation rather than ongoing compliance. For governments that do not currently report AROs, there may be ongoing costs to comply with the requirements of this Statement in addition to the costs to implement this Statement. Overall, implementing a new Statement will not be without cost; however, the Board believes that the expected benefits of providing more consistent and transparent information about AROs will justify the anticipated costs associated with implementation and ongoing monitoring efforts for governments.

B103. Due process comments received on costs and benefits raised concerns about the time and effort required to implement specific provisions in the Exposure Draft and the overall effort and resources needed to implement the guidance and monitor subsequent compliance. For example, a respondent expressed concerns that the subsequent measurement provisions could be time consuming. The Board noted that provisions requiring annual adjustment of AROs for the effects of general inflation or deflation is a requirement of using the current value measurement, because current value is substantially equivalent to discounting expected future costs at the inflation rates applicable to the components of the AROs. Regarding the concern about the remeasurement provisions for factors other than general inflation or deflation, the Board decided upon a periodic two-step remeasurement approach for cost–benefit reasons. Instead of requiring remeasurement of the liability annually, remeasurement is necessary only if an increase or decrease in the estimated outlays is expected to be significant based on an evaluation of the relevant factors. Some respondents and field test participants were concerned about costs related to efforts to implement the ARO guidance, such as information gathering, system building or upgrading, education, training, and the possible need for the services of specialists. The Board acknowledges that some costs cannot be avoided when a new Statement becomes effective, but the Board continues to believe the expected benefits justify those costs.

Effective Date and Transition

B104. The Exposure Draft proposed that the provisions of this Statement be effective for reporting periods beginning after December 15, 2017. The Board believed that this effective date allowed adequate time for financial statement preparers to plan for transition and implementation. The Board also noted that because current value is the measurement technique used to measure the liabilities in both Statement 49 and this Statement, even though paragraph 4 of Statement 49 would be amended by this Statement, no restatement may be needed during the transition period for governments that have applied Statement 49 by analogy for AROs.

B105. Some respondents to the Exposure Draft asked that the effective date of the Statement be delayed so that there is more time to prepare to implement its requirements. The Board believes the effective date of financial reporting standards generally should be soon enough to provide financial statement users with information in a timely fashion, but far enough into the future to give financial statement preparers and other practitioners adequate time to prepare for and implement the new reporting requirements. The Board also believes it is preferable to have an effective date that does not coincide with several other major pronouncements to avoid an undue amount of effort to apply them simultaneously. The Board noted that the proposed provisions in the Exposure Draft have been carried forward without significant modifications; however, the Board acknowledges some additional efforts are needed to understand and apply the provisions. The Board also noted that, for governments with fiscal periods ending December 31, under the effective date proposed in the Exposure Draft, both this Statement and the provisions of Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* would have been implemented in the same fiscal year. Therefore, the

Board decided that the effective date proposed in the Exposure Draft should be extended by six months to apply to reporting periods beginning after June 15, 2018. The Board believes changing the effective date will reduce costs of implementation by avoiding overlap with implementing Statement 75, which will affect a large number of governments.

B106. Some governments may wish to implement earlier than the effective date. The Board believes that early implementation would not significantly affect comparability. Accordingly, this Statement encourages early application.

B107. The Board believes that this Statement should be applied retroactively to encourage consistency and comparability. However, the Board considered the potential for the lack of readily available information for the presentation of the restatement of all prior periods and for similar disclosure requirements. Accordingly, if restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated.

B108. A respondent to the Exposure Draft questioned the use of retroactive application. The Board noted that, for governments that currently report their AROs using nonauthoritative guidance, the majority of the information needed to calculate the current value of the ARO is readily available. The Board also noted that, for governments that do not currently report their AROs and may be required to report them for the first time using the recognition and measurement provisions in this Statement, application of the proposed guidance may result in a significant change in their financial reporting. Therefore, a requirement for governments to restate prior periods would provide financial statement users with a better understanding of a government's financial position and resource flows for all periods presented. The Board also acknowledges that governments not currently reporting their AROs may experience significant challenges in the process of retroactively applying the guidance. Therefore, if restatement of prior periods is not practicable, this Statement provides for restatement of beginning balances. The Board believes this provision would provide cost relief if restatement is truly difficult. In conclusion, the Board believes that retroactive application is necessary to provide users with essential information and should be required.

B109. The phrase *if practicable* has been used in other GASB standards in a similar context as used in this Statement with respect to transition provisions that require restating the financial statements for all prior periods presented.

The Board believes that reasonable efforts should be deployed before a government determines that restatement of all prior periods presented is not practicable. In other words, *inconvenient* should not be considered equivalent to *not practicable.*

Dissent

B110. Mr. Granof dissents because this Statement requires an ARO to be measured initially at its current value rather than at a discounted value and, thereby, fails to take into account the time value of money. Mr. Granof believes that, as a result of this Statement, governments will be required to report a liability that may deviate significantly from its economic value.

B111. Mr. Granof notes that the concept of discounting liabilities is well established in the literature of accounting, as well as in that of finance and economics. In accounting, all major obligations (for example, bonds and long-term notes, pensions, and capital lease obligations), with few exceptions, are reported at discounted amounts. Therefore, Mr. Granof sees no reason to make an exception for AROs.

B112. Mr. Granof also notes that discounting is especially important for AROs because the time between initial recognition of the liability and its liquidation frequently is as long as 40 to 50 years, such as in the case of nuclear power plants. Thus, even with low discount rates, the difference between the economic value of the liability and the reported value as required by this Statement may be especially large.

B113. Mr. Granof further observes that governments may be required by regulatory authorities, or may voluntarily elect, to fund their AROs as they are incurred. The amount of resources to be set aside for that purpose would presumably take into account investment earnings and would, thereby, be approximately equal to the discounted value of the obligation. The resultant mismatch between the reported values of the liability and the related assets would make it appear that the liability was only partially funded when, in fact, it may be fully funded.

B114. Mr. Granof acknowledges that the timing and amount of cash flows may be uncertain and the selection of discount rates subjective. However, he does not believe that those reasons are sufficiently compelling to avoid discounting the cash flows. He observes that uncertainty and subjectivity are endemic in accounting and financial reporting—notably inherent, for example, in measurements relating to pensions, other postemployment benefits, and various types of contingencies. Mr. Granof concedes that measuring an ARO at current value and remeasuring it at least annually for inflation achieves some of what discounting is intended to accomplish. However, discounting is not done for the sole, or even primary, purpose of recognizing inflation. Discounting is done mainly to take into account the time value of money and is, therefore, essential to establishing economic value even in the absence of inflation.

B115. Mr. Granof observes that almost no governments can be expected to have more than a few AROs. Therefore, the accounting burden will be minimal regardless of the required methodology. Nevertheless, discounting is at least as simple to apply and as understandable to both preparers and users as is the current value approach. Once the initial value of the obligation is determined, the government can readily prepare an amortization schedule and make predetermined adjustments to the account thereafter—no differently than it does with any other asset or liability that it amortizes or depreciates. Unlike the current value approach, discounting requires no annual determination of the rate of inflation and subsequent adjustment. Thus, it is likely to be even less costly to apply than the approach required by this Statement.

B116. In assessing governments' financial condition, many financial analysts take into account AROs as they do other long-term obligations. Hence, they can be expected to prefer that AROs be measured and reported on the same basis—that is, at a discounted amount. Still, Mr. Granof acknowledges some financial analysts also may want information on the current value of an ARO, owing to the possibility that the asset would be retired prematurely and the liability would, therefore, have to be settled earlier than anticipated. He agrees that such information is important but believes that it can readily be disclosed either in notes or parenthetically on the face of the financial statements. In addition, he believes that governments could be required to remeasure and restate their AROs if, owing to changed circumstances, there is evidence that that current estimates of future cash flows might deviate significantly from initial estimates.

B117. Mr. Granof recognizes that there are similarities between obligations for asset retirements and those for both pollution remediation and landfill closures. Existing standards for neither pollution remediation nor landfill closure obligations require discounting. However, Mr. Granof believes that those standards should not be used to justify not discounting AROs, because those standards utilize sufficiently different measurement techniques than those set forth in this Statement.

B118. Finally, Mr. Granof notes that in the absence of applicable GASB standards, many governments presently discount their AROs. Mr. Granof sees no reason to require them to change.

Appendix C

CODIFICATION INSTRUCTIONS

C1. The instructions that follow update the June 30, 2016 *Codification of Governmental Accounting and Financial Reporting Standards* for the effects of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[In all sections, update cross-references.]

* * *

REPORTING LIABILITIES **SECTION 1500**

See also: [Add the following:] Section A10, "Certain Asset Retirement Obligations"

.102 [In the first sentence, replace *postclosure care* with *postclosure care and other asset retirement obligations;* in sources, add GASBS 83, ¶8 and ¶24 to the amending sources of NCGAS 1, ¶42.]

.103 [In the fourth sentence, replace *postclosure care* with *postclosure care and other asset retirement obligations;* in sources, add GASBS 83, ¶8 and ¶24 to the amending sources of NCGAS 1, ¶43.]

.117 [In the third sentence, replace *postclosure obligations* with *postclosure obligations and other asset retirement obligations.*] [GASBI 6, ¶9, as amended by GASBS 47, ¶3, GASBS 49, ¶9 and ¶24, and GASBS 83, ¶8 and ¶24]

.119 [In second bullet, replace *postclosure care costs* with *postclosure care costs and other asset retirement obligations.*] [GASBI 6, ¶11, as amended by GASBS 47, ¶3, GASBS 49, ¶24, and GASBS 83, ¶8 and ¶24]

* * *

BASIS OF ACCOUNTING **SECTION 1600**

See also: [Add the following:] Section A10, "Certain Asset Retirement Obligations"

.118 [In the third sentence, replace *postclosure obligations* with *postclosure obligations and other asset retirement obligations*.] [GASBI 6, ¶9, as amended by GASBS 47, ¶3, GASBS 49, ¶9 and ¶24, and GASBS 83, ¶8 and ¶24]

.122 [In the first sentence, replace *postclosure care costs* with *postclosure care costs and other asset retirement obligations*.] [GASBI 6, ¶14, as amended by GASBS 47, ¶16, GASBS 49, ¶24, and GASBS 83, ¶24]

.124 [In footnote 10, replace *postclosure care costs* with *postclosure care costs and other asset retirement obligations*.] [GASBI 6, fn7, as amended by GASBS 47, ¶3 and ¶12–¶14, GASBS 49, ¶9, and GASBS 83, ¶8]

* * *

NOTES TO FINANCIAL STATEMENTS **SECTION 2300**

.107 [Insert new subparagraph (v) as follows; renumber subsequent subparagraphs.] Certain Asset retirement obligations. (See Section A10, "Certain Asset Retirement Obligations," paragraphs .124–.126.)

* * *

[Insert new section as follows; boldface glossary terms the first time they are used in the section.]

CERTAIN ASSET RETIREMENT OBLIGATIONS **SECTION A10**

Sources: GASB Statement 49, GASB Statement 83

See also: Section L10, "Landfill Closure and Postclosure Care Costs"
Section P40, "Pollution Remediation Obligations"

Scope and Applicability of This Section

.101 This section establishes standards of accounting and financial reporting for certain **asset retirement obligations (ARO).**[1] The requirements of this section apply to financial statements of all state and local governments. [GASBS 83, ¶3]

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[1]Terms defined in paragraphs .501–.505 are shown in **boldface type** the first time they appear in this section. [GASBS 83, fn1]

.102–.104 [GASBS 83, ¶4–¶6]

.105–.123 [GASBS 83, ¶8–¶26, including headings and footnotes]

Notes to Financial Statements

.124 A government should disclose the following information about its AROs,[4] except for its minority share of an ARO as described in paragraphs .114 and .118:

[Insert subparagraphs (a)–(e) of GASBS 83, ¶27.]

[GASBS 83, ¶27]

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[4][GASBS 49, fn3]

.125–.126 [GASBS 83, ¶28 and ¶29]

DEFINITIONS

.501–.505 [GASBS 83, ¶32; insert GASBS 83, ¶32 as the source of each paragraph.]

* * *

CLAIMS AND JUDGMENTS **SECTION C50**

See also: [Add the following:]

Section A10, "Certain Asset Retirement Obligations"
Section P40, "Pollution Remediation Obligations"

.701-5 [In the answer, replace *Section P40* with *Section P40 or Section A10, as applicable.*] [GASBIG 2015-1, Q3.51.1, as amended by GASBS 83, ¶3]

* * *

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS SECTION L10

See also: [Add the following:] Section A10, "Certain Asset Retirement Obligations"

* * *

POLLUTION REMEDIATION OBLIGATIONS **SECTION P40**

See also: [Add the following:] Section A10, "Certain Asset Retirement Obligations"

.102 [Replace subparagraphs (a) and (b), including footnote 3, with the following; renumber subsequent footnotes.]

a. Landfill closure and postclosure care obligations within the scope of Section L10, "Landfill Closure and Postclosure Care Costs." However, for landfill closure and postclosure care activities not addressed in Section L10, this section applies *at the time of the landfill closure* if obligating events are met and a liability has not been recorded previously.
b. Asset retirement obligations within the scope of Section A10, such as nuclear power plant decommissioning.

[GASBS 49, ¶4, as amended by GASBS 83, ¶3]

* * *

C2. The instructions that follow update the June 30, 2016 *Comprehensive Implementation Guide* for the effects of this Statement.

* * *

3.51.1. [In the answer, replace *Statement No. 49,* Accounting and Financial Reporting for Pollution Remediation Obligations, with *Statement No. 49,* Accounting and Financial Reporting for Pollution Remediation Obligations, *or Statement No. 83,* Certain Asset Retirement Obligations, *as applicable.* [GASBIG 2015-1, Q3.51.1, as amended by GASBS 83, ¶3]