

567—136.14(455B) Local government financial test.

136.14(1) A local government owner or operator may satisfy the requirements of rule 136.4(455B) by passing the financial test specified therein. To be eligible to use the financial test, the local government owner or operator must have the ability and authority to assess and levy taxes or to freely establish fees and charges.

To pass the local government financial test, the owner or operator must meet the criteria of subrules 136.14(3) and 136.14(4) based on year-end financial statements for the latest completed fiscal year.

136.14(2) The local government owner or operator must have the following information available, as shown in the year-end financial statements for the latest completed fiscal year:

a. Total revenues. Total revenues consist of the sum of general fund operating and nonoperating revenues including net local taxes, licenses and permits, fines and forfeitures, revenues from use of money and property, charges for services, investment earnings, sales (property, publications, etc.), intergovernmental revenues (restricted and unrestricted), and total revenues from all other governmental funds including enterprise, debt service, capital projects, and special revenues, but excluding revenues to funds held in a trust or agency capacity. For purposes of this test, the calculation of total revenues shall exclude all transfers between funds under the direct control of the local government using the financial test (interfund transfers), liquidation of investments, and issuance of debt.

b. Total expenditures. Total expenditures consist of the sum of general fund operating and nonoperating expenditures including public safety, public utilities, transportation, public works, environmental protection, cultural and recreational, community development, revenue sharing, employee benefits and compensation, office management, planning and zoning, capital projects, interest payments on debt, payments for retirement of debt principal, and total expenditures from all other governmental funds including enterprise, debt service, capital projects, and special revenues. For purposes of this test, the calculation of total expenditures shall exclude all transfers between funds under the direct control of the local government using the financial test (interfund transfers).

c. Local revenues. Local revenues consist of total revenues, as defined in paragraph 136.14(2) “a,” minus the sum of all transfers from other governmental entities, including all moneys received from federal, state, or local government sources.

d. Debt service. Debt service consists of the sum of all interest and principal payments on all long-term credit obligations and all interest-bearing short-term credit obligations; includes interest and principal payments on general obligation bonds, revenue bonds, notes, mortgages, judgments, and interest-bearing warrants; and excludes payments on noninterest-bearing short-term obligations, interfund obligations, amounts owed in a trust or agency capacity, and advances and contingent loans from other governments.

e. Total funds. Total funds consist of the sum of cash and investment securities from all funds, including general, enterprise, debt service, capital projects, and special revenue funds, but excluding employee retirement funds, at the end of the local government’s financial reporting year. Total funds include federal securities, federal agency securities, state and local government securities, and other securities such as bonds, notes and mortgages. For purposes of this test, the calculation of total funds shall exclude agency funds, private trust funds, accounts receivable, value of real property, and other nonsecurity assets.

f. Population. Population consists of the number of people in the area served by the local government.

136.14(3) The local government’s year-end financial statements, if independently audited, cannot include an adverse auditor’s opinion or a disclaimer of opinion. The local government cannot have outstanding issues of general obligation or revenue bonds that are rated as less than investment grade.

136.14(4) The local government owner or operator must have a letter signed by the chief financial officer worded as specified in subrule 136.14(5).

136.14(5) To demonstrate that it meets the financial test under subrules 136.14(2) to 136.14(4), the chief financial officer of the local government owner or operator must sign, within 120 days of the close of each financial reporting year, as defined by the 12-month period for which financial statements used

to support the financial test are prepared, a letter worded exactly as follows, except that the instructions in brackets are to be replaced by the relevant information and the brackets deleted:

Letter from Chief Financial Officer

I am the chief financial officer of [insert: name and address of the owner or operator]. This letter is in support of the use of the local government financial test to demonstrate financial responsibility for [insert: “taking corrective action” and/or “compensating third parties for bodily injury and property damage”] caused by [insert: “sudden accidental releases” and/or “nonsudden accidental releases”] in the amount of at least [insert: dollar amount] per occurrence and [insert: dollar amount] annual aggregate arising from operating (an) underground storage tank(s).

Underground storage tanks at the following facilities are assured by this financial test [List for each facility: the name and address of the facility where tanks assured by this financial test are located. If separate mechanisms or combinations of mechanisms are being used to assure any of the tanks at this facility, list each tank assured by this financial test by the tank identification number provided in the notification submitted pursuant to 567—135.3(455B) of the Iowa Administrative Code.]

This owner or operator has not received an adverse opinion, or a disclaimer of opinion from an independent auditor on its financial statements for the latest completed fiscal year. Any outstanding issues of general obligation or revenue bonds, if rated, have a Moody’s rating of Aaa, Aa, A, or Baa or a Standard & Poor’s rating of AAA, AA, A, or BBB; if rated by both firms, the bonds have a Moody’s rating of Aaa, Aa, A, or Baa and a Standard & Poor’s rating of AAA, AA, A, or BBB.

WORKSHEET FOR MUNICIPAL FINANCIAL TEST

PART I: BASIC INFORMATION

1. Total Revenues

- a. Revenues (dollars) _____
 Value of revenues excludes liquidation of investments and issuance of debt.
 Value includes all general fund operating and nonoperating revenues, as well as all revenues from all other governmental funds including enterprise, debt service, capital projects, and special revenues, but excluding revenues to funds held in a trust or agency capacity.
- b. Subtract interfund transfers (dollars) _____
- c. Total Revenues (dollars) _____

2. Total Expenditures

- a. Expenditures (dollars) _____
 Value consists of the sum of general fund operating and nonoperating expenditures including interest payments on debt, payments for retirement of debt principal, and total expenditures from all other governmental funds including enterprise, debt service, capital projects, and special revenues.
- b. Subtract interfund transfers (dollars) _____
- c. Total expenditures (dollars) _____

3. Local Revenues

- a. Total Revenues (from 1c) (dollars) _____
- b. Subtract total intergovernmental transfers (dollars) _____
- c. Local Revenues (dollars) _____

4. Debt Service

- a. Interest and fiscal charges (dollars) _____
- b. Add debt retirement (dollars) _____
- c. Total Debt Service (dollars) _____

5. Total Funds (dollars)

(Sum of amounts held as cash and investment securities from all funds, excluding amounts held for employee retirement funds, agency funds, and trust funds) _____

6. Population (persons) _____

PART II: APPLICATION OF TEST

7. Total Revenues to Population

- a. Total Revenues (from 1c) _____
- b. Population (from 6) _____
- c. Divide 7a by 7b _____
- d. Subtract 417 _____
- e. Divide by 5,212 _____
- f. Multiply by 4.095 _____

8. Total Expenses to Population

- a. Total Expenditures (from 2c) _____
- b. Population (from 6) _____
- c. Divide 8a by 8b _____
- d. Subtract 524 _____
- e. Divide by 5,401 _____
- f. Multiply by 4.095 _____

9. Local Revenues to Total Revenues

- a. Local Revenues (from 3c) _____
- b. Total Revenues (from 1c) _____
- c. Divide 9a by 9b _____
- d. Subtract .695 _____
- e. Divide by .205 _____
- f. Multiply by 2.840 _____

10. Debt Service to Population

- a. Debt Service (from 4c) _____
- b. Population (from 6) _____
- c. Divide 10a by 10b _____
- d. Subtract 51 _____
- e. Divide by 1,038 _____
- f. Multiply by - 1.866 _____

11. Debt Service to Total Revenues

- a. Debt Service (from 4c) _____
- b. Total Revenues (from 1c) _____
- c. Divide 11a by 11b _____
- d. Subtract .068 _____
- e. Divide by .259 _____
- f. Multiply by - 3.533 _____

12. Total Revenues to Total Expenses

- a. Total Revenues (from 1c) _____
- b. Total Expenditures (from 2c) _____
- c. Divide 12a by 12b _____
- d. Subtract .910 _____
- e. Divide by .899 _____
- f. Multiply by 3.458 _____

13. Funds Balance to Total Revenues

- a. Total Funds (from 5) _____
- b. Total Revenues (from 1c) _____
- c. Divide 13a by 13b _____
- d. Subtract .891 _____
- e. Divide by 9.156 _____
- f. Multiply by 3.270 _____

14. Funds Balance to Total Expenses

- a. Total Funds (from 5) _____
- b. Total Expenditures (from 2c) _____
- c. Divide 14a by 14b _____
- d. Subtract .866 _____
- e. Divide by 6.409 _____
- f. Multiply by 3.270 _____

15. Total Funds to Population

- a. Total Funds (from 5) _____
- b. Population (from 6) _____
- c. Divide 15a by 15b _____
- d. Subtract 270 _____
- e. Divide by 4,548 _____
- f. Multiply by 1.866 _____

16. Add 7f + 8f + 9f + 10f + 11f + 12f + 13f + 14f + 15f + 4.937 _____

I hereby certify that the financial index shown on line 16 of the worksheet is greater than zero and that the wording of this letter is identical to the wording specified in 567—subrule 136.14(5) of the Iowa Administrative Code on the date shown immediately below.

[Signature]

[Name]

[Title]

[Date]

136.14(6) If a local government owner or operator using the test to provide financial assurance finds that it no longer meets the requirements of the financial test based on the year-end financial statements, the owner or operator must obtain alternative coverage within 150 days of the end of the year for which financial statements have been prepared.

136.14(7) The director of the Iowa department of natural resources may require reports of financial condition at any time from the local government owner or operator. If the director finds, on the basis of such reports or other information, that the local government owner or operator no longer meets the financial test requirements of subrules 136.13(2) to 136.13(5), the owner or operator must obtain alternate coverage within 30 days after notification of such a finding.

136.14(8) If the local government owner or operator fails to obtain alternate assurance within 150 days of finding that it no longer meets the requirements of the financial test based on the year-end financial statements or within 30 days of notification by the director of the Iowa department of natural resources that it no longer meets the requirements of the financial test, the owner or operator must notify the director of such failure within 10 days.