

3. ACCOUNTING

3.4 Liabilities

3.4.8 Solid Waste Utilities: Closure and Postclosure Cost

Background

- 3.4.8.10 The Department of Ecology (Ecology) mandates funding of solid waste landfill closure and postclosure costs in WAC [173-304-467](#), WAC [173-351-600](#), and WAC [173-350-400](#) subsection 8. The standards prescribe specific closure and postclosure care procedures and the funding of them. While these standards apply to a landfill's closure and postclosure, they are associated with its operation and represent a material cost to be recognized during its operation.
- 3.4.8.20 In August 1993, the Governmental Accounting Standards Board (GASB) issued [Statement 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs](#). This Statement establishes standards of accounting and financial reporting for municipal solid waste landfill closure and postclosure care costs that are required to be incurred by federal, state, and local laws or regulations.

Department of Ecology Guidelines

- 3.4.8.30 WAC [173-304-467](#), WAC [173-351-600](#), and WAC [173-350-400](#) require each owner or operator to prepare written closure and postclosure cost estimates as part of the facility closure and postclosure plans. These plans are to be reviewed annually and adjusted for cost changes, including inflation.
- 3.4.8.40 Each owner or operator is also required to either establish a reserve account or provide another form of financial assurance that, over the life of the facility, funds will be adequate to cover the costs of closing the facility and performing postclosure activities in accordance with state and federal regulations (RCW [70.95.215](#)). Ecology rules require that reserve accounts be set aside as restricted assets. These requirements apply to all landfill disposal facilities.

GAAP Reporting

- 3.4.8.50 Landfills using proprietary fund accounting and reporting should recognize a portion of the closure and postclosure costs as an expense and liability in each period that they accept waste. The estimated cost assigned to each period should be based on the landfill use rather than the passage of time. [GASB Statement 18](#) prescribes the following formula to determine the current period amount:

$$\frac{\text{Estimated total closure cost} \times \text{Cumulative capacity used}}{\text{Total estimated capacity}} \quad (\text{Amount previously recognized})$$

- 3.4.8.60 Landfills using governmental fund accounting and reporting should use the same method as proprietary funds for the measurement and recognition of the accrued liability for closure and postclosure costs (described above).
- 3.4.8.70 [GASB Statement 18](#) also provides guidance on equipment which is a part of the closure costs, versus equipment that is used during normal operations. The estimated cost of equipment expected to be part of the closure costs should be included in the closure cost estimate and the liability as calculated for

each period. Such equipment cost should not be capitalized. When these assets are acquired, they should be reported as a reduction of the liability.

- 3.4.8.80 [GASB Statement 18](#) requires state and local governments to disclose the nature and source of landfill closure and postclosure care requirements, the nature of estimates, the reported liability at the balance sheet date, the estimated cost remaining to be recognized, the percentage of landfill capacity used to date, and the estimated remaining landfill life in years. Governments also are required to disclose how closure and postclosure care financial assurance requirements are being met.
- 3.4.8.90 Local governments should report their estimated land fill closure and postclosure liability on Schedule 09, *Liabilities*. See [Liabilities \(Schedule 09\)](#).