



**State of Louisiana**  
Division of Administration  
**Office of Statewide Reporting and Accounting Policy**

April 14, 2010

**MEMORANDUM OSRAP 10-17**

To: Fiscal Officers  
All ISIS Agencies

From: Afranie Adomako  
Director

Subject: Pollution Remediation Expenditure Objects

Expenditure objects 2975, Pollution Remediation Expenditures, 4775, Capitalized Pollution Remediation Outlays (Buildings), and 4776, Capitalized Pollution Remediation Outlays (Equipment), have been added to the object table for fiscal years 2010 and 2011. These new object codes will allow agencies to track pollution remediation expenditures for AFR reporting using a single expenditure object and identify outlays that meet the criteria for capitalization established by OSRAP.

**2975 Pollution Remediation Expenditures**—are all direct outlays attributable to pollution remediation activities and can include payroll and benefits, equipment and facilities, legal and other professional services, and/or materials. They may also include indirect outlays such as general overhead. Re-vegetation outlays may be included only if incurred as part of a pollution remediation effort. DO NOT include the following: fines, penalties, toxic torts, workplace safety outlays, or litigation support pertaining to potential recoveries.

**4775 Capitalized Pollution Remediation Outlays (Buildings)**—are pollution remediation outlays that do not result in the extinguishment of an obligation, but instead create a future benefit. Outlays made to prepare property for use when acquired with the expectation of pollution remediation, to prepare property in anticipation of a sale up to the fair value after remediation, to restore pollution-cause decline in service utility recognized as an asset impairment, or for assets that have a future alternative use after remediation is complete. Do not use this object for outlays of less than \$100,000 for buildings. For outlays of less than \$100,000 for buildings, use object 2975.

**4776 Capitalized Pollution Remediation Outlays (Equipment)**—are pollution remediation outlays made to prepare property for use when acquired with the expectation of pollution remediation, to restore pollution-cause decline in service utility recognized as an asset impairment, for assets that have a future alternative use after remediation is complete or

to prepare property in anticipation of a sale up to the fair value after remediation. For outlays of less than \$5,000 for equipment or movable property use object 2975.

Pollution remediation activities include external government oversight and enforcement related activities such as those performed by an environmental regulatory authority dealing with the site and chargeable to the government; operation and maintenance including required monitoring of the remediation effort (post-remediation monitoring); pre-cleanup activities such as site assessments and investigations, feasibility studies or designing remediation plans; and cleanup activities such as neutralizing, containing, pollutant disposal, and site restoration.

Pollution remediation outlays should be capitalized in the government-wide or proprietary fund statements when goods and services are acquired for any of the following circumstances: (1) to prepare property in anticipation of a sale, (2) to prepare property for use when the property was acquired with known or suspected pollution that was expected to be remediated, (3) to perform pollution remediation to restore a pollution-caused decline in service utility that was recognized as an asset impairment, or (4) to acquire property, plant, and equipment that have a future alternative use other than remediation efforts.

Amounts capitalized for pollution remediation outlays are to be treated as any other expenditure for capital asset acquisitions and must follow the guidelines established in SA Memo 01-31, *Statewide Guidelines for Capitalization and Depreciation of Capital Assets*, issued April 24, 2001.

Agencies should begin using these expenditure objects immediately and start processing journal entries to move appropriate charges to these expenditure objects by June 30, 2010.

Please refer to OSRAP Memo 09-24, *Implementation of GASB Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations*, issued on March 24, 2009, for more information. Contact Sue Seab at (225) 342-1096 or [Sue.Seab@LA.gov](mailto:Sue.Seab@LA.gov) if you have any questions. All OSRAP memos are available at <http://www.doa.louisiana.gov/OSRAP/index.htm>.

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