

**Statement No. 49 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pollution Remediation Obligations*, November 2006**

**Issues Resolution Memorandum 49.1**

*(Updated: February 24, 2009)*

***Overview of the Statement and UC's Approach to Implementation***

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# 1. INTRODUCTION

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued in November 2006, addresses accounting and financial reporting standards for pollution and hazardous materials contamination remediation obligations, i.e., obligations to address the current or potential detrimental effects of *existing* pollution and contamination by participating in remediation activities such as site assessments and cleanups. These obligations will generally require the recognition and reporting of remediation liabilities and, in certain instances, will result in recognition and reporting of capital asset transactions at the time those assets are acquired. **Remediation activities, as defined, are different from prevention or control activities.**

The scope of Statement No. 49 *excludes* prevention or control obligations with respect to:

- current operations, and
- future remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure requirements, nuclear reactor decommissioning, or closure of campus hazardous waste handling facilities.

Once any one of five obligating (or triggering) events specified below occurs, the University is required to estimate the components of expected remediation costs and determine whether costs for component activities should be (1) accrued as a liability or, if appropriate, (2) capitalized when goods and services are acquired.

**Obligating (triggering) events** include the following:

- The University is compelled to take remedial action because of an imminent endangerment to health and safety, or the environment;
- The University violates a hazardous materials-related permit or license, requiring corrective action (e.g. violation of Resource Conservation and Recovery Act, RCRA, permit or similar permits under state law requiring corrective action);
- The University is named, or evidence indicates that it will be named, by a regulator as a Responsible Party (RP) or Potentially Responsible Party (PRP) for remediation, or as an entity responsible for sharing remedial costs;
- The University is named, or evidence indicates that it will be named, in a lawsuit to compel participation in remediation; or
- The University commences, or legally obligates itself to commence remediation (e.g. cleanup of leaking underground storage tanks or removal of friable asbestos-containing materials (ACMs)).

Remediation costs should be capitalized in University financial statements, subject to certain allowable circumstances and limitations, such as if the costs are incurred (1) to prepare property for sale in anticipation of a sale, (2) to prepare property for use when the property was acquired with known or suspected contamination that was expected to be remediated, (3) to perform remediation that restores a contamination-caused decline in service utility that was recognized as an asset impairment, or (4) to acquire property, plant and equipment for use in remediation activities that also will have a future alternative use other than for remediation efforts.

Most remediation costs do not qualify for capitalization and should be accrued as a liability and expense when a range of expected costs is reasonably estimable or as an expense upon receipt of goods and services. If the University cannot reasonably estimate the range of all components of the liability (see discussion of component activities in Section 4), it should recognize the liability as soon as the range of each component (e.g., legal services, site investigation, required post-remediation monitoring) becomes reasonably estimable. The liability should be recorded at the current value of the costs the University expects to incur to perform the work. This amount should be estimated using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts, resulting in the estimated mean or average.

For remediation obligations that are not common or similar to situations at other sites with which the University has experience, GASB Statement No. 49 includes a series of recognition benchmarks—steps in the remediation process—that the University should consider in determining when components of remediation liabilities are reasonably estimable. Thus, the measurable transactions and events that result in a remediation liability may be relatively limited at initial recognition, but would increase over time as more components become reasonably estimable. GASB Statement No. 49 also requires re-measurement of the liability (and its components) when new information indicates increases or decreases in estimated costs.

The measurement of the University's remediation liability should include remedial work that the University expects to perform for other parties; however, expected recoveries from those other parties, and insurance recoveries, reduce the measurement of the University's remediation expense when reasonably estimable (and reduce associated expenditures when the recoveries are measurable and available). If the expected recoveries are not yet realized or realizable, they also reduce the measurement of the University's remediation liability, if not provided for capitalized assets. If the expected recoveries are realized or realizable, they should be reported as recovery assets (e.g., cash or receivables; see the discussion in the GASB Statement No. 42 Issues Resolution Memorandum posted on the UCOP GASB website). If the recoveries are realized or realizable and expected to result in capital assets, they are recorded as capital contributions rather than a reduction of expenditures.

For recognized remediation liabilities and recoveries, GASB Statement No. 49 requires the University to disclose the nature and source of remediation obligations, the amount of the estimated liability (if not apparent from the financial statements), the methods and assumptions used for the estimate, the potential for changes in estimates, and estimated recoveries that reduce the measurement of the liability. The University is required to disclose a general description of the nature of remediation activities for liabilities (or components thereof) that are not reasonably estimable.

GASB Statement No. 49 does *not* apply to the following:

- Pollution prevention or control obligations with respect to current operations such as obligations to install air emissions controls, wastewater treatment systems, stormwater runoff controls, or use environmental-friendly products (paragraph 6), or to fines, penalties and other non-remediation costs such as civil wrongs (toxic torts) arising from exposure to a toxic substance, litigation in support of potential cost recoveries, workplace health and safety costs, etc. (paragraph 7).
- Future remediation activities required upon retirement of an asset (asset retirement obligations, such as nuclear reactor decommissioning or hazardous materials handling facility closure) during the periods preceding the retirement. However, GASB Statement No. 49 applies to those activities at the time of the retirement if obligating events are met and a liability has not been recorded previously.
- Post-closure care obligations within the scope of GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. This is unlikely for the University in that GASB Statement No. 18 is based on the October 9, 1991, U.S. Environmental Protection Agency (EPA) rule, “Solid Waste Disposal Facility Criteria,” which establishes closure requirements for all municipal solid waste landfills (MSWLFs) that receive solid waste after October 9, 1991.
- Recognition of asset impairments or liability recognition for unpaid claims by insurance activities (see the discussion in the IRM on GASB Statement No. 42 for this topic).
- Accounting for non-exchange transactions, such as Brownfield redevelopment grants.

GASB Statement No. 49:

- Generally prescribes new reporting requirements, rather than amending previous guidance.
- Is effective for FY 2008–09, with measurement of remediation liabilities required at June 30, 2008 so that beginning net assets can be restated. However, since the University has sufficient objective and verifiable information to apply the expected cash flow technique to measurements in prior periods, restatement of the University’s financial statements for prior periods will be required. The University will adopt the provisions for the FY 2008–09 and restate June 30, 2007 net assets and FY 2007–08 results, as outlined in paragraph 27.
- Applies to all entities where these transactions have occurred or may occur including:
  - the separately audited UCRP and PERS-VERIP financial statements;
  - the separately audited UC Retirement Savings Plans, including the DCP, 403(b), and 457(b);
  - the separately audited OPEB financial statements;
  - the campus foundations;

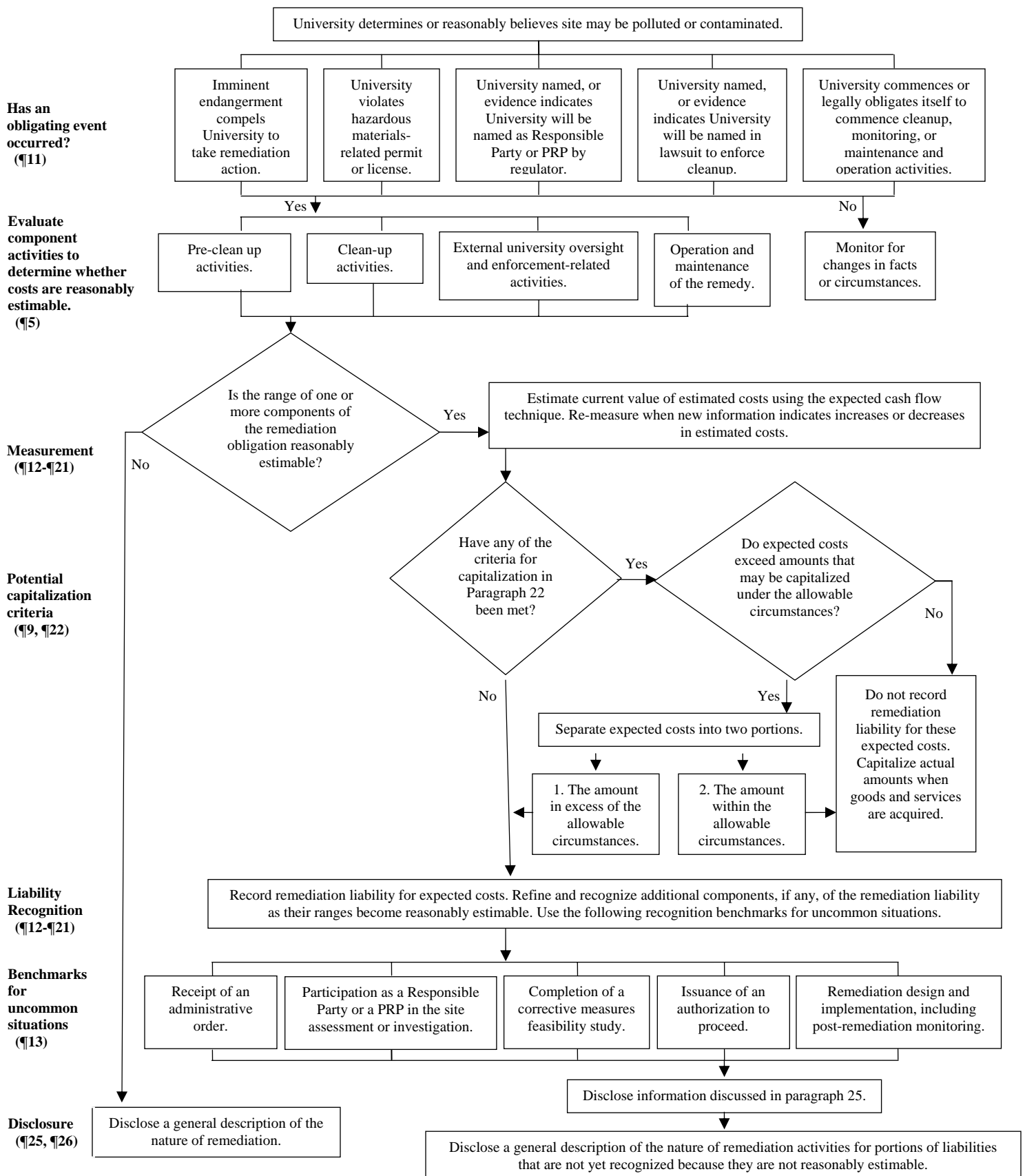
- the separately audited Medical Center, UC Press and CEB financial statements;  
and
- the separately audited Health and Welfare Plan financial statements.

This document is prepared in order to outline the University's approach to the application of GASB Statement No. 49 to the University's financial statements. Site evaluation worksheets used to identify remediation obligations at June 30, 2007, and at June 30, 2008 are provided as attachments to this IRM.

In general, the transactions discussed in GASB Statement No. 49 may not necessarily be normal, ongoing operating transactions. The Controller and Controller's staff should review non-routine transactions or circumstances at year-end to determine that any obligating events that may result in remediation obligations are identified, evaluated and properly reported.

GASB Statement No. 49 may be ordered from the GASB's website at [www.gasb.org](http://www.gasb.org).

## 2. OVERVIEW OF RECOGNITION AND MEASUREMENT FRAMEWORK



### 3. WHAT ARE OBLIGATING (TRIGGERING) EVENTS?

When University management knows or reasonably believes that a facility or site is contaminated, the financial staff, in consultation with the appropriate management, must determine whether one or more components of a remediation obligation are recognizable as a liability when *any* of the following events occurs:

- *The University is compelled to take remedial action because contamination creates an imminent endangerment to public health or welfare or the environment, leaving it little or no discretion to avoid remedial action. This criterion applies to events that compel the University to take remedial action even if no law requires such action.*
- *The University is in violation of a hazardous materials-related permit or license requiring corrective remedial action (i.e. Resource Conservation and Recovery Act (RCRA) permit or similar permits under state law).*
- *The University is named, or evidence indicates that it will be named, by a regulator as a Responsible Party (RP) or a Potentially Responsible Party (PRP) for remediation, or as an entity responsible for sharing remedial costs.*
- *The University is named, or evidence indicates that it will be named, in a lawsuit to compel it to participate in remediation. There is a presumption that a lawsuit can be excluded from consideration if it is substantially the same as a lawsuit previously determined to be without merit in relevant judicial determinations.*
- *The University commences, or legally obligates itself to commence, cleanup activities or monitoring or operation and maintenance of the remediation effort. If these activities are voluntarily commenced and none of the other obligating events have occurred relative to the entire site, the amount recognized should be based on the portion of the remediation project that the University has initiated and is legally required to complete.*

If the University voluntarily assumes a remediation obligation, it may not need to record a liability for the entire cleanup effort. For example, if the University sells land and voluntarily obligates itself to clean part of the site in the sales agreement, or if the University voluntarily signs a consent decree making itself a responsible party for clean up activities, the University would be required to recognize a liability for only that work that the University had legally obligated itself to do. This could be significantly less than the cost the University would expect to incur to clean the entire site.

If the University voluntarily decides to remove non-friable asbestos-containing materials (e.g. vinyl flooring), this is NOT considered an obligating event. However, if the removal activity causes the asbestos to become friable, this invokes an obligating event. In addition, if the University determines that any asbestos-containing materials pose an imminent threat to health and safety, then related asbestos removal is considered an obligating event.



If the University purchases a facility, and in the course of due diligence determines that it will voluntarily remediate contamination or remove hazardous substances, there would be an obligating event under this Statement for the remediation effort when the University commences the clean up activity, not at the time management makes the decision that they will voluntarily enter into the remediation work. The University only has an obligation to complete the expected cost of completing the removal work that has been started. If all remediation work that has started has been completed at year end, there is not any remediation obligation to accrue or to disclose.

This specific obligating event normally does not include pre-cleanup activities, such as environmental due diligence site assessments, which may be undertaken voluntarily by the University. However, the GASB believes that if the University legally obligates itself to commence pre-cleanup activities, those activities also should be included in the measurement of a remediation liability.

***How should we determine whether an obligating event has occurred?***

In making a determination of whether an obligating event has occurred, campus financial staff should consult Regents Items during the year, in addition to discussing potential events with campus EH&S and Facilities personnel, and campus counsel. The results of these discussions should be documented.

***What is required if it is determined there are no obligating events?***

If the campus determines there are no obligating events during the year, that conclusion should be documented based upon the campus discussions with the appropriate staff. No further work is necessary.

***What is the next step if it is determined there is an obligating event(s)?***

If the campus determines an obligating event(s) has occurred, the campus financial staff must (1) consider the types of expenses or capital acquisitions that are involved in the various component activities as discussed in Section 5, (2) evaluate the costs associated with various component activities discussed in Section 6 to determine whether they are reasonably estimable, (3) follow the required approach to the measurement of the estimated costs as discussed in Section 7, and (4) determine whether any of the allowable circumstances apply that would result in a cost being capitalized as outlined in Section 8.

## 4. WHAT COMPONENT ACTIVITIES CONSTITUTE REMEDIATION OBLIGATIONS?

Once a determination is made that any one of five specified obligating events has occurred (as outlined in Section 3), the University is required to evaluate and estimate the cost of the component activities of expected remediation costs and determine whether costs for those components should be either (1) accrued as a liability or, if appropriate, (2) capitalized when goods and services are acquired.

A remediation obligation is an obligation to address the current or potential detrimental effects of existing contamination by participating in remediation activities. For example, obligations to clean up spills, hazardous wastes, or hazardous substances and obligations to remove hazardous substances such as asbestos are remediation obligations. Remediation obligations may include costs associated with the following primary component activities:

- *Pre-cleanup activities*, such as performance of a site assessment, site investigation, and corrective measures feasibility study, and the design of a remediation plan. A site assessment is a site-specific baseline risk assessment that identifies hazards, assesses exposure to the hazards and their toxicity, and characterizes and quantifies the potential risks posed by the site. A site assessment may be non-invasive, involving inquiry into previous uses of a site, site reconnaissance, and interviews (a Phase I Preliminary Site Assessment or PSA), or may involve invasive testing for contamination (a Phase II site assessment). Legal costs may be involved.
- *Cleanup activities*, such as neutralization, containment, or removal and disposal of pollutants, and site restoration.
- *External government oversight and enforcement-related activities*, such as work performed by an environmental regulatory authority dealing with the site and chargeable to the University.
- *Operation and maintenance of the remedy*, including required monitoring of the remediation effort (post-remediation monitoring).

Not all remediation obligations will involve all of the above activities. For example, asbestos removal typically will not involve post-remediation monitoring.

Remediation obligations do *not* include pollution prevention or control obligations with respect to current operations, such as obligations to install air emissions controls, wastewater treatment systems, stormwater runoff controls, or use environment-friendly products.

## **5. WHAT EXPENSES OR CAPITAL ACQUISITIONS MUST BE CONSIDERED IN ESTIMATING THE COST OF A REMEDIATION COMPONENT ACTIVITY?**

Remediation expenses or capital acquisitions include all direct expenses or capital acquisitions attributable to remediation activities (e.g., payroll and benefits, equipment and facilities, materials, legal and other professional services) and may include estimated indirect expenses (including general overhead). Expenses or capital acquisitions related to natural resource damage (e.g., revegetation outlays) are included only if incurred as part of a remediation effort.

Expenses or capital acquisitions for operation and maintenance of a remedial action, including post-remediation monitoring required by a remedial action plan, are part of remediation activity rather than a separate future obligation. However, post-remediation monitoring estimates should take into account that such outlays are not likely to extend indefinitely. Estimates should be reassessed periodically.

Remediation obligations generally will result in recognition and reporting of remediation liabilities. In certain instances, an obligation to participate in remedial activities will result in recognition and reporting of capital asset transactions at the time those assets are acquired (see Section 8).

### ***What expenses are not to be considered in estimating the cost of a remediation activity?***

Pollution prevention or control expenses with respect to current operations such as air and water pollution controls, fines, penalties and other non-remediation costs such as civil wrongs (toxic torts) arising from exposure to a toxic substance, litigation in support of potential cost recovery, workplace health and safety costs, etc. are not part of performing remediation and should not be included.

## 6. WHEN DOES A COST BECOME REASONABLY ESTIMABLE AND HOW MUST RECOGNITION BENCHMARKS BE USED IN UNCOMMON SITUATIONS?

As mentioned previously, the campus financial staff must evaluate and recognize the costs associated with various component activities discussed in Section 4 once:

- An obligating event has occurred (see Section 3), and
- As the ranges of the various component activities become reasonably estimable (this section).

Measurement of the costs in the range *must use the expected cash flow technique* (see Section 7).

In some cases, the University may have insufficient information to reasonably estimate the ranges of all of the various component activities of its liability. In these cases, the University should recognize remediation liabilities as the range of each of the component activities of the liability (e.g., legal services, site investigation, or required post-remediation monitoring) becomes reasonably estimable. In other cases, the University may be able to reasonably estimate a range of all of the various component activities of its liability early in the process because the site situation is common, or is similar to situations at other sites with which the University has experience (e.g., leaking underground storage tanks). In such cases, the entire estimated liability should be recognized at this stage.

The range of an estimated remediation liability often will be defined and periodically refined, as necessary, as different stages in the remediation process occur.

*How do the guidelines for cost and liability recognition and measurement under GASB Statement No. 49 differ from Financial Accounting Standards Board Statement No. 5?*

**IT IS IMPORTANT TO REALIZE THAT GUIDELINES FOR ACCRUAL OF A LOSS CONTINGENCY UNDER FASB STATEMENT NO. 5 DO NOT APPLY TO RECOGNITION OF REMEDIATION COSTS AND LIABILITIES.**

The guidelines articulated in FASB Statement No. 5 where a loss must be probable, reasonably estimable and reported at the lower end of a range when no best estimate is available is *not* controlling for recognition of pollution remediation costs and liabilities. The recognition and measurement concepts in GASB Statement No. 49 are fundamentally different than those required under FASB Statement No. 5.

Accruing for the cost and liability for remediation situations is based upon the following criteria:

- **Recognition** that a remediation liability exists is predicated on whether an obligating event has occurred. If an obligating event has occurred, the University is required to measure the estimated costs. This differs from the recognition criteria in FASB Statement No. 5 in that it is predicated on whether a loss contingency is “probable.”

- **Measurement** of the remediation cost and liability must be based upon the expected cash flow technique which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. This differs from the measurement criteria in FASB Statement No. 5 in that it requires accrual of the low end of the estimated range of costs.

***How should recognition benchmarks be used in the estimation process in what may likely be very uncommon situations for the University?***

Certain stages of a remediation effort or process, and of Responsible Party (RP) or Potentially Responsible Party (PRP) involvement provide benchmarks that should be considered when evaluating the extent to which a range of potential outlays for a remediation effort or process is reasonably estimable. Benchmarks should not, however, be applied in a manner that would delay recognition beyond the point at which a reasonable estimate of the range of a component of a liability can be made.

The recognition benchmarks that follow typically apply to remediation obligations that are not common or similar to situations at other sites with which the University has experience. At a minimum, the estimate of remediation costs and liability should be evaluated as each of the following benchmarks occurs (see additional language in GASB Statement No. 49 if necessary).

- *Receipt of an administrative order.* The University may receive an administrative order compelling it to take a response action at a site or risk penalties. Such response actions may be relatively limited or they may be broad.

The ability to estimate outlays resulting from administrative orders varies with factors such as site complexity and the nature and extent of the work to be performed. The benchmarks that follow should be considered in evaluating the ability to estimate such outlays insofar as the actions required by the administrative order involve these benchmarks. The costs associated with performing the requisite work generally are estimable within a range, and recognition of a remediation liability for this work generally should not be delayed beyond this point.

- *Participation, as a Responsible Party (RP) or a PRP, in the site assessment or investigation.*
- *Completion of a corrective measures feasibility study.* At substantial completion of the corrective measures feasibility study, both a range of the remediation outlays and the University's allocated share generally will be reasonably estimable.
- *Issuance of an authorization to proceed.* At this point, the regulatory authority has issued its determination (e.g., an EPA record of decision) specifying a preferred remedy.
- *Remediation design and implementation, through and including operation and maintenance, and post-remediation monitoring.* During the design phase of the remediation, the University develops a better understanding of the work to be done and is able to provide more precise estimates of the total remediation costs.

## **7. HOW MUST THE COSTS ASSOCIATED WITH A REMEDIATION COMPONENT ACTIVITY BE MEASURED?**

As previously discussed, once a determination has been made that an obligating event has occurred, remediation liabilities should be measured based upon the remediation costs expected to be incurred to settle those liabilities. In addition, the component activities of the remediation liability should initially be recognized when the range of the obligation in total, or for any element of each component activity, becomes reasonably estimable.

In terms of measurement, remediation costs and liabilities must:

- Be based upon the current value of costs expected to be incurred; and
- Be measured using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts.

See Appendix B for a worksheet that may be used using the expected cash flow technique.

***What does it mean that measurement of remediation costs and liabilities must be based upon the current value of costs expected to be incurred?***

Current value is the amount that would be paid if all equipment, facilities and services included in the estimate were acquired during the current period, rather than their present value. The GASB believes that projecting uncertain remediation cash flows to specific future periods, and then discounting those cash flows, will add more subjectivity than relevance to the measurement.

Because settlement of a remediation liability is not always possible in the current period, settlement can involve future events. The current value of a remediation liability should be based on reasonable and supportable assumptions about future events that may affect the eventual settlement of the liability. For example, the current value of a remediation liability should be based on applicable federal, state, or local laws or regulations that have been approved, regardless of their effective date, and the existing technology expected to be used for the cleanup.

The meaning of reasonable and supportable assumptions is subject to judgment; however, it is not limited to a virtually-certain-to-occur belief and is not necessarily related to the degree to which evidence can be verified objectively.

***What does it mean to use the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amount?***

The expected cash flow technique uses all expectations about possible cash flows and is the sum of probability-weighted amounts in a range of possible estimated amounts, resulting in the estimated mean or average.

Reasonable estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as an amount specified in a contract for remediation services.

If the potential liability is not significant, one or two discrete scenarios may be sufficient for purposes of estimating the cost and liability. For practical reasons, the University may choose to use only a limited number of potential outcomes (data points) for calculating the expected cash flow. The University may choose to use only best case, worst case, and most likely potential cash flows. If the campus does not have a reasonable basis for specifying the probability and amount of a most likely potential cash flow, it may use only two data points. For example, if potential remediation costs in a particular component activity range from \$1 million to \$3 million and no amount within the range is considered to be a better estimate than any other amount, a liability of \$2 million would be reported, calculated as follows:  $(\$1 \text{ million} \times 50\%) + (\$3 \text{ million} \times 50\%)$ .

If the potential liability is significant, a limited number of discrete scenarios and probabilities should be developed that capture the array of possible cash flows, even in cases in which the University has access to only limited data about the possible cash flows within a range. In developing those scenarios, the University could use actual cash flows for other remediation projects, if available, adjusted for changes in circumstances. Each application of the expected cash flow technique will differ based on the facts and circumstances of each measurement situation, available information and judgments applied

***What is the University's obligation to re-measure, update and adjust the costs and liabilities?***

There is a requirement to continue to evaluate and update the costs until the remediation obligation has been entirely satisfied. The University should continue to refine its estimate of its liability as this additional information becomes available, and at least annually in conjunction with the year-end close and preparation of its financial statements.

Further information likely will become available at various points until site remediation work is completed, subject only to post-remediation monitoring. Additional information may include changes in the remediation plan or operating conditions, or to the type of equipment, facilities, and services that will be used, price increases or reductions for specific cost elements such as ongoing monitoring requirements, changes in technology and changes in legal or regulatory requirements.

Contingencies that might result in gains usually are not reflected in the accounts since to do so might be to recognize revenue prior to its realization.

***How should expected recoveries from insurance companies, or others, if any, be incorporated into the measurement using expected cash flow technique?***

Expected recoveries from other parties, and expected insurance recoveries from policies that indemnify the University for its remediation obligations, except if expected to result in a capital asset, should be included in the measurement by reducing the expense. However, the remediation liability may, or may not, be affected as follows:

- If the expected recoveries are not yet realized or realizable, the affected liability should be reduced, i.e. the expected recovery is net against the liability (debit liability and credit expense).
- However, if the expected recoveries are realized or realizable as outlined in GASB Statement No. 42, they should be recognized separately from the liability as recovery assets (e.g., debit cash or receivables and credit expense or capital contribution if related to capitalizable costs). Insurance recoveries should be recognized only when either realized or realizable. Clearly, if insurance proceeds have been received, the recovery must be recognized and recorded. In addition, if the insurance company has admitted or acknowledged coverage, an insurance recovery would be realizable and should be recorded. If the insurer has denied coverage, the insurance recovery generally is not recognizable.

Under the expected cash flow technique, the measurement of the University's remediation liability should include all remediation work that the University expects to perform, including work expected to be performed for other Responsible Parties or PRPs, whether or not the University is required to do that work. Expected recoveries from those other parties and expected insurance recoveries from policies that indemnify the University for its remediation obligations also should be included in the measurement by reducing the expense and affecting the liability as follows:

Expected recoveries from other Responsible Parties, PRPs and insurers should be measured consistently with the related remediation outlays based on their current value and using the expected cash flow technique.

If recoveries become expected in periods following the completion of all remediation work, such that a remediation liability no longer exists, those transactions should be recorded, for example, as revenue or capital contribution (if related to a capitalizable cost) and cash or accounts receivable when they are realized or realizable.



## 8. WHAT ARE THE ALLOWABLE CIRCUMSTANCES FOR CAPITALIZING REMEDIATION COSTS?

Remediation costs, including costs for property, plant, and equipment, should generally be reported as an expense and a liability recognized. Some projects (e.g., land improvements or remodeling), for which the primary objective is other than remediation, may include remediation activities. *Except for the allowable circumstances as provided below, incremental costs attributable to remediation activities (costs that would not be incurred absent contamination) should be reported as an expense when a remediation liability is recognized.*

Remediation costs should only be capitalized when goods and services are acquired for any of the following four circumstances, and only to the extent allowable in each circumstance:

- ***To prepare property in anticipation of a sale.*** In this circumstance, the University should capitalize only amounts that would result in the carrying amount of the property not exceeding its estimated fair value upon completion of the remediation. If costs exceed the estimated fair value upon completion of the remediation, they must be recorded as an expense and liability in the measurement process.
- ***To prepare property for use when the property was acquired with known or suspected contamination that was expected to be remediated.*** In this circumstance, the University should capitalize only those remediation costs expected to be necessary to place the asset into its intended location and condition for use.

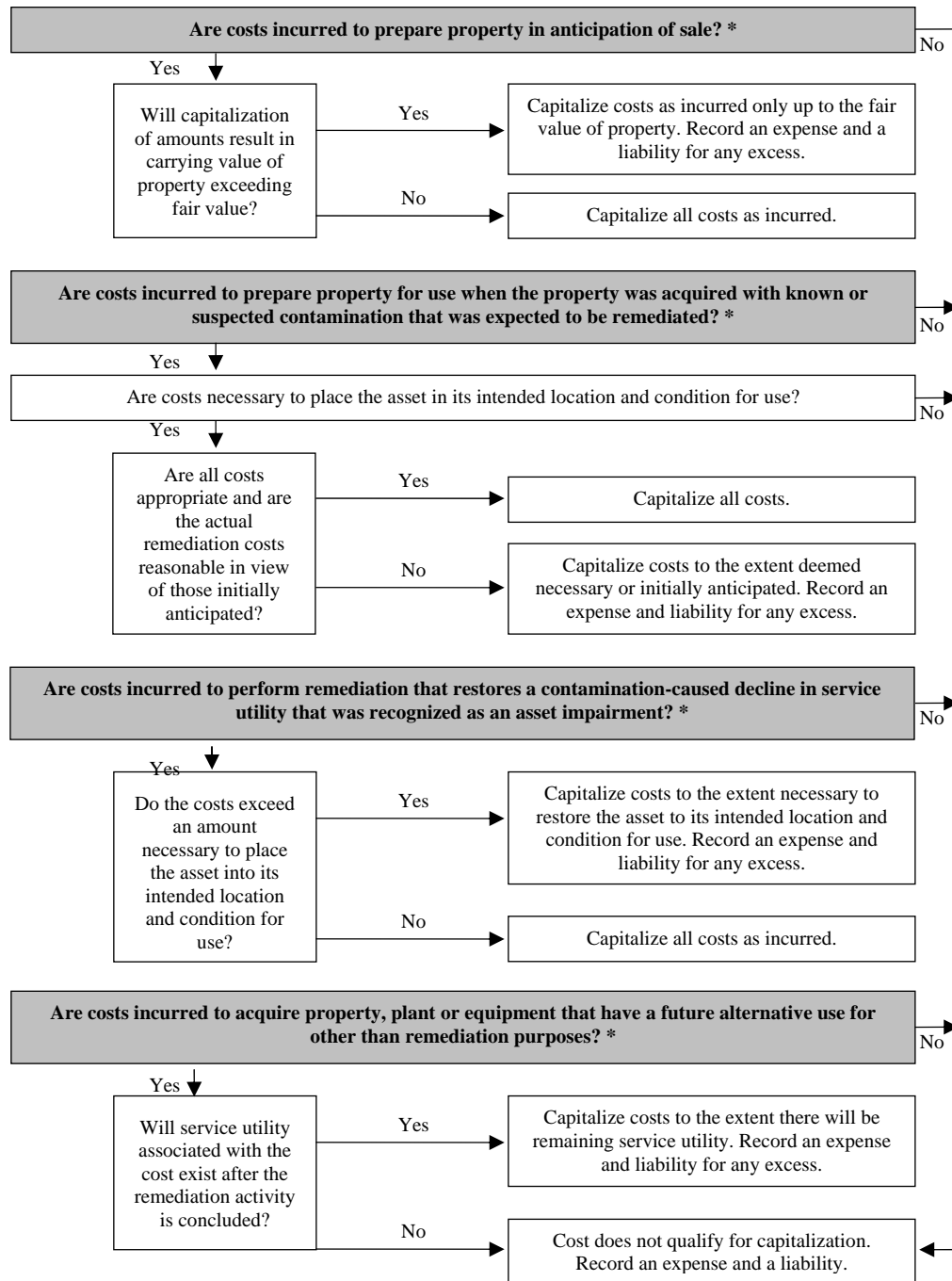
In the case of preparing purchased contaminated property for use and restoring contamination-impaired property, the GASB considered and rejected a strict fair value cap because the University may, as a matter of public policy, invest more into land and facilities than their fair value.

In determining costs expected to be necessary to place an asset into its intended location and condition for use, the University should consider that not all increases in expected costs are appropriately considered to be necessary. For example, if a remediation project would not have been initiated had anticipated costs been as high as those actually incurred, the University generally should not capitalize all of the costs. In certain circumstances, the costs originally expected to be incurred may be indicative of the amount necessary to place the asset into its intended location and condition for use.

- ***To perform remediation that restores a contamination-caused decline in service utility that was recognized as an asset impairment.*** In this circumstance, the University should capitalize only those remediation costs expected to be necessary to place the asset into its intended location and condition for use. In some instances, such as remediation of petroleum contamination in soils, removal or remediation costs also may restore lost service utility. In other instances, such as removal of asbestos insulation preparatory to replacing it with non-hazardous insulation, removal costs may not restore lost service utility.

- **To acquire property, plan, and equipment that have a future alternative use for other than remediation purposes.** In this circumstance, costs should be capitalized only to the extent of the estimated service utility that will exist after remediation activities uses have ceased.

Capitalization is appropriate only if the costs take place within a reasonable period prior to the expected sale or following acquisition of the property, respectively, or are delayed, but the delay is beyond the University’s control.



\* Implicit in the criteria is that costs will take place within a reasonable period prior to the expected sale or following acquisition of the property, respectively. If not, record an expense and a liability.

## 9. HOW SHOULD REMEDIATION COSTS BE RECORDED IN THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS?

If the conclusion is that remediation costs and a liability should be recognized as a result of an obligating event, and the amount is estimable and measured, it must be reported in the University's statement of revenues, expenditures and changes in net assets in one of three categories: an operating remediation cost, a special remediation cost, or an extraordinary remediation cost.

- *Operating remediation cost.* All remediation costs, or revenue, must be recorded as an operating activity unless they specifically meet the definition of a special or extraordinary cost (see below).
- *Special remediation cost.* The special cost category includes remediation costs that are associated with circumstances within the control of campus or University management and are either unusual in nature or infrequent in occurrence (GASB Statement No. 34, ¶56).
- *Extraordinary remediation cost.* The extraordinary remediation cost category includes costs that are not within the control of campus or University management and are both unusual in nature and infrequent in occurrence (GASB Statement No. 34, ¶55).

In the case of either a special or extraordinary cost, the cost is classified within the Other Changes in Net Assets section of the University's statement of revenues, expenses and changes in net assets. The distinguishing features between an operating cost and either a special or extraordinary cost depends on whether the event or circumstance is either unusual, infrequent, or both. Generally, recording remediation costs as special and/or extraordinary is difficult to justify.

Events or circumstances that are considered to be unusual in nature should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the University, taking into account the environment in which the University operates. Unusual in nature is not established by the fact that an event or transaction is beyond the control of management.

Events or circumstances that are considered to be infrequent in occurrence would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the University operates. Paragraphs 20-22 of APB 30 provide a more detailed definition of unusual in nature and infrequency in occurrence.

The distinguishing features between a special cost and an extraordinary cost depend on whether the event or circumstance is within the control of campus or University management.

Recognizing that differences among the three categories may be subtle, UCOP–Financial Management can assist in researching the appropriate accounting codes to use in any given situation. In any event, if the cost is recorded as an operating cost, it must also be recorded by the function that used the polluted capital asset requiring remediation. If the cost is recorded as a special or extraordinary cost, it will not be considered in our disclosure of operating expense by function, but the cost will still need to be recorded by function for Campus Financial Schedule purposes.

Please refer to IRM 49.2 for the new accounting codes that will need to be established in the campus general ledgers and the Corporate Financial Reporting System, as well as how to account for remediation obligations.

## 10. WHAT ARE THE DISCLOSURE REQUIREMENTS?

For disclosure purposes, UCOP will need the information on remediation costs and liabilities in order to disclose in the University's footnotes the following information:

- The nature/type of contamination and source of the remediation obligation (e.g., federal, state, or local laws or regulations);
- The amount of the estimated liability (if not apparent from the financial statements);
- The methods and assumptions used for the estimates;
- The potential for changes due to, for example, price increases or reductions, technology or applicable laws or regulations; and
- Estimated recoveries reducing the liability.

For remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable, the University should disclose a general description of the nature of the remediation activities.

In order to accumulate the information described above, a closing step must be added to the University's fiscal closing schedule. Appendices A and B provide worksheets designed to capture this information that will needed to be prepared by campuses and submitted to UCOP during the closing process.

## 11. WHAT IS THE IMPLEMENTATION STRATEGY?

The requirements of GASB Statement No. 49 are effective for the University's fiscal year beginning July 1, 2008, unless the University decides to implement early.

- The University must apply the provisions of this Statement retroactively for all such prior periods presented *if* it has sufficient objective and verifiable information to apply the expected cash flow technique to measurements in prior periods. Prior periods presented in the 2008-09 statements will include 2007-08
- In the period this Statement is first applied, the financial statements must disclose the nature of any restatement and its effect.

The initial preparation of the worksheets in Appendices A, B and C are intended to accumulate the restatement information. The actual journal entries to record the restatement information are included as Appendices to IRM 49.2.

The worksheets in Appendices A, B and C will also be used in future years to report any remediation activities and to update the University's estimates of remediation costs for previously reported polluted sites as well as to identify and report remediation costs for newly identified sites.

## 12. NEXT STEPS—REQUIRED ACTIONS

Step	Responsibility (C, OP)	Required Completion Date	Action Item/Task	For Reporting Date or Period	Appendix
<b>Tasks Required to be Accomplished in Fiscal Year 2006-2007</b>					
1	OP	30-Jun-07 (Completed)	<b>UCOP to develop and communicate to campuses detailed implementation plan</b> for recording remediation obligations, including requirements for restatement of prior periods. (Accomplished through the issuance of this draft IRM.)		
<b>Tasks Required to be Accomplished in Fiscal Year 2007-2008</b>					
2	C, OP	01-Jan-08 (Completed)	<b>Campuses to implement ongoing procedures for identifying and monitoring remediation obligations</b> , including procedures to monitor known and potentially contaminated sites for obligating events, benchmark events, and cost estimates of remediation activities.	<b>2008</b> FY 2007-08 FY 2008 forward	
3	C, OP	15-Jan-08 (Completed)	<b>Complete Appendix A.</b> This will be a preliminary identification of existing obligations as of June 30, 2007. Obligating events will be documented using the worksheet provided in Appendix A. Provide information to Jorge Ohy and Amal Smith at UCOP.	<b>30-Jun-07</b> To be used in 2009 to restate 6/30/07 net assets	A
4	C, OP	28-Feb-08 (Completed)	<b>Complete Appendix B to document the measurement of the costs and liability.</b> This procedure will develop estimates of existing remediation obligations. For each existing obligation, by February 28, 2008, OP and campuses will measure the existing remediation obligations using the worksheet provided in Appendix B. This information will provide the basis for the restatement worksheets. Send the completed Appendix B for each site to UCOP. Discuss as appropriate. Provide information to Jorge Ohy and Amal Smith at UCOP.	<b>30-Jun-07</b> To be used in 2009 to restate 6/30/07 net assets	A, B
5	C, OP	15-Aug-08 (Completed)	<b>Update Appendices A and B, with information for FY 2007-08.</b> This procedure will identify new obligating events that occurred in FY 2007-2008 and develop estimates of new obligations, as well as update previous estimates made as of 6/30/07. Provide information to Jorge Ohy and Amal Smith at UCOP.	<b>FY 2007-08 and 30-Jun-08</b> To be used in 2009 to restate 2007-08	A, B

Step	Responsibility (C, OP)	Required Completion Date	Action Item/Task	For Reporting Date or Period	Appendix
6	OP	15-Sept-08 (Completed)	<b>Determine GASB Statement No. 49 implementation date.</b> Based upon the results of the campus review of historical remediation costs through June 30, 2008, determine whether the University will implement GASB Statement 49 early, i.e., for the FY 2007-2008 fiscal year.		
<b>Tasks Required to be Accomplished in Fiscal Year 2008-2009</b>					
7	OP	27-Feb-09	<b>Issue final IRM 49.1 to document implementation process.</b>		
8	OP	27-Feb-09	<b>Assign new accounting codes.</b> Assign new accounting codes to record remediation costs, liabilities and recoveries (IRM 49.2, Appendix C).		IRM 49.2
9	OP	27-Feb-09	<b>Prepare and send journal entries for restatement of June 30, 2007 beginning balance and FY2007-08 activity. (Appendices to IRM 49.2)</b>		IRM 49.2
10	C	31-Mar-09	<b>Establish new accounting codes in campus ledger.</b> Establish new remediation costs, liabilities and recovery accounting codes in campus ledger.		IRM 49.2
11	C	31-Mar-09	<b>Campuses to record journal entries to restate June 30, 2007 balance and FY2007-08 activity per Appendices to IRM 49.2)</b>		IRM 49.2
12	OP	30-Apr-09	<b>Add accounting codes to CFR driver tables.</b> Add new remediation costs, liabilities and recovery accounting codes to CFR driver tables.		
13	C, OP	30-Apr-09	<b>Add a closing step to the closing schedule.</b> Add a closing step to properly identify, measure and record any new remediation obligating events, or update any estimates for previously recorded remediation obligations.		
14	OP	31-May-09	<b>Develop footnote reports.</b> Develop CFR footnote report to accumulate annual remediation and recovery information (see Appendix F).		
15	C, OP	15-June-09	<b>Begin Updating Appendices A and B. Campuses should begin the process to identify new obligating events that occurred in FY 2008-2009 and develop estimates of the new obligations. Campuses should also update estimates and report activity for previously identified sites with obligating events.</b>	<b>FY 2008-09</b>	A, B



Step	Responsibility (C, OP)	Required Completion Date	Action Item/Task	For Reporting Date or Period	Appendix
16	C, OP	Refer to FY 2008-09 Closing Schedule	<b>Complete Updates of Appendices A and B, and the worksheet referenced in the Closing Schedule.</b> Send the completed package to Jorge Ohy and Amal Smith at UCOP.	<b>FY 2008-09</b>	A, B, Closing Step Worksheet
17	OP	Refer to FY 2008-09 Closing Schedule	<b>UCOP will prepare and send journal entries for FY2008-09 activity to campuses.</b>	<b>FY 2008-09</b>	
18	C, OP	Refer to FY 2008-09 Closing Schedule	<b>Campus will record remediation entries for FY 2008-09.</b>	<b>FY 2008-09</b>	

APPENDIX A (revised July 2008)

SUMMARY SITE EVALUATION OF REMEDIATION OBLIGATIONS

**Campus:** \_\_\_\_\_  
**Site:** \_\_\_\_\_  
**Completed by:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Updated:** \_\_\_\_\_

The following worksheet should be completed for each suspected polluted site known to the University.

**1. Describe the known contaminated site.**

*In a level of detail that is necessary for footnote disclosure, provide description of:*

*a) the campus site*

*b) the nature and extent of the contamination*

*c) the source of the remediation obligation (for example, federal, state or local laws or regulations)*

**2. Determine whether an obligating event has occurred.**

*Does one or more of the conditions listed below apply to the known contaminated site identified above? (Check one or more.)*

\_\_\_\_\_ The University is compelled to take remediation action because contamination creates an imminent endangerment to public health or welfare or the environment, leaving it little or no discretion to avoid remediation action. If yes, proceed to Step 3; if no, continue the evaluation of whether an obligating event occurred.

\_\_\_\_\_ The University is in violation of a hazardous materials-related permit or license, (Resource Conservation and Recovery Act (RCRA) permit or similar permits under state law) requiring corrective action. If yes, proceed to Step 3; if no, continue the evaluation of whether an obligating event occurred.

\_\_\_\_\_ The University is named, or evidence indicates that it will be named, by a regulator as a Responsible Party or a Potentially Responsible Party for remediation, or as an entity responsible for sharing remedial costs. If yes, proceed to Step 3; if no, continue the evaluation of whether an obligating event occurred.

- \_\_\_\_\_ The University is named, or evidence indicates that it will be named, in a lawsuit to compel it to participate in remediation. If yes, proceed to Step 3; if no, continue the evaluation of whether an obligating event occurred.
  
- \_\_\_\_\_ The University commences, or legally obligates itself to commence, cleanup activities or monitoring or operation and maintenance of the remediation effort. If yes, proceed to Step 3; if no, continue the evaluation of whether an obligating event occurred.
  
- \_\_\_\_\_ None of the above applies to this site. (If yes, STOP HERE. Obligating event has not occurred and do not proceed to Step 3. Remediation obligation is not required to be recorded, reported or disclosed. The site should be periodically reviewed for possible obligating events in subsequent years)

**3. Evaluate each component activity to estimate the known cost of remediation and any recoveries.**

*Is the range of the remediation obligation and recoveries reasonably estimable, in total or for any component activity of the remediation?*

Component activities include:

- 1) *Pre-cleanup activities* including legal services, performance of a site assessment, site investigations, corrective measures feasibility study, and the design of a remediation plan;
  
- 2) *Cleanup activities* such as neutralization, containment, or removal and disposal of pollutants, and site restoration;
  
- 3) *External government oversight and enforcement-related activities* such as work performed by an environmental regulatory authority dealing with the site and chargeable to the government and
  
- 4) *Operation and maintenance of the remedy* including required post-remediation monitoring:

\_\_\_\_\_ **No**, the cost and potential recovery of remediation, in total or for any component activity, is not reasonably estimable at this time. (No remediation obligation is required to be recorded or reported and do not proceed to Step 4; however, the general description of the nature of remediation activities must be disclosed in the footnotes. Send this worksheet to UCOP–Financial Management.)

\_\_\_\_\_ **Yes**, the cost of and potential recovery of remediation, in total or for some component activities, are known or are reasonably estimable at this time.

If yes, proceed to Appendix B and provide the range of estimates for the total remediation or for any known component activities.

**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009		
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value
<b>1. Pre-Clean Up Activities</b>									
a) Site assessment									
i. Best case	\$		\$ -	\$		\$ -	\$		\$ -
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
b) Site investigation									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
c) Corrective measures feasibility study									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
d) Design of remediation plan									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
e) Other (Please specify)									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
<b>Sub-Total - Estimated Pre-Clean Up Activity Obligation</b>			<b>-</b>			<b>-</b>			<b>-</b>

**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009		
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value
<b>2. Clean Up Activities</b>									
a) Neutralization									
i. Best case	\$		\$ -	\$		\$ -	\$		\$ -
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
b) Containment									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
c) Removal or Disposal									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
d) Site restoration									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
e) Other (Please specify)									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
<b>Sub-Total - Estimated Clean Up Activity Obligation</b>			<b>-</b>			<b>-</b>			<b>-</b>

**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009				
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value		
<b>3. External Government Oversight and Enforcement-Related Activities</b>											
a) Specify, once known											
i. Best case	\$		\$ -	\$		\$ -	\$		\$ -		
ii. Most likely			-			-			-		
iii. Worst case			-			-			-		
		100%	-		100%	-		100%	-		
b) Specify, once known											
i. Best case			-			-			-		
ii. Most likely			-			-			-		
iii. Worst case			-			-			-		
		100%	-		100%	-		100%	-		
<b>Sub-Total -- Estimated External Government Oversight and Enforcement-Related Activities Obligation</b>			<b>-</b>	<b>Sub-Total -- Estimated External Government Oversight and Enforcement-Related Activities Obligation</b>			<b>-</b>	<b>Sub-Total -- Estimated External Government Oversight and Enforcement-Related Activities Obligation</b>			<b>-</b>

**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009		
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value
<b>4. Operation and Maintenance of the Remedy</b>									
a) Post-remediation monitoring									
i. Best case	\$		\$ -	\$		\$ -	\$		\$ -
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
b) Other (please specify)									
i. Best case			-			-			-
ii. Most likely			-			-			-
iii. Worst case			-			-			-
		100%	-		100%	-		100%	-
<b>Subtotal - Estimated Operation and Maintenance Obligation</b>			<b>-</b>			<b>-</b>			<b>-</b>
<b>Total - Estimated Pollution Remediation Obligation</b>			<b>-</b>			<b>-</b>			<b>-</b>

**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample			Sample			Sample		
	Estimated at June 30, 2007	Estimated at June 30, 2008	Estimated at June 30, 2009						
Campus:	xxxxxx	xxxxxx	xxxxxx						
Completed By:									
Date:									
Component Remediation Activity	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value
<b>5. Less: Costs Outlined Above that Qualify for Capitalization</b>									
a) Pre-clean up activities			\$			\$			\$
b) Clean up activities									
c) Corrective measures feasibility study									
d) Design of remediation plan									
<b>Sub-Total -- Estimated Liability of Pollution Remediation that May Be Capitalized as Incurred</b>			-			-			-
<b>Total - Estimated Pollution Remediation Liability, Net of Estimated Capital Costs</b>			-			-			-
<b>6. Less: Estimated Recoveries that Are Not Realized or Realizable</b>									
a) Estimated recoveries that are not realized or realizable			\$			\$			\$
<b>Sub-Total -- Estimated Pollution Remediation Liability, Net of Estimated Capitalizable Costs and Recoveries that Are Not Realized or Realizable</b>			-			-			-
<b>7. Less: Estimated Recoveries that Are Realizable</b>									
a) Estimated recoveries that are realizable			\$			\$			\$
<b>Total -- Estimated Pollution Remediation Liability, Net of Estimated Capitalizable Costs, Recoveries that Are Not Realizable and Recoveries that Are Realizable</b>			\$ -			\$ -			\$ -



**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009		
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value

**8. Summary per GASB 49**

Component Remediation Activity	Expected Value			Expected Value			Expected Value		
	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total
(a) Pre-Clean Up Activities	\$	\$	\$	\$	\$	\$	\$	\$	\$
(b) Clean Up Activities									
(c) External Oversight Activities									
(d) Operation and Maintenance Activities									
(e) Subtotal									
(f) Less: Capitalizable Costs									
(g) Subtotal									
(h) Less: Recoveries, not yet realizable									
(i) Subtotal									
(j) Less: Recoveries, realizable									
<b>(k) Total Cost, Net of Capitalizable Costs and Recoveries</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009		
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value

**9. Actual Payments and Recovery**

Actual Cash Activity	Expenditures		Receipts	Expenditures		Receipts	Expenditures		Receipts
	\$		\$	\$		\$	\$		\$
Identify all expenditures and receipts for pollution remediation for the year. All expenditures should be recorded under appropriate object codes; all receipts should be recorded to appropriate recovery object code if recovered during remediation or to appropriate revenue if recovered after completion of remediation. (Required beginning FY07-08. Not required for FY06-07.)									

**10. Footnote on Estimates**

Describe the methods and assumptions used to make the estimates:

Describe the potential for changes in estimates due to, for example, price increases or reductions, technology, or applicable laws or regulations.

**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009		
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value
<b>11. GASB 49 Summary -- per This Worksheet</b>									
Account Item	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Total Liability</b> (8g. Total Liability, Net of Capitalizable Costs)	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Liability Recovery</b> (8h. Recoveries, not yet realizable)									
<b>Recovery Receivable</b> (8j. Recoveries, realizable)									
<b>Actual Payments</b> (10)									
<b>Actual Recovery</b> (10)									



**Appendix B -- Measurement Using the Expected Cash Flow Technique**  
**GASB Statement No. 49, Pollution Remediation Obligations**

Description of Polluted Site:	Sample	Sample	Sample
Campus:	xxxxxx	xxxxxx	xxxxxx
Completed By:			
Date:			

Component Remediation Activity	Estimated at June 30, 2007			Estimated at June 30, 2008			Estimated at June 30, 2009		
	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value	Estimated Obligation	Probability Weighting	Expected Value

**12. Benchmark Events**

The evaluation and refinement of remediation liability estimates should be performed in conjunction with the fiscal closing each year to determine whether the Statement of Net Assets is properly stated, and whether each of the following benchmarks have occurred for this site. Check the following benchmarks that have occurred for this site.

	Check Below if the Benchmark Events Have Occurred.	Check Below if the Benchmark Events Have Occurred.	Check Below if the Benchmark Events Have Occurred.
Receipt of an administrative order from a regulatory authority compelling UC to take a response action at the site or risk penalties.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
UC's participation, as a Responsible Party (RP) or Potentially Responsible Party (PRP), in the site assessment or investigation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Completion of a corrective measures feasibility study.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Issuance by a regulatory authority of an authorization to proceed with a specified remedy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Remediation design and implementation, through and including operation and maintenance, and post-remediation monitoring.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above listed benchmarks has occurred.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**APPENDIX C -- SUMMARY --GASB Statement No. 49 Restatement Worksheet to Identify Sites Where Obligating Events Require Recording of Costs, Liabilities and Recoveries of Pollution Remediation Obligations**

Post from Appendix B, Parts 8 & 9.

Campus: Sample  
 Prepared by: \_\_\_\_\_  
 Date: \_\_\_\_\_

Due 28-Feb-08													
As of 30-Jun-07													
FAS 5			GASB 49										
Total Liability			Total Liability			Liability Recovery			Recovery Receivable			Actual Cash Activity	
Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Expenditures	Recovery Receipts

Site

**For Sites Where an Obligating Event Occurred Before June 30, 2007**

1	Sample	Post from Appendix B, Part 8 & 9
2		
3		
4		
5		
6		
7		
8		
	Add more sites, as necessary	
Total estimated liabilities and recoveries		

		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	
		-		-		-		-		-		-	

**For Sites Where an Obligating Event Occurred Between July 1, 2007 and June 30, 2008**

1		Post from Appendix B, Part 8 & 9
2		
3		
4		
5		
6		
7		
8		
	Add more sites, as necessary	
Total estimated liabilities and recoveries		

--	--	--	--	--	--	--	--	--	--	--	--	--	--

**For Sites Where an Obligating Event Occurred Between July 1, 2008 and June 30, 2009**

1		Post from Appendix B, Part 8 (Part 9 not required after 2008)
2		
3		
4		
5		
6		
7		
8		
	Add more sites, as necessary	
Total estimated liabilities and recoveries		

--	--	--	--	--	--	--	--	--	--	--	--	--	--

**APPENDIX C -- SUMMARY --GASB Statement No. 49 Restatement Worksheet to Identify Sites Where Obligating Events Require Recording of Costs, Liabilities and Recoveries of Pollution Remediation Obligations**

Post from Appendix B, Parts 8 & 9.

Campus: Sample  
 Prepared by: \_\_\_\_\_  
 Date: \_\_\_\_\_

Due 28-Feb-08

As of 30-Jun-07

Site

FAS 5			GASB 49										
Total Liability			Total Liability			Liability Recovery			Recovery Receivable			Actual Cash Activity	
Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Expenditures	Recovery Receipts

Total Estimated Liabilities and Recoveries for Sites Where:

An Obligating Event Occurred Before June 30, 2007

An Obligating Event Occurred Between July 1, 2007 and June 30, 2008

An Obligating Event Occurred Between July 1, 2008 and June 30, 2009

Campus Total -- Estimated Liabilities and Recoveries

Actual balances recorded in General Ledger before restatement adjustments

**Difference -- Restatement Amounts**

-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

**APPENDIX C -- SUMMARY --GASB Statement No. 49 Restatement Worksheet to Iden**

Post from Appendix B, Parts 8 & 9.

Campus:	Sample
Prepared by:	Due 15-Aug-08
Date:	As of 30-Jun-08

Site	FASB 5			GASB 49			Liability Recovery			Recovery Receivable			Actual Cash Activity	
	Total Liability			Total Liability									Expenditures	Recovery Receipts
	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total		

**For Sites Where an Obligating Event Occurred Before June 30, 2007**

1	Sample	Post from Appendix B, Part 8 & 9			-										
2					-										
3					-										
4					-										
5					-										
6					-										
7					-										
8					-										
	Add more sites, as necessary				-										
Total estimated liabilities and recoveries					-										

**For Sites Where an Obligating Event Occurred Between July 1, 2007 and June 30, 2008**

1		Post from Appendix B, Part 8 & 9			-										
2					-										
3					-										
4					-										
5					-										
6					-										
7					-										
8					-										
	Add more sites, as necessary				-										
Total estimated liabilities and recoveries					-										

**For Sites Where an Obligating Event Occurred Between July 1, 2008 and June 30, 2009**

1		Post from Appendix B, Part 8													
2		(Part 9 not required after 2008)													
3															
4															
5															
6															
7															
8															
	Add more sites, as necessary														
Total estimated liabilities and recoveries															

**APPENDIX C -- SUMMARY --GASB Statement No. 49 Restatement Worksheet to Iden**

Post from Appendix B, Parts 8 & 9.

Campus:	Sample
Prepared by:	Due 15-Aug-08
Date:	As of 30-Jun-08

Site	FASB 5			GASB 49			Liability Recovery			Recovery Receivable			Actual Cash Activity	
	Total Liability			Total Liability									Expenditures	Recovery Receipts
	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total		
Total Estimated Liabilities and Recoveries for Sites Where:														
An Obligating Event Occurred Before June 30, 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-
An Obligating Event Occurred Between July 1, 2007 and June 30, 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
An Obligating Event Occurred Between July 1, 2008 and June 30, 2009	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Campus Total -- Estimated Liabilities and Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Actual balances recorded in General Ledger before restatement adjustments														
<b>Difference -- Restatement Amounts</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-



**APPENDIX C -- SUMMARY --GASB Statement No. 49 Restatement Worksheet to Iden**

Post from Appendix B, Parts 8 & 9.

Campus: **Sample**  
 Prepared by:  
 Date:

Due 15-Aug-09													
As of 30-Jun-09													
FASB 5			GASB 49			Liability Recovery			Recovery Receivable			Actual Cash Activity	
Total Liability			Total Liability										
Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Expenditures	Recovery Receipts

Site
------

**For Sites Where an Obligating Event Occurred Before June 30, 2007**

1 Sample Post from Appendix B, Part 8 & 9  
 2  
 3  
 4  
 5  
 6  
 7  
 8  
 Add more sites, as necessary

---

Total estimated liabilities and recoveries

					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		

**For Sites Where an Obligating Event Occurred Between July 1, 2007 and June 30, 2008**

1 Post from Appendix B, Part 8 & 9  
 2  
 3  
 4  
 5  
 6  
 7  
 8  
 Add more sites, as necessary

---

Total estimated liabilities and recoveries

					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		

**For Sites Where an Obligating Event Occurred Between July 1, 2008 and June 30, 2009**

1 Post from Appendix B, Part 8  
 2 (Part 9 not required after 2008)  
 3  
 4  
 5  
 6  
 7  
 8  
 Add more sites, as necessary

---

Total estimated liabilities and recoveries

					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		
					-			-			-		

**APPENDIX C -- SUMMARY --GASB Statement No. 49 Restatement Worksheet to Iden**

Post from Appendix B, Parts 8 & 9.

Campus: **Sample**  
 Prepared by: \_\_\_\_\_  
 Date: \_\_\_\_\_

Site
------

**Due 15-Aug-09**

**As of 30-Jun-09**

FASB 5			GASB 49			Liability Recovery			Recovery Receivable			Actual Cash Activity		
Total Liability			Total Liability									Expenditures	Recovery Receipts	
Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total	Current	Noncurrent	Total			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Total Estimated Liabilities and Recoveries for Sites Where:

An Obligating Event Occurred Before June 30, 2007

An Obligating Event Occurred Between July 1, 2007 and June 30, 2008

An Obligating Event Occurred Between July 1, 2008 and June 30, 2009

Campus Total -- Estimated Liabilities and Recoveries

Actual balances recorded in General Ledger before restatement adjustments

**Difference -- Restatement Amounts**