

Financial Audit Division

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Agreed-Upon Procedures

\_\_\_\_\_ **County**  
Local Government Financial Test  
As of \_\_\_\_\_  
*date of certification letter*

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**Independent Accountants' Report  
on Applying Agreed-Upon Procedures**

Henry R. Darwin, Director  
Arizona Department of Environmental Quality

\_\_\_\_\_, Chief Financial Officer  
\_\_\_\_\_ County, Arizona

We have performed the procedures enumerated below, which were agreed to by the Arizona Department of Environmental Quality and \_\_\_\_\_ County, solely to assist users in evaluating \_\_\_\_\_ County's compliance with the local government financial test requirements under Municipal Solid Waste Landfill Criteria, 40 Code of Federal Regulations (CFR), Part 258, during the year ended June 30, 20\_\_, included in the certification letter dated \_\_\_\_\_, from \_\_\_\_\_ County's Chief Financial Officer. The County's management is responsible for compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The Arizona Department of Environmental Quality is solely responsible for the sufficiency of these procedures. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and the associated findings are as follows:

***A county may use the following local government financial test to demonstrate financial assurance for its landfills. As part of that test, a county must qualify to satisfy either the bond rating provision or the financial ratio alternative. The bond rating provision must be used in those instances when the county has rated general obligation bonds outstanding and the financial ratio alternative must be used in those instances when the County's general obligation bonds outstanding are not rated or when the County has no general obligation bonds outstanding. However, a county cannot use the local government financial test to demonstrate financial responsibility for its landfills if it is currently in default on any outstanding general obligation bonds, has general obligation bonds outstanding that are rated below investment grade, or operated at a deficit equal to five percent or more of total annual revenues in each of the previous 2 fiscal years. Further, a county is disqualified from using the local government financial test if an audit of the most recent financial statements receives an adverse, disclaimer, or other qualified opinion unless a waiver is granted by the Arizona Department of Environmental Quality.***

***The bond rating provision below must be used in those instances when the county has rated general obligation bonds outstanding. When using the bond rating provision, the final rule requires that the current underlying rating on general obligation bonds without giving effect to credit enhancements, such as insurance, letter of credit, or other collateral or guarantee, be rated investment grade (i.e., Aaa, Aa, A, or Baa, as issued by Moody's, or AAA, AA, A, or BBB, as issued by Standard and Poor's). The current (i.e., most recent available) public ratings are available on both Moody's and Standard and Poor's Web sites. Both of these organizations report a government's current bond ratings without credit enhancements and with credit enhancements. The final rule disallows the use of an insured general obligation bond rating, because the rating of such bonds is based on the insurer's financial condition and not the government's current financial condition. (See Federal Register, November 27, 1996, Part II, Environmental Protection Agency, 40 CFR, Part 258, Financial Assurance Mechanisms for Local Government Owners and Operators of Municipal Solid Waste Landfill Facilities; Final Rule and 40 CFR, Part 258.74(f)).***

***Bond rating provision:***

1. We determined that, as of June 30, 20\_\_, the current underlying rating on all outstanding general obligation bonds of \_\_\_\_\_ County, without giving effect to insurance, a letter of credit, or other collateral or guarantee, are rated investment grade Aaa, Aa, A, or Baa, as issued by Moody's, or AAA, AA, A, or BBB, as issued by Standard and Poor's.

OR

***The financial ratio alternative must be used in those instances when the County's general obligation bonds outstanding are not rated or when the County has no general obligation bonds outstanding. The financial ratio alternative cannot be used when the County has rated general obligation bonds outstanding.***

***Financial ratio alternative:***

1. We determined that, as of and for the year ended June 30, 20\_\_, \_\_\_\_\_ County's ratio of cash plus marketable securities to total expenditures was greater than or equal to 0.05, and its ratio of annual debt service to total expenditures was less than or equal to 0.20.

***The additional agreed-upon procedures listed below must be performed on each engagement regardless of which test above was used.***

2. We determined that, as of June 30, 20\_\_, \_\_\_\_\_ County was not in default on any outstanding general obligation bonds and did not have any general obligation bonds with a current underlying rating without giving effect to insurance, a letter of credit, or other collateral or guarantee of lower than Baa, as issued by Moody's, or BBB, as issued by Standard and Poor's. ***Modify as necessary if the county did not have any G.O. bonds or rated G.O. bonds outstanding. If the county did not have any G.O. bonds outstanding, our procedures would state that because no G.O. bonds were outstanding we did not evaluate the default or rating requirements. However, if there were unrated G.O. bonds outstanding, our procedures would evaluate the default requirement and state that because the bonds were unrated that we did not evaluate the rating requirement.***
3. We determined that \_\_\_\_\_ County prepared its financial statements, as of and for the year ended June 30, 20\_\_, in conformity with U.S. generally accepted accounting principles for governments, and these financial statements were audited by the Office of the Auditor General.

4. We determined that, as of and for the year ended June 30, 20\_\_, \_\_\_\_\_ County did not receive an adverse opinion, disclaimer of opinion, or other qualified opinion on its financial statements.
5. We determined that \_\_\_\_\_ County has not had an operating deficit greater than or equal to 5 percent of its total annual revenues for each of the past 2 years ended June 30, 20\_\_.
6. We determined that \_\_\_\_\_ County's costs to be assured do not exceed 43 percent of its total annual revenues for the year ended June 30, 20\_\_.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the addressees and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Should you have any questions concerning the contents of this report, please let us know.

Sincerely,

Jay Zsorey, CPA  
Financial Audit Director

***Date of certification letter***