Ohio Petroleum Underground Storage Tank Release Compensation Board

Financial Statements for the Years Ended June 30, 2002 and 2001 and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board Members
Ohio Petroleum Underground Storage Tank Release Compensation Board
50 W. Broad Street, Suite 1500
P.O. Box 3188
Columbus, Ohio 43216-3188

We have reviewed the Independent Auditor's Report of the Ohio Petroleum Underground Storage Tank Release Compensation Board, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2001 through June 30, 2002. 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.

BETTY MONTGOMERY
Auditor of State

June 10, 2004

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INDEPENDENT AUDITORS' REPORT

Members of Ohio Petroleum Underground
Storage Tank Release Compensation Board

We have audited the accompanying balance sheets of Ohio Petroleum Underground Storage Tank Release Compensation Board (the "Board") as of June 30, 2002 and 2001, and the related statements of revenues, expenses and changes in accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Ohio Petroleum Underground Storage Tank Release Compensation Board, at June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 5, 2004, on our consideration of Ohio Petroleum Underground Storage Tank Release Compensation Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Deloitte & Touche LLP

May 5, 2004

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

BALANCE SHEETS
JUNE 30, 2002 AND 2001

ASSETS	2002	2001
CURRENT ASSETS:		
Cash with custodian	$ 2,889,817	$ 2,243,125
Linked deposits	530,597	1,018,362
Unrestricted investments	26,580,799	37,706,672
Accrued interest receivable	3,104	160,188
Fees receivable, net of allowance for uncollectible amounts of $3,889,409 and $3,938,137, respectively	594,467	849,312
Total current assets	30,598,784	41,977,659
RESTRICTED INVESTMENTS	12,053,648	6,546,136
DEFERRED BOND ISSUANCE COSTS—Net	605,504	670,958
FURNITURE AND EQUIPMENT AT COST—Net of accumulated depreciation	301,291	283,297
TOTAL	$ 43,559,227	$ 49,478,050

LIABILITIES AND ACCUMULATED DEFICIT		
CURRENT LIABILITIES:		
Fees received in advance	$ 7,299,600	$ 7,632,650
Claims payable	1,795,156	1,010,083
Current portion of reserve for unpaid claims	8,204,844	10,989,917
Bonds payable	2,860,000	2,680,000
Bond interest payable	1,223,163	1,255,861
Refundable fees	586,651	508,500
Accounts payable	43,991	60,217
Accrued liabilities	148,334	126,085
Total current liabilities	22,161,739	24,263,313
BONDS PAYABLE—Less current portion	47,101,397	49,918,517
RESERVE FOR UNPAID CLAIMS—Less current portion	45,261,463	39,580,082
ACCUMULATED DEFICIT	(70,965,372)	(64,283,862)
TOTAL	$ 43,559,227	$ 49,478,050

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Tank fees	$ 11,461,977	$ 11,219,070
Other	58,356	39,793
Total operating revenues	11,520,333	11,258,863
OPERATING EXPENSES:		
Claims paid	11,802,356	12,440,695
Change in reserves for unpaid claims	2,896,308	(18,034,220)
Administration	1,360,598	1,183,280
Refundable fees	37,567	14,700
Depreciation	77,451	52,814
Total operating expenses	16,174,280	(4,342,731)
OPERATING INCOME (LOSS)	(4,653,947)	15,601,594
NONOPERATING REVENUE (EXPENSE):		
Earnings on investments	1,331,581	3,257,304
Interest expense	(3,359,144)	(3,464,039)
Total nonoperating expense	(2,027,563)	(206,735)
NET INCOME (LOSS)	(6,681,510)	15,394,859
ACCUMULATED DEFICIT—Beginning of year	(64,283,862)	(79,678,721)
ACCUMULATED DEFICIT—End of year	$ (70,965,372)	$ (64,283,862)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$(4,653,947)	$ 15,601,594
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	77,451	52,994
Amortization of bond issue costs	65,454	65,454
Changes in assets and liabilities:		
(Increase) decrease in fees receivable	254,845	(640,028)
Decrease in accrued interest receivable	157,084	3,008
Decrease in fees received in advance	(333,050)	(167,660)
Increase (decrease) in claims payable	785,073	(481,217)
Increase (decrease) in reserves for unpaid claims	2,896,308	(18,034,220)
Increase in refundable fees	78,151	91,996
Increase in accounts payable and accrued liabilities	6,023	5,731
Net cash used in operating activities	(666,608)	(3,502,348)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment of bond principal	(2,680,000)	(2,474,794)
Cash paid for interest	(3,348,962)	(3,557,862)
Cash used in noncapital financing activities	(6,028,962)	(6,032,656)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES—Purchase of furniture and equipment	(95,445)	(82,067)
INVESTING ACTIVITIES:		
Sale of investments	5,618,361	4,295,082
Interest on investments	1,331,581	3,257,304
Cash provided by investing activities	6,949,942	7,552,386
NET (DECREASE) INCREASE IN CASH WITH CUSTODIAN AND LINKED DEPOSITS	158,927	(2,064,685)
CASH WITH CUSTODIAN AND LINKED DEPOSITS—Beginning of year	3,261,487	5,326,172
CASH WITH CUSTODIAN AND LINKED DEPOSITS—End of year	$ 3,420,414	$ 3,261,487

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001

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. 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.

Pursuant to the Act, the Board may determine the amount of reimbursement to responsible persons for costs necessary to improve property damaged by accidental petroleum releases. The Board may issue revenue bonds, payable solely from its revenues, to pay the costs incurred by the tank owners/operators for improvements to property.

The Act created the Financial Assurance Fund (the "Fund") to reimburse underground petroleum storage tank owners for the costs of corrective actions and third-party compensation for bodily injury or property damage resulting from the petroleum releases of underground storage tanks.

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. A claim is recognized as an expense when the Board accepts the claim for payment. An estimated reserve is accrued for estimated claims.

The Board may establish annual fees and assess supplemental fees needed to maintain the financial soundness of the Fund. The Act defines financial soundness as an unobligated fund balance of at least $15 million. The Act prohibits the Board from assessing annual fees for any year in which the unobligated fund balance exceeds $45 million. The Act excludes the State of Ohio from responsibility for liabilities of the Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification and Basis of Accounting—The Fund is classified as an Enterprise Fund. The accrual basis of accounting is applied to the Fund.

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

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

The amount of the reserve for unpaid claims is estimated using actuarial assumptions and is not discounted to a present value. Assumptions include the estimate of incurred-but-not-reported ("IBNR") claims, the introduction of the risk based corrective action process for claims incurred on or after March 31, 1999, the Board's payment experience, the eligibility approval rate, and third party claims.

Unobligated Fund Balance—The Board is required to maintain an unobligated fund balance of at least $15 million as required by the Ohio Revised Code. The unobligated fund balance is defined by the Ohio Administrative Code as monies not previously designated by the Board for claims reimbursement, not legally restricted, not placed in a linked deposit account, and not placed in a debt service account. The unobligated fund balance is included in unrestricted investments. The unobligated fund balance is $27,744,624 and $36,466,007 at June 30, 2002 and 2001, respectively.

Investments—Investments are recorded at fair value in accordance with Governmental Accounting Standard Board ("GASB") Statement No. 31, *Accounting and Financial Reporting For Certain Investments and for External Pools*.

Furniture and Equipment—Furniture and equipment purchases are recorded at historical cost, and are depreciated using the straight-line method over the estimated useful lives of three to five years.

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

Bond Issuance Costs—Costs associated with the revenue bond issues are capitalized by the Board and amortized using the effective interest method over the term of the issuance (15 years). Deferred bond issuance costs of $605,504 at June 30, 2002 and $670,958 at June 30, 2001 are net of accumulated amortization of $376,238 and $310,784, respectively.

Application of Financial Accounting Standards Board ("FASB") Statements and Interpretation—In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Board is required to apply FASB statements and interpretations issued on or before November 30, 1989, and has elected to apply those issued after that date.

Management 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.

New Accounting Pronouncement—In June 1999, the GASB issued Statement of Governmental Accounting Standards No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and in June 2001, Statement No. 37 as *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments an Amendment of GASB*

Statements No 21 and 34. In May 2003, the GASB issued Statement No 41, *Budget Comparison Schedules – Perspective Differences, an Amendment of GASB Statement No 34.* Effective July 1, 2002, the Board adopted Statement Number 34 and 37 and the provisions of these statements will be reflected in the Board's financial report for the year ended June 30, 2003. Implementation of GASB 34, 37 and 41 is not expected to have a significant impact on its reported financial position.

In June 2001, the GASB issued Statement of Governmental Accounting Standards No. 38, *Certain Financial Statement Note Disclosures*, which is effective for fiscal periods beginning after June 15, 2002. GASB 38 requires additional financial statement disclosures. Management has not yet determined the impact that implementation will have on its reported financial position.

In May 2002, the GASB issued Statement of Governmental Accounting Standards No. 39, *Determining Whether Certain Organizations are Component Units*, which is effective for periods beginning after June 15, 2003. GASB No. 39 provides objective criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and to clarify reporting for those organizations. Implementation of GASB No. 39 is not expected to have a significant impact on its reported financial position.

In March 2003, the GASB issued Statement of Governmental Accounting Standards No. 40, *Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3,* which is effective for fiscal periods beginning after June 15, 2004. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Board management has not yet determined the impact that implementation will have on its reported financial position.

In November 2003, the GASB issued Statement of Governmental Accounting Standards No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is effective for fiscal periods beginning after December 15, 2004. Statement No 42 establishes accounting and financial reporting standards for impairment of capital assets. Board management has not yet determined the impact that implementation will have on its reported financial position.

3. COVERAGE

Petroleum underground storage tank owners/operators must pay a fee each fiscal year as determined by the Board ($450 per tank in 2002 and $400 per tank in 2001). 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 $150 annual fee per tank. 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 maintain an unobligated fund balance based on the budget of at least $15 million. However, 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.

The Board establishes a liability for both reported and unreported insured 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 for the Board during the past two years:

	Year Ended June 2002	**Year Ended June 2001**
Unpaid claims and claim adjustment expenses— Beginning of year	$ 51,580,082	$ 70,095,519
Incurred claim and claim adjustment expenses:		
Provision for insured events of current year	248,220	2,026,230
Increase (decrease) in provision for prior years	14,483,892	(7,647,758)
Total incurred claims and claim adjustment expense	14,732,112	(5,621,528)
Payments:		
Claims and claim adjustment expenses attributable to insured events of prior years	11,802,356	12,440,695
Other	(751,625)	453,214
Total payments	11,050,731	12,893,909
Total unpaid claims and claim adjustment expenses— End of the year	$ 55,261,463	$ 51,580,082
This liability is shown in the balance sheet as follows:		
Claims payable	$ 1,795,156	$ 1,010,083
Current portion of reserve for unpaid claims	8,204,844	10,989,917
Reserve for unpaid claims—less current portion	45,261,463	39,580,082
Estimated unpaid liability	$ 55,261,463	$ 51,580,082

The higher actuarial estimate of the unpaid claims and claims adjustment expenses as of June 30, 2000 compared with June 30, 2001 is primarily due to the July 1, 1999 effective date of the Board's one-year reporting requirement. This change in the reporting requirement created additional uncertainty in the projection of the timing of future submitted costs as of the June 30, 2001 valuation date. Although acceleration of cost submitted for reimbursement was anticipated, it was not possible to quantify such expectations. Therefore, this change in the reporting requirement was not factored into the June 30, 2001 valuation. The June 30, 2001 valuation was also heavily influenced by the large amount of costs submitted for reimbursement between July 1, 1999 and June 30, 2000 because the Board also required all costs for program tasks completed prior to July 1, 1999 to be submitted on or before July 1, 2000.

The significant decrease in the estimated unpaid liability from the June 30, 2000 valuation to the June 30, 2001 valuation is the result of the considerable reduction in costs submitted for reimbursement during the period from July 1, 2000 to June 30, 2001 from the previous annual period. The valuation as of June 30, 2001 assumed this decrease in submitted costs was the result of the Board's new reporting requirements and the projection for future submitted costs were adjusted to reflect the anticipated effect of these requirements. During the year ended June 30, 2002, claims submitted increased to a level more consistent with the Board's historical experience which caused the estimated unpaid liability to increase.

4. CASH AND INVESTMENTS

Cash—Cash with custodian is held by the Treasurer of State. The carrying amount and custodial balance of cash with custodian at June 30, 2002 and 2001 were as follows:

	2002	2001
Carrying amount	$2,889,817	$2,243,125
Custodial balance	1,249,117	1,752,089

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

Linked Deposits—The Act authorizes the Board to place certificates of deposit with financial institutions at interest rates set approximately 3% below the current two-year treasury note yield. 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.

Investments—The Board's unrestricted investments are held by the Treasurer of State, subject to the investment policies of the Treasurer of State and the State Board of Deposit, and governed by the Uniform Depository Act of the Ohio Revised Code.

The Uniform Depository Act authorized investments in the following:

- Bonds, notes or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington.
- Repurchase agreements in the securities enumerated above.
- Interim deposits in the eligible institutions applying for interim monies.
- Bond and other obligations of the State of Ohio.
- The Treasurer of State's investment pool.
- Linked deposits, reduced-rate deposits at financial institutions that provide reduced-rate loans to small businesses, as authorized under Section 135.63, Ohio Revised Code.

- Agricultural linked deposits, reduced-rate deposits at financial institutions placed on or before June 30, 1987, that provide reduced-rate loans to farmers, as authorized under Section 135.74, Ohio Revised Code.

- Securities lending agreements with an eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. Government securities dealer.

- Commercial paper maturing in 180 days or less, rated in one of the two highest rating categories by two nationally recognized rating agencies, and not exceeding 5% of the investment portfolio.

- Bankers' acceptances maturing in 270 days or less and not exceeding 10% of the investment portfolio.

The Fund's investments are held in the Treasurer of State's investment pool ("STAROhio"). These investments are not subject to categorization as defined in GASB Statement No. 3, as they are not evidenced by securities that exist in physical or book entry form.

Restricted investments are held by bond trustees maintaining debt service accounts (see Note 7) in instruments similar to those described above. At June 30, 2002 and 2001, restricted investments included U.S. treasury notes held by trustees, but not in the Board's name, and money market funds as follows:

	2002		2001	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury notes	$ 6,407,758	$ 6,455,831	$ 6,458,480	$ 6,536,305
Money Market Funds	5,597,817	5,597,817	9,831	9,831
Total	$ 12,005,575	$ 12,053,648	$ 6,468,311	$ 6,546,136

Unrestricted investments are carried at fair value which approximates cost and includes $1,725,991 and $3,483,790 obligated by the Board for the payment of claims at June 30, 2002 and 2001, respectively.

5. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30:

	2002	2001
Furniture	$ 58,948	$ 52,628
Data processing equipment	480,472	414,114
Total	539,420	466,742
Less accumulated depreciation	(238,129)	(183,445)
Furniture and equipment at cost—net of accumulated depreciation	$ 301,291	$ 283,297

6. COMMITMENTS AND CONTINGENCIES

The Board leases office space under an operating lease agreement expiring in fiscal year 2003. Rent expense for the fiscal years ended June 30, 2002 and 2001 was $89,841 and $89,843, respectively. Future minimum payments for the year ended June 30, 2003 is $98,010. In March 2003, the Board entered into an operating lease agreement beginning July 2003. Future minimum payments are for the years ended June 30, 2004 and 2005 are $86,713.

The Board is involved in various litigations arising in the ordinary course of business. The Board believes that the reserves recorded in the financial statements are adequate to satisfy the outcome of litigation. However, because of the risks associated with any litigation, the ultimate outcome may differ.

7. BONDS PAYABLE

On December 13, 1990, the Board authorized the issuance of not more than $50 million of revenue bonds, pursuant to State statute, to reimburse responsible persons for the costs of corrective actions. The revenue bonds will be retired solely from annual fees, any supplemental fees assessed by the Board and interest income. The bonds do not constitute debt or a pledge of the faith and credit of the State.

In July 1993, the Board issued term revenue bonds with interest rate of 6.75%. The scheduled amortization follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2003	$ 2,040,000	$ 1,121,175	$ 3,161,175
2004	2,180,000	978,750	3,158,750
2005	2,335,000	826,369	3,161,369
2006	2,495,000	663,356	3,158,356
2007	2,670,000	489,037	3,159,037
2008	2,855,000	302,569	3,157,569
2009	3,055,000	103,106	3,158,106
Total	$ 17,630,000	$ 4,484,362	$ 22,114,362
Less: Unamortized discount	137,165		
Bonds payable	17,492,835		
Less: Amount currently due	2,040,000		
Bonds payable—less current portion	$ 15,452,835		

In July 1998, the Board authorized and issued $35,000,000 of revenue bonds for the purpose of making payments and reimbursements to the owners for the costs of corrective actions. The issuance consists of serial bonds of $9,170,000 with interest rates ranging from 5.81% to 6.20% and maturity dates of August 15, 1999 through 2008, and term bonds of $25,830,000 with an interest rate of 6.375% and maturing through August 15, 2013. The scheduled amortization follows:

Fiscal Year Ended June 30	**Principal**	**Interest**	**Total**
2003	$ 820,000	$ 2,047,265	$ 2,867,265
2004	875,000	1,996,625	2,871,625
2005	925,000	1,942,481	2,867,481
2006	990,000	1,884,181	2,874,181
2007	1,050,000	1,821,575	2,871,575
2008	1,120,000	1,754,568	2,874,568
2009	1,190,000	1,683,255	2,873,255
2010	4,530,000	1,502,269	6,032,269
2011	4,825,000	1,204,078	6,029,078
2012	5,145,000	886,284	6,031,284
2013	5,485,000	547,453	6,032,453
2014	5,845,000	186,309	6,031,309
Total	$ 32,800,000	$ 17,456,343	$ 50,256,343
Less: Unamortized discount	331,438		
Bonds payable	32,468,562		
Less: Amount currently due	820,000		
Bonds payable—less current portion	$ 31,648,562		

Bond covenants require the Board to maintain a debt service account balance (restricted investments) equal to the succeeding year's debt service principal plus interest requirement. The Board is also required to maintain a debt service reserve account balance equal to the greatest single year's debt service requirement or maintain bond insurance. The Board has elected to maintain bond insurance. The Board is also required to maintain unrestricted cash with the custodian plus unrestricted investments of at least $7.5 million. The Board also covenants that it will assess annual tank fees that will result in revenues equal to at least 135% of the debt service charges plus estimated annual expenditures of the Board, less anticipated proceeds from any bonds to be issued during the fiscal year and the anticipated unobligated balance.

Defined Benefit Retirement Plan—The Board contributes to the Public Employees Retirement System of Ohio ("PERS"), a cost sharing, multiple employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, health benefits, and survivor benefits for the public employees of Ohio. Benefits are established by state statute. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215.

The Ohio Revised Code provides PERS statutory authority for employee and employer contributions. The required, actuarially determined contribution rates for PERS plan members and the Board are 8.5% and 10.65% of covered payroll, respectively. The Board's contributions, representing 100% of employer contributions for the year ended June 30, 2002, and for each of the preceding two years, are as follows:

2002	$ 64,695
2001	64,387
2000	76,077

PERS provides postemployment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. During 2000, PERS returned to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology.

The number of active contributing participants was 411,076. A portion of each employer's contribution to the system is set aside for the funding of postretirement health care based on authority granted by state statute. Of the 10.65% of employee payroll contributed by the Board, 4.3% or approximately $25,997 was the portion used to fund health care expenses.

$11.7 billion represents the actuarial value of PERS' net assets available for postemployment health care. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $14.4 billion and $2.61 billion, respectively.

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INDEPENDENT AUDITORS' REPORT

To the Members of Ohio Petroleum Underground
Storage Tank Release Compensation Board

We have audited the financial statements of Ohio Petroleum Underground Storage Tank Release Compensation Board (the "Board") as of and for the year ended June 30, 2002, and have issued our report thereon dated May 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Ohio Petroleum Underground Storage Tank Release Compensation Board and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

May 5, 2004

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OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMP. BOARD

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 29, 2004