

## GASB 83’s Certain Asset Retirement Obligations – Time to Revisit the Standard

If you’re like many of the members of the Governmental Executive Committee at the Illinois CPA Society (ICPAS), you’ll be surprised to learn that assets with regulations governing disposal are more common than once thought, at least among those of us who are accountants!

GASB 83 states an asset retirement obligation (ARO) is “a legally enforceable liability associated with the retirement of a tangible capital asset.” The retirement of a tangible capital asset occurs when the asset is permanently removed from service, through its sale, abandonment, recycling, or disposal in some matter, but does not include a temporary idling event. GASB 83 lists examples of some AROs that require disposal in a specific manner due to radioactive material or waste, such as nuclear reactors, sewage treatment plants, x-ray machines, and magnetic imaging machines.

The GASB’s short list excludes some items commonly found at smaller units of local government. Additionally, government hospitals and public colleges and universities can have a significant number of items that require special disposal measures.

The non-authoritative listing below includes tangible assets identified by teams led by Georgia’s State Accounting Office and Washington’s State Auditor, in consultation with various parties knowledgeable about such matters, of potential AROs found at governmental entities<sup>1</sup>. This listing was provided for consideration and is not complete, as laws and regulations vary across jurisdictions<sup>2</sup>. Items in **bold** are considered more likely to exist at several governmental entities.

Abattoir Building	Diffraction System	Hydroelectric Facilities (dams producing electricity)
Ablation System	Diffractometer	Imaging System
Accelerator	Distribution and Transmission Line Systems	Intraoral X-Ray Machine
Autoradiography System	Drying cabinet	Laser
Aviation Screening System	Electroencephalograph	<b>Lift Stations</b>
<b>Below Ground Water Tanks</b>	Flow Master Tomographic	Liquid Scintillation Analyzer
Bio Safety Cabinet	Fluorescence Imaging System	Mac Mode Imaging
Bio Safety Hood	Fluorescence Microscope	Magnet Superconducting
BioBank	Fluorometer	Magnetic Lab Barrier
Biological Irradiator	Fluorescence Plate Reader	Magnetic Resonance System
<b>Body Scanners</b>	<b>Fuel Station</b>	Magnetometer
<b>Camera System</b>	Full Body Scanners	<b>Metal Detector</b>
Contraband detectors	Full Body X-Ray Machines	MicroCT Storage
Cryo Tank	Generator + Control X-Rays	MicroCT Scanner
Dams	Hazardous Materials Export Terminals	Microscope
Dental X-Ray Machine		Microscopy System
Diffraction Collector		

<sup>1</sup> A single asset with disposal obligations has either an ARO or pollution remediation obligation (PRO) under GASB Statement No. 49, but cannot be both. AROs are usually determined when the asset is placed into service, while PROs arise when an event or remediation occurs.

<sup>2</sup> **The ICPAS’ Government Relations team and members of the Governmental Executive Committee are currently working with Illinois regulatory authorities to develop an Illinois-specific listing of potential AROs with the related legal authority mandating special disposal.**

Microtomography X-Rays	Radiology System	<b>Water Pollution Control Plant</b>
Mini-Medical X-Ray Processor	Reader	<b>Water Treatment Plant</b>
MR Imaging Coil Channel	<b>Scanner</b>	<b>Water Wells</b>
MRI Machine	Scintillation Counter	<b>Water Towers</b>
MRI Monitor	<b>Sewer Lagoons</b>	<b>Wastewater Treatment Plant</b>
MRI System	<b>Sewer Treatment Plants</b>	Wind and Solar Facilities
MRI Teaching System	Spectrofluorometer	(particularly heavy metals)
NMR Digital Console	Spectrometer	X-Ray Crystallography System
NMR Digital System	Spectroscope	X-Ray Detector
NMR Probe	Spectroscopic Ellipsometer	X-Ray Developer
NMR Superconduct	Spectroscopy System	X-Ray Diffraction System
Nuclear Gauge	Spectrum CT System	X-Ray Generator
OrthoScan System	Steam Plant	X-Ray Inspection Station
Photoelectron Spectroscopy	Strip Mines and Ash Ponds	X-Ray Machine
Photon Detector	Surface Mines	X-Ray Room
RAD Floor	Swimming Pools	X-Ray Security System
Radiation Container	Tomography System	X-Ray Sensor
Radiation Machine	Ultrasound Machine	X-Ray System
Radiation Therapy System	Underground Fuel Tank	
Radiography System	<b>Walkthrough Metal Detector/Scanner</b>	

GASB 83 must be applied to the extent its provisions are material to the financial statements of the individual governmental entity. To make this determination, the first step will be to identify and inventory potential AROs with special disposal requirements. We highly recommend each government consult with departments outside of finance and accounting to generate a complete listing of potential AROs. Once these assets are identified, and the related disposal requirements are understood, the government will be in a better position to determine the outlays associated with the asset's ultimate disposal.

GASB 83 requires an ARO's initial measurement be based on the best estimate of the current value of all outlays expected to be incurred to properly dispose of the asset, where current value would be the amount paid if all of the necessary equipment, facilities, and services included within the estimate were acquired at the end of the reporting period. Detailed guidance pertaining to when a liability, and the associated deferred outflow of resources, should be recorded, minority ownership of an asset, and subsequent annual measurement are also within GASB 83. Finally, GASB 83 establishes various footnote disclosure requirements about a government's AROs.

GASB 83 requires retroactive application through the restatement of all periods presented and is effective for periods beginning after June 15, 2018.