



March 31, 2016

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

Re: Project No. 3-27E

Dear David:

On behalf of the National Association of College and University Business Officers (NACUBO), we submit the following comments on the Exposure Draft (ED) of the Governmental Accounting Standards Board (GASB), “Certain Asset Retirement Obligations.” NACUBO is a nonprofit professional organization representing chief financial and administrative officers at more than 2,100 colleges and universities. In its capacity as a professional association, NACUBO issues accounting and reporting industry guidance for higher education and educates over 2,000 professionals annually on accounting and reporting issues and practices.

### ***Observations and Conclusions***

We appreciate the time, effort, and outreach activities of the Board and staff related to this project. NACUBO supports the proposal’s objective of clear information for users concerning certain asset retirement obligations (ARO) that are not addressed in current authoritative GASB literature.

We ask the Board for clarification regarding a particular internal obligating event—which when combined with an external obligating event—could result in liability recognition for certain AROs. Specifically, if a public institution has discontinued use of aged tangible capital assets containing asbestos (or lead, or any other contaminants governed by law or regulation) would the discontinued use of the capital assets be subject to the proposed guidance in the ED? The paragraphs below are cited in an attempt to illustrate what seems like less than clear proposed criteria for application of the guidance in the ED.

- Paragraph 4 explains that the retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some other manner. So, it seems that the disposal criteria related to retirement would apply to the scenario in our question.

- Paragraph 6 addresses when the proposed guidance does not apply, specifically, sub-paragraph c indicates that the statement would not apply for asbestos removal that results from other than normal operations. Since retirement is an “other than normal operation” and asbestos is a contaminant whose removal is governed by law, should we assume that the retirement of buildings containing asbestos would not be subject to the proposed guidance? Alternatively, would the retirement of aged buildings containing other types of environmental contaminants that are subject to law or regulation be covered in the proposed guidance?
- Paragraph 8 indicates that a government should recognize a liability when both an internal and external obligating event occur—if the liability is reasonably estimable. However, the list of internal obligating events in paragraph 10 does not address discontinued use of a tangible capital asset that had previously been used in operations. It seems that paragraph 10 should add internal obligating events that comport with the definition of retirement in paragraph 4.

As a result of these questions, we respectfully ask the Board for clarification and also to consider augmenting the ED by:

1. Defining “retirement” and providing an expanded definition of “internal obligating events that support retirement of an asset”.
2. Clearly explaining that external obligating events apply either to all contaminants subject to law (or regulation) for disposal—or that external obligating events only apply to certain environmental contaminants governed by law or regulation.
3. If the Board intends point #2 (above) to limit certain environmental contaminants, then only contaminants in scope should be mentioned or all exceptions should be listed immediately after the first paragraph in the final standard. This is especially important since many laws and regulations exist to mitigate environmental pollution, toxicity, or contamination and to ensure public safety.

In closing, we wish to express our appreciation for the opportunity to comment. We look forward to answering any questions the Board or the staff may have about our response. Please direct your questions to Sue Menditto at 202-861-2542 or [susan.menditto@nacubo.org](mailto:susan.menditto@nacubo.org).

Sincerely,

Susan M. Menditto  
Director, Accounting Policy