STATE OF VERMONT
ASSET RETIREMENT OBLIGATION WORKSHEET
JUNE 30, 2024

Asset Retirement Obligation ("ARO") Worksheet – ACFR-11

Please complete the schedule identifying any asset retirement obligations based on the criteria described below.

1. Enter Business Unit Number, Agency/Department Name, and Contact Information
2. All forms must be approved by an authorized person.
3. Complete the Certification Sheet. By completing this sheet and submitting it electronically from your state email account, it is considered electronically signed and approved by the authorized individual.

The Department of Finance & Management has established a reporting threshold of $100,000 in estimated costs per ARO over the life of the ARO activities.

Recognition of an ARO

The State should recognize an ARO when the liability is incurred and reasonably estimable. A liability occurs when there is 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.

An external obligating event is one of the following:

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

An internal obligating event is one of the following:

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 because of the normal operation of a nuclear power plant) and (2) is not in the scope of GASB Statement 49.

For non-contamination related AROs:

- If 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.
- If 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.
- 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.

- 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 cyclotron with an existing ARO is the acquisition of the cyclotron.

Reporting:

Any Agency/department that has a legal obligation to perform future asset retirement activities related to a capital asset should report its liability on the ACFR 11 Form. Please refer to the instructions below. If you have questions, please send an email to VISION.ACFR.

Column Definition on ACFR-11 Include:

Column A – **Tangible Capital Asset:** Enter the description of any asset that is acquired or constructed and includes legally enforceable liabilities associated with 1) retirement of the asset, 2) disposal of a replacement part that is a component of the asset, or 3) environment remediation associated with the retirement of the asset (that results from normal operation as opposed to pollution remediation).

Column B – Tangible Asset ID: Enter VISION Asset ID if asset has been placed in-service; CIP ID if construction is still in-process.

Column C – **Estimated Remaining Useful Life** (of the tangible capital asset associated with the ARO): Enter the time remaining until the settlement of the liability is expected to commence.

Column D – Asset Retirement Obligations (AROs): An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Retirement of a tangible capital asset is the permanent removal of a tangible capital asset from service. Select from the dropdown the appropriate type of ARO.

- ARO: Some examples include 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. Also, environmental remediation associated with the retirement of a tangible capital asset that results from the normal operation of that capital asset. ARO assets may include legally enforceable liabilities of a lessor in connection with the retirement of its leased property if those liabilities meet the definition of an ARO 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.

- Contamination-related AROs: Refers only to assets contamination that (1) results from 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 Pollution Remediation, as amended.

Column E – ARO Liability/Obligation Event: 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. Select from the dropdown the appropriate ARO liability / obligating event.

Column F – ARO Identification: Enter any other tracking criteria (Contract, Statute, Court Judgment, Federal Regulation, etc.)

Column G – Date Liability Incurred: GASB 83 Certain Asset Retirement Obligations requires the ARO liability and deferred outflow of resources be established when the liability is both incurred and reasonable estimable. A liability is determined to be "incurred" when legally enforceable (as described above Column D). Enter the date the liability was incurred.

Column H – Category: Select from the dropdown the specific asset type to be retired; Owned, leased, jointly-owned, etc.

Column I – Funding and Assurance Provisions: Provide source if payments of the ARO are being backed by assets due to legal requirements or on voluntary basis. Select from the dropdown the appropriate funding and assurance provisions.

Column J – Cost can be estimated: Select Yes or No from the dropdown.

Column K – If Column J is no, describe why not estimable.

Column L – Current Value: The measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. Enter the current value that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the reporting period as June 30, 2023.

Column M – Annual Inflation/deflation adjustment: Annual adjustments to the current value of its ARO: 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. Enter an amount for the Annual Inflation / deflation adjustment.

Column N – Increase/Decrease in ARO other than inflation/deflation: Include "significant" cost changes related to technology, changes in legal or contractual requirements, any other changes that will be used to meet obligations arising subsequent to initial estimate.

Column O – Current Value: Calculated field which is the sum of Columns L through N.

Column P – Methods and assumptions used in estimate: Describe how the current value was estimated. 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.

Please submit the completed/approved ACFR-11 ARO form to VISION.ACFR.

If you have questions, please send an email to VISION.ACFR.