

4. Financial Statement Requirement for the RCRA Subtitle C Financial Test

For purposes of complying with the financial assurance requirements, treatment, storage, and disposal facilities (TSDFs) may demonstrate liability coverage by use of the financial test. As evidence that the TSDF satisfies the financial test requirements, the owner or operator is required to submit a certified public accountant's report on the latest completed fiscal year's financial statements (264.147(f)(3)(ii)). If the owner or operator does not have financial statements from the latest completed fiscal year, may estimated financial statements be used as substitutes for this requirement?

No. If there are no financial statements for the latest completed fiscal year, the financial test mechanism cannot be used to demonstrate financial assurance. In addition, estimates of financial statements may not be used as substitutes for full statements. This is applicable not only to new companies, but to companies that have recently separated from parent companies. Although such a recently separated company may have the ability to accurately estimate their financial statements using the parent company's statements, it must nevertheless rely on its own financial statements to qualify to use the financial test. This allows the certified public accountant to fairly predict the financial condition of the company in conformity with generally accepted accounting principals.