

20CY GASB 49 Pollution Remediation Questionnaire — Preview

Introduction

Thank you for taking time to complete this survey pertaining to the following Governmental Accounting Standards Board (GASB) statement:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*

Agency management is responsible for ensuring proper accounting and reporting of pollution remediation liabilities under [GASB 49](#). Agencies must analyze their pollution remediation obligations at least annually and must recognize pollution remediation liabilities in their financial statements, if applicable. Agencies are required to make the identification of obligating events a normal part of their procedures when acquiring, remodeling or cleaning up property.

Submission of this questionnaire serves as an “Acknowledgment of Review” of the agency’s operations for pollution remediation obligations.

Submit responses to this questionnaire by **Aug. 15, 20CY**.

For more information, see [Pollution Remediation Obligations](#) on the Reporting Requirements website. If you have any questions on GASB 49 or this questionnaire, please contact your [financial reporting analyst](#).

Agency Information

Name: _____

Number: _____

Known Pollution

1. Does your agency know or reasonably believe a site is polluted or contaminated (*GASB 49, paragraph 11*)?
(Select only one answer.)

- ☐ Yes
- ☐ No ([Skip to question 11](#))

Obligating Events

The five possible obligating events, according to *GASB 49, paragraph 11*, are:

- Your agency has been compelled to take remediation action because of an **imminent endangerment**.
This criterion applies to events that compel an agency to take remediation action even if no laws require such action. For example, it is not limited to the Superfund law or the Resource Conservation and Recovery Act (RCRA) that provides the federal government with authority to enforce remediation actions when pollution causes an imminent and substantial endangerment.
- Your agency violated a pollution prevention-related permit or license.
Pollution prevention-related permits include RCRA permits or similar permits under state law.
- Your agency has been named or evidence indicates that your agency 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.
For example, section 104(c)(3) of the Superfund law, as amended [42 U.S.C. 9604(c) (3)], requires in part that states pay or ensure payment of 10 percent of the cost of remediation action and 100 percent of the cost of operations and maintenance at sites that were privately owned or operated and for which no financially viable PRP can be found.

- Your agency has been named or evidence indicates that your agency will be named in a **lawsuit** to compel participation in pollution remediation.
There is a presumption in GASB 49 that a lawsuit can be excluded from consideration if it is substantially the same as a lawsuit previously determined to be without merit or relevant judicial determinations.
- Your agency has commenced or legally obligated itself to commence pollution remediation.
For example, an agency that sells polluted land may obligate itself to perform remediation activities as a part of the agreement of sale. Also, an agency may voluntarily sign a consent decree making itself a responsible party for cleanup activities.

2. Considering the above information, has an obligating event occurred? (Select only one answer.)

- ☐ Yes
- ☐ No ([Skip to question 8](#))

3. Indicate which obligating event or events have occurred. (Select all that apply.)

- ☐ Your agency has been compelled to take remediation action because of an imminent endangerment.
- ☐ Your agency violated a pollution prevention-related permit or license.
- ☐ Your agency has been named or evidence indicates that your agency 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.
- ☐ Your agency has been named or evidence indicates that your agency will be named in a lawsuit to compel participation in pollution remediation.
- ☐ Your agency has commenced or legally obligated itself to commence pollution remediation.

Reasonably Estimable

Per GASB 49, paragraphs 12 through 21, pollution remediation liabilities are recognized as the ranges of their components become reasonably estimable. In some cases, the agency may have insufficient information to reasonably estimate the ranges of all the components of its liability. In these cases, the agency recognizes pollution remediation liabilities as the range of each component of the liability (such as legal services, site investigation or required post remediation monitoring) becomes reasonably estimable.

If an agency estimates remediation outlays using, for example, statewide averages developed by a state environmental regulator, evaluate the averages to ensure they are applicable to the polluted site. Such averages may not be applicable if the site situation is uncommon or has unique characteristics.

Pollution remediation liabilities are measured based on the pollution remediation outlays expected to be incurred to settle those liabilities. Some reasonable estimates of ranges of possible cash flows are limited to a few discrete scenarios or a single scenario (such as an amount specified in a contract for pollution remediation services).

4. Based on the information above, is the range of one or more components of the pollution remediation obligation reasonably estimable? (Select only one answer.)

- ☐ Yes
- ☐ No ([Skip to question 12](#))

Capitalization Circumstances

Per *GASB 49, paragraph 22*, the four possible circumstances where capitalization is appropriate for pollution remediation outlays are:

- Outlays were incurred to prepare property in anticipation of a sale.
In this circumstance, agencies capitalize only amounts that result in the carrying amounts of the property not exceeding its estimated fair value upon completion of the remediation. Capitalization is appropriate only if the outlays 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 government’s control.
- Outlays were incurred to prepare property for use when the property was acquired with known or suspected pollution that was expected to be remediated.
In this circumstance, agencies capitalize only those pollution remediation outlays expected to be necessary in order to place the asset into its intended locations and conditions for use. Capitalization is appropriate only if the outlays 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 government’s control.
- Outlays were incurred to perform pollution remediation that restored a pollution caused decline in service utility recognized as an asset impairment.
In this circumstance, agencies capitalize only those pollution remediation outlays expected to be necessary in order to place the asset into its intended locations and conditions for use.
- Outlays were incurred for the purpose of acquiring property, plant or equipment that has a future alternative use.
In this circumstance, agencies capitalize outlays only to the extent of the estimated service utility that will exist after pollution remediation activities have ceased.

5. Based on the information above, do some or all of the pollution remediation outlays qualify for capitalization. (Select only one answer.)

- ☐ Yes
- ☐ No ([Skip to question 10](#))

6. Indicate which capitalization circumstance(s) have occurred. (Select all that apply.)

- ☐ Outlays were incurred to prepare property in anticipation of a sale.
- ☐ Outlays were incurred to prepare property for use when the property was acquired with known or suspected pollution expected to be remediated.
- ☐ Outlays were incurred to perform pollution remediation that restored a pollution-caused decline in service utility recognized as an asset impairment.
- ☐ Outlays were incurred for the purpose of acquiring property, plant or equipment that has a future alternative use.

Level of Capitalization

Your previous answer indicates the pollution remediation qualifies for partial or complete capitalization.

7. Please select the answer that best describes your agency’s pollution remediation situation. (Select only one answer.)

- ☐ Agency will capitalize all costs associated with pollution remediation. ([Skip to question 9](#))
- ☐ Agency will capitalize a portion of the costs associated with pollution remediation and record expense and liability for the remaining costs. ([Skip to question 10](#))

Recognition and Disclosure Requirements

You responded “**No**” to question 2 — therefore, GASB 49 does not apply to your agency because an obligating event has not occurred.

8. Select **No Disclosure** and click **Next**.

☐ No Disclosure ([Skip to end of the survey](#))

On question 7, you indicated the selected agency has known pollution where an obligating event has occurred and that remediation costs are reasonably estimable.

You also indicated that all of the remediation activity qualifies for capitalization.

- Do not record pollution remediation obligations for these expected outlays.
- Capitalize actual amounts in government-wide and proprietary fund financial statements when goods and services are acquired.
- Note disclosure is not required.

9. Select **Agency will capitalize all costs associated with pollution remediation** and click **Next**.

☐ Agency will capitalize all costs associated with pollution remediation ([Skip to end of the survey](#))

On question 7, you indicated your agency has known pollution where an obligating event has occurred and that remediation costs are reasonably estimable. You also indicated all or a portion of the remediation activity does not qualify for capitalization. Financial statement recognition and note disclosure of the pollution remediation obligation is required.

Disclosure Requirements: Agencies impacted by GASB 49 are required to submit a detailed GASB 49 Inventory file as part of the agency’s AFR submission. A GASB 49 inventory template can be found under [Templates & Sample Exhibits](#) link in the **right-hand toolbox** of the AFR Reporting Requirements website.

The following note disclosures are required for recognized pollution remediation liabilities. Pollution remediation obligations are disclosed as part of the [Note 5 — Long-Term Liabilities](#) on the Reporting Requirements website.

- The nature and source of pollution remediation obligations (such as federal, state and local laws or regulations).
- The amounts of the estimable liability (if not apparent from the financial statements), the method and assumptions used for the estimate and the potential for the estimate to change due to factors such as price increases or decreases, changes in technology or changes to applicable laws and regulations.
- Estimated recoveries reducing the liability.

10. Select **Agency will record pollution remediation obligation(s) and make required note disclosures** and click **Next**.

☐ Agency will record pollution remediation obligation(s) and make required note disclosures.
([Skip to end of the survey](#))

You selected “**No**” to question 1 — therefore, GASB 49 does not apply.

11. Selected **No Disclosure** and click **Next**.

☐ No Disclosure ([Skip to end of the survey](#))

You indicated your agency has known pollution where an obligating event has occurred, but that remediation costs are not reasonably estimable. Note disclosure of the pollution remediation obligation is required.

The following note disclosures are required for recognized pollution remediation liabilities. Pollution remediation obligations are disclosed as part of the [Note 5 — Long-Term Liabilities](#) on the Reporting Requirements website.

- The acknowledgment of pollution remediation obligations (such as federal, state and local laws or regulations) as of 8/31/20CY.
- For future reporting, the agency recognizes pollution remediation liabilities as the range of each component of the liability (such as legal services, site investigation or required post-remediation monitoring) becomes reasonably estimable.

You selected “**No**” to question 4 — therefore, a note disclosure of this activity is required by GASB 49.

12. Select **Note Disclosure** and click **Next**.

☐ Note Disclosure

Thank you for your time.

Please click **Done**.

Note: This questionnaire is not marked complete unless you click the *Done* button below.

Please remember, agencies impacted by GASB 49 are required to submit a copy of the agency’s GASB 49 Inventory as part of your agency’s AFR submission using the [GASB 49 — Pollution Remediation Obligation Inventory Template \(Excel\)](#).