

Khatri, Paresh, Env. Health

From: Caoile, Karen, Risk Mgmt
Sent: Thursday, December 24, 2009 11:12 AM
To: Khatri, Paresh, Env. Health
Subject: RE: Summary of Statement No. 49

Paresh,

Thank you for this information. Please confirm these are the only two Alameda County NOR's that we have. The NOR date first reported for ACFD and GSA are 1/9/89 and 6/17/88 respectively.

Do you know if each department had remediation responsibilities after December 15, 2007 for these events? If so, can you please tell me what they are and for how long? (i.e. periodic site testing, reporting)

I ask because GASB 49 below states, "The requirements of this Statement are effective for financial statements for periods beginning **after December 15, 2007**, with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. However, governments that have sufficient objective and verifiable information to apply the expected cash flow technique to measurements in prior periods are required to apply the provisions retroactively for all such prior periods presented.

Thank you for your help.

Karen Caoile

Senior Risk and Insurance Analyst

Alameda County
Risk Management Unit
125 12th Street, 3rd Floor
Oakland, CA 94607
(510) 272-3871; fax (510) 272-6815
tie line x23871; QIC 28505

 Please consider the environment before printing this email.

DISCLAIMER: This email transmission and any documents, files or previous email messages attached to it may contain information that is confidential or legally privileged. If you are not the intended recipient or a person responsible for delivering this transmission to the intended recipient, you are hereby notified that you must not read this transmission and that any disclosure, copying, printing, distribution or use of this transmission is strictly prohibited. If you have received this transmission in error, please immediately notify the sender by telephone or return email and delete the original transmission and its attachments without reading or saving in any manner.

From: Khatri, Paresh, Env. Health
Sent: Thursday, December 24, 2009 10:45 AM
To: Caoile, Karen, Risk Mgmt
Subject: RE: Summary of Statement No. 49

Hello Karen,

Attached are the "Notice of Responsibility" (NOR) letters, which identify ALCO Fire and GSA as "Responsible Parties" for their respective Leaking Underground Fuel Tank (LUFT) Cases. I believe that the NOR satisfies the third highlighted bullet item of your e-mail.

Sincerely,



Paresh C. Khatri
Hazardous Materials Specialist
Alameda County Environmental Health
Local Oversight Program
1131 Harbor Bay Parkway
Alameda, CA 94502-6577

Phone: (510) 777-2478
Fax: (510) 337-9335

E-mail: Paresh.Khatri@acgov.org

<http://www.acgov.org/aceh/lop/lop.htm>

Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of intended recipient(s) and may contain confidential and protected information. Any unauthorized review, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

From: Caoile, Karen, Risk Mgmt
Sent: Monday, December 21, 2009 4:08 PM
To: Khatri, Paresh, Env. Health
Cc: Lubben, Barbara M, CAO - Risk Mgmt; Gloria, Carol, Auditor Agency
Subject: Summary of Statement No. 49

Hi Paresh,

It was a pleasure speaking with you. Thank you for your help. As I mentioned, the Auditor is asking Risk Management for documentation that describes the process to determine whether the County has pollution remediation obligation per GSAB 49. Below is a summary of GASB Statement 49. I highlighted in yellow the obligating events and believe that one or more are under Environmental Health. Please review the obligations below and provide documentation that describes your department's process to determine whether the County has pollution remediation obligation.

I recall the two UST leak events: the 5/11/89 UST Fuel Leak: ALCO Eden Fire District Site, 1430 164th Ave., San Leandro – Responsible Party: ACFD and date unknown UST Fuel Leak: Alco Garage, Oakland, Responsible Party: GSA? I also, believe these sites have been transferred to SWCRB because the RP are County departments.

Let me know if you have any questions. Thanks.



Governmental Accounting Standards Board

Summaries / Status

Summary of Statement No. 49

Accounting and Financial Reporting for Pollution Remediation Obligations

(Issued 11/06)

This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning.

As illustrated in the flowchart in paragraph 106, once any one of five specified obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligating events include the following:

- The government is compelled to take pollution remediation action because of an imminent endangerment.
- The government violates a pollution prevention–related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.

Pollution remediation outlays should be capitalized in government-wide and proprietary fund financial statements, subject to certain limitations, only if the outlays 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 pollution that was expected to be remediated, (3) to perform pollution remediation that restores 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.

Most pollution remediation outlays do not qualify for capitalization and should be accrued as a liability (subject to modified accrual provisions in governmental funds) and expense when a range of expected outlays is reasonably estimable or as an expenditure upon receipt of goods and services. If a government cannot reasonably estimate the range of all components of the liability, it should recognize the liability as the range of each *component* (for example, legal services, site investigation, and required postremediation monitoring) becomes reasonably estimable. In government-wide and

proprietary fund financial statements, the liability should be recorded at the current value of the costs the government 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—the estimated mean or average.

For pollution remediation obligations that are not common or similar to situations at other sites with which the government has experience, this Statement includes a series of recognition benchmarks—steps in the remediation process—that governments should consider in determining when components of pollution remediation liabilities are reasonably estimable. Thus, the measurable transactions and events that result in a pollution remediation liability may be relatively limited at initial recognition but would increase over time as more components become reasonably estimable. This Statement also requires remeasurement of the liability (and its components) when new information indicates increases or decreases in estimated outlays.

The measurement of a government's pollution remediation liability should include remediation work that the government expects to perform for other parties; however, expected recoveries from those other parties, and insurance recoveries, reduce the measurement of the government's pollution 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 would reduce the measurement of the government's pollution remediation liability. If the expected recoveries are realized or realizable, they should be reported as recovery assets (for example, cash or receivables).

For recognized pollution remediation liabilities and recoveries, this Statement requires governments to disclose the nature and source of pollution 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. Governments are required to disclose a general description of the nature of pollution remediation activities for liabilities (or components thereof) that are not reasonably estimable.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007, with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. However, governments that have sufficient objective and verifiable information to apply the expected cash flow technique to measurements in prior periods are required to apply the provisions retroactively for all such prior periods presented.

How This Statement Will Improve Financial Reporting

This Statement will enhance comparability of financial statements among governments by requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. This Statement also will enhance users' ability to assess governments' obligations by requiring more timely and complete reporting of obligations as their components

become reasonably estimable. Current standards (NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, and Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*) do not require recognition of pollution remediation liabilities until after they are judged to be probable of occurrence. This causes a number of expected liabilities not to be reported. Additionally, current standards require the liability to be reported as a single-point estimate, which may not consider all potential outcomes. For example, FASB Interpretation No. 14, *Reasonable Estimation of the Amount of a Loss*, requires recognition of the low end of a range of estimated pollution remediation outlays when no amount within a range is a better estimate than any other amount. This causes reporting of liabilities at amounts that may differ significantly from the expected amounts (the amounts that, on average, will be incurred). This Statement will improve financial reporting by requiring consideration of recognition once an obligating event occurs and by requiring reporting of liabilities using the expected cash flow measurement technique.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 2 discusses the applicability of this Statement.
