

VIII. Local Government Financial Test

The local government financial test shall be met by provision of four documents: (1) a letter from the Chief Financial Officer (CFO) or other official designated by the local government; (2) an agreed-upon procedures letter from the local government’s independent auditor, who must be a certified public accountant; (3) the local government’s current Comprehensive Annual Financial Report (CAFR); and (4) a worksheet demonstrating how the environmental obligations to be assured have been determined.

(1). The letter from the CFO shall be worded essentially as follows, with the parentheses in each case deleted and replaced by the specific information referenced inside the parentheses.

(Address to the Oregon Department of Environmental Quality (DEQ) Division Administrator for the Region in which the local government unit is located [herein the “Administrator”])

(a) I am the CFO of (name, address and permit number of local government permittee) and am authorized to commit (local government) to the terms of this letter. This letter is in support of (name of local government)’s use of the local government financial test to demonstrate financial assurance for the closure or post-closure plan permit financial requirements or required corrective action report at the following landfills (name and description of landfills).

(b) (Local government) prepares its financial statement according to generally accepted accounting principles. (Local government) is not in default on any of its general obligation bonds and has no general obligation bonds outstanding rated as less-than-investment grade by Moody’s Investor Service or Standard & Poors’ Ratings Group.

(c) (Local government) will disclose the existence and estimated amount of closure and post-closure costs assured in the CAFR covering the current fiscal year and in each subsequent CAFR. If at any time (local government) cannot meet any requirement of this financial test, or if it receives a qualified audit from its outside auditor, it will immediately notify the Administrator and will provide an alternate financial assurance mechanism acceptable to the Administrator within 210 days of the end of the fiscal year in which such notice is given.

(d) (Local government) has not had an operating deficit greater than five percent of revenue in more than one of the two fiscal years immediately past.

	Immediately previous year [A]	Year B – one year prior to year A
X. Operating deficit if any	(\$)	(\$)
Y. Total revenue	(\$)	(\$)
[X/Y]	(%)	(%)

(e) (Local government) is adequately liquid in that its liquid assets [cash plus marketable securities] are equal to or greater than five percent of expenditures. For year [A], cash plus marketable securities totaled (\$), expenditures totaled (\$), [cash plus marketable securities]/[total expenditures] = (%).

(f) (Local government) is not excessively burdened with debt. Annual debt service payments are no more than 20 percent of total expenditures. For year [A] annual debt service totaled (\$), total expenditures equaled (\$), [annual debt service]/[total expenditure] = (%).

(g) Environmental obligations do not consume a disproportionate share of (local government) revenues. All (local government) environmental obligations, including guarantees of third party obligations, do not exceed 43 percent of revenues. Environmental obligations total (\$). Revenues for year [A] total (\$). $[\text{Environmental obligation}]/[\text{total revenues}] = (\%)$.

Note: Paragraphs (a), (b) and (c) must be included in the CFO letter.

Paragraphs (d), (e), (f) and (g) may be included in the CFO letter, or in the accompanying agreed-upon procedures letter.

(2). The agreed-upon procedures letter shall be prepared in accordance with standards established by the American Institute of Certified Public Accountants and shall specify that the figures used in determining that the local government meets the local government financial test requirements are the same as the figures in the local government's referenced CAFR.