

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD
Columbus, Ohio

Financial Statements
and
Supplementary Financial Information
For the years ended June 30, 2013 and 2012

and Independent Auditors' Report Thereon



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www.schneiderdowns.com



Dave Yost • Auditor of State

Ohio Petroleum Underground Storage Tank Release Compensation Board
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Columbus, OH 43216-3188

We have reviewed the *Independent Auditor's Report* of the Ohio Petroleum Underground Storage Tank Release Compensation Board, Franklin County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Petroleum Underground Storage Tank Release Compensation Board is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 22, 2014

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INDEPENDENT AUDITORS' REPORT

Ohio Petroleum Underground Storage
Tank Release Compensation Board
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying statements of net position of Ohio Petroleum Underground Storage Tank Release Compensation Board (the Board) as of June 30, 2013 and 2012 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based upon our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2013 and 2012 and the respective changes in net position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Schneider Downs & Co., Inc.

Columbus, Ohio
December 16, 2013

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Years ended June 30, 2013 and 2012

The following Management's Discussion and Analysis (MD&A) section of the Ohio Petroleum Underground Storage Tank Release Compensation Board's (the Board) financial report represents a discussion and analysis of the Board's financial performance during the fiscal years ended June 30, 2013 and 2012. Please read it in conjunction with the Board's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Board accounts for all transactions under a single enterprise fund (Financial Assurance Fund), and the financial statements are prepared using proprietary fund (enterprise fund) accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recognized in the year for which coverage is provided, and expenses are recorded when incurred. The financial statements include Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. These are followed by notes to the financial statements.

The Statements of Net Position present information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position report the operating revenues and expenses and non-operating revenues and expenses of the Board for the fiscal year.

The Statements of Cash Flows report cash and cash equivalent activities for the fiscal year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

Financial Position

The following summarizes the Board's financial position as of June 30, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS:			
Current assets	\$ 23,271,318	\$ 21,887,900	\$ 15,431,103
Unrestricted investments	3,974,182	-	-
Capital assets	<u>52,439</u>	<u>76,136</u>	<u>92,181</u>
Total Assets	\$ <u>27,297,939</u>	\$ <u>21,964,036</u>	\$ <u>15,523,284</u>
LIABILITIES:			
Current liabilities	\$ 21,965,807	\$ 22,507,098	\$ 22,265,842
Reserve for unpaid claims - noncurrent	<u>18,710,595</u>	<u>20,846,518</u>	<u>23,091,516</u>
Total Liabilities	\$ <u>40,676,402</u>	\$ <u>43,353,616</u>	\$ <u>45,357,358</u>

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Years ended June 30, 2013 and 2012

	2013	2012	2011
NET POSITION			
Net investment in capital assets	\$ 52,439	\$ 76,136	\$ 92,181
Unrestricted net position	<u>(13,430,902)</u>	<u>(21,465,716)</u>	<u>(29,926,255)</u>
Total Net Position	<u>(13,378,463)</u>	<u>(21,389,580)</u>	<u>(29,834,074)</u>
Total Liabilities And Net Position	\$ <u>27,297,939</u>	\$ <u>21,964,036</u>	\$ <u>15,523,284</u>

Current assets and unrestricted investments increased by approximately \$5,358,000 (24.48%) from last year primarily due to increases in investments, and decreases in cash with custodian and accounts receivable of approximately \$7,723,000, \$2,225,000, and \$138,000 respectively.

Unrestricted investments increased by approximately \$7,723,000 (45.88%) from the prior year. The increase in unrestricted investments over the prior year is attributed to Fund revenues exceeding claim payments and administrative costs. In May 2013, the Board used unobligated funds to purchase U.S. Treasury Notes and U.S. Agency Bonds with par values of \$3,000,000 each with the intent to hold the investments to their maturity. The maturity dates of the investments are laddered over one, two and three years. Investments with maturity dates exceeding one year are reported separately from Current Assets as Unrestricted Investments in the Statements of Net Position. The amount of the long term unrestricted investments is approximately \$3,974,000 in fiscal year 2013.

Fees receivable, net of allowance for uncollectible amounts, decreased by approximately \$138,000 (9.74%) from the prior year. A detailed review of each receivable was undertaken, and based on information available as of June 30, 2013, accounts were separated into six categories, each with an assigned probability of collection. The estimated collectible amount was then determined by applying the assumed probability of collection percentage to each category. The collectible amount of the largest category of outstanding fees is calculated using percentages based on the per-tank fee and late fee payments received for delinquent accounts certified to the State of Ohio Attorney General's Office, Collections Enforcement for collection. Historically, the Attorney General's Office has collected 15.52%, 5.64% and 4.43% of fees certified within one, two and three years of the date of certification, respectively. Late payment fees have been collected by the Attorney General's Office at rates of 6.47%, 2.30% and 1.41% within one, two and three years of the date of certification, respectively.

The allowance for uncollectible amounts was approximately \$5,006,000 and \$4,961,000 for fiscal years 2013 and 2012, respectively. The \$45,000 increase in the allowance for uncollectible amounts is primarily attributable to the aging of accounts certified to the Attorney General's Office for collection.

Collateral on loaned securities decreased by approximately \$1,800 (58.44%) from the prior year due to a decrease in cash equity held by the Treasurer of State.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Years ended June 30, 2013 and 2012

Capital assets decreased by approximately \$24,000 (31.12%) due to depreciation expense. Approximately \$8,900 in fully depreciated capital assets was salvaged during the fiscal year.

There is no related debt on capital assets.

Current liabilities decreased by \$541,000 (2.40%) primarily due to decreases in fees received in advance, refundable fee and accrued liabilities of \$302,000, \$193,000 and \$34,000, respectively.

Fees received in advance decreased approximately 2.66%. This decrease is primarily attributed to a few owners of 50 to 300 underground storage tanks remitting the annual fees prior to June 30 in fiscal year 2012, but subsequent to June 30 in fiscal year 2013.

Refundable fees decreased approximately 10.16%. The decrease is attributable to the amount of refunds paid to owners or operators, or applied to offset outstanding fees, exceeding the amount of refunds identified during the fiscal year.

Accrued liabilities decreased by approximately 15.39%. Accrued vacation and compensated absences decreased from the prior year by approximately \$22,000 and \$10,000, respectively, primarily due the resignation of one staff member and the retirement of another staff member.

The current portion of reserve for unpaid claims represents the amount obligated for the payment of claims in the upcoming fiscal year less claims payable as of June 30, 2013. In determining the amount to obligate, the Board considers the unobligated balance, claims paying experience and anticipated revenue. The Board obligated \$9,000,000 for the payment of claims anticipated to be paid in each of the 2012 and 2013 fiscal years. Consequently, current liabilities were not affected by the change in reserves for unpaid claims.

Reserve for unpaid claims, including the current portion, decreased by approximately \$2,136,000 (7.16%) as a result of claim reimbursements being paid at a rate greater than the increase in ultimate estimated loss. Ultimate estimated loss is an estimate of the amount the Fund will ultimately pay for releases discovered on or before June 30, 2013, and includes both losses for the most recent year and changes in the estimates of ultimate losses for prior years. The estimated ultimate loss for both reported and incurred but not reported (IBNR) insured events increased approximately \$4,870,000 from June 30, 2012 to June 30, 2013; fiscal year 2013 claim payments were approximately \$7,006,000. Additional discussion regarding the reserve for unpaid claims can be found in Note 3 to the financial statements. The Board issues a stand-alone report, titled "Estimated Unpaid Claims Liability as of June 30, 2013" that represents the analysis of the loss reserves. It is available on the Board's website at www.petroboard.org, or may be obtained by writing to the Board at P.O. Box 163188, Columbus, Ohio, 43216-3188 or by calling 614-752-8963.

Total net position increased approximately \$8,011,000 (37.45%) due primarily to operating net revenues exceeding net expenses during fiscal year 2013.

The unrestricted net position includes management's estimate of the current and long-term reserve for unpaid claims of approximately \$27,711,000.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Years ended June 30, 2013 and 2012

Financial Information

Revenue

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:			
Tank fees	\$ 14,091,312	\$ 14,143,883	\$ 14,215,995
Recovery of bad debt	275,217	382,336	169,147
Other	262	341	1,329
	<u>14,366,791</u>	<u>14,526,560</u>	<u>14,386,471</u>
Nonoperating Revenues:			
Earnings on investments	<u>4,057</u>	<u>9,886</u>	<u>17,517</u>
Total Revenue	<u>\$ 14,370,848</u>	<u>\$ 14,536,446</u>	<u>\$ 14,403,988</u>

Total revenue for 2013 decreased approximately \$166,000 (1.14%) from the previous year due to decreases in operating revenues and nonoperating revenues of approximately \$160,000 and \$6,000 respectively.

The 1.10% decrease in operating revenues is due to a decrease in the recovery of fees previously determined uncollectible of \$107,000, and a decrease in the tank fees earned for the current fiscal year of \$53,000. For 2013, the Board maintained its fee structure of \$600 per-tank for the standard \$55,000 deductible and \$800 per-tank for the reduced \$11,000 deductible.

The 58.96% decrease in nonoperating revenues is due to a decrease in earnings on investments of approximately \$6,000. This decrease is the net result of an increase in the State Treasury Asset Reserve of Ohio (STAR Ohio) interest rates and an unrealized loss on investments in U.S. Treasuries and U.S. Agency Bonds. The average monthly STAR Ohio yield increased from 0.05% in fiscal year 2012 to 0.07% in fiscal year 2013. In May 2013, the Board purchased U.S. Treasury Notes and U.S. Agency Bonds having maturities from one to three years and a total par value of \$6,000,000. As of June 30, 2013, the fair market value of these investments had decreased \$12,800. The Board's intent is to hold the investments to maturity, at which time the full par value of the investments will be received.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Years ended June 30, 2013 and 2012

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Incurring claims and claims adjustment	\$ 4,869,900	\$ 4,459,000	\$ 1,667,900
Administration	1,466,134	1,602,215	1,716,131
Depreciation	<u>23,697</u>	<u>30,737</u>	<u>52,530</u>
Total Operating Expenses	<u>\$ 6,359,731</u>	<u>\$ 6,091,952</u>	<u>\$ 3,436,561</u>

Total operating expenses increased approximately \$268,000 from 2012 (4.40%) due to an increase in the incurred claims and claims adjustment expense of approximately \$411,000, and decreases in administration and depreciation expenses of approximately \$136,000 and \$7,000, respectively.

Incurred claims and claims adjustment expense increased 9.22% from the prior year. For fiscal year 2013, incurred claims and claims adjustment expenses represent the incurred claims and claims adjustment expense and the increase in the change in reserve for unpaid claims of approximately \$2,645,000 and \$2,225,000, respectively. For fiscal year 2012, the expense was approximately \$2,840,000 and the change in reserve for unpaid claims increased by approximately \$1,974,000.

As previously stated, the Board annually obligates funds for the payment of claims in the upcoming fiscal year. For fiscal year 2013, the Board obligated \$9,000,000. Claim settlement determinations issued for fiscal years 2013 and 2012 were approximately \$6,737,000 and \$7,004,000, respectively. Claimants are provided a 30-day period in which to object to the claim settlement determination. If an objection is not received, payment is issued to the claimant within 45 days of the date of the determination. Claim payments made during 2013 totaled \$7,006,000.

Administration costs decreased 8.49% from fiscal year 2012. This is due to decreases in salaries expense and legal and professional expense. Salaries expense decreased \$81,000 (6.93%) due to (1) temporary vacancies in the positions of a Claims Analyst I and a Coverage Analyst; (2) a reduction of compensated absences resulting from the retirement of a Claims Analyst II, and resignation of a Claims Analyst I; and (3) salary expense for fiscal year 2012 included a one-time 32-hour pay supplement provided to all state employees as agreed in the OSCEA contract in effect for the 2010 and 2011 fiscal years. Legal and professional expense decreased \$53,000 (23.74%). In fiscal year 2012, the Board contracted with an IT consultant/database analyst for 12 months to perform maintenance and enhancements to the Statistical Tank and Reimbursement Records System (STARRS). A contract for similar services was in place for only two months during fiscal year 2013. In addition, collection costs associated with the collection of delinquent fees that were certified to the Attorney General's Office of Collection Enforcement decreased from fiscal year 2012 due to a decrease in the amount of delinquent fees collected.

Depreciation decreased 22.90% due to older capital assets being fully depreciated.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENTS OF NET POSITION

	June 30	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash with custodian	\$ 1,302,577	\$ 3,528,061
Linked deposit	100,000	100,000
Unrestricted investments	20,584,322	16,835,156
Collateral on loaned securities	1,288	3,099
Fees receivable, net of allowance for uncollectible amounts of \$5,005,622 and \$4,961,078, respectively	1,283,131	1,421,584
Total Current Assets	23,271,318	21,887,900
UNRESTRICTED INVESTMENTS	3,974,182	-
CAPITAL ASSETS AT COST - Net of accumulated depreciation	52,439	76,136
	\$ 27,297,939	\$ 21,964,036
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Fees received in advance	\$ 11,023,200	\$ 11,324,700
Claims payable	631,975	661,591
Current portion of reserve for unpaid claims	8,368,025	8,338,409
Refundable fees	1,708,606	1,901,915
Accounts payable	44,154	54,517
Accrued liabilities	188,559	222,867
Obligations under loaned securities	1,288	3,099
Total Current Liabilities	21,965,807	22,507,098
RESERVE FOR UNPAID CLAIMS - Less current portion	18,710,595	20,846,518
NET POSITION		
Net investment in capital assets	52,439	76,136
Unrestricted net position	(13,430,902)	(21,465,716)
Total Net Position	\$ (13,378,463)	\$ (21,389,580)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tank fees, net of refunds	\$ 14,091,312	\$ 14,143,883
Recovery of bad debt	275,217	382,336
Other	262	341
	<u>14,366,791</u>	<u>14,526,560</u>
Total Operating Revenues		
OPERATING EXPENSES		
Incurred claims and claims adjustment	4,869,900	4,459,000
Administration	1,466,134	1,602,215
Depreciation	23,697	30,737
	<u>6,359,731</u>	<u>6,091,952</u>
Total Operating Expenses		
OPERATING INCOME	<u>8,007,060</u>	<u>8,434,608</u>
NON-OPERATING REVENUE		
Earnings on investments	4,057	9,886
	<u>8,011,117</u>	<u>8,444,494</u>
Increase in Net Position		
NET POSITION		
Beginning of year	\$ (21,389,580)	\$ (29,834,074)
End of year	<u>\$ (13,378,463)</u>	<u>\$ (21,389,580)</u>

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 14,276,713	\$ 15,321,468
Cash paid to employees	(1,125,004)	(1,161,356)
Cash paid to claimants	(7,005,823)	(6,703,998)
Cash paid to others	<u>(652,079)</u>	<u>(822,839)</u>
Net Cash Provided By Operating Activities	<u>5,493,807</u>	<u>6,633,275</u>
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>-</u>	<u>(14,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(28,802,714)	(22,936,148)
Sale of investments	21,067,394	17,345,343
Investments matured	-	100,000
Interest on investments	<u>16,029</u>	<u>9,886</u>
Net Cash Used In Investing Activities	<u>(7,719,291)</u>	<u>(5,480,919)</u>
NET (DECREASE) INCREASE IN CASH WITH CUSTODIAN	<u>(2,225,484)</u>	<u>1,137,664</u>
CASH WITH CUSTODIAN		
Beginning of year	<u>3,528,061</u>	<u>2,390,397</u>
End of year	<u><u>\$ 1,302,577</u></u>	<u><u>\$ 3,528,061</u></u>

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>\$ 8,007,060</u>	<u>\$ 8,434,608</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,697	30,737
Allowance for uncollectible accounts	44,544	(665,714)
Reserves for unpaid claims	(2,106,307)	(2,348,045)
Changes in assets and liabilities:		
Fees receivable	93,909	831,696
Fees received in advance	(301,500)	407,252
Claims payable	(29,616)	103,047
Refundable fees	(193,309)	(150,409)
Accounts payable and accrued liabilities	<u>(44,671)</u>	<u>(9,897)</u>
Total Adjustments	<u>(2,513,253)</u>	<u>(1,801,333)</u>
 Net Cash Provided By Operating Activities	 <u><u>\$ 5,493,807</u></u>	 <u><u>\$ 6,633,275</u></u>

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - DESCRIPTION OF THE BOARD

The Ohio Petroleum Underground Storage Tank Release Compensation Board (the Board) was established as a body both corporate and politic of the State of Ohio upon enactment of House Bill 421 (the Act) in 1989 in response to USEPA Resource Conservation and Recovery Act Subtitle I regulations, which require responsible persons to demonstrate financial responsibility for paying the costs of corrective action resulting from accidental releases of petroleum resulting from the operation of underground storage tanks. The Board consists of the Treasurer of State and the directors of the State of Ohio Departments of Commerce and Environmental Protection as ex-officio members, and nine members appointed by the Governor with the advice and consent of the Senate.

The Board may issue revenue bonds, payable solely from its revenues, for the purpose of funding the Financial Assurance Fund (the Fund). The Act created the Fund to reimburse responsible persons for the costs of corrective actions and third-party compensation for bodily injury or property damage resulting from releases of petroleum from underground storage tanks. Pursuant to the Act, the Board may determine the amount of payment or reimbursement to responsible persons.

The Fund is authorized by law to collect (1) annual and supplemental fees from underground storage tank owners/operators, (2) interest earned on monies in the Fund, and (3) proceeds from revenue bonds authorized by the Board. Authorized disbursements from the Fund are for (1) the Board's administrative expenses, (2) payment of claims to tank owner/operators who hold valid certificates of coverage, (3) transfers of funds required under trust agreements established in connection with bond issuances, and (4) placement of certificates of deposit with financial institutions for the purpose of providing low-cost financing to eligible tank owners through the Board's linked deposit program.

The Board may establish annual fees and assess supplemental fees needed to maintain the financial soundness of the Fund. The Act prohibits the Board from assessing annual fees for any year in which the unobligated fund balance exceeds \$45 million. Supplemental fees may be assessed in any fiscal year in which the unobligated fund balance is less than \$15 million. The Act excludes the State of Ohio from responsibility for liabilities of the Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Classification and Basis of Accounting - The Fund is classified as an Enterprise Fund and is reporting as a special-purpose government engaged in business-type activities. The accrual basis of accounting is applied to the Fund.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenues are primarily derived from tank fees. Operating expenses include the costs of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of Financial Accounting Standards Board (FASB) Statements and Interpretation - In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Board follows Governmental Accounting Standard Board (GASB) guidance as applicable to proprietary funds.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Unobligated Fund Balance - The Ohio Revised Code requires the Board to maintain an unobligated fund balance at a level that ensures the continued financial soundness of the Fund and allows the Board to assess a supplemental fee in any fiscal year in which the unobligated fund balance is less than \$15 million. The unobligated fund balance is included in unrestricted investments and defined by the Ohio Administrative Code as monies not previously designated by the Board for claims reimbursement, not legally restricted, not placed in a linked deposit account, and not placed in a debt service account. The unobligated fund balance is \$23,862,769 and \$18,421,706 at June 30, 2013 and 2012, respectively.

Investments - Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting For Certain Investments and for External Pools*. The Board's investments consist of U.S. Treasury Notes and Agency Bonds, which are stated at fair value. Dividends, interest earnings, the net increase (decrease) in the fair value of investments (which includes both the change in fair value and realized gains and losses), and investment expenses are aggregated and reported as net investment income in the statements of revenues, expenses and changes in net position. The cost of securities sold is determined using the average cost method. Purchases and sales of investments are recorded as of the trade date.

Capital Assets - Capital asset purchases are recorded at historical cost, and are depreciated using the straight-line method over the estimated useful life of five years.

Refundable Fees - The Board has determined that certain prior-year fees were collected from individuals not required to contribute to the Fund. Accordingly, the Board has recorded a liability for the refund of these fees.

Revenue Recognition - Fees are recognized in the year for which coverage is provided. Fees received in advance of the coverage year are deferred. Earnings on investments are accrued as earned.

Claims Expenses - Claims expenses are recognized to the extent risk has transferred to the Fund. Risk is deemed transferred when the Board approves a claim for payment. Accordingly, claims expenses are accrued when the Board approves a claim for payment. In order to expedite certain claims, the Board may approve partial (installment) payments. Partial claims expenses are also recognized when approved. These partial payments are subject to further review, upon which the Board may approve additional payments, or, in limited circumstances, require a refund.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount of the reserve for unpaid claims is estimated using actuarial assumptions and is not discounted to present value. Assumptions include the estimate of IBNR claims, the Board's payment experience, the eligibility approval rate and third-party claims.

Accounting Pronouncements - For fiscal year June 30, 2013, the Board implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, and Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all elements presented in a statement of financial position. The change was incorporated in the Board's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

The GASB has recently issued the following new accounting pronouncements that will be effective in future years and may be relevant to the Board:

- GASB No. 65, "Items Previously Reported as Assets and Liabilities"
- GASB No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62"
- GASB No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27"
- GASB No. 69, "Government Combinations and Disposals of Government Operations"
- GASB No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees"

Management has not yet determined the impact that these new GASB Pronouncements will have on the Board's financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - COVERAGE

Petroleum underground storage tank owners/operators must pay a fee each fiscal year as determined by the Board (\$600 per tank in 2013 and 2012). The tank owners/operators must also demonstrate an ability to fund \$55,000 of eligible costs caused by petroleum releases, in compliance with rules promulgated by the State Fire Marshal. Tank owners/operators with six or fewer tanks may elect to reduce their deductible from \$55,000 to \$11,000 by paying an additional fee per tank (\$200 in 2013 and 2012). The Board's obligation to pay eligible claims is limited to (1) an annual maximum per individual owner/operator and (2) the availability of unobligated assets in the Fund. The maximum annual disbursement per fiscal year to an individual owner/operator is as follows:

<u>Number of Tanks Owned</u>	<u>Maximum Annual Disbursements (Net of Deductibles)</u>
Less than 100	\$1 million
101 to 200	\$2 million
201 to 300	\$3 million
Over 300	\$4 million

The Board is not required to make payments for the costs of corrective action when the amount of approved claims exceeds the unobligated fund balance. The Board annually sets fees to ensure the solvency of the Fund based on projected revenues, administrative expenses and claim payment obligations. In the event that unobligated funds fall below \$15 million, the Board is able to assess a supplemental fee, and again consider payout of all eligible claims.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 3 - COVERAGE (Continued)

The Board establishes a liability for both reported and unreported covered events, which includes estimates for future payments of losses. The amount of the liability is estimated using actuarial techniques. The following represents changes in those aggregate liabilities of the Board during the past two years:

	<u>Year Ended</u> <u>June 2013</u>	<u>Year Ended</u> <u>June 2012</u>
Unpaid claims and claim adjustment expenses-		
Beginning of year	\$ 29,846,518	\$ 32,091,516
Incurring claim and claim adjustment expenses:		
Provision for insured events of current year	2,645,000	2,839,800
Change in provision for prior years	2,224,900	1,974,200
Total Incurred Claims and Claim Adjustment Expense	4,869,900	4,814,000
Claim and claim adjustment payments attributable to		
insured events of prior years	(7,005,823)	(7,058,998)
Total Unpaid Claims and Claim Adjustment Expenses-		
End of year	\$ 27,710,595	\$ 29,846,518

This liability is shown in the statement of net position as follows:

Claims payable	\$ 631,975	\$ 661,591
Current portion of reserve for unpaid claims	8,368,025	8,338,409
Reserve for unpaid claims-less current portion	18,710,595	20,846,518
Estimated Unpaid Liability	\$ 27,710,595	\$ 29,846,518

Changes in the unpaid claim liability are the combined impact of:

- i. Estimated ultimate losses on newly reported claims (increases the liability);
- ii. Changes in the estimated ultimate losses on previously reported claims (may increase or decrease the liability);
- iii. Changes in the estimated ultimate losses on unreported claims (may increase or decrease the liability);
- iv. Claim reimbursement payments (decreases the liability).

The amounts that the Fund will ultimately pay (items i, ii and iii) are measured, in part, by the reported gross claim face values adjusted for nonreimbursable and undocumented costs and deductible amounts. In fiscal year 2013, the reported gross face value increased by approximately \$10,542,000, and the estimated ultimate face value increased by approximately \$9,334,000.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - CASH AND INVESTMENTS

Provisions within the Ohio Revised Code govern the investment and deposit of Board monies. In accordance with these statutes, investments are restricted to obligations of the United States or of any agency or instrumentality thereof (and funds consisting exclusively of, and repurchase agreements secured by, those obligations), obligations guaranteed as to principal and interest by the United States, obligations of the State of Ohio or any political subdivision thereof, the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, and certificates of deposit of any national bank located in Ohio and certain other banks incorporated in Ohio and subject to inspection by the Superintendent of Institutions.

Cash:

Cash with custodian is held by the Treasurer of State. The carrying amount and custodial balance of cash with custodian at June 30 were as follows:

	<u>2013</u>		<u>2012</u>
Carrying amount	\$ 1,302,577	\$	3,528,061
Custodial balance	1,270,633		3,492,061

Differences between the carrying amount and custodial balances were principally due to deposits in transit. Custodial balances are collateralized with securities held by the pledging financial institution's trust department or an agent in the State's name.

Investments:

U.S. Government and U.S. Government Agency Obligations - At its January 13, 2013 meeting, the Board authorized the investment of \$6,000,000 of unobligated funds in equal amounts of U.S. treasury notes and U.S. agency bonds with maturity dates of the investments laddered over one, two and three years. Authorization was also granted by the Board to reinvest the funds in like securities upon maturity. In May 2013, U.S. Treasury Notes and U.S. Agency Bonds with par values of \$3,000,000 each were purchased.

Star Ohio - STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013. The value of the STAR Ohio investments was approximately \$18,584,000 and \$16,835,000 as of June 30, 2013 and 2012, respectively.

The State Treasurer's Office issues a publicly available stand-alone financial report for STAR Ohio that includes financial statements and required supplementary information. That report may be obtained by writing to State Treasury Asset Reserve of Ohio, STAR Ohio, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3461 or by calling 1-800-228-1102.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - CASH AND INVESTMENTS (Continued)

Linked Deposits - The Act authorizes the Board to place certificates of deposit with financial institutions at interest rates below current market rates. These deposits are insured by the Federal Deposit Insurance Corporation. The financial institutions loan these deposits to tank owners approved by the Board to replace or improve underground storage tanks. The financial institutions assume credit risks associated with these loans.

The fair value of the investments as of June 30 are as follows:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	1-2
U.S. government obligations	\$ 2,988,957	\$ 1,000,807	\$ 1,988,150
U.S. government agency obligations	2,985,481	999,449	1,986,032
Money market funds	458	458	-
STAR Ohio	18,583,590	18,583,590	-
Linked deposit	100,018	100,018	-
	<u>\$ 24,658,504</u>	<u>\$ 20,684,322</u>	<u>\$ 3,974,182</u>

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a public depository failure, the Board will be unable to recover the value of deposits. Public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 102% of the total value of public monies on deposit at the institution.

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Board's name. The Board is not exposed to custodial credit risk because the funds are held by the State Treasurer's Office.

STAR Ohio investments are not exposed to custodial credit risk, as defined by Statement No. 40. Securities in STAR Ohio are either insured, registered or held by STAR Ohio or by its agent in the name of STAR Ohio. The Board's investments in U.S. government obligations and US government agency obligations are not exposed to custodial credit risk, since the Board's investments are held in the Board's name at Huntington National Bank.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The Board mitigates interest rate risk by maintaining adequate liquidity, investing primarily in shorter-term securities, and diversification of maturity dates so ongoing operations can be funded without a sale of investments. The investments held in STAR Ohio limit exposure to fair value losses arising from increasing interest rates by limiting the final stated maturity on any investment to 397 days and limiting the weighted average maturity of the portfolio to 60 days.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - CASH AND INVESTMENTS (Continued)

Credit Risk - Credit risk is the risk of loss due to the failure of a security issuer to pay principal or interest, or the failure of the issuer to make timely payments of principal or interest. Eligible investments, pursuant to the Ohio Revised Code, affected by credit risk include certificates of deposit, commercial paper, bankers' acceptances, and counterparties involved in repurchase agreements.

The Fund's unrestricted investments include investments held in the Treasurer of State's investment pool (STAR Ohio), and investment in U.S. government obligations and U.S. government agency obligations held by Huntington National Bank in the Board's name. Unrestricted investments are carried at fair value, which approximates cost and includes \$1,998,294 and \$1,941,493 obligated by the Board for the payment of claims at June 30, 2013 and 2012, respectively. Standard & Poor's rating for the STAR Ohio fund is AAAm. STAR Ohio's investment policy requires all securities held by STAR Ohio be rated the equivalent of A-1+ or A-1 and at least 50% of the Total Average Portfolio be rated A-1+ or better. As of June 30, 2013, STAR Ohio's investments in U.S. Agencies were rated AA+ by Standard & Poor's and AAAm by Moody's Investor Services. Obligations of the U.S. government are explicitly guaranteed by the U.S. government and are not considered to have credit risk.

Concentration of Credit Risk - Concentration of credit is the risk of loss that may be attributed to the magnitude of the Board's investment in a single issuer. The calculation of risk excludes investments issued or guaranteed by the U.S. government and governmental agencies and STAR Ohio. In 2013 and 2012, the Board had no single issuer that was not exempt that represented 5% or more of the Board's total investments.

Securities Lending - As of June 30, 2013 and 2012, the Board had no securities out on loan. The Board has been allocated with cash collateral of \$1,288 and \$3,099 for fiscal years 2013 and 2012, respectively, from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity with the State's common cash and investment account.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5 - CAPITAL ASSETS

A summary of the changes in capital assets for the years ended June 30, 2012 and 2013 follows:

	Balance June 30, 2011	Additions	Disposals/ Deletion	Balance June 30, 2012	Additions	Disposals/ Deletion	Balance June 30, 2013
Capital assets:							
Furniture	\$ 101,885	-	-	\$ 101,885	-	-	\$ 101,885
Data processing equipment	829,476	\$ 14,692	-	844,168	-	\$ (8,948)	835,220
Total Capital Assets	931,361	14,692	-	946,053	-	(8,948)	937,105
Less accumulated depreciation							
Furniture	96,090	1,679	-	97,769	\$ 1,567	-	99,336
Data processing equipment	743,090	29,058	-	772,148	22,130	(8,948)	785,330
Total Accumulated Depreciation	839,180	30,737	-	869,917	23,697	(8,948)	884,666
Net Capital Assets	\$ 92,181	\$ (16,045)	-	\$ 76,136	\$ (23,697)	-	\$ 52,439

NOTE 6 - OPERATING LEASES

The Board leases office space under an operating lease agreement expiring in fiscal year 2015. Rent expense for each of the fiscal years ended June 30, 2013 and 2012 was \$109,000. Future minimum payments under the renewed operating lease agreement for the years ended June 30, 2014 and June 30, 2015 are \$109,000.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 - DEFINED BENEFITS

Defined Benefit Retirement Plan - All Board employees are required to participate in the statewide Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans:

- The Traditional Plan - a cost-sharing multiple-employer defined benefit pension plan
- The Member Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over 5 years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings.
- The Combined Plan - a cost-sharing multiple-employer defined benefit pension plan. Under the combined plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to qualifying members of both the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute in accordance with Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 1-800-222-7377.

Chapter 145 of the Ohio Revised Code provides OPERS statutory authority for employee and employer contributions. For the years ended June 30, 2013 and 2012, the employee contribution rate was 10%, and the employer contribution rate was 14% of covered payroll. The Board's contributions, representing 100% of employer contributions for the year ended June 30, 2013, and for each of the preceding two years, were as follows:

Year Ended June 30	Amount
2013	\$ 113,528
2012	115,996
2011	106,954

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 - DEFINED BENEFITS (Continued)

Other post-employment benefits for health care costs provided by OPERS are as follows:

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement for qualifying members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension."*

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB plan is provided in Chapter 145 of the Ohio Revised Code.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each contribution to OPERS is set aside for the funding of post-retirement health care. In fiscal year 2013, the Board contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of the employer contribution set aside for the funding of OPEB for members in the Traditional and Combined plans were 4% and 6.05% respectively for calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1% for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The employer contribution allocated to the health care plan was 1% for the period January 1, 2013 to June 30, 2013; 4% for the period January 1, 2011 through December 31, 2012; and 5% for the period July 1, 2010 through December 31, 2010. The portion of the Board's fiscal year 2013, 2012 and 2011 contribution that was used to fund post-employment benefits was \$20,706, \$33,140 and \$38,193, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under Senate Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8 - CONTINGENCIES

The Board is involved in various claims and legal proceedings arising from the normal course of business. While the ultimate liability, if any, from these proceedings is presently indeterminable, in the opinion of management, these matters should not have a material adverse effect on the Board's financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Ohio Petroleum Underground Storage
Tank Release Compensation Board
Columbus, Ohio

We have audited the financial statements of the Ohio Petroleum Underground Storage Tank Release Compensation Board (the Board) as of and for the year ended June 30, 2013, and have issued our report thereon dated December 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boards' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schneider Downs & Co., Inc.

Columbus, Ohio
December 16, 2013



Dave Yost • Auditor of State

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 4, 2014