

Governmental Accounting Standards Board

Statement No. 18

Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs

Example Illustration

Based on Governmental Accounting Standards Board Statement No. 18, the XYZ Landfill Authority (reported in an enterprise fund) would make this disclosure in the notes to its December 31, 2009 financial statements:

Note X: Closure and Postclosure Care Costs

State and federal laws and regulations require the Authority to place a final cover on its Mill Street Landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$10.4 million reported as landfill closure and postclosure care liability at December 31, 2009, represents the cumulative amount reported to date based on the use of 80 percent of the estimated capacity of the landfill.

The Authority will recognize the remaining estimated cost of closure and postclosure care of \$3.1 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. The Authority expects to close the landfill in the year 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Authority is required by state and federal laws and regulations to have financial assurance in place to finance closure and postclosure care. The Authority has chosen to setup a fully funded Trust in order to meet this obligation.

The Authority is in compliance with the financial assurance requirements, and, at December 31, 2009, investments of \$10,400,000 (\$10,400,000 market value) were being held for these purposes. These are reported as restricted assets on the balance sheet. The Authority expects that future inflation costs will be paid from interest earnings on the Trust Fund. However, if interest earnings are inadequate or additional postclosure care requirements are determined to be needed (due to changes in technology or applicable laws or regulations, for example), these additional costs may need to be covered by charges to future landfill users or to be secured from future tax revenues.