

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

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

April 12, 2019

OSRAP MEMORANDUM 19-17

TO: Fiscal Officers
All State Entities

FROM: Afranie Adomako, CPA
Director of Management and Finance

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB)
Statement No. 83, *Capital Asset Retirement Obligations*

GASB issued Statement No. 83 to address accounting and financial reporting for certain 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 encompasses its sale, abandonment, recycling or disposal in a permanent manner. GASB 83 is effective for reporting period beginning after June 15, 2018 (Fiscal Year 2019).

Statement 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Recognition of a liability must occur when the liability is **both** incurred and reasonably estimable. Determining the liability is based upon the occurrence of external laws, regulations, contracts or court judgements, and the occurrence of an internal event that obligates a government to perform asset retirement activities. 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 (ex: dismantling and removing a sewer treatment plant). Internal obligating events include the occurrence of contamination, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible asset that has an existing ARO.

The following information should be disclosed about an ARO:

1. A general description of the ARO and the associated tangible capital assets
2. The methods and assumptions used to measure the liabilities
3. The estimated remaining useful life of the associated tangible assets
4. How any legally required funding and assurance provisions associated with the ARO is being met
5. The amount of assets restricted to pay the liability.

Statement 83 does **not** apply to:

1. Obligations arising solely from a plan to sell or otherwise dispose of a tangible capital asset
2. Obligations associated with the preparation of a tangible capital asset for alternative use
3. Obligations for pollution remediation resulting from the other-than-normal operation of a tangible capital asset
4. Obligations associated with maintenance of a tangible capital asset
5. The cost of a replacement part that is a component of a tangible capital asset
6. Landfill closure and post-closure care obligations
7. Conditional obligations to perform asset retirement activities

If your agency has any legally enforceable asset retirement obligations (AROs), please contact Ms. Rhonda Coston at (225) 342-1093 or via email at Rhonda.Coston@la.gov.

AA:rc