OHIO PETROLEUM UNDERGROUND STORAGE

TANK RELEASE COMPENSATION BOARD

Financial Statements

For the Year Ended June 30, 2016

and Independent Auditor's Report Theron

Kennedy
Cottrell
Richards

Accountants & Consultants for Business & Government

Dave Yost • Auditor of State

The Board
Ohio Petroleum Underground Storage Tank Release Compensation Board
50 West Broad Street, Suite 1500
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Ohio Petroleum Underground Storage Tank Release Compensation Board, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2015 through June 30, 2016. 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.

Dave Yost
Auditor of State

February 27, 2017

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INDEPENDENT AUDITOR'S REPORT

Ohio Petroleum Underground Storage Tank Release Compensation Board
50 West Broad Street, Suite 1500
Columbus, Ohio 43215

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Petroleum Underground Storage Tank Release Compensation Board (the Board), located in Franklin County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Petroleum Underground Storage Tank Release Compensation Board, located in Franklin County, Ohio, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

KENNEDY COTTRELL RICHARDS LLC

Kennedy Cottrell Richards LLC

Columbus, Ohio
January 23, 2017

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

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 year ended June 30, 2016. 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 Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. These are followed by notes to the financial statements.

The Statement of Net Position presents information on the assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these items 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 Statement of Revenues, Expenses and Changes in Net Position reports the operating revenues and expenses and non-operating revenue and expenses of the Board for the fiscal year.

The Statement of Cash Flows reports 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, 2016 and 2015:

	2016	2015
ASSETS:		
Current assets	$ 25,723,303	$ 30,016,178
Unrestricted investments	9,108,734	4,005,029
Capital assets	32,091	38,070
Total Assets	$ 34,864,128	$ 34,059,277
DEFERRED OUTFLOWS OF RESOURCES		
Pension	$ 368,403	$ 84,713
LIABILITIES:		
Current liabilities	$ 18,361,231	$ 18,959,620
Net pension liability	1,026,011	683,853
Reserve for unpaid claims - noncurrent	26,344,444	22,628,431
Total Liabilities	$ 45,731,686	$ 42,271,904
DEFERRED INFLOWS OF RESOURCES		
Pension	$ 20,285	13,419
NET POSITION		
Investment in capital assets	$ 32,091	$ 38,070
Unrestricted net position	(10,551,531)	(8,179,403)
Total Net Position	$ (10,519,440)	$ (8,141,333)

Current assets and unrestricted investments increased by approximately $811,000 (2.38%) from last year primarily due to increases in investments and accounts receivable, and a decrease in cash with custodian of approximately $1,135,000, $27,000,and $345,000, respectively.

Unrestricted investments increased by approximately $1,135,000 (3.71%) from the prior year. The increase in unrestricted investments over the prior year is attributed to the net of fund revenues exceeding claim payments and administrative costs, an increase in investment income, and the investment of funds from the custodial account. Commencing in fiscal year 2013, the Board has used unobligated funds to purchase U.S Treasury Notes and U.S. Agency Bonds. As of July 1, 2015 the Board had invested a total of $8,000,000 in U.S. Treasury Notes and U.S. Agency Bonds with maturity dates laddered over one, two and three years. As approved by the Board during its meeting in January 2016, the Board used unobligated funds to purchase additional 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 equally over two, three, and four years. As approved by the Board, investments that mature or are redeemed are reinvested in U.S. Treasury Notes and U.S. Agency Bonds.

Investments with maturity dates exceeding one year are reported separately from Current Assets as Unrestricted Investments in the Statement of Net Position. The amount of the long-term unrestricted investments is approximately $9,109,000 at June 30, 2016.

Fees receivable, net of allowance for uncollectible amounts, increased by approximately $27,000 (2.59%) from the prior year. A detailed review of each receivable was undertaken and based on information available as of June 30, 2016, 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 14.61%, 5.27% and 3.80% 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 6.09%, 1.90% and 1.17% within one, two, and three years of the date of certification, respectively.

The allowance for uncollectible amounts was approximately $3,956,000 and $4,482,000 for fiscal years 2016 and 2015, respectively. The $526,000 decrease in the allowance for uncollectible amounts is primarily attributable to the aging of accounts certified to the Attorney General's Office for collection and the write-off of the receivable and allowance for the uncollectible amounts for those accounts outstanding more than three years from the date of certification.

Collateral on loaned securities decreased by approximately $6,000 (82.95%) from the prior year due to a decrease in cash equity held by the Treasurer of State as of June 30, 2016.

Capital assets decreased by approximately $6,000 (15.71%). Approximately $7,600 was spent on office furniture and data processing equipment; and accumulated depreciation increased by $10,800. Approximately $2,800 in fully depreciated capital assets were salvaged during the fiscal year. Of the $7,600 spent on data processing equipment and office furniture, $5,400 was spent computer replacements and $2,200 was spent to replace existing furniture in three offices.

There is no related debt on capital assets.

Current liabilities decreased by $598,000 (3.16%) primarily due to decreases in fees received in advance and accounts payable, and increases in accrued liabilities and refundable fees payable of $634,000, $6,000, $24,000 and $23,000 respectively.

Fees received in advance decreased approximately 7.83% primarily due to a few owners of 50 to 300 tanks submitting payment of their program year 2015 fees prior to June 30, 2015, and payment of their program year 2016 after June 30, 2016.

Accounts payable decreased 17.70%. The decrease is attributable to a decrease in the amount of unbilled fees charged by the State of Ohio Attorney General's Office, due to the timely invoicing of collection costs for delinquent fees collected by Board; and a decrease from the prior fiscal year in office supplies purchased but not invoiced at June 30.

Refundable fees increased approximately 1.41%. The Board had a vacancy in the position with the primary responsibility to process refunds and as a result the amount of refunds identified during the fiscal year exceeded the amount of refunds paid to owners or operators, or applied to offset outstanding fees.

Accrued Liabilities increased by 12.77%. Payments due the Attorney General's Office for services of the Assistant Attorney General for the fourth quarter of the fiscal year increased over the prior year by $11,600. Accrued salaries as of June 30, 2016 increased over the prior year by $5,600 due to an accrual of 2 additional days over the prior year. Compensated Absences increased by $6,000 over the prior year due to the net effect of a salary increase and an increase in unused sick and personal leave from the prior fiscal year.

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, 2016. 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 2016 and 2015 fiscal years. Consequently, current liabilities were not affected by the change in reserves for unpaid claims.

Reserve for unpaid claims, including the current portion, increased by approximately $3,250,000 (10.62%) as a result of claim reimbursements being paid at a rate less than the increase in ultimate estimated loss. Ultimate estimated loss is an estimate of the amount the Financial Assurance Fund will ultimately pay for releases discovered on or before June 30, 2016, 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 $10,879,000 from June 30, 2015 to June 30, 2016; fiscal year 2016 claim payments were approximately $7,163,000. 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, 2016" 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 decreased approximately $2,378,000 (29.21%) due primarily to net expenses exceeding operating and non-operating net revenues during fiscal year 2016.

The unrestricted net position includes management's estimate of the current and long-term reserve for unpaid claims of approximately $35,344,000.

Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

Financial Information

Revenue

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2016 and 2015:

	2016	2015
Operating Revenues:		
Tank fees	$ 9,631,076	$ 11,680,581
Recovery of bad debt	256,858	121,491
Other	194	169
	9,888,128	11,802,241
Non-operating Revenues:		
Earnings on investments	212,216	67,140
Loss on disposal of assets	-	(9)
	212,216	67,131
Total Revenue	$ 10,100,344	$ 11,869,372

Total revenue for 2016 decreased approximately $1,769,000 (14.90%) from the previous year due to a decrease in operating revenues of $1,914,000 and an increase in non-operating revenues of $145,000.

The 16.22% decrease in operating revenues is due to a decrease in the tank fees collected for the current and prior fiscal years of $2,050,000, and an increase in the recovery of fees previously determined uncollectible of $135,000. For 2016, the Board decreased its per-tank fee $100 from fiscal year 2015. Per tank fees were $400 per-tank for the standard $55,000 deductible and $600 per-tank for the reduced $11,000 deductible.

The increase in non-operating revenues is due to a $145,000 increase in earnings on investments in the State Treasury Asset Reserve of Ohio ("STAR Ohio"), US Treasuries, and US Agency Bonds. During fiscal year 2016 interest earned on STAR Ohio investments was $51,500. The interest earned on US Treasuries and Agency Bonds was $83,700 and the fair market value increased $64,500 from the prior year.

Expenses

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2016 and 2015:

	2016	2015
Incurred claims and claims adjustment	$ 10,873,008	$ 10,811,046
Administration	1,591,853	1,454,979
Depreciation	13,590	25,365
Total Operating Expenses	$ 12,478,451	$ 12,291,390

Total operating expenses increased approximately $187,000 from 2015 (1.52%) due to increases in administration expenses and the incurred claims and claims adjustment expense, and a decrease in depreciation expense of $137,000, $62,000 and $12,000, respectively.

Incurred claims and claims adjustment expense increased .57% from the prior year. For fiscal year 2016, 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 $3,834,000 and $7,046,000, respectively. For fiscal year 2015, the expense was approximately $3,374,000 and the change in reserve for unpaid claims increased by approximately $7,451,000.

As previously stated, the Board annually obligates funds for the payment of claims in the upcoming fiscal year. For fiscal year 2016, the Board obligated $9,000,000. Claim settlement determinations issued for fiscal years 2016 and 2015 were approximately $7,600,000 and $8,000,000, 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 2016 totaled $7,163,000.

Administration costs increased 9.41% from fiscal year 2015. This change is a net result of increases in salaries expense, legal and professional expenses, temporary services, rent, and telephone expenses.

- Salaries expense increased $68,000 due to an increase in the proportionate share of pension expense required to be reported under GASB 68.

- Legal and Professional expense increased $31,000 due primarily to a increase in costs associated with the Assistant Attorney General.

- Temporary Services increased $20,000 due to the use of contract employees to fill an extended vacancy in the compliance department and to provide assistance with a special project related to ongoing litigation.

- Rent Expense increased $12,000 due to an increase in the rate for the lease of office space from $12.17 to $13.67 per square foot for the Board's two year lease extension for fiscal years 2016 and 2017.

- Telephone expenses increased $5,000 due to costs related to data backup services, and costs related to the installation of an increased data connection for the Boards internet and VOIP access.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

ASSETS		
CURRENT ASSETS		
Cash with custodian	$	2,065,645
Unrestricted investments		22,582,046
Collateral on loaned securities		1,284
Fees receivable, net of allowance for uncollectible amounts of $3,956,056		1,074,328
Total Current Assets		25,723,303
UNRESTRICTED INVESTMENTS		9,108,734
CAPITAL ASSETS AT COST - Net of accumulated depreciation		32,091
Total Assets	$	34,864,128
DEFERRED OUTFLOWS OF RESOURCES		
Pension	$	368,403
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Fees received in advance	$	7,456,725
Claims payable		1,498,050
Current portion of reserve for unpaid claims		7,501,950
Refundable fees		1,666,964
Accounts payable		26,000
Accrued liabilities		210,258
Obligations under loaned securites		1,284
Total Current Liabilities		18,361,231
NON-CURRENT LIABILITIES		
Net Pension Liability		1,026,011
RESERVE FOR UNPAID CLAIMS - Less current portion		26,344,444
Total Liabilities	$	45,731,686
DEFERRED INFLOWS OF RESOURCES		
Pension	$	20,285
NET POSITION		
Invested in capital assets	$	32,091
Unrestricted net position		(10,551,531)
Total Net Position	$	(10,519,440)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
Tank fees, net of refunds	$ 9,631,076
Recovery of bad debt	256,858
Other	194
Total Operating Revenues	9,888,128
OPERATING EXPENSES	
Incurred claims and claims adjustment	10,873,008
Administration	1,591,853
Depreciation	13,590
Total Operating Expenses	12,478,451
OPERATING INCOME (LOSS)	(2,590,323)
NON-OPERATING REVENUE (EXPENSE)	
Earnings on investments	212,216
Increase (Decrease) in Net Position	(2,378,107)
NET POSITION	
Beginning of year	(8,141,333)
End of year	$ (10,519,440)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 9,364,386
Cash paid to employees	(1,082,428)
Cash paid to claimants	(7,156,995)
Cash paid to others	(539,625)
Net Cash Provided By Operating Activities	585,338
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(7,611)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(27,779,161)
Sale of investments	24,721,588
Investments matured	2,000,000
Interest on investments	135,120
Net Cash Used In Investing Activities	(922,453)
NET INCREASE (DECREASE) IN CASH WITH CUSTODIAN	(344,726)
CASH WITH CUSTODIAN	
Beginning of year	2,410,371
End of year	$ 2,065,645

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF CASH FLOWS, Continued
FOR THE YEAR ENDED JUNE 30, 2016

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	$ (2,590,323)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	13,590
Allowance for uncollectible accounts	(526,170)
Reserves for unpaid claims	3,249,817
Changes in assets and liabilities:	
Fees receivable	499,036
Fees received in advance	(633,575)
Claims payable	466,196
Refundable fees	23,211
Accounts payable and accrued liablities	18,222
Net Pension Liability	342,158
Deferred Outflow - Pension	(283,690)
Deferred Inflow - Pension	6,866
Total Adjustments	3,175,661
Net Cash Provided By Operating Activities	$ 585,338

See notes to financial statements.

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 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, except the Board may assess a fee in the year to which the determination applies to the extent required in or by, or necessary to comply with covenants or other requirements in, revenue bonds. 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entities That Use Proprietary Fund Accounting", the Board follows Governmental Accounting Standards 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.

Cash and Cash Equivalents – The Treasurer of the State of Ohio (Treasurer) acts as the custodian of the funds for the State. Cash and Cash Equivalents of the Board are pooled and invested by the Treasurer. Account integrity is maintained through a series of checks and balances with the Auditor, Treasurer, and the Office of Budget and Management.

The Cash and Cash Equivalents with the Treasurer has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

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 the unclaimed monies trust account, not placed in a linked deposit account, and not placed in a debt service account. The unobligated fund balance is $31,888,167 at June 30, 2016.

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 statement 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 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.

Pensions - For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The OPERS pension system reports investments at fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Board, deferred outflows of resources are reported on the statement of net position for pension and are explained in Note 7.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Board, deferred inflows of resources are reported on the statement of net position for pension and are explained in Note 7.

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 a claim is approved 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.

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

- GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68"
- GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans"
- GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"
- GASB No 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- GASB No. 77, "Tax Abatement Disclosures"
- GASB No. 78, "Pensions Provided through Certain Multiple-Employer Define Benefit Pension Plans"
- GASB No. 79, "Certain External Investment Pools and Pool Participants"

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB No. 80, “Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14”

- GASB No. 81, “Irrevocable Split-Interest Agreements”

- GASB No. 82, “Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73”

- GASB No. 83, “Certain Asset Retirement Obligations”

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

NOTE 3 - COVERAGE

Petroleum underground storage tank owners/operators must pay a fee each fiscal year as determined by the Board ($400 per tank in 2016). 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 2016). 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:

Number of Tanks Owned	Maximum Annual Disbursements (Net of Deductibles)
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.

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 fiscal year:

	Year Ended June 2016
Unpaid claims and claim adjustment expenses- Beginning of year	$ 31,628,431
Incurred claim and claim adjustment expenses:	
Provision for insured events of current year	3,833,549
Change in provision for prior years	7,045,551
Total Incurred Claims and Claim Adjustment Expense	10,879,100
Claim and claim adjustment payments attributable to Insured events of prior years	(7,163,087)
Total Unpaid Claims and Claim Adjustment Expenses- End of year	$ 35,344,444

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

Claims payable	$ 1,498,050
Current portion of reserve for unpaid claims	7,501,950
Reserve for unpaid claims-less current portion	26,344,444
Estimated Unpaid Liability	$ 35,344,444

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 non-reimbursable and undocumented costs and deductible amounts. In fiscal year 2016, the reported gross face value increased by approximately $12,497,000 and the estimated ultimate face value increased by approximately $15,490,000.

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 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:

		2016
Carrying amount	$	2,065,645
Custodial balance	$	2,044,045

Differences between the carrying amount and the custodial balance was 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:
The Investment policy approved by the Board provides investment guidance for the monies within the Fund. The objective of the investment policy is to conform with state and federal legal requirements and to maintain safety of principal with a focus on liquidity, yield, and the minimization of cost.

U.S Government and U.S. Government Agency Obligations – At its January 9, 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. At its March 20, 2014 meeting, the Board authorized the investment of an additional $2,000,000 of unobligated funds in equal amounts of U.S. Treasury Notes and U.S. Agency Bonds having maturity dates of three years which were subsequently purchased in June 2014. At its January 13, 2016 meeting, the Board authorized the investment of an additional $6,000,000 of unobligated funds in equal amounts of U.S. Treasury Notes and U.S. Agency Bonds having maturity dates laddered equally over two, three, and four years which were subsequently purchased between January and March 2016. On June 24, 2016 U.S. Agency Bonds, with a par value of $1,000,000 matured and the proceeds were deposited in the money market fund, and subsequent to June 30, 2016 the $1,000,000 was reinvested in U.S. Agency Bonds.

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, 2016. The value of the STAR Ohio investments were approximately $17,534,000 as of June 30, 2016.

NOTE 4 - CASH AND INVESTMENTS (Continued)

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 online at http://tos.ohio.gov/starohio, or 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.

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, 2016 are as follows:

		Investment Maturities (in years)	
Investment Type	Fair Value	Less than 1	1-4
U.S. government obligations	$ 7,066,757	$ 2,004,661	$ 5,062,096
U.S. government agency obligations	6,050,662	2,004,024	4,046,638
Money market funds	1,039,331	1,039,331	-
STAR Ohio	17,534,030	17,534,030	-
	$ 31,690,780	$ 22,582,046	$ 9,108,734

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Board's investments are valued using quoted market prices (Level 1 inputs).

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 105% 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 investment in U.S. government obligations and U.S. 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.

NOTE 4 - CASH AND INVESTMENTS (Continued)

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 weighted average maturity of the portfolio to 60 days, and limiting the final stated maturity on any investment to 397 days, with the exception of U.S. Treasury and Federal Agency obligations with a floating rate of interest which are limited to a maximum maturity of 762 days.

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 investments 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 $1,848,489 obligated by the Board for the payment of claims at June 30, 2016. 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. As of June 30, 2016, STAR Ohio's investments in U.S. Agencies were rated AA+ by Standard & Poor's and Aaa 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 by or guaranteed by the U.S. government, U.S. government agencies, and STAR Ohio. In 2016 the Board had no single issuer which was not exempt that represented 5% or more of the Board's total investments.

Securities Lending - As of June 30, 2016 the Board had no securities out on loan. The Board has been allocated with cash collateral of $1,284 for fiscal year 2016 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.

NOTE 5 - CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2016 follows:

	Balance June 30, 2015	Additions	Disposals/ Deletion	Balance June 30, 2016
Capital assets:				
Furniture	$ 104,702	$ 2,227	$ (690)	$ 106,239
Data processing equipment	829,899	5,384	(2,111)	833,172
Total Capital Assets	934,601	7,611	(2,801)	939,411
Less accumulated depreciation				
Furniture	84,563	5,115	(690)	88,988
Data processing equipment	811,968	8,475	(2,111)	818,332
Total Accumulated Depreciation	896,531	13,590	(2,801)	907,320
Net Capital Assets	$ 38,070	$ (5,979)	-	$ 32,091

NOTE 6 - OPERATING LEASES

The Board leases office space under an operating lease agreement expiring in fiscal year 2017. Rent expense for the fiscal year ended June 30, 2016 was $122,000. Future minimum payments under the renewed operating lease agreement for the year ending June 30, 2017 is $122,000.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Board’s proportionate share of the Ohio Public Employee Retirement System (OPERS) Pension Plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of its fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Board’s obligation for this liability to annually required payments. The Board cannot control benefit terms or the manner in which pensions are financed; however, the Board does receive the benefit of employees’ services in exchange for compensation including pension.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in accrued liabilities on the accrual basis of accounting.

Plan Description – The Board participates in OPERS, which operates three separate pension plans: The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan and combined plan. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS's fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (See OPERS CAFR reference above for additional information.

Group A	Group B	Group C
Eligible to Retire on of January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on after January 7, 2013
Age and Service Requirements:		
Age 60 with 60 months of service credit or age 55 with 25 years of service credit	Age 60 with 60 months of service credit or age 55 with 25 years of service credit	Age 57 with 25 years of service credit or age 62 with 5 years of service credit
Formula:		
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service in years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service in years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service in years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll. For fiscal year 2016, members in state and local classifications contributed 10 percent of covered payroll.

For fiscal year 2016, the employer contribution rate was 14 percent. The portion of the employer's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 2 percent for fiscal year 2016. Employer contribution rates are actuarially determined.

The Board's contractually required contribution was $111,075 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Pension Plan	Combined Plan	Total
Proportionate Share of the Net Pension Liability	$ 1,026,979	$ (968)	$ 1,026,011
Proportion of the Net Pension Liability	.005929%	.001990%	
Proportionate Share of the Employer Pension Expense	$ 144,299	$ 511	$ 144,810

At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investment	$ 302,285
Change in Proportionate Share	20,172
Board contribution subsequent to the December 31, 2015 measurement date	45,946
Total Deferred Outflow of Resources	$ 368,403
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 20,285

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

The $45,946 reported as deferred outflows of resources related to pension resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending

June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For Fiscal Year Ending June 30	Traditional Pension Plan	Combined Plan
2017	$ 79,038	$ 339
2018	78,211	339
2019	68,311	330
2020	-	232
2021	-	232
Thereafter	-	591
Total	$ 225,560	$ 2,063

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

	Traditional Pension Plan	Combined Plan
Wage Inflation	3.75 %	3.75%
Future Salary Increases, including inflation	4.25 - 10.05 % including wage inflation	4.25 - 8.05% including wage inflation
COLA or Ad Hoc COLA	3.00 %, simple	3.00 %, simple
Investment Rate of Return	8.00 %	8.00 %
Actuarial Cost Method	Individual entry age	Individual entry age

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio is 0.4% for 2015.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70 %	5.84 %
Real Estate	10.00 %	4.25 %
Private Equity	10.00 %	9.25 %
International Equities	18.30 %	7.40 %
Other investments	18.00 %	4.59 %
Total	100.00 %	5.27 %

Discount Rate - The discount rate used to measure the total pension liability was 8.0 %. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net positon was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the Board's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Board's proportionate share of the net pension liability			
Traditional Plan:	$ 1,636,226	$ 1,026,979	$ 513,096
Combined Plan:	$ (1731)	$ (968)	$ (20)

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description - The Ohio Public Employees Retirement System (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; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment healthcare trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – the post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment healthcare through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. Active member contributions do not fund the post-employment health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2016, the Board contributed at a rate of 14 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 plans. The portion of employer contributions allocated to health care for members in both the traditional and combined plans was 2.0% during calendar year 2015. Effective January 1, 2016, the portion of employer contributions allocated to health care remained at 2.0% for both plans, as recommended by 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.

In fiscal year 2016, the Board's contributions to OPERS totaled $111,075. Of this amount, $15,862 was allocated to the health care plan.

NOTE 9 - 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.

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OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Ohio Public Employees Retirement System

Last three fiscal years *

	2016	2015	2014
Proportion of the net pension liability			
Traditional Pension Plan	0.005929%	0.005706%	0.005706%
Combined Plan	0.001990%	0.011309%	0.011309%
Proportionate share of the net pension liability (asset)			
Traditional Pension Plan	$ 1,026,979	$ 688,207	$ 672,663
Combined Plan	(968)	(4,354)	(1,187)
Total	$ 1,026,011	$ 683,853	$ 671,476
Covered-employee payroll	$ 793,394	$ 807,261	$ 809,018
Proportionate share of the net pension liability as a percentage of covered-employee payroll	129.32%	84.71%	83.00%
Plan fiduciary net position as a percentage of the total pension liability			
Traditional Pension Plan	81.08%	86.45%	Not Available
Combined Plan	116.90%	114.83%	Not Available

* The proportion of the net pension liability presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year. The schedule is required to show information for 10 years; however, until a full 10 year trend is compiled, governments are required only to present information for thos years for which information is available.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Schedule of Contributions
Ohio Public Employees Retirement System

Last three fiscal years *

		2016		2015		2014
Contractually required contribution	$	111,075	$	113,017	$	113,262
Contributions in relation to the contractually required contribution	$	111,075	$	113,017	$	113,262
Contribution deficiency (excess)	$	0	$	0	$	0
Covered employee payroll	$	793,394	$	807,261	$	809,018
Contributions as a percentage of covered-employee payroll		14.00%		14.00%		14.00%

* This schedule is required to show information for 10 years. However, until a full 10 year trend is compiled, governments are required to only present information for those years for which information is available.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Ohio Petroleum Underground Storage Tank Release Compensation Board
50 West Broad Street, Suite 1500
Columbus, Ohio 43215

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio Petroleum Underground Storage Tank Release Compensation Board (the Board), located in Franklin County, Ohio, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated January 23, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KENNEDY COTTRELL RICHARDS LLC

Kennedy Cottrell Richards LLC

Columbus, Ohio
January 23, 2017

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
MARCH 9, 2017

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