Introduction
This Finance Procedural Statement sets forth the requirements for financial reporting of pollution remediation-related obligations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

The procedural statement is divided into the following sections:
A. Triggering Events for Reporting
B. Estimating and Recording Outlay
C. Disclosure Requirements
D. Campus Facilities Management and Controller Responsibilities

Terms Used in this Statement
*Italicized terms* are defined in the *Policy Glossary*. *Underlined terms* are defined in the *Finance and Procurement Procedure Glossary*.

In addition, for purposes of this procedural statement, the following terms are defined here:
- **Pollution remediation obligation**, or **pollution remediation liability**, is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, e.g., environmental assessments and/or cleanups.
- **Pollution remediation outlay** refers to the cost or expense of remediating existing pollution.
- **Current value** is the amount that would be paid if all equipment, facilities, and services included in the pollution remediation estimate were acquired during the current period.

Procedural Statement
A. **Triggering Events for Reporting**
The requirement to recognize pollution remediation obligations is not triggered because the University owns buildings or lands that are found to be polluted. Rather, the requirement to report ensues when specific triggering events and benchmarks occur *and* the University’s threshold has been met.

If any of the following five events occurs, the appropriate campus facilities management office must initiate an investigation to determine if it has to report a pollution remediation obligation:
- Pollution poses an imminent danger to the public or environment and the University is compelled to take remediation action.
- The campus violates a pollution prevention-related permit or license.
- A regulator identifies (or evidence indicates a regulator will identify) the University as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the clean up.
- The campus is named (or evidence indicates that the campus will be named) in a lawsuit compelling it to address pollution.
- The campus begins – or legally obligates itself to begin – clean up or post-clean up activities…and the campus is obligated to complete these activities.
As part of this investigation, the campus will decide to recognize the pollution remediation obligation if both of the following conditions are met:

- The cost of the aggregate issue is at least $75,000; and,
- The project spans more than one fiscal year.

**B. Estimating and Recording Outlay**

The additional benchmarks that follow should be considered in evaluating the University’s ability to estimate pollution remediation outlays – inasmuch as the actions required by administrative order involve these benchmarks:

- Participation as responsible party (or as potentially responsible party) in site assessment or investigation;
- Completion of a corrective measures feasibility study;
- Issuance of an authorization to proceed; and,
- Design and implementation of a remediation that includes operations, maintenance, and post-remediation monitoring.

1. **Obligations/Outlays for Pollution Remediation Activities**

The estimate of pollution remediation outlays includes all direct outlays (e.g., payroll) that are attributable to the remediation activities. It may include indirect cost (e.g., overhead) estimates. The following items are not included in the outlay: fines, penalties, torts, product/process safety, litigation support related to potential recoveries, or outlays by society at large.

Pollution remediation obligations are generally reported as liabilities. They may result in capital asset.

2. **Capitalization of Pollution Remediation Outlays**

Pollution remediation outlays are generally reported as an expense when the liability is recorded. Such expense often includes outlays for property, plant, and equipment that might otherwise be capitalized. (Note: The amount capitalized cannot exceed the Fair Market Value, or FMV.)

However, these costs are only capitalized under the following situations:

a. The outlay is to prepare property in anticipation of sale (the sale must occur within a reasonable period of time); or,
b. The outlay is to prepare property for use when the property was acquired with known or suspected pollution (the use must occur within a reasonable period of time); or,
c. The outlay was to restore a pollution-caused decline in service; or,
d. The outlay was to acquire property, plant, or equipment having a future alternative use.

**C. Disclosure Requirements**

The University is subject to the following disclosure requirements related to pollution remediation obligations:

- The nature and source of the obligation to clean up the pollution;
- The amount of the estimated obligation (if combined with other liabilities and therefore not apparent from the financial statements);
- The methods and assumptions used to estimate the obligation; and,
- The potential for changes in this estimate due to changes in price, technology, laws, regulations, and other factors, as well as due to estimated recoveries (from insurance or other parties).
Initial recognition should include third-party site assessment as documentation of the estimate. The amount recorded will be based on the entire remediation cost of the life of the whole project – and not just what will be used in the current fiscal year. Recovery costs will be recognized in quarterly updates, supported by appropriate documentation. The campuses will utilize a single clearing SpeedType for all projects, with the reported list of end-of-year projects equaling the total of the liability account.

D. Campus Facilities Management and Controller Responsibilities

The campus facilities management office and the campus controller’s office share responsibility for determining and reporting pollution remediation obligations.

The facilities management office is responsible for:
1. Updating pollution remediation obligation information at the end of each quarter to ensure that the quarterly financial statement accurately reflects these obligations. This includes creating the necessary accounting entries, maintaining the required supporting documentation, and sharing this information with the appropriate campus controller’s office.
2. Adjusting existing pollution remediation obligations, as appropriate. This includes creating subsequent accounting entries to increase/decrease expense and liability. Estimates of a pollution remediation obligation should be adjusted when identified benchmarks are met or when new information indicates a change in estimated expenses.
3. Accounting for recoveries due to university-performed remediation activities conducted on behalf of other responsible parties or due to coverage by insurance or other parties. If recoveries are received in periods following the completion of all remediation work, such that the pollution remediation obligation and expense no longer exist, then these transactions should be recorded as revenue and cash.

The campus controller’s office is responsible for:
1. Providing reasonable assurance that accounting principles are applied consistently across the campus.
2. Reviewing the accuracy and completeness of the accounting entries and supporting documentation forwarded from the campus facilities management office at the end of each year. The purpose of this review is to ensure that:
   • Pollution remediation obligations are reported properly in the financial statements; and,
   • All required disclosures are made regarding pollution remediation obligations.

Exceptions

Pollution remediation obligations do not include pollution prevention or control obligations with respect to current operations, e.g., obligations to install smokestack scrubbers, treat effluent, or use environmentally friendly products such as low-sodium road slats.

Unless approved by the University Controller, there are no exceptions to this procedural statement.

Forms and Related Resources

- GASB 49 Flowchart