OHIO PETROLEUM UNDERGROUND STORAGE

TANK RELEASE COMPENSATION BOARD

Financial Statements

For the Year Ended June 30, 2018

and Independent Auditor's Report Theron

Kennedy Cottrell Richards

Accountants & Consultants for Business & Government

OHIO AUDITOR OF STATE
KEITH FABER

Board
Ohio Petroleum Underground Storage Tank Release Compensation Board
4151 Executive Parkway, Suite 350
Westerville, Ohio 43081

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, 2017 through June 30, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

March 4, 2019

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Table of Contents

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INDEPENDENT AUDITOR'S REPORT

Ohio Petroleum Underground Storage Tank Release Compensation Board
4151 Executive Parkway, Suite 350
Westerville, Ohio 43081

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during the year ended June 30, 2018, the Board adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

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, and other post-employment benefit liabilities and 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 7, 2019, 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

Gahanna, Ohio
January 7, 2019

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Year Ended June 30, 2018
(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, 2018. 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.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Year Ended June 30, 2018
(Unaudited)

Financial Position

The following summarizes the Board's financial position as of June 30, 2018 and 2017:

	2018	Restated 2017
ASSETS:		
Current assets	$ 23,642,510	$ 30,504,372
Unrestricted investments	11,790,705	5,976,813
Capital assets	90,670	27,106
Total Assets	$ 35,523,885	$ 36,508,291
DEFERRED OUTFLOWS OF RESOURCES		
Pension	$ 163,811	$ 481,468
OPEB	44,112	3,903
Total Deferred Outflows of Resources	$ 207,923	485,371
LIABILITIES:		
Current liabilities	$ 17,549,508	$ 19,199,470
Net pension liability	853,117	1,281,430
Net OPEB liability	599,431	578,547
Reserve for unpaid claims – noncurrent	33,620,044	25,258,152
Total Liabilities	$ 52,622,100	$ 46,317,599
DEFERRED INFLOWS OF RESOURCES		
Pension	$ 234,076	$ 54,291
OPEB	58,688	-
Total Deferred Inflows of Resources	292,764	54,291
NET POSITION		
Investment in capital assets	$ 90,670	$ 27,106
Unrestricted net position	(17,273,726)	(9,405,334)
Total Net Position	$ (17,183,056)	$ (9,378,228)

During 2018, the Board adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," which significantly revises accounting for postemployment benefit costs and liabilities. Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for OPEB costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net OPEB liability. GASB 75 takes an earnings approach to OPEB accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 75, the net OPEB liability equals the Board's proportionate share of each plan's collective:

1. Present value of estimated future OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Board is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Board's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Board is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $ (8,803,584) to $ (9,378,228).

Current assets and unrestricted investments decreased by approximately $1,048,000 (2.87%) from last year primarily due to an decrease in investments and an increase in cash with custodian of $3,567,000, and, $2,508,000, respectively.

The decrease in unrestricted investments of approximately $3,567,000 (10.51%) and the increase in the cash with custodian of $2,508,000 (159.96%) from the prior year are due to the timing of the transfer of excess funds from custodial account to the STAR Ohio unobligated account at year end. Typically this transfer occurs prior to June 30, but occurred after July 1, 2018.

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, 2017 the Board had invested a total of $14,000,000 in U.S. Treasury Notes and U.S. Agency Bonds with maturity dates laddered over one, two, three, and four years. As approved by the Board during its meeting in November 2017, the Board used unobligated funds to purchase additional U.S. Agency Bonds with par value of $2,000,000, and maturity dates of three years, with the intent to hold the investments to their maturity. 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 $11,791,000 at June 30, 2018.

Fees receivable, net of allowance for uncollectible amounts, increased by approximately $11,200 (1.17%) from the prior year. A detailed review of each receivable was undertaken and based on information available as of June 30, 2018, 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 13.94%, 5.25% and 4.04% 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 5.86%, 1.74% and 1.17% within one, two, and three years of the date of certification, respectively.

The allowance for uncollectible amounts was approximately $3,325,000 and $3,427,000 for fiscal years 2018 and 2017, respectively. The $102,000 decrease in the allowance for uncollectible amounts is primarily attributable to the aging of accounts certified to the Attorney General's Office for collection, 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, and the negotiation of outstanding late fees in the process of collecting delinquent fees.

Collateral on loaned securities increased by approximately $100 (2.51%) from the prior year due to an increase in cash collateral to be allocated by the Treasurer of State as of June 30, 2018.

Capital assets increased by approximately $64,000 (234.50%). Approximately $79,800 was spent on office furniture and data processing equipment; and accumulated depreciation increased by $16,100. Approximately $42,900 in depreciated capital assets were salvaged during the fiscal year. A loss on disposal of $121 was recorded due to the disposal of one asset not being fully depreciated at the time of its disposal. Of the $79,800 spent on office furniture and data processing equipment, $42,500 was office furniture for the Board's new office space, $33,600 was spent to purchase a server which replaced four existing servers, $2,200 was spent to replace a uninterruptable power supply for the server; $850 was spent on an enclosed rack system to secure the new server and uninterruptible power supply; and $600 was spent to purchase a blackberry device.

There is no related debt on capital assets.

Current liabilities decreased by $1,650,000 (8.59%) primarily due to a decrease in fees received in advance of $1,747,000 and increases in refundable payable, unclaimed monies payable, and accrued liabilities of $50,000, $33,000 and $18,000 respectively.

Fees received in advance decrease approximately 21.45%. At its March 21, 2018 meeting, the Board voted to reduce the annual per-tank fee from $400 per tank to $350 per tank effective with the fiscal year 2019 fees. This $50 reduction in the annual per-tank fee, along with a few owners of 50 to 300 tanks submitting payment of their program year 2018 fees after to June 30, 2018, and payment of their program year 2017 after June 30, 2017, resulted in the decrease in the fees received in advance.

Unclaimed monies payable is comprised of uncashed payments made by the Board for fee payment refunds and claims settlements. Unclaimed monies payable increased 31.66% primarily due to the uncashed claim settlement payments made to a single environmental services contractor.

Refundable fees increased by 2.95%. The increase is attributable to the amount fees received which were not due, exceeding the amount of refunds paid which is due to staff turnover, and the time needed to train new employees on the refund reconciliation process.

Accrued Liabilities increased by 7.57%. Compensated absences as of June 30, 2018 increased over the prior year by $4,300 due to the net effect of a salary increase and an increase in the number of employees from the prior fiscal year. Accrued salaries and accrued benefits as of June 30, 2018 increased over the prior year by $9,700 and $4,500 respectively due to the net effect of a salary increase and an increase in the number of employees 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, 2018. 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 2018 and 2017 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 $7,815,000 (23.50%) 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, 2018, 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 $16,020,000 from June 30, 2017 to June 30, 2018; fiscal year 2018 claim payments were approximately $7,658,000. 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, 2018" 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 2280, Westerville, Ohio, 43086-2280 or by calling 614-752-8963.

Total net position decreased approximately $7,805,000 (83.22%) due primarily to operating expenses exceeding operating and non-operating net revenues during fiscal year 2018.

The unrestricted net position includes management's estimate of the current and long-term reserve for unpaid claims of approximately $42,620,000.

Financial Information

Revenue

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Operating Revenues:		
Tank fees	$ 9,535,796	$ 9,469,624
Recovery of bad debt	137,500	192,842
Other	9,944	247
	9,683,240	9,662,713
Non-operating Revenues:		
Earnings on investments	305,040	115,418
Loss on disposal of assets	(121)	-
	304,919	115,418
Total Revenue	$ 9,988,159	$ 9,778,131

Total revenue for 2018 increased approximately $210,000 (2.15%) from the previous year due to increases in operating revenues and non-operating revenues of $20,000 and $190,000, respectively.

The 0.21% increase in operating revenues is due to increases in the tank fees collected for the current and prior fiscal years and other revenue of $11,000, and $9,700; and a decrease in the recovery of fees previously determined uncollectible of $55,000, respectively. For 2018, the Board maintained its fee structure of $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 $190,000 increase in earnings on investments in the State Treasury Asset Reserve of Ohio ("STAR Ohio"), US Treasuries, and US Agency Bonds. During fiscal year 2018 interest earned on STAR Ohio investments was $236,000. The interest earned on US Treasuries and Agency Bonds was $221,000 which was offset by a decrease in the fair market value of the investments by $153,000 from the prior year.

Expenses

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Incurred claims and claims adjustment	$ 16,019,568	$ 6,296,167
Administration	1,757,295	1,754,790
Depreciation	16,124	11,318
Total Operating Expenses	$ 17,792,987	$ 8,062,275

Total operating expenses increased approximately $9,731,000 from 2017 (120.69%) due to an increases in the incurred claims and claims adjustment expense, depreciation expense, and administration expense of $9,723,000, $5,000 and $3,000, respectively.

Incurred claims and claims adjustment expense increased 154.43% from the prior year. For fiscal year 2018, 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 $3,476,000 and $12,544,000, respectively. For fiscal year 2017, the expense was approximately $3,321,000 and the change in reserve for unpaid claims increased by approximately $2,969,000.

As previously stated, the Board annually obligates funds for the payment of claims in the upcoming fiscal year. For fiscal year 2018, the Board obligated $9,000,000. Claim settlement determinations issued for fiscal years 2018 and 2017 were approximately $8,200,000 and $6,900,000, 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 2018 totaled $7,658,000.

Administration costs increased 0.14% from fiscal year 2017. This change is a net result of increases in legal and professional expense and telephone expense, and a decreases in employee expenses and salaries expense.

- Legal and Professional expense increased by $22,700 due to an increase in the collection costs for delinquent fees certified to the Attorney General's Office of Collection Enforcement; an increase in the costs for the Assistant Attorney General; and costs associated with the move of the Board's office.
- Telephone expense increased by $14,600 due to costs associated with installing data cables and fiber connections for the Board's new offices.
- Employee Expenses, which includes employee parking costs, decreased by $19,600 due to the relocation of the Board's office to a location with free parking.
- Salaries expense decreased by $15,000 due to a net effect of a decrease in the proportionate share of pension and OPEB expense, and an increase in payroll costs resulting from a 2.5% increase provided to maintain parity with state employees under the OCSEA contract and the filling of all vacant positions with full-time permanent employees.

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OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

ASSETS		
CURRENT ASSETS		
Cash with custodian	$	4,076,026
Unrestricted investments		18,597,394
Collateral on loaned securities		3,808
Fees receivable, net of allowance for uncollectible amounts of $3,325,113		965,282
Total Current Assets		23,642,510
UNRESTRICTED INVESTMENTS		11,790,705
CAPITAL ASSETS AT COST - Net of accumulated depreciation		90,670
Total Assets	$	35,523,885
DEFERRED OUTFLOWS OF RESOURCES		
Pension	$	163,811
OPEB		44,112
Total Deferred Outflows of Resources	$	207,923
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Fees received in advance	$	6,398,600
Claims payable		1,549,634
Current portion of reserve for unpaid claims		7,450,366
Refundable fees		1,731,285
Unclaimed monies payable		137,724
Accounts payable		27,633
Accrued liabilities		250,458
Obligations under loaned securites		3,808
Total Current Liabilities		17,549,508
NON-CURRENT LIABILITIES		
Net Pension Liability	$	853,117
Net OPEB Liability		599,431
Total Non-Current Liabilities		1,452,548
RESERVE FOR UNPAID CLAIMS - Less current portion		33,620,044
Total Liabilities	$	52,622,100
DEFERRED INFLOWS OF RESOURCES		
Pension	$	234,076
OPEB		58,688
Total Deferred Inflow of Resources	$	292,764
NET POSITION		
Invested in capital assets, net of related debt	$	90,670
Unrestricted net position		(17,273,726)
Total Net Position	$	(17,183,056)

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, 2018

OPERATING REVENUES	
Tank fees, net of refunds	$ 9,535,796
Recovery of bad debt	137,500
Other	9,944
Total Operating Revenues	9,683,240
OPERATING EXPENSES	
Incurred claims and claims adjustment	16,019,568
Administration	1,757,295
Depreciation	16,124
Total Operating Expenses	17,792,987
OPERATING INCOME (LOSS)	(8,109,747)
NON-OPERATING REVENUE (EXPENSE)	
Earnings on investments	305,040
Loss on disposal of assets	(121)
Total Non-operating Revenue	304,919
Increase (Decrease) in Net Position	(7,804,828)
NET POSITION	
Beginning of year, restated	(9,378,228)
End of year	$ (17,183,056)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 7,980,231
Cash paid to employees	(1,166,776)
Cash paid to claimants	(7,610,263)
Cash paid to others	(487,681)
Net Cash Provided By Operating Activities	(1,284,489)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(79,809)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(23,988,219)
Sale of investments	23,422,266
Investments matured	4,000,000
Interest on investments	438,347
Net Cash Used In Investing Activities	3,872,394
NET INCREASE (DECREASE) IN CASH WITH CUSTODIAN	2,508,096
CASH WITH CUSTODIAN	
Beginning of year	1,567,930
End of year	$ 4,076,026

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF CASH FLOWS, Continued
FOR THE YEAR ENDED JUNE 30, 2018

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

Operating income (loss)	$ (8,109,747)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	16,124
Allowance for uncollectible accounts	(102,339)
Reserves for unpaid claims	7,814,508
Changes in assets and liabilities:	
Fees receivable	91,144
Fees received in advance	(1,747,300)
Claims payable	547,384
Refundable fees	49,566
Unclaimed monies payable	33,118
Accounts payable and accrued liablities	14,561
Net Pension Liability	(428,313)
Net OPEB Liability	20,884
Deferred Outflow - Pension	317,657
Deferred Outflow - OPEB	(40,209)
Deferred Inflow - Pension	179,785
Deferred Inflow - OPEB	58,688
Total Adjustments	6,825,258
Net Cash Provided By Operating Activities	$ (1,284,489)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 $32,961,714 at June 30, 2018.

Investments - Investments are stated at fair value in accordance with GASB Statement No. 72, "Fair Value Measurement and Application". 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/Other Postemployment Benefits (OPEB) - For the purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB 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 OPEB and are explained in Notes 7 and 8.

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 OPEB and are explained in Notes 7 and 8.

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. 83, "Certain Asset Retirement Obligations"
- GASB No. 84, "Fiduciary Activities"
- GASB No. 87, "Leases"
- GASB No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"
- GASB No. 89, **"**Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"
- GASB No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61"

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 2018). 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 2018). 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 2018
Unpaid claims and claim adjustment expenses- Beginning of year	$ 34,258,152
Incurred claim and claim adjustment expenses:	
Provision for insured events of current year	3,475,749
Change in provision for prior years	12,543,819
Total Incurred Claims and Claim Adjustment Expense	16,019,568
Claim and claim adjustment payments attributable to Insured events of prior years	(7,657,676)
Total Unpaid Claims and Claim Adjustment Expenses- End of year	$ 42,620,044

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

Claims payable	$ 1,549,634
Current portion of reserve for unpaid claims	7,450,366
Reserve for unpaid claims-less current portion	33,620,044
Estimated Unpaid Liability	$ 42,620,044

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.

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:

		2018
Carrying amount	$	4,076,026
Custodial balance	$	3,907,610

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. At its November 29, 2017 meeting, the Board authorized the investment of an additional $2,000,000 of unobligated funds in U.S. Agency Bonds with maturity dates of three years, which were subsequently purchased in January 2018.

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 has but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Board measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For the year ended June 30, 2018, there were no limitations on any participant withdrawals due to redemption notice periods, NOTE 4 - CASH AND INVESTMENTS (Continued)

liquidity fees, or redemption gates. The value of the STAR Ohio investments were approximately $14,624,000 as of June 30, 2018.

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, 2018 are as follows:

		Investment Maturities (in years)	
Investment Type	Fair Value	Less than 1	1-4
U.S. government obligations	$ 6,899,032	$ 1,988,207	$ 4,910,825
U.S. government agency obligations	8,865,440	1,985,560	6,879,880
STAR Ohio	14,623,627	14,623,627	-
	$ 30,388,099	$ 18,597,394	$ 11,790,705

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. The Board's U.S. government obligations and U.S. government agency obligations are valued using pricing models (Level 2 inputs). STAR Ohio is reported at net asset value (NAV) per share, which approximates fair value.

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 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 $1,415,184 obligated by the Board for the payment of claims at June 30, 2018. 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, 2018, 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 2018 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, 2008 the Board had no securities out on loan. The Board has been allocated with cash collateral of $3,808 for fiscal year 2018 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, 2018 follows:

	Balance June 30, 2017	Additions	Disposals/ Deletion	Balance June 30, 2018
Capital assets:				
Furniture	$ 106,239	$ 42,554	$ (30,339)	$ 118,454
Data processing equipment	839,505	37,255	(12,592)	864,168
Total Capital Assets	945,744	79,809	(42,931)	982,622
Less accumulated depreciation				
Furniture	93,941	10,755	(30,218)	74,478
Data processing equipment	824,697	5,369	(12,592)	817,474
Total Accumulated Depreciation	918,638	16,124	(42,810)	891,952
Net Capital Assets	$ 27,106	$ 63,685	(121)	$ 90,670

NOTE 6 - OPERATING LEASES

The Board leases office space under an operating lease agreement expiring in fiscal year 2024. Rent expense for the fiscal year ended June 30, 2018 was $133,000. Future minimum payments under the operating lease agreement are as follows:

Years ending June 30	Minimum Lease Payments
2019	$ 153,700
2020	153,700
2021	153,700
2022	153,700
2023	153,700
2024	38,400
Total minimum operating lease payments	$ 806,800

NOTE 7 - DEFINED BENEFIT PENSION PLANS

The Board's employees are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Net Pension Liability - 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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

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. 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 800-222-7377.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

FY 2018 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
FY 2018 Actual Contribution Rates		
Employer – July 1, 2017 through December 31, 2017		
Pension	13.0	%
Post-employment Health Care Benefits	1.0	
Total Employer	14.0	%
Employer – January 1, 2018 through June 30, 2018		
Pension	14.0	%
Post-employment Health Care Benefits	0.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board's contractually required contribution was $114,449 for fiscal year 2018. Of this amount, $110,532 was used to fund pension benefits.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The net pension liability for OPERS was measured as of December 31, 2017, 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:

		Pension Plan
Proportionate Share of the Net Pension Liability	$	853,116
2017 Proportion of the Net Pension Liability		.005438%
2016 Proportion of the Net Pension Liability		.005643%
2017 Change in Proportionate Share		-.000205%
Pension Expense	$	168,456

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Pension Plan
Deferred Outflows of Resources		
Differences between expected and actual experience	$	871
Changes of Assumptions		101,954
Change in proportionate share		1,371
Board contribution subsequent to the measurement date		59,615
Total Deferred Outflow of Resources	$	163,811
Deferred Inflows of Resources		
Differences between expected and actual experience	$	16,812
Net difference between projected and actual earnings on pension plan investment		183,153
Change in proportionate share		34,111
Total Deferred Inflow of Resources	$	234,076

The $59,615 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 fiscal year ending June 30, 2019. 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		Pension Plan
2019	$	55,157
2020		(29,126)
2021		(80,651)
2022		(75,260)
Thereafter		-
Total	$	(129,880)

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017, using the following actuarial assumptions and methods applied to all prior periods included in the measurement:

Wage Inflation	3.25 %
Projected Salary Increases	3.25 - 10.75 % including wage inflation at 3.25%
COLA or Ad Hoc COLA	
Pre-January 7, 2013 Retirees	3.00 %, simple
Post-January 7, 2013 Retirees	3.00 %, simple, through 2018 then 2.15% simple
Investment Rate of Return	7.50 %
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS 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 OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.25 %
Domestic Equities	19.00 %	6.37 %
Real Estate	10.00 %	5.26 %
Private Equity	10.00 %	8.97 %
International Equities	20.00 %	7.88 %
Other investments	18.00 %	5.26 %
Total	100.00 %	5.66 %

The long-term 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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 %. 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 statutorily required rates. 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.

Sensitivity of Board's Proportionate Share of the 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 7.5%, 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 (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Board's proportionate share of the net pension liability	$ 1,514,918	$ 853,116	$ 301,374

NOTE 8 – DEFINED BENEFIT OPEB PLAN

The Board's employees are covered by the Ohio Public Employees Retirement System. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Net OPEB Liability - The net OPEB liability reported on the statement of net position represents a liability to employees for other post-employment benefits (OPEB). OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Board's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

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 OPEB are financed; however, the Board does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year would be included in intergovernmental payable on both the accrual and modified accrual bases of accounting. OLA had no such liability at fiscal year-end.

Plan Description **-** The Ohio Public Employees Retirement System (OPERS) administers 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 that has elements of both a defined benefit and defined contribution plan.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115Ttrust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy 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 Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fun OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2017, the Board contributed at a rate of 14 percent of earnable salary which is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of employer contributions allocated to healthcare was 1.0% for calendar year 2017. As recommended by OPERSs actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2018 decrease to 0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board's contractually required contribution was $114,449 for fiscal year 2018. Of this amount, $3,917 was used to fund to fund health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - The net OPEB liability for OPERS was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Board's proportion of the net OPEB liability was based on the Board's share of contributions to the retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

		OPERS Health Care Plan
Proportionate Share of the Net OPEB Liability	$	599,431
2017 Proportion of the Net OPEB Liability		.005520%
2016 Proportion of the Net OPEB Liability		.005728%
2017 Change in Proportionate Share		-.000208%
OPEB Expense	$	35,460

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		OPERS Health Care Plan
Deferred Outflows of Resources		
Differences between expected and actual experience	$	467
Changes of Assumptions		43,645
Total Deferred Outflow of Resources	$	44,112
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investment		44,655
Change in proportionate share		14,033
Total Deferred Inflow of Resources	$	58,688

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

For Fiscal Year Ending June 30		OPERS Health Care Plan
2019	$	3,132
2020		3,132
2021		(9,854)
2022		(11,165)
Total	$	(14,755)

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.

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied all periods included in the measurement:

Wage Inflation	3.25 %
Projected Salary Increases	3.25 - 10.75 % including wage inflation at 3.25%
Single Discount Rate	3.85 %
Investment Rate of Return	6.50 %
Municipal Bond Rate	3.31 %
Health Care Cost Trend Rate	7.25 % initial, 3.25 ultimate in 2028
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retires. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00 %	6.37 %
REITs	6.00 %	5.91 %
International Equities	22.00 %	7.88 %
Other investments	17.00 %	5.39 %
Total	100.00 %	4.98 %

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 3.85 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the Board's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.85%, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.85%) or 1% higher (3.85%) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Board's proportionate share of the net OPEB liability	$ 796,370	$ 599,431	$ 440,110

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Board's proportionate share of the net OPEB liability	$ 573,528	$ 599,431	$ 626,189

NOTE 9 - RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2018, the Board implemented GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. The implementation of these standards had the following impact on beginning Net Position:

Net Position, June 30, 2017	$	(8,803,584)
Adjustments:		
Deferred Outflows – Payments Subsequent to Measurement Date		3,903
Net OPEB Liability		(578,547)
Net Position, July 1, 2017, restated		(9,378,228)

NOTE 10 - 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.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

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

Last five fiscal years *

	2018	2017	2016	2015	2014
Proportion of the net pension liability					
Traditional Pension Plan	0.005438%	0.005643%	0.005929%	0.005706%	0.005706%
Proportionate share of the net pension liability (asset)					
Traditional Pension Plan	$ 853,117	$ 1,281,430	$ 1,026,979	$ 688,207	$ 672,663
Covered-employee payroll	$ 817,494	$ 802,682	$ 793,394	$ 807,261	$ 809,018
Proportionate share of the net pension liability as a percentage of covered-employee payroll	104.36%	159.64%	129.44%	85.25%	83.15%
Plan fiduciary net position as a percentage of the total pension liability					
Traditional Pension Plan	84.66%	77.25%	81.08%	86.45%	86.36%

* 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 Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System

Last five two years *

	2018	2017
Proportion of the net OPEB liability		
Health Care Plan	0.005520%	0.005728%
Proportionate share of the net OPEB liability (asset)		
Health Care Plan	$ 599,431	$ 578,547
Covered-employee payroll	$ 817,494	$ 802,682
Proportionate share of the net OPEB liability as a percentage of covered-employee payroll	73.33%	72.08%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%
Health Care Plan		

* The proportion of the net OPEB 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 five fiscal years *

	2018	2017	2016	2015	2014
Contractually required contribution					
Pension	$ 110,532	$ 100,224	$ 95,213	$ 96,872	$ 101,256
OPEB	3,917	12,151	15,862	16,145	12,006
Contributions in relation to the contractually required contribution	$ 114,449	$ 112,375	$ 111,075	$ 113,017	$ 113,262
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered employee payroll	$ 817,494	$ 802,682	$ 793,394	$ 807,261	$ 809,018
Contributions as a percentage of covered-employee payroll					
Pension	13.52%	12.49%	12.00%	12.00%	12.52%
OPEB	0.50%	1.51%	2.00%	2.00%	1.48%

* 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
4151 Executive Parkway, Suite 350
Westerville, Ohio 43081

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, 2018, 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 7, 2019, wherein we noted the Board adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

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

Gahanna, Ohio
January 7, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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 14, 2019