OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

FRANKLIN COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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 Rea & Associates, Inc., for the audit period July 1, 2022 through June 30, 2023. 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

January 19, 2024

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OHIO PETROLEUM UNDERGROUND STORAGE TANK
RELEASE COMPENSATION BOARD
FRANKLIN COUNTY

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Rea & associates a brighter way

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ohio Petroleum Underground Storage Tank Release Compensation Board, located in Franklin County, Ohio (the Board), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the changes in 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
December 7, 2023

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Year Ended June 30, 2023
(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, 2023. 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 inflows and outflows 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 balance reconciles to the cash 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, 2023
(Unaudited)

Financial Position

The following summarizes the Board's financial position as of June 30, 2023 and 2022:

	2023	2022
ASSETS:		
Current assets	$ 17,316,875	$ 13,059,316
Unrestricted investments	11,132,162	12,201,837
Capital assets	554,250	168,436
Net OPEB asset	0	181,790
Total Assets	$ 29,003,287	$ 25,611,379
DEFERRED OUTFLOWS OF RESOURCES		
Pension	$ 609,905	$ 152,153
OPEB	106,182	0
Total Deferred Outflows of Resources	$ 716,087	$ 152,153
LIABILITIES:		
Current liabilities	$ 17,171,475	$ 18,217,969
Lease liability	421,874	20,549
Net pension liability	1,657,198	500,969
Net OPEB liability	35,839	0
Reserve for unpaid claims – noncurrent	27,907,070	25,263,154
Total Liabilities	$ 47,193,456	$ 44,002,641
DEFERRED INFLOWS OF RESOURCES		
Pension	$ 27,149	$ 648,866
OPEB	13,634	194,183
Total Deferred Inflows of Resources	$ 40,783	$ 843,049
NET POSITION		
Net investment in capital assets	$ 64,006	$ 66,246
Unrestricted net position	(17,578,871)	(19,148,404)
Total Net Position	$ (17,514,865)	$ (19,082,158)

Current assets and unrestricted investments increased by approximately $3,188,000 (12.62%) from last year primarily due to increases in investments of $3,791,000, and decreases in cash with custodian and fees receivable of $518,000, and $87,000, respectively.

As of June 30, 2023, unrestricted investments is comprised of $13,629,000 in current unrestricted investments with maturity dates less than one year, and $11,132,000 in non-current unrestricted investments with maturity dates exceeding one year. As of June 30, 2022, the current and non-current portions of unrestricted investments were $8,769,000 and $12,202,000, respectively. The increase in unrestricted investments of approximately $3,791,000 (18.08%) is primarily due to claim refund payments received by the Fund and a decrease in payments from the obligated account for the payment of claims during fiscal year 2023.

At its November 30, 2022 meeting, the Board approved entering into a Settlement Agreement and Release (November 2022 Settlement Agreement) with a major oil company to resolve allegations that the company failed to disclose that it had insurance coverage for expenses associated with corrective action for petroleum releases from underground storage tanks (USTs) at various sites in Ohio, and that it failed to disclose litigation and settlements with its insurers in its applications to the Board. The November 2022 Settlement Agreement was fully executed in December 2022 and the settlement amount of $3.2 million less attorney fees was received by the Board on January 17, 2023. Attorney's fees were 25% of the settlement amount for a total of $800,000.

In January 2023, the Board entered into a Settlement Agreement and Release (January 2023 Settlement Agreement) with a UST owner and contractor to resolve a subrogation claim against the UST contractor who allegedly caused or contributed to a petroleum release for which the Fund had and would continue to pay costs to clean up. The Board received the $167,500 settlement amount on February 13, 2023.

At its November 20, 2019 meeting, the Board approved entering into a Settlement Agreement and Release (November 2019 Settlement Agreement) with a major oil company in exchange for a mutual release and covenant not to sue. Pursuant to the November 2019 Settlement Agreement executed on December 5, 2019, the Board agreed to pay and the major oil company agreed to accept $12,600,000 as full and complete satisfaction of all claim applications that have or could be submitted by the major oil company or its vendors for corrective action costs it incurred related to eligibility applications submitted on or before the effective date of the November 2019 Settlement Agreement. In compliance with the payment schedule established under the November 2019 Settlement Agreement, payments of $4,000,000 and $500,000 were made in fiscal year 2022 and 2023, respectively.

The decrease in the cash with custodian of approximately $518,000 (15.60%) is due to the timing of the transfer of excess funds from the custodial account to the STAR Ohio unobligated account at year end. A significant amount of the annual tank fees for the program year commencing July 1 are received in the preceding May and June and transfers of the excess cash from the custodial account to the unobligated account are typically made prior to June 30. A larger portion of the fees received in May and June and held in the custodial account were transferred to the unobligated account prior to June 30 in the 2023 fiscal year than in the 2022 fiscal year.

Fees receivable, net of allowance for uncollectible amounts, decreased by approximately $87,000 (9.09%) from the prior year. A detailed review of each receivable was undertaken and based on information available as of June 30, 2023, accounts were separated into six categories, each with an assigned probability of collection. The estimated collectible amount was then determined by applying the assigned probability of collection percentage to each category. The estimated collectible amount of the largest category of outstanding fees, which consists of delinquent fees certified to the State of Ohio Attorney General's Office, Collections Enforcement for collection, as well as delinquent fees not yet certified, is calculated using percentages based on the per-tank fee and late fee payments received for delinquent accounts previously certified to Collections Enforcement. Historically, the Attorney General's Office has collected 14.65%, 5.68% and 3.83% of the per-tank 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 5.82%, 1.88% and 1.12% within one, two, and three years of the date of certification, respectively.

The allowance for uncollectible amounts was approximately $2,758,000 and $3,184,000 for fiscal years 2023 and 2022, respectively. The $426,000 decrease in the allowance for uncollectible amounts is primarily attributable to the aging of accounts certified to the Attorney General's Office for collection as the receivable is written off for those accounts outstanding more than three years from the date of certification and a reduction in the amount of outstanding prior year fees resulting from negotiations in the process of collecting delinquent fees.

Collateral on loaned securities increased by approximately $1,800 (11.37 %) from the prior year due to an increase in cash equity with the Treasurer of State and increase in the total collateral allocation as of June 30, 2023. Additional information regarding collateral on loaned securities can be found in Note 4 to the financial statements.

Capital assets increased by approximately $386,000 (229.06%). Approximately $22,500 was spent on data processing equipment. The lease for Board's office space which is classified as a right-to-use-asset in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87 increased by approximately $470,000 due to the Board approving an amendment to the lease of the office space through October 31, 2029. Accumulated depreciation and amortization increased by approximately $102,000, which includes an increase of approximately $78,000 related to the amortization of the lease for office space, and an increase of approximately $24,000 related to depreciation for office furniture and data processing equipment. During fiscal year 2023, $4,200 in depreciated capital assets were salvaged and a loss on disposal of $1,540 was recorded due to the disposal of two assets not being fully depreciated at the time of disposal. Of the $22,500 spent on data processing equipment, $4,400 was spent for perpetual licenses for scanning software; $10,800 was spent on configuration of the scanning software with the current Statistical Tank and Reimbursement Records System database; $6,200 was spent on data backup hardware; $600 was spent for installation of IT security hardware; and $500 was spent for a conference call station for the Board's meeting room. Additional information on Capital Assets can be found in Note 5 to the financial statements.

Current liabilities decreased by approximately $1,046,000 (5.74%) primarily due to decreases in claims payable, the current portion of reserve for unpaid claims, and refundable fees of approximately $517,000, $483,000, and $178,000 respectively; and an increase in fees received in advance of $122,000.

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, 2023. In determining the amount to obligate, the Board considers the unobligated balance, claims paying experience and anticipated revenue. At its June 8, 2022 meeting, the Board obligated $9,000,000 for the payment of claims anticipated to be paid in the 2023 fiscal year. At its June 14, 2023 meeting, the Board obligated $8,000,000 for the payment of claims anticipated to be paid in the 2024 fiscal year.

Claims payable decreased by approximately $517,000 (47.42%) due to payments made in accordance with the November 2019 Settlement Agreement. As of June 30, 2022, claims payable included $500,000 scheduled for payment in July 2023 for the remaining balance payable under the November 2019 Settlement Agreement.

Refundable Fees decreased by approximately $178,000 (9.35%). The decrease is attributable to the amount of refunds paid to owners or operators, or applied to offset outstanding fees, exceeding the amount of refunds identified during the fiscal year.

Fees received in advance increased by approximately $122,000 (1.76%). The Fund saw a slight increase in the number of tanks for which the program year 2023 annual per-tank fees were received prior to June 30, 2023, as compared to the program year 2022 annual per-tank fees received prior to June 30, 2022.

Reserve for unpaid claims, including the current portion, increased by approximately $2,161,000 (6.51%) as a result of claim reimbursements being paid at a rate less than the increase in the estimated ultimate loss. Estimated ultimate loss is an estimate of the amount the Financial Assurance Fund will ultimately pay for releases discovered on or before June 30, 2023, 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) covered events increased approximately $7,974,000 from June 30, 2022 to June 30, 2023; fiscal year 2023 claim payments were approximately $6,331,000. Additional discussion regarding the reserve for unpaid claims can be found in Note 3 to the financial statements. The Board retained an actuarial firm to perform an independent analysis of the Fund's loss reserves. The actuaries report, titled "Analysis of Fund Liabilities as of June 30, 2023" represents the analysis of the loss reserves. The report 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 increased approximately $1,567,000 (8.21%) due primarily to operating and non-operating revenue exceeding operating and non-operating expenses during fiscal year 2023.

The unrestricted net position includes management's estimate of the current and long-term reserve for unpaid claims of approximately $35,907,000.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Year Ended June 30, 2023
(Unaudited)

Financial Information

The following schedule presents a summary of revenues, expenses and the changes in net position for the fiscal years ended June 30, 2023 and 2022:

	2023	2022	Change
Operating Revenues:			
Tank fees	$ 8,396,605	$ 8,543,989	$ (147,384)
Recovery of bad debt	106,516	114,913	(8,397)
Claim Refund	2,567,500	0	2,567,500
Other	347	161	186
Total Operating Revenues	11,070,968	8,659,063	2,411,905
Non-operating Revenues:			
Earnings on investments	386,417	(707,099)	1,093,516
Total Revenue	$ 11,457,385	$ 7,951,964	3,505,421
Operating Expenses			
Incurred claims and claims adjustment	$ 7,974,497	$ 9,365,924	(1,391,427)
Administration	1,808,020	1,308,863	499,157
Depreciation	105,075	114,266	(9,191)
Total Operating Expenses	9,887,592	10,789,053	(901,461)
Non-operating Expenses:			
Interest Expense	960	1,934	(974)
Loss on Disposal of Assets	1,540	40	1,500
Total Non-operating Expenses	2,500	1,974	526
Total Expenses	$ 9,890,092	$ 10,791,027	(900,935)
Change in Net Position	$ 1,567,293	$ (2,839,063)	$ 4,406,356

Revenue

Total revenue for 2023 increased approximately $3,505,000 (44.08%) from the previous year due to increases in operating revenues and non-operating revenues of $2,412,000 and $1,093,000, respectively.

Operating revenues increased approximately $2,412,000 due to an increase in claim refunds of $2,567,000, and a decrease in tank fee revenue of $147,000.

Claim Refunds increased approximately $2,567,000 due to receipts of settlement amounts agreed upon in the November 2022 and January 2023 Settlement Agreements, as previously stated.

The tank fee revenue decreased by approximately $147,000 (1.73%) due to an increase in per-tank and late payment fee refunds paid to owners and operators. Approximately $256,000 and $50,000 was refunded to UST owners and operators during fiscal years 2023 and 2022, respectively, for the overpayment of fees.

Non-operating revenues increased by approximately $1,093,000 due to an increase in earnings on monies held in the State Treasury Asset Reserve of Ohio ("STAR Ohio") and on US Treasury and US Agency Bond investments. During fiscal year 2023, the interest earned on monies held in STAR Ohio was $325,000. The investments in US Treasuries and Agency Bonds earned $158,000 in interest and the fair market value of these investments decreased $97,000 from June 20, 2022. In fiscal year 2022, the interest earned on monies held in STAR Ohio was $14,000. The investments in US Treasuries and Agency Bonds earned $72,000 in interest during fiscal year 2022 and the fair market value decreased $794,000 from June 30, 2021.

Expenses

Total operating expenses decreased approximately $901,000 (8.36%) from the previous year due to a decrease in incurred claims and claims adjustment expenses of approximately $1,391,000 and an increase in administration expense of approximately $499,000.

Incurred claims and claims adjustment expense decreased 14.86% from the prior year. For fiscal year 2023, incurred claims and claims adjustment expense represents the provision for insured events of the current year and the change in the provision for prior years of approximately $3,724,000 and $4,250,000, respectively. For fiscal year 2022, the provision for insured events of the current year was approximately $3,511,000 and the change in the provision for prior years was approximately $5,605,000.

As previously stated, the Board annually obligates funds for the payment of claims in the upcoming fiscal year. For fiscal year 2023, the Board obligated $9,000,000. Claim determinations issued for fiscal years 2023 and 2022 provided for reimbursement amounts of approximately $5,813,000 and $7,283,000, respectively. Claimants are provided a 30-day period in which to object to the claim determination. If an objection is not received, payment is issued to the claimant within 45 days of the date of the determination. Claim reimbursement payments made during fiscal year 2023 totaled $6,331,000.

Administration costs increased 38.14% from fiscal year 2022. This change is a result of increases in salary expenses, legal and professional expenses, temporary services expenses, office supplies expense, and rent expense.

- Salary expense increased by $410,000 due to Pension Plan and Other Post-Employment Benefits (OPEB) adjustments which are proportionately allocated to the Fund.
- Legal and Professional expenses increased by $59,000 due to increases in the costs for the Assistant Attorney General's services, the actuarial analysis for the Estimate of the Unpaid Claim Liability, an information security risk assessment, and data backup services.
- Temporary services expense increased by $16,000 due to the use of contract employees to fill an extended vacancy in the Compliance Section.
- Office Supplies expense increased by $6,000 due to the purchase of one year Office 365 Enterprise 3 subscriptions for staff computers, and storage boxes for offsite record storage.
- Rent expense increased by $4,000 due to an increase in the Board's pro-rata share of the operating expenses for the office space.

Depreciation and amortization decreased 8.04% from the prior year. For fiscal year 2023, depreciation includes approximately $26,000 related to the depreciation of capital assets, and $78,000 related to the amortization of the Board's leased office space, which is classified as a right-to-use-asset in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. Additional information on depreciation can be found in Notes 5 and 6 to the financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS		
Cash with custodian	$	2,800,523
Unrestricted investments		13,629,335
Collateral on loaned securities		17,590
Fees receivable, net of allowance for uncollectible amounts of $2,758,572		869,427
Total Current Assets		17,316,875
NON-CURRENT ASSETS		
Unrestricted investments	$	11,132,162
Capital assets at cost - Net of accumulated depreciation		554,250
Net OPEB asset		-
Total Non-Current Assets		11,686,412
Total Assets	$	29,003,287
DEFERRED OUTFLOWS OF RESOURCES		
Pension	$	609,905
OPEB		106,182
Total Deferred Outflows of Resources	$	716,087

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES		
Fees received in advance	$	7,060,603
Claims payable		573,297
Current portion of reserve for unpaid claims		7,426,703
Refundable fees		1,720,793
Unclaimed monies payable		45,783
Accounts payable		27,246
Accrued liabilities		231,090
Lease liability		68,370
Obligations under loaned securites		17,590
Total Current Liabilities		17,171,475
NON-CURRENT LIABILITIES		
Lease liability	$	421,874
Net pension liability		1,657,198
Net OPEB Liability		35,839
Total Non-Current Liabilities		2,114,911
RESERVE FOR UNPAID CLAIMS - Less current portion		27,907,070
Total Liabilities	$	47,193,456
DEFERRED INFLOWS OF RESOURCES		
Pension	$	27,149
OPEB		13,634
Total Deferred Inflows of Resources	$	40,783
NET POSITION		
Net investment in capital assets	$	64,006
Unrestricted net position		(17,578,871)
Total Net Position	$	(17,514,865)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
Tank fees, net of refunds	$ 8,396,605
Recovery of bad debt	106,516
Claim Refunds	2,567,500
Other	347
Total Operating Revenues	11,070,968
OPERATING EXPENSES	
Incurred claims and claims adjustment	7,974,497
Administration	1,808,020
Depreciation and amortization	105,075
Total Operating Expenses	9,887,592
OPERATING INCOME (LOSS)	1,183,376
NON-OPERATING REVENUE (EXPENSE)	
Earnings on investments	386,417
Interest expense	(960)
Loss on disposal of assets	(1,540)
Total Non-operating Revenue (Expense)	383,917
Increase (Decrease) in Net Position	1,567,293
NET POSITION	
Beginning of year	(19,082,158)
End of year	$ (17,514,865)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 8,810,163
Cash paid to employees	(1,367,602)
Cash paid to claimants	(3,763,081)
Cash paid to others	(687,593)
Net Cash Provided By Operating Activities	2,991,887
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(22,502)
Principal paid on leased asset	(81,872)
Interest paid on leased asset	(960)
Net Cash Used in Capital and Related Financing Activities	(105,334)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(19,261,550)
Sale of investments	13,390,752
Investments matured	2,000,000
Interest on investments	466,528
Net Cash Used in Investing Activities	(3,404,270)
NET INCREASE (DECREASE) IN CASH WITH CUSTODIAN	(517,717)
CASH WITH CUSTODIAN	
Beginning of year	3,318,240
End of year	$ 2,800,523

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENT OF CASH FLOWS, Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:

Operating income (loss)	$	1,183,376
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation and amortization		105,075
Allowance for uncollectible accounts		(425,909)
Reserves for unpaid claims		2,161,024
Changes in assets and liabilities:		
Fees receivable		512,790
Fees received in advance		121,933
Claims payable		(517,108)
Refundable fees		(177,577)
Unclaimed monies payable		19,445
Accounts payable and accrued liablities		1,180
Net Pension Liability		1,156,229
Net OPEB Liability		217,629
Deferred Outflow - Pension		(457,752)
Deferred Outflow - OPEB		(106,182)
Deferred Inflow - Pension		(621,717)
Deferred Inflow - OPEB		(180,549)
Total Adjustments		1,808,511
Net Cash Used in Operating Activities	$	2,991,887

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. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used.

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 Governmental Accounting Standards Board (GASB) Statements and Interpretation - In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entities That Use Proprietary Fund Accounting", the Board follows Governmental Accounting Standards Board (GASB) guidance as applicable to proprietary funds.

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

Cash – The Treasurer of the State of Ohio (Treasurer) acts as the custodian of the funds for the State. Cash of the Board is 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 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 $24,641,041 at June 30, 2023.

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 equal to or greater than $500 are recorded at historical cost, and are depreciated using the straight-line method over the estimated useful life of five years. Personal property with a value less than $500, and maintenance and repair costs are expensed. In accordance with GASB Statement No. 87, Capital assets includes lease right-to-use assets, which are recorded at the commencement of the term using the present value of the expected payments over the contract term. Lease right-to-use assets are amortized over the term of the contract.

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.

Lease Liability – At the commencement of a lease, the Board measures the lease liability as the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions/Other Postemployment Benefits (OPEB) - For the purposes of measuring the net pension/OPEB liability/(asset), 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 Ohio Public Employees Retirement System (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.

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets 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 net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets 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 recorded as unearned revenue. 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 incurred but not reported 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, 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62"
- GASB No. 101, "Compensated Absences"

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 ($350 per tank in 2023). 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 2023). 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 30, 2023
Unpaid claims and claim adjustment expenses- Beginning of year	$	34,263,154
Incurred claim and claim adjustment expenses:		
Provision for insured events of current year		3,724,347
Change in provision for prior years		4,250,150
Total Incurred Claims and Claim Adjustment Expense		7,974,497
Claim and claim adjustment payments attributable to Insured events of prior years		(6,330,581)
Total Unpaid Claims and Claim Adjustment Expenses- End of year	$	35,907,070
This liability is shown in the statement of net position as follows:		
Claims payable	$	573,297
Current portion of reserve for unpaid claims		7,426,703
Reserve for unpaid claims-less current portion		27,907,070
Estimated Unpaid Liability	$	35,907,070

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:

		2023
Carrying amount	$	2,800,523
Custodial balance	$	3,443,820

The difference between the carrying amount and the custodial balance is net of the warrants issued but uncashed as of June 30, 2023, and 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 a maturity date of three years, which were subsequently purchased in January 2018. At its January 9, 2019 meeting, the Board authorized the reinvestment of US Treasuries or U.S. Agency Bonds at the discretion of the Treasurer of State and the Executive Director of the Board, so long as the weighted average duration of the buy and hold portfolio does not exceed three years.

NOTE 4 - CASH AND INVESTMENTS (Continued)

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 adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants." The Board measures its 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, 2023, there were no limitations on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. The value of the STAR Ohio investments were approximately $10,646,000 as of June 30, 2023.

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/star-ohio, 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, 2023 are as follows:

		Investment Maturities (in years)	
Investment Type	Fair Value	Less than 1	1-3
U.S. government obligations	$ 4,628,709	$ 990,863	$ 3,637,846
U.S. government agency obligations	9,487,003	1,992,687	7,494,316
STAR Ohio	10,645,785	10,645,785	-
	$ 24,761,497	$ 13,629,335	$ 11,132,162

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; and 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 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

NOTE 4 - CASH AND INVESTMENTS (Continued)

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 GASB 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.

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. Standard and Poor's rating for both the U.S. government obligations and U.S. government agency obligations is AA+. Unrestricted investments are carried at fair value, which approximates cost and includes $2,880,977 obligated by the Board for the payment of claims at June 30, 2023. Standard & Poor's rating for the STAR Ohio fund is AAAm. STAR Ohio's investment policy requires money market funds to be rated AAAm by Standard & Poor's Corporation, and all other securities held by STAR Ohio to have short-term ratings equivalent of A-1+ or A-1. Commercial paper holdings are required to have short-term ratings of A-1/P-1 or above. Collateralization of bank deposit investments is required to secure a rating of AAAm. As of June 30, 2023, all investments met the short-term and long-term credit ratings requirements of STAR Ohio's investment policies.

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 2023 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, 2023 the Board had no securities out on loan. The Board has been allocated with cash collateral of $17,590 for fiscal year 2023 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, 2023 follows:

	Balance June 30, 2022	Additions	Disposals/ Deletion	Balance June 30, 2023
Capital assets:				
Right to use lease asset	$ 182,857	$ 469,927	$ -	$ 652,784
Furniture	118,454	-	-	118,454
Data processing equipment	934,276	22,502	(4,200)	952,578
Total Capital Assets	1,235,587	492,429	(4,200)	1,723,816
Less accumulated depreciation/amortization				
Right to use lease asset	84,396	78,144	-	162,540
Furniture	115,812	2,642	-	118,454
Data processing equipment	866,943	24,289	(2,660)	888,752
Total Accumulated Depreciation and Amortization	1,067,151	105,075	(2,660)	1,169,556
Net Capital Assets	$ 168,436	$ 387,354	$ (1,540)	$ 554,250

NOTE 6 - LEASES

Governmental Accounting Standards Board Statement No. 87, Leases requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of this statement was effective June 30, 2022.

The Board leases office space under a lease agreement requiring monthly payments and expiring on October 31, 2029. Due to the implementation of GASB Statement No. 87, the lease has met the criteria of leases thus requiring it to be recorded by the Board. The monthly lease payments include the Board's pro rata share of the annual operating expenses for the property which, as a variable expense, is not included in the calculation of the lease liability. The future lease payments were discounted based on an interest rate using the Board's incremental borrowing rate. The discount is being amortized over the life of the lease.

For the period ending June 30, 2023, the total amount of lease payments for the Board's office space was $81,873 and the lease payable was $490,244. At its June 14, 2023 meeting, the Board approved amending the lease agreement for the Board's office space to extend the term of the lease for 72 months commencing on November 1, 2023 and expiring October 31, 2029.

NOTE 6 – LEASES (Continued)

During the fiscal year, the following activity occurred in the lease liability:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Amount Due One year
Lease Payable	$ 102,190	$ 469,927	$ 81,873	$ 490,244	$ 68,370

Future principal and interest payments under the lease agreement are as follows:

Years ending June 30	Principal	Interest	Total
2024	68,370	16,130	84,500
2025	70,402	15,047	85,449
2026	74,539	12,266	86,805
2027	78,167	9,316	87,483
2028	82,610	6,230	88,840
2029 - 2030	116,156	3,201	119,357
Total	$ 490,244	62,190	552,434

NOTE 7 - DEFINED BENEFIT PENSION PLANS

The Board's employees are covered by OPERS. 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 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 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.

The 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 Statement No. 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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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. The Board had no such liability at fiscal year-end.

Plan Description - The Board participates in OPERS, which 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 hybrid defined benefit/defined contribution plan.

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.

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 Comprehensive Annual Financial Report referenced above for additional information including requirements for reduced and unreduced benefits):

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% 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%.

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

FY 2023 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
FY 2023 Actual Contribution Rates		
Employer		
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 $128,511 for fiscal year 2023. The entire amount 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, 2022, 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	$	1,657,198
2022 Proportion of the Net Pension Liability		.005610%
2021 Proportion of the Net Pension Liability		.005758%
2022 Change in Proportionate Share		(.000148%)
Pension Expense	$	199,530

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2023, 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		
Board contribution subsequent to the measurement date		65,000
Differences between expected and actual experience		55,045
Changes of Assumptions		17,507
Net difference between projected and actual earnings on pension plan investment		472,353
Total Deferred Outflows of Resources	$	609,905
Deferred Inflows of Resources		
Change in proportionate share	$	27,149
Total Deferred Inflows of Resources	$	27,149

The $65,000 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, 2024. 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
2024	$	42,286
2025		105,042
2026		139,036
2027		231,392
Total	$	517,756

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, 2022, using the following actuarial assumptions and methods applied to all prior periods included in the measurement:

Wage Inflation	2.75 %
Projected Salary Increases	2.75 - 10.75 % including wage inflation at 2.75%
COLA or Ad Hoc COLA	
Pre-January 7, 2013 Retirees	3.00 %, simple
Post-January 7, 2013 Retirees	3.00%, simple, through 2023 then 2.05% simple
Investment Rate of Return	6.90 %
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables for males and females. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables for males and females. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables for males and females. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales for males and females to these 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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by OPERS' investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00 %	2.62 %
Domestic Equities	22.00 %	4.60 %
Real Estate	13.00 %	3.27 %
Private Equity	15.00 %	7.53 %
International Equities	21.00 %	5.51 %
Risk Parity	2.00 %	4.37 %
Other investments	5.00 %	3.27 %
Total	100.00 %	

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates. Based on those assumptions, the pension plan's fiduciary

net position 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 6.9%, 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 (5.9%) or 1% higher (7.9%) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Board's proportionate share of the net pension liability	$ 2,482,425	$ 1,657,198	$ 970,754

NOTE 8 – DEFINED BENEFIT OPEB PLAN

The Board's employees are covered by OPERS. 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 the 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.

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 Statement No. 75 assumes the liability is solely the right 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 system 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

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the plan's unfunded benefits is presented as a 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 accrued liabilities on the accrual basis of accounting. The Board had no such liability at fiscal year-end.

Plan Description - 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 hybrid defined benefit/defined contribution plan.

OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to fund health care for the Traditional Pension, Combine and Member-Directed plans.

The OPERS health care plans are reported as cost-sharing, multiple employer 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 for Medicare retires enrolled in Medicare A and B, and 2022 for non-Medicare retirees, eligible Traditional Pension Plan and Combined Plan retirees were able 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 or selection of health care plans on the open market. Eligible retirees may receive a monthly allowance in their health reimbursement arrangement account that can be used to reimburse eligible health care expenses.

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 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 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2023, the Board contributed at a rate of 14% of earnable salary which is the maximum employer contribution rate permitted by the Ohio Revised Code. 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 zero for fiscal year 2023.

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

OPEB Liabilities or Asset, 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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021 and rolled forward to the measurement date of December 31, 2022. 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	$	35,839
2022 Proportion of the Net OPEB Liability		.005684%
2021 Proportion of the Net OPEB Liability		.005804%
2022 Change in Proportionate Share		(.000012%)
OPEB Expense/(Income)	$	(66,340)

At June 30, 2023, 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		
Net difference between projected and actual earnings on pension plan investment		71,177
Changes of Assumptions		35,004
Total Deferred Outflows of Resources	$	106,182
Deferred Inflows of Resources		
Differences between expected and actual experience	$	8,940
Changes of Assumptions		2,880
Change in proportionate share		1,814
Total Deferred Inflows of Resources	$	13,634

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

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
2024	$	9,968
2025		26,000
2026		22,195
2027		34,385
Total	$	92,548

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

Projections of health care costs 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 and the historical pattern of sharing costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation	2.75 %
Projected Salary Increases	2.75 - 10.75 % including wage inflation at 2.75%
Single Discount Rate	5.22 %
Investment Rate of Return	6.00 %
Municipal Bond Rate	4.05 %
Health Care Cost Trend Rate	5.5 % initial, 3.50% ultimate in 2036
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables for males and females. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables for males and females. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables for males and females. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales for males and females to these tables.

Discount Rate – A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022. 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

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. 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 the year 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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 OPERS 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 long-term rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future 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. Best estimates of geometric rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	2.56 %
Domestic Equities	26.00 %	4.60 %
Real REITs	7.00 %	4.70 %
International Equities	25.00 %	5.51 %
Risk Parity	2.00 %	4.37 %
Other investments	6.00 %	1.84 %
Total	100.00 %	

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 single discount rate of 5.22%, as well as what the Board's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1% lower (4.22%) or 1% higher (6.22%) than the current rate:

	1% Decrease (4.22%)	Single Discount Rate (5.22%)	1% Increase (6.22%)
Board's proportionate share of the net OPEB liability/(asset)	$ 121,979	$ 35,839	$ (35,241)

NOTE 8 – DEFINED BENEFIT OPEB PLAN (Continued)

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 or asset if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Board's proportionate share of the net OPEB liability/(asset)	$ 33,592	$ 35,839	$ 38,367

Retiree health care valuations use a health care cost-trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50%. 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 3.50% in the most recent valuation.

NOTE 9 – CLAIM REFUNDS

During Fiscal Year 2023 the Board received settlement payments from two separate Settlement Agreement and Releases. At its November 30, 2022 meeting, the Board approved entering into a Settlement Agreement and Release with a major oil company to resolve allegations that the company failed to disclose that it had insurance coverage for expenses associated with corrective action for petroleum releases from underground storage tanks (USTs) at various sites in Ohio, and that it failed to disclose litigation and settlements with its insurers in its applications to the Board. The settlement agreement was fully executed in December 2022 and the settlement amount of $3.2 million less attorney fees was received by the Board on January 17, 2023. Attorney's fees were 25% of the settlement amount for a total of $800,000. In January 2023, the Board entered into a Settlement Agreement and Release with a UST owner and contractor to resolve a subrogation claim against the UST contractor who allegedly caused or contributed to a petroleum release for which the Fund had and would continue to pay costs to clean up. The Board received the $167,500 settlement amount on February 13, 2023. The settlements are recorded in claim refunds on the statement of revenues, expenses, and changes in net position.

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.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 96, improves financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The statement also enhances the relevance and reliability of the financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and disclose essential information about the arrangement. The note disclosures also allow the users to understand the scale and important aspects of the SBITA activities and evaluate the obligations and assets resulting from the SBITAs. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Board.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

REQUIRED SUPPLEMENTARY INFORMATION

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

Last ten fiscal years

	2023	2022	2021	2020	2019
Proportion of the net pension liability					
Traditional Pension Plan	0.005610%	0.005758%	0.006079%	0.006128%	0.006170%
Proportionate share of the net pension liability					
Traditional Pension Plan	$ 1,657,198	$ 500,969	$ 900,169	$ 1,211,242	$ 1,689,838
Covered payroll	$ 917,934	$ 926,554	$ 899,267	$ 947,372	$ 933,458
Proportionate share of the net pension liability as a percentage of covered payroll	180.54%	54.07%	100.10%	127.85%	181.03%
Plan fiduciary net position as a percentage of the total pension liability					
Traditional Pension Plan	75.74%	92.62%	86.88%	82.17%	74.70%

	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					
Traditional Pension Plan	$ 853,117	$ 1,281,430	$ 1,026,979	$ 688,207	$ 672,663
Covered payroll	$ 817,494	$ 802,682	$ 793,394	$ 807,261	$ 809,018
Proportionate share of the net pension liability as a percentage of covered 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%

See notes to Required Supplementary Information.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

REQUIRED SUPPLEMENTARY INFORMATION

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

Last seven fiscal years *

	2023	2022	2021	2020	2019	
Proportion of the net OPEB liability / (asset)						
Health Care Plan	0.005684%	0.005804%	0.006104%	0.006144%	0.006917%	
Proportionate share of the net OPEB liability / (asset)						
Health Care Plan	$ 35,839	$ (181,790)	$ (108,748)	$ 848,646	$ 807,943	$
Covered payroll	$ 917,934	$ 926,554	$ 899,267	$ 947,372	$ 933,458	$
Proportionate share of the net OPEB liability / (asset) as a percentage of covered payroll	3.90%	-19.62%	-12.09%	89.58%	86.55%	
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	128.23%	115.57%	47.80%	46.33%	
Health Care Plan						

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

* The proportion of the net OPEB liability/(asset) presented for each fiscal year was 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 those years for which information is available.

See notes to Required Supplementary Information.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Ohio Public Employees Retirement System

Last ten fiscal years

	2023	2022	2021	2020	2019
Contractually required contribution					
Pension	$ 128,511	$ 129,717	$ 125,898	$ 132,632	$ 130,684
OPEB	-	-	-	-	-
Contributions in relation to the contractually required contribution	$ 128,511	$ 129,717	$ 125,898	$ 132,632	$ 130,684
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 917,934	$ 926,554	$ 899,267	$ 947,372	$ 933,458
Contributions as a percentage of covered payroll					
Pension	14.00%	14.00%	14.00%	14.00%	14.00%
OPEB	0.00%	0.00%	0.00%	0.00%	0.00%

	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)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 817,494	$ 802,682	$ 793,394	$ 807,261	$ 809,018
Contributions as a percentage of covered payroll					
Pension	13.52%	12.49%	12.00%	12.00%	12.52%
OPEB	0.48%	1.51%	2.00%	2.00%	1.48%

See notes to Required Supplementary Information.

NET PENSION LIABILITY – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes in benefit terms: There were no changes in benefit terms for the period 2015 – 2023.

Changes in assumptions:

2015 – 2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Decrease in actuarial assumed rate of return from 8% to 7.5%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25% - 10.05% to 3.25% - 10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: Decrease in actuarial assumed rate of return from 7.5% to 7.2%.

2020: The cost-of-living adjustment for post-January 7, 2013 retirees decreased from 3% to 1.4%.

2021: The cost-of-living adjustment for post-January 7, 2013 retirees decreased from 1.4% to 0.5%.

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Decrease in wage inflation from 3.25% to 2.75%
- The cost-of-living adjustment for post-January 7, 2013 retirees increased from 0.5% to 3%.

2023: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NET OPEB LIABILITY - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Changes in benefit terms: There were no changes in benefit terms for the period 2018 – 2023.

Changes in assumptions:

2018: Decrease in single discount rate from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Increase in single discount rate changed from 3.85% to 3.96%
- Decrease in actuarial assumed rate of return from 6.5% to 6%
- Increase in the municipal bond rate from 3.31% to 3.71%
- Increase in health care cost trend rate from 7.5% to 10%

2020: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Decrease in the single discount rate from 3.96% to 3.16%
- Decrease in the municipal bond rate from 3.71% to 2.75%
- Increase in health care cost trend rate from 10% to 10.5%

2021: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Increase in the single discount rate from 3.16% to 6%
- Decrease in the municipal bond rate from 2.75% to 2%
- Decrease in health care cost trend rate from 10.5% initial to 8.5% initial with 3.5% ultimate extended to 2035

2022: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Decrease in the municipal bond rate from 2% to 1.84%
- Decrease in wage inflation from 3.25% to 2.75%
- Decrease in health care cost trend rate from 8.5% initial to 5.5% initial with 3.5% ultimate to 2034

2023: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Decrease in the single discount rate from 6% to 5.22%
- Increase in the municipal bond rate from 1.84% to 4.05%

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Ohio Petroleum Underground Storage Tank Release Compensation Board, located in Franklin County, Ohio (the Board), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 7, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
December 7, 2023

OHIO AUDITOR OF STATE
KEITH FABER

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

FRANKLIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 2/1/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370