OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD
Columbus, Ohio

Financial Statements
and
Supplementary Financial Information
For the years ended June 30, 2010 and 2009

and Independent Auditors' Report Thereon

Members of the Board
Ohio Petroleum Underground Storage Tank Release Compensation Board
50 West Broad Street
P.O. Box 163188
Columbus, Ohio 43216-3188

We have reviewed the *Independent Auditors' Report* of the Ohio Petroleum Underground Storage Tank Release Compensation Board, Franklin County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

March 25, 2011

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INDEPENDENT AUDITORS' REPORT

Ohio Petroleum Underground Storage
Tank Release Compensation Board
Columbus, Ohio

We have audited the accompanying statements of net deficit of Ohio Petroleum Underground Storage Tank Release Compensation Board (the Board) as of June 30, 2010 and 2009 and the related statements of revenues, expenses and changes in net 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 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 audits 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 the 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2010 and 2009 and the respective changes in net deficit and 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 our report dated February 9, 2011 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on Pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

SCHNEIDER DOWNS & CO., INC.

Columbus, Ohio
February 9, 2011

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OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

Management's Discussion and Analysis
For the Years ended June 30, 2010 and 2009

The following Management's Discussion and Analysis ("MD&A") section of the Ohio Petroleum Underground Storage Tank Release Compensation Board's (the "Board") financial report represents a discussion and analysis of the Board's financial performance during the fiscal years ended June 30, 2010 and 2009. 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 a statement of net deficit, a statement of revenues, expenses, and changes in net deficit, and a statement of cash flows. These are followed by notes to the financial statements.

The Statement of Net Deficit presents information on the assets and liabilities, with the difference between the two reported as net deficits. Over time, increases or decreases in net deficits 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 Deficit reports the operating revenues and expenses and non-operating revenue and expenses of the Board for the fiscal year with the difference being combined with any capital contributions to determine the change in net deficit for the fiscal year.

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

Financial Position

The following summarizes the Board's financial position as of June 30, 2010, 2009 and 2008:

	2010	2009	2008
ASSETS:			
Current assets	$ 19,946,667	$ 19,246,631	$ 26,684,303
Capital assets	114,481	123,257	146,241
Other noncurrent assets	12,189,444	12,231,666	6,640,245
Total	$ 32,250,592	$ 31,601,554	$ 33,470,789

	2010	2009	2008
LIABILITIES:			
Current liabilities	$ 26,680,331	$ 27,039,341	$ 27,451,994
Noncurrent liabilities	16,411,932	21,202,969	25,694,857
Reserve for unpaid claims - noncurrent	29,727,028	31,398,101	33,617,525
Total liabilities	72,819,291	79,640,411	86,764,376
NET ASSETS (DEFICIT):			
Investment in capital assets	114,481	123,257	146,241
Unrestricted net deficit	(40,683,180)	(48,162,114)	(53,439,828)
Total net assets (deficit)	(40,568,699)	(48,038,857)	(53,293,587)
Total liabilities and net deficit	$ 32,250,592	$ 31,601,554	$ 33,470,789

Current assets increased by approximately $700,000 (3.64%) over last year primarily due to an increase in cash with custodian of approximately $606,000 and an increase in the Linked Deposit Program of $100,000.

The Linked Deposit Program increased by $100,000 due to the placement of one deposit. The Linked Deposit Program is designed to provide lower cost financing to qualified owners of six or fewer underground storage tanks for the purpose of replacing or upgrading tanks. Upon receipt and approval of a linked deposit application, the Board deposits up to $100,000 with an eligible lender accepting an interest rate below the current market rate for a period of two years. The lending institution reduces the present loan rate available to the owner by an equal percentage rate. At the end of the deposit period, the owner may make a one-time request to renew the deposit for an additional two years. The Linked Deposit Program is not a loan and the Board accepts no liability for the repayment of the loan to the lender.

Current assets include an insurance claim receivable of approximately $34,200. In May 2010, several computer file servers, computer peripheral equipment, copier machine, and other miscellaneous office equipment and supplies were damaged by a water leak, which occurred on a floor above the Board's office suite. In total, about $34,700 in damages were incurred, including an insurance policy deductible amount of $500. Management does not anticipate filing additional insurance claims related to this event.

Fees receivable, net of allowance for uncollectible amounts, decreased by approximately $39,000 (2.01%) from the prior year. As in the previous fiscal year, a detailed review of each receivable was undertaken, and based on information available as of June 30, 2010, accounts were separated into seven categories, each with an assigned probability of collection. The estimated collectible amount was then determined by applying the assumed probability of collection percentage to each category. The collectible amount of the largest category of outstanding fees is calculated using percentages based on the per-tank fee and late fee payments received for delinquent accounts certified to the Attorney General's Office of Revenue Recovery for collection. Historically, the Attorney General's Office has collected 15.85%, 4.59%, and 2.75% of fees certified within one, two, and three years of the date of certification, respectively. Late payment fees have been collected by the Attorney General's Office at rates of 6.94%, 2.49%, and 1.10% within one, two, and three years of the date of certification, respectively.

The allowance for uncollectible amounts was approximately $5.36 million and $5.67 million for fiscal years 2010 and 2009, respectively. The $312,000 decrease in the allowance for uncollectible amounts is primarily attributable to the aging of accounts certified to the Attorney General's Office for collection and the write-off of the receivable and allowance for uncollectible amounts for those accounts outstanding more than three years from the date of certification.

Collateral on loaned securities increased by approximately $11,000 (108.93%) from the prior year due to an increase in cash equity held by the Treasurer of State.

Capital assets decreased by approximately $9,000 (7.12%). Approximately $64,100 was spent for data processing equipment; accumulated depreciation increased $11,700. Approximately $61,200 in capital assets was salvaged during the fiscal year. Of this amount, $35,500 was data processing equipment salvaged due to water damage, and the remaining $25,700 was equipment previously removed from service. A loss on disposal of $32 was recorded due to the disposal of one asset not being fully depreciated at the time of its disposal. In fiscal year 2010, $19,700 was spent for the completion of an internet interface with the database and approximately $4,300 was spent on the file server and software to host the website. Approximately $19,100 was spent to replace water-damaged data processing equipment; $8,900 was spent on the design and development of the reasonable costs tracking and accounts receivable modules within the Statistical Tank and Reimbursement Records System database; $6,600 was spent to purchase a replacement copier machine; $4,100 was spent on internet security hardware and installation of servers; and computer and facsimile machine replacements were $1,400.

There is no related debt on capital assets.

Other noncurrent assets are restricted investments held by the bond trustee for the payment of revenue bond interest and principal. Bond covenants require this account to be funded on or before July 1 with the current and ensuing years' anticipated debt service. In both fiscal years 2010 and 2009, this debt service account was funded on June 30.

Current liabilities decreased by $359,000 (1.33%) primarily due to a decrease of $1,138,000 in the current portion of reserve for unpaid claims and increases in fees received in advance, bonds payable, and claims payable of $375,000, $295,000, and $138,000, respectively.

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, 2010. In determining the amount to obligate, the Board considers the unobligated balance, claims-paying experience and anticipated revenue. The amount obligated for the payment of claims during fiscal year 2010 was $9 million. In June 2010, the Board obligated $8 million for the payment of claims anticipated to be paid in fiscal year 2011.

Fees received in advance increased approximately 3.5%. Historically, 70% of fees are collected in advance of the fiscal year. During the last two months of fiscal year 2009, approximately 73% of fiscal year 2010 budgeted tank fees were collected, and 77% of the fiscal year 2011 budgeted tank fees were collected in the last two months of fiscal year 2010.

Claims payable increased approximately $138,000 (23.06%) due to an increase in the number of claim settlement determinations issued during the final settlement period in fiscal year 2010 as compared to the same period in fiscal year 2009. Additionally, individual claims included in the fiscal year 2010 claims payable amount on average had gross face values higher than those claims included in the fiscal year 2009 claims payable.

Long-term liabilities decreased by approximately $4,791,000 (22.60%) as a result of an annual revenue bond principal payment, net of related discount.

In July 1998, the Board issued a second series of revenue bonds, Series B, in the principal amount of $35,000,000. The issuance consisted 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 principal balance outstanding, net of related discount, as of June 30, 2010 was $21,236,932 of which $4,825,000 is current.

Annual debt service (principal and interest) was approximately $6,030,000. The amortization schedules are presented in the notes to the financial statements.

At its June 9, 2010 meeting, the Board voted to retire all outstanding Series B bonds in August 2010. Accordingly, the remaining Series B bonds, totaling $21,300,000, were retired on August 15, 2010 using approximately $12.1 million in investments restricted at June 30, 2010 for the payment of debt service and the remaining amount from unobligated and unrestricted funds. Early retirement of the bonds resulted in a $2.1 million savings in interest costs that would have been paid over the next three fiscal years if the bonds had fully matured as scheduled on August 15, 2013.

Reserve for unpaid claims decreased by approximately $2,671,000 (6.61%) as a result of claim reimbursements being paid at a rate greater than the increase in ultimate estimated loss. Ultimate estimated loss is an estimate of the amount the Financial Assurance Fund will ultimately pay and includes both losses for the most recent year and changes in the estimates of ultimate losses for prior years. The estimated ultimate loss for both reported and incurred but not reported (IBNR) insured events increased approximately $4.8 million from June 30, 2009 to June 30, 2010; fiscal year 2010 claim payments were approximately $7.5 million. Additional discussion regarding the reserve for unpaid claims can be found in Note 3 to the financial statements. The Board issues a stand-alone report, titled "Estimated Unpaid Claims Liability as of June 30, 2010" that represents the analysis of the loss reserves. It may be obtained by writing to the Board at P.O. Box 163188, Columbus, Ohio, 43216-3188 or calling 614-752-8963.

Total net deficit decreased approximately $7,470,000 (15.55%) due primarily to operating net revenues exceeding net expenses during fiscal year 2010.

The unrestricted net deficits include management's estimate of the current and long-term reserve for unpaid claims of approximately $37,727,000.

Financial Information

Revenue

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2010, 2009 and 2008:

	2010	2009	2008
Operating Revenues:			
Tank fees	$ 15,092,057	$ 14,635,166	$ 15,096,976
Other	502	1,567	2,193
	15,092,559	14,636,733	15,099,169
Nonoperating Revenues:			
Other income	110,127	-	-
Earnings on investments	60,998	413,584	1,032,566
	171,125	413,584	1,032,566
Total revenue	$ 15,263,684	$ 15,050,317	$ 16,131,735

Total revenue for 2010 increased approximately $213,000 (1.42%) from the previous year. This increase is the net result of an increase in tank fees and a decrease in earnings on investments of approximately $456,000 and $242,000, respectively.

The 3.11% increase in operating revenues is due to adjustments of prior-year tank fees, which were identified and recognized during the current fiscal year. For 2010, the Board maintained its fee structure of $600 per-tank for the standard $55,000 deductible and $800 per-tank for the reduced $11,000 deductible.

The 58.62% decrease in non-operating revenues is the net result of a decrease in earnings on investments of $353,000 offset by an increase in other income of $110,200.

Earnings on investments decreased 85.25% due to a decrease in the State Treasury Asset Reserve of Ohio (STAR Ohio) interest rates. The average monthly STAR Ohio yield decreased from 1.26% in fiscal year 2009 to .12% in fiscal year 2010. At its November 18, 2009 meeting the Board adopted an investment policy, which provides guidelines for investment of monies within the Fund. The investment policy was developed with the assistance of the Treasurer of State office, and the office of the Assistant Attorney General. During its March 10, 2010 meeting, the Board met with a representative of the Treasurer of State's office to obtain increased awareness of available investment options.

Other income includes $100,000 received as restitution resulting from a judgment against an environmental consultant for the filing of claims for costs associated with corrective action work that was improperly performed and falsely reported. In addition, $10,159 resulted from a gain recognized on insurance proceeds resulting from a claim filed with its insurer for costs to replace equipment damaged by water. The amount reimbursed under the insurance claim exceeded the carrying value of the damaged assets.

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2010, 2009 and 2008:

	2010	2009	2008
Incurred claims and claims adjustment	$ 4,836,170	$ 6,562,131	$ 11,222,360
Administration	1,474,590	1,438,469	1,418,411
Depreciation	54,831	67,918	59,819
Total operating expenses	$ 6,365,591	$ 8,068,518	$ 12,700,590

Total operating expenses decreased approximately $1,703,000 from 2009 (21.11%) due to a decrease in the incurred claims and claims adjustment expense of approximately $1,726,000, an increase in administration expenses of $36,000, and a decrease in depreciation expense of $13,000.

Incurred claims and claims adjustment expense decreased 26.30% from the prior year. For fiscal year 2010, incurred claims and claims adjustment expenses represent the total claims paid expense and a decrease in the change in reserve for unpaid claims of approximately $7,645,000 and $2,809,000, respectively. For fiscal year 2009, the claims paid expense was approximately $8,297,000 and the change in reserve for unpaid claims decreased by approximately $1,735,000.

As previously stated, the Board annually obligates funds for the payment of claims in the upcoming fiscal year. For fiscal year 2010, the Board obligated $9 million. Claim settlement determinations issued for 2010 and 2009 were approximately $7,631,000 and $8,186,000, respectively. Claimants are provided a 30-day period in which to object to the claim settlement determination. If an objection is not received, payment is issued to the claimant within 45 days of the date of the determination. Claim payments made during 2010 totaled approximately $7,507,000.

Administration costs increased 2.51% from fiscal year 2009. The change is largely a result of an increase in salary and legal and professional costs. Salaries increased approximately $20,000 (1.96%) due to the filling of the position responsible for the review and issuance of Certificates of Coverage with the Financial Assurance Fund. Legal and professional expenses increased approximately $19,600 (12.90%) in fiscal year 2010 primarily due to an increase in collection costs resulting from an increase in the amount of delinquent fees collected by the Attorney General's Office of Revenue Recovery.

Depreciation decreased 19.27% due to older capital assets being fully depreciated. In fiscal year 2010, the Board adopted an Asset Management Policy, which established procedures for the accounting, control and reporting of Board-owned assets. The policy, which complies with the Ohio Revised Code and Department of Administrative Services directives, sets the capitalization threshold at $500 and the useful life of data processing equipment, including personal computers, at five years. Accordingly, all assets acquired in fiscal year 2010 were depreciated over 60 months. Prior to fiscal year 2010, data processing assets were depreciated over 36 months.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENTS OF NET DEFICIT

	June 30 2010	June 30 2009
CURRENT ASSETS		
Cash with custodian	$ 3,031,022	$ 2,425,334
Linked deposit	100,000	-
Unrestricted investments	14,840,813	14,852,871
Interest claim receivable	34,191	-
Collateral on loaned securities	22,007	10,533
Fees receivable, net of allowance for uncollectible amounts of $5,360,864 and $5,673,147, respectively	1,918,634	1,957,893
	19,946,667	19,246,631
RESTRICTED INVESTMENTS	12,061,594	12,062,351
DEFERRED BOND ISSUANCE COSTS - Net	127,850	169,315
CAPITAL ASSETS AT COST - Net of accumulated depreciation	114,481	123,257
	$ 32,250,592	$ 31,601,554
CURRENT LIABILITIES		
Fees received in advance	$ 11,170,050	$ 10,795,038
Claims payable	736,106	598,162
Current portion of reserve for unpaid claims	7,263,894	8,401,838
Bonds payable	4,825,000	4,530,000
Bond interest payable	509,203	617,498
Refundable fees	1,921,349	1,906,249
Accounts payable	48,369	20,100
Accrued liabilities	184,353	159,923
Obligations under loaned securities	22,007	10,533
	26,680,331	27,039,341
BONDS PAYABLE - Less current portion	16,411,932	21,202,969
RESERVE FOR UNPAID CLAIMS - Less current portion	29,727,028	31,398,101
	72,819,291	79,640,411
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	114,481	123,257
Unrestricted net deficit	(40,683,180)	(48,162,114)
	(40,568,699)	(48,038,857)
	$ 32,250,592	$ 31,601,554

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET DEFICIT FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Tank fees, net of refunds	$ 15,092,057	$ 14,635,166
Other	502	1,567
Total Operating Revenues	15,092,559	14,636,733
OPERATING EXPENSES		
Incurred claims and claims adjustment	4,836,170	6,562,131
Administration	1,474,590	1,438,469
Depreciation	54,831	67,918
Total Operating Expenses	6,365,591	8,068,518
Increase In Net Assets From Operations	8,726,968	6,568,215
NONOPERATING REVENUE (EXPENSE)		
Other income	110,127	-
Earnings on investments	60,998	413,584
Interest expense	(1,427,935)	(1,727,069)
Total Nonoperating Expense	(1,256,810)	(1,313,485)
Increase In Net Assets	7,470,158	5,254,730
NET DEFICIT		
Beginning of year	(48,038,857)	(53,293,587)
End of year	$ (40,568,699)	$ (48,038,857)

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 15,600,667	$ 14,560,737
Cash paid to employees	(1,018,593)	(933,109)
Cash paid to claimants	(7,507,241)	(8,781,555)
Cash paid to others	(474,762)	(489,895)
Net Cash Provided By Operating Activities	6,600,071	4,356,178
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from legal restitution	100,000	-
Payment of bond principal	(4,530,000)	(4,245,000)
Cash paid for interest	(1,502,268)	(1,786,362)
Net Cash Used In Noncapital Financing Activities	(5,932,268)	(6,031,362)
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(64,121)	(44,934)
Proceeds from disposal of capital assets	28,193	-
Net Cash Used in Capital and Related Financing Activities	(35,928)	(44,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(42,803,089)	(49,537,455)
Sale of investments	35,819,904	41,781,240
Investments matured	6,896,000	7,766,000
Interest on investments	60,998	413,584
Net Cash (Used In) Provided By Investing Activities	(26,187)	423,369
NET INCREASE (DECREASE) IN CASH WITH CUSTODIAN	605,688	(1,296,749)
CASH WITH CUSTODIAN		
Beginning of year	2,425,334	3,722,083
End of year	$ 3,031,022	$ 2,425,334

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	2010	2009
Increase in net assets from operations	$ 8,726,968	$ 6,568,215
Adjustments to reconcile increase in net assets from operations to net cash provided by operating activities:		
Depreciation	54,831	67,918
Allowance for uncollectible accounts	(312,282)	276,619
Amortization of bond issue costs	41,465	43,464
Reserves for unpaid claims	(2,809,017)	(1,735,156)
Changes in assets and liabilities:		
Fees receivable	351,542	19,767
Insurance claim receivable	(34,191)	-
Prepaid Salaries	-	149,223
Fees received in advance	375,012	(539,962)
Claims payable	137,944	(484,268)
Refundable fees	15,100	78,174
Accounts payable and accrued liablities	52,699	(87,816)
	(2,126,897)	(2,212,037)
Net Cash Provided By Operating Activities	$ 6,600,071	$ 4,356,178

See notes to financial statements.

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - DESCRIPTION OF THE BOARD

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 ("IBNR") claims, the Board's payment experience, the eligibility approval rate and third-party claims.

Unobligated Fund Balance - The Ohio Revised Code requires the Board to maintain an unobligated fund balance at a level that ensures the continued financial soundness of the Fund and allows the Board to assess a supplemental fee in any fiscal year in which the unobligated fund balance is less than $15 million. The unobligated fund balance is included in unrestricted investments and defined by the Ohio Administrative Code as monies not previously designated by the Board for claims reimbursement, not legally restricted, not placed in a linked deposit account, and not placed in a debt service account. The unobligated fund balance is $16,355,415 and $16,689,480 at June 30, 2010 and 2009, 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*.

Capital Assets - Capital asset purchases are recorded at historical cost, and are depreciated using the straight-line method over the estimated useful life (five years for fiscal year 2010, and three to five years for fiscal years 2009 and prior).

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 $127,850 at June 30, 2010 and $169,315 at June 30, 2009 are net of accumulated amortization of $494,122 and $452,658, 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 follows GASB guidance as applicable to proprietary funds and is required to apply FASB Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. As permitted by Generally Accepted Accounting Standards, the Board has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications - Certain amounts in the June 30, 2009 financial statements have been reclassified to the current year's presentation.

New Accounting Pronouncements - In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement improves the quality of financial reporting by establishing fund balance classifications and clarifying the existing governmental-fund type definitions. This Statement is effective for periods beginning after June 15, 2010. Management has not yet evaluated the impact that the adoption of this Statement will have on its financial statements.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The statement updates existing standards of financial reporting and disclosure requirements of certain financial instruments and external investment pools. This statement is effective for periods beginning after June 15, 2010. Management has not yet evaluated the impact that the adoption of this Statement will have on its financial statements.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 35*. The statement amends GASB statements No. 14 and 35 and improves guidance for including, presenting, and disclosing information about component units and equity interest transactions. This statement is effective for periods beginning after June 15, 2012. Management has not yet evaluated the impact that the adoption of this Statement will have on its financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement contributes to GASB efforts to codify all sources of generally accepted accounting principles for government entities into a single source. This statement is effective for periods beginning after December 15, 2011. Management has not yet evaluated the impact that the adoption of this Statement will have on its financial statements.

NOTE 3 - COVERAGE

Petroleum underground storage tank owners/operators must pay a fee each fiscal year as determined by the Board ($600 per tank in 2010 and 2009). 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 2010 and 2009). 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)
Fewer than 100	$1 million
101 to 200	$2 million
201 to 300	$3 million
More than 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 two years:

	Year Ended June 2010	Year Ended June 2009
Unpaid claims and claim adjustment expenses— Beginning of year	$ 40,398,101	$42,617,525
Incurred claim and claim adjustment expenses:		
Provision for insured events of current year	4,418,500	3,999,930
Increase in provision for prior years	417,670	2,562,201
Total incurred claims and claim adjustment expense	4,836,170	6,562,131
Claim and claim adjustment payments attributable to insured events of prior years	7,507,243	8,781,555
Total unpaid claims and claim adjustment expenses— End of year	$ 37,727,028	$40,398,101
This liability is shown in the statement of net deficit as follows:		
Claims payable	$ 736,106	$ 598,162
Current portion of reserve for unpaid claims	7,263,894	8,401,838
Reserve for unpaid claims—less current portion	29,727,028	31,398,101
Estimated unpaid liability	$ 37,727,028	$40,398,101

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).

NOTE 3 - COVERAGE (Continued)

The amounts that the Fund will ultimately pay (items i, ii and iii) are measured, in part, by the reported gross claim face values adjusted for non-reimbursable and undocumented costs and deductible amounts. In fiscal year 2010, the reported gross face value increased by approximately $13,166,400 and the estimated ultimate face value increased by approximately $13,221,000.

NOTE 4 - CASH AND INVESTMENTS

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010. The value of the STAR Ohio investments was approximately $14,841,000 and $14,853,000 as of June 30, 2010 and 2009, respectively.

The State Treasurer's Office issues a publicly available stand-alone financial report for STAR Ohio that includes financial statements and required supplementary information. That report may be obtained by writing to State Treasury Asset Reserve of Ohio, STAR Ohio, 30 East Broad Street, 9th Floor, Columbus, Ohio 43215-3461 or by calling 1-800-648-7827.

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:

	2010	2009
Carrying amount	$3,031,022	$2,425,334
Custodial balance	$2,524,284	$1,775,277

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.

NOTE 4 - CASH AND INVESTMENTS (Continued)

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

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

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

STAR Ohio investments are not exposed to custodial credit risk, as defined by Statement No. 40. Securities in STAR Ohio are either insured, registered or held by STAR Ohio or by its agent in the name of STAR Ohio. Also as stated in GASB Statement No. 40, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. Cash on deposit with the bond trustee and held as restricted investments are collateralized with securities held by the pledging financial institution's trust department but not in the Board's name.

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 does not experience interest rate risk on U.S. Treasury notes, money market funds and cash assets. The investments held in STAR Ohio limit exposure to fair value losses arising from increasing interest rates by limiting the final stated maturity on any investment to 397 days and limiting the weighted average maturity of the portfolio to 60 days.

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 ORC, affected by credit risk include certificates of deposit, commercial paper, bankers' acceptances, and counterparties involved in repurchase agreements.

NOTE 4 - CASH AND INVESTMENTS (Continued)

The Fund's unrestricted investments are held in the Treasurer of State's investment pool ("STAR Ohio"). Unrestricted investments are carried at fair value, which approximates cost and includes $1,516,418 and $588,725 obligated by the Board for the payment of claims at June 30, 2010 and 2009, respectively. Standard & Poor's rating for the STAR Ohio fund is AAAm. STAR Ohio's investment policy requires all securities held by STAR Ohio be rated the equivalent of A-1+ or A-1 and at least 50% of the Total Average Portfolio be rated A-1+ or better. As of June 30, 2010, STAR Ohio's investments in U.S. Agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investor Services. Obligations of the U.S. Government are explicitly guaranteed by the U.S. Government and are not considered to have credit risk.

Securities Lending - As of June 30, 2010 and 2009, the Board had no securities out on loan. The Board has been allocated with cash collateral of $22,007 and $10,533 for fiscal years 2010 and 2009, respectively, from the securities lending program administered through the Treasurer of State's Office based on the amount of cash equity with the State's common cash and investment account.

Debt Service Account - Bond trustees maintaining debt service accounts (see Note 7) hold restricted investments in instruments similar to those described above. At June 30, restricted investments included U.S. Treasury notes held by trustees, but not in the Board's name, and money market funds as follows:

	2010 Fair Value	2009 Fair Value
U.S. Treasury Notes	$ 6,062,666	$ 6,215,535
Money Market Funds	565	868
Cash and Other Assets	5,998,363	5,845,948
Total	$ 12,061,594	$ 12,062,351

OHIO PETROLEUM UNDERGROUND STORAGE
TANK RELEASE COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 5 - CAPITAL ASSETS

A summary of the changes in capital assets for the years ended June 30, 2009 and 2010 follows:

	Balance June 30, 2008	Additions	Disposals/ Deletion	Balance June 30, 2009	Additions	Disposals/ Deletion	Balance June 30, 2010
Capital assets:							
Furniture	$ 97,974	1,393	-	$ 99,367	-	(349)	$ 99,018
Data processing equipment	766,957	43,541	-	810,498	64,121	(60,812)	813,807
Total capital assets	864,931	44,934	-	909,865	64,121	(61,161)	912,825
Less accumulated depreciation:							
Furniture	95,571	952	-	96,523	920	(349)	97,094
Data processing equipment	623,119	66,966	-	690,085	53,911	(42,746)	701,250
Total accumulated depreciation	718,690	67,918	-	786,608	54,831	(43,095)	798,344
Net capital assets	$ 146,241	(22,984)	-	$ 123,257	9,290	(18,066)	$ 114,481

NOTE 6 - OPERATING LEASES

The Board leases office space under an operating lease agreement expiring in fiscal year 2011. Rent expense for the fiscal years ended June 30, 2010 and 2009 was $103,798 and $99,943, respectively. Future minimum payments under the renewed operating lease agreement for the year ended June 30, 2011 are $103,798.

NOTE 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 an interest rate of 6.75%. The bonds issued July 1993 matured on August 15, 2008.

NOTE 7 - BONDS PAYABLE (Continued)

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
2011	$	4,825,000	$	$1,204,078	$	6,029,078
2012		5,145,000		886,284		6,031,284
2013		5,485,000		547,543		6,032,453
2014		5,845,000		186,309		6,031,309
Total	$	21,300,000	$	2,824,124	$	24,124,124
Less unamortized discount		63,068				
Bonds payable		21,236,932				
Less amount currently due		4,825,000				
Bonds payable-less current portion	$	16,411,932				

Activity for long-term bond obligations for the years ended June 30, 2010 and 2009 is summarized as follows:

	Balance at 6/30/2008	Amortization of Bond Discount	Payments	Balance at 6/30/2009	Due Within One Year
Bonds Payable	$29,932,487	$45,482	($4,245,000)	$25,732,969	$4,530,000

	Balance at 6/30/2009	Amortization of Bond Discount	Payments	Balance at 6/30/2010	Due Within One Year
Bonds Payable	$25,732,969	$33,963	($4,530,000)	$21,236,932	$4,825,000

NOTE 7 - BONDS PAYABLE (Continued)

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.

At its June 9, 2010 meeting, the Board voted to retire all outstanding Series B bonds in August 2010. Accordingly, the remaining Series B bonds, totaling $21,300,000, were retired on August 15, 2010 using approximately $12.1 million in investments restricted at June 30, 2010 for the payment of debt service and the remaining amount from unobligated and unrestricted funds. Early retirement of the bonds resulted in a $2.1 million savings in interest costs that would have been paid over the next three fiscal years if the bonds had fully matured as scheduled on August 15, 2013.

NOTE 8 - DEFINED BENEFITS

Defined Benefit Retirement Plan - All Board employees are required to participate in the statewide Ohio Public Employees Retirement System ("OPERS"). OPERS administers three separate pension plans: the Traditional Pension Plan ("TP") - a cost-sharing multiple-employer defined benefit pension plan; the Member Directed Plan ("MD") - a defined contribution plan; and the Combined Plan ("CO") - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to qualifying members of both the TP and CO plans. Members of the MD plan do not qualify for ancillary benefits, including post-employment healthcare coverage. Authority to establish and amend benefits is provided by state statute in accordance with Chapter 145 of the Ohio Revised Code ("ORC"). For the years ended December 31, 2009 and 2008, the employee contribution rate was 10%, and the employer contribution rate was 14% of covered payroll.

The Board's contributions, representing 100% of employer contributions for the year ended June 30, 2010, and for each of the preceding two years, are as follows:

Year Ended June 30	Amount
2010	$101,002
2009	$110,425
2008	$103,102

NOTE 8 - DEFINED BENEFITS (Continued)

OPERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 1-800-222-7377.

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

The post-retirement healthcare coverage includes a medical plan, prescription drug program and Medicare Part B premium reimbursement for qualifying members. In order to qualify for post-retirement healthcare coverage, age and service retirees under the TP and CO must have 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is available. The healthcare coverage provided by the retirement system meets the definition of an Other Post-Employment Benefit ("OPEB") as described in GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension.*" OPEB are advance-funded on an actuarially determined basis. A portion of each contribution to OPERS is set aside for the funding of postretirement healthcare. The ORC provides statutory authority for employer contributions and permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. The ORC currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB plan. OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with Internal Revenue Code 401(h). For the year ended December 31, 2009 and 2008, employer contribution rate for state employers was 14% of covered payroll; the portion used to fund healthcare was 7% for the period January 1, 2008 through March 31, 2009, and 5.5% from April 1 through December 31, 2009. These rates are the actuarially determined contribution requirements for OPERS. The portion of the Board's 2010 and 2009 contribution that was used to fund post-employment benefits was $39,679 and $55,213, respectively. The ORC provides the statutory authority requiring public employers to fund post-retirement healthcare through their contributions to OPERS.

NOTE 9 – CONTINGENCIES

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

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SUPPLEMENTARY FINANCIAL INFORMATION

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

Ohio Petroleum Underground Storage
Tank Release Compensation Board
Columbus, Ohio

We have audited the financial statements of the Ohio Petroleum Underground Storage Tank Release Compensation Board ("the Board") as of and for the year ended June 30, 2010, and have issued our report thereon dated February 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting, which is identified as Item No. 2010-1. A *significant*

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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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

We noted certain matters that we reported to management of the Board in a separate letter dated February 9, 2011.

The Board's response to the finding identified in our audit is described in the accompanying schedule of finding and response. We did not audit the Board's response and, accordingly, we express no opinion on it.

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

Schneider Downs & Co., Inc.

Columbus, Ohio
February 9, 2011

Internal Control Over Financial Reporting

Item No. 2010 - 1, Certification of delinquent receivable balances to the Ohio Attorney General's office

Criteria: Establishing and adhering to a formal policy for certification of delinquent invoices to the Ohio Attorney General's Office is critical to improve collection of outstanding balances and to enhance the information available in determining the estimate of the allowance for doubtful accounts.

Condition: During the period under audit, Ohio Petroleum Underground Storage Tank Release Compensation Board ("the Board") did not have a formal procedure in place addressing the timing of certification of delinquent invoices to the Ohio Attorney General's office for collection. As of June 30, 2010, there were delinquent invoices to tank owners dating back several years that have not been certified to the Ohio Attorney General's office for collection.

Effect: Management's estimate of the allowance for doubtful accounts utilizes historical collection rates from delinquent invoices certified to the Ohio Attorney General for collection. While the approach is deemed reasonable, in-house collection efforts may yield differing success in ultimate amounts collected. Timely certification to the Ohio Attorney General's office for collection efforts will result in a consistent evaluation of the estimate for the allowance for doubtful accounts, reduce the burden on staff and potentially improve cash flow.

Recommendation: We recommend that a formal policy be developed that includes procedures governing the process and timing of the certification of delinquent invoices to the Ohio Attorney General's office for collection.

Management Response:

Accounts Receivable

In response to previous findings by the Board's auditors, management refined its method of estimating the allowance for uncollectible amounts. This estimate relies heavily on the historical collection rates of those accounts certified to the Ohio Attorney General for collection. Therefore, management agrees that in order to maintain a reasonable estimate of the allowance for uncollectible amounts, delinquent accounts must be forwarded for collection in a timely manner.

The Board annually assesses per-tank fees to owners of petroleum underground storage tanks. A notification of non-compliance is issued on July 15 to all owners who have not remitted the assessed fees as of the mailing of the notification. Thirty days after the issuance of the notification of non-compliance, an order pursuant to law assessing a late payment fee of $100 per tank per month, up to a maximum of $1,000 per tank, is issued to all owners who have not remitted payment as of the mailing of the order. Beginning in fiscal year 2007 and continuing through the current fiscal year, fees that remain outstanding after the issuance of the order are certified to the Attorney General's office for collection during the third quarter of the fiscal year.

In fiscal year 2011, management will develop a formal policy regarding the process and timing of the certification of delinquent fees for non-current year invoices.

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Dave Yost • Auditor of State

OHIO PETROLEUM UNDERGROUND STORAGE TANK RELEASE COMPENSATION BOARD

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 7, 2011