



Attestation Report

Solid Waste Landfill Financial Assurance Agreed-Upon Procedures Engagement

June 2022



Anne Arundel County is required to demonstrate compliance with the Code of Federal Regulations Title 40 Protection of Environment (Title 40 CFR) part 258, Criteria for Municipal Solid Waste Landfills, each fiscal year. Title 40 CFR part 258 identifies allowable mechanisms local governments can use to demonstrate financial assurance that the County has the necessary funds to meet the costs of landfill closure and post-closure care. One of these mechanisms allowed by Title 40 CFR is the local government financial test, which the Office of Finance (Finance) used to demonstrate the County's financial assurance. Title 40 CFR part 258(f)(2)(C) requires a report to the local government from the local government's independent certified public accountant (CPA) based on performing an agreed-upon procedures engagement relative to the financial ratios required. Finance had requested the Office of the County Auditor, acting as the County's

independent CPA, to perform an agreed-upon procedures engagement in accordance with the requirements of Title 40 CFR part 258 related to the closure and post-closure costs of the Millersville Landfill Cells 8 and 9 for the period ending June 30, 2021.

This attestation engagement applied agreed-upon procedures to the information presented in the Chief Financial Officer's signed letter (CFO's letter) to the operating record of the Millersville Landfill signed February 15, 2022. From performing the agreed-upon procedures, we identified that the data presented in the CFO's letter came from or was appropriately derived from the corresponding data in the audited financial statements of an amended letter issued April 6, 2022.

Anne Arundel County Council

Council Chair Lisa D. B. Rodvien
Council Vice Chair Andrew Pruski
Councilmember Amanda Fiedler
Councilmember Jessica Haire
Councilmember Sarah F. Lacey
Councilmember Allison M. Pickard
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Anne Arundel County Executive

Steuart Pittman

The Office of the County Auditor was created by the Anne Arundel County Charter as an independent office reporting to the County Council to help establish accountability and improve County services. Annually, we perform an agreed-upon procedures engagement relative to the requirements of Title 40 CFR part 258 solely at the request of the Office of Finance.

This report is intended solely for the use of the County Council, Anne Arundel County Management, the Maryland Department of the Environment, and the U.S. Environmental Protection Agency. We acknowledge the cooperation extended to us during the course of the agreed-upon procedures engagement by the Office of Finance.

Copies of our special reports are available at
<https://www.aacounty.org/departments/auditor/land-assurance-reports/>

To Obtain Further Information

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Cover: Millersville Landfill – Liners placed in cells during construction to prevent potential soil and environment contamination provided by the Department of Public Works.

Background and Agreed-Upon Procedures

The Millersville Landfill is located in Severn, MD and is the only active MSWLF owned by Anne Arundel County. The Facility is operated by the County's Department of Public Works, Bureau of Waste Management Services.

This agreed-upon procedures engagement was initiated based on a formal request from the Office of Finance (Finance) to perform in evaluating Anne Arundel County's compliance with the Code of Federal Regulations Title 40 Protection of Environment (Title 40 CFR) part 258 for the period ending June 30, 2021. Title 40 CFR part 258 requires all owners or operators of municipal solid waste landfills (MSWLFs) to demonstrate financial assurance that funds necessary to meet closure and post-closure care activities are available. Title 40 CFR part 258 permits the owner or operator of a MSWLF to use the local government financial test to demonstrate closure, post-closure care, and/or corrective action financial assurance.

To meet the requirements of the local government financial test, a local government must satisfy either the bond rating requirement, which requires the government to have an investment grade bond rating (i.e., AAA, AA, A, or BBB as issued by Standard and Poor's, or Aaa, Aa, A or Baa as issued by Moody's) on all outstanding general obligation bonds or meet certain financial ratios. If satisfying with certain financial ratios, the MSWLF owner or operator must satisfy each of the following financial ratios based on the owner or operator's most recent audited annual financial statement:

1. A ratio of cash plus marketable securities to total expenditures greater than or equal to 0.05, and
2. A ratio of annual debt service to total expenditures less than or equal to 0.20.

A local government is not allowed to use this mechanism if it is currently in default on any outstanding general obligation bond; has any outstanding general obligation bonds rated lower than BBB as issued by Standard and Poor's or Baa as issued by Moody's; operated at a deficit equal to five percent or more of total annual revenue in each of the previous two

fiscal years; or received an adverse opinion, disclaimer of opinion, or other qualified opinion from the independent certified public accountant auditing its financial statements.

We have performed the procedures enumerated below, which were agreed to by the Controller of Anne Arundel County serving as the Chief Financial Officer (CFO) for the County, on the data contained in the CFO's letter of the Millersville Landfill Cells 8 and 9 signed February 15, 2022. We performed these procedures solely to assist the Controller in evaluating Anne Arundel County's compliance with Title 40 CFR part 258 for the period ending June 30, 2021. The subject matter in the CFO's letter and the sufficiency of these procedures are solely the responsibility of the Controller. Therefore, 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 are as follows:

1. We agreed the amounts specified in the CFO's letter with the corresponding amounts in the audited fiscal year 2021 (FY21) financial statements.
2. We recalculated amounts that we could not directly take from the audited FY21 financial statements using the data appropriately derived from the audited financial statements.

Engagement Results

We identified that the CFO's letter signed February 15, 2022 did not contain accurate amounts for costs recognized in the financial statements associated with closure and post-closure of landfills which stopped accepting trash in 1983 and 1993, respectively, and Millersville Landfill Cells 1 through 7. As a result, Finance provided an updated CFO's letter dated April 6, 2022, which accurately presented the closure and post-closure costs associated with the aforementioned closed landfills. Therefore, the data presented in the CFO's letter came from or was appropriately derived from the corresponding data in the audited financial statements.

In addition to performing the agreed-upon procedures, we concur with the statements listed below that were included within the CFO's letter:

1. The County did not operate at a deficit equal to five percent or more of the total annual revenue in each of the two past fiscal years.
2. The annual financial statements were prepared in conformity with accounting principles generally accepted for governments.
3. An independent certified public accountant (CPA) audited the annual financial statements.
4. The annual financial statements did not receive an adverse opinion, disclaimer of opinion, or other qualified opinion from the independent CPA.
5. The County is not in default on any outstanding general obligation bonds.
6. The County does not have any outstanding general obligation bonds rated lower than BBB as issued by Standard & Poor's, or Baa as issued by Moody's.

Methodology

To complete this agreed-upon procedures engagement, we took the following steps:

- Obtained and reviewed the CFO's letter, FY21 Annual Comprehensive Financial Report, and supporting schedules and documents.
- Interviewed County personnel in regards to the process performed to compile information presented in the CFO's letter.
- Reviewed the applicable federal code and regulatory guidance related to MSWLFs.
- Communicated our results to Finance.

Attestation Standards

The Office of the County Auditor performed this attestation in accordance with standards contained in Government Auditing Standards issued by the Comptroller General of the United States.

We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or limited assurance on the County's compliance with Title 40 CFR part 258. Accordingly, we do not express such an opinion or assurance.

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