

UNDERGROUND STORAGE TANK INDEMNIFICATION FUND

FINANCIAL STATEMENTS (UNAUDITED)

As of June 30, 2015
and
For the Fiscal Year Ended June 30, 2015

Prepared By:
Office of Comptroller Operations
Bureau of Accounting & Financial Management

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Financial Statements
As of June 30, 2015
and
For the Fiscal Year Ended June 30, 2015
(UNAUDITED)

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**UNDERGROUND STORAGE TANK INDEMNIFICATION FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
As of June 30
(UNAUDITED)**

| | 2015 |
|--|------------------------------|
| ASSETS: | |
| Cash In Transit | \$ 4,296 |
| Temporary Investments..... | 20,147,972 |
| Long-Term Investments..... | 191,044,591 |
| Receivables, net: | |
| Interest on Loan to General Fund..... | 14,354,573 |
| Investments Interest and Dividends..... | 871,338 |
| Investments Sold..... | 170,635 |
| Advances to Other Funds..... | 67,500,000 |
| TOTAL ASSETS..... | <u>\$ 294,093,405</u> |
| LIABILITIES: | |
| Accounts Payable and Accrued Liabilities..... | \$ 15,985,928 |
| Invoices Payable..... | 2,421,835 |
| Accrued Payables Goods Receipts..... | 1,832,730 |
| Investments Purchased Payable..... | 311,119 |
| Self Insurance Liabilities..... | 64,740 |
| Other Post Employment Benefit Obligations..... | 223,022 |
| Compensated Absence Liability..... | 54,714 |
| Due to Other Funds..... | 92,148 |
| Due to Other Governments..... | 628 |
| Due to Fiduciary Funds..... | 2,005 |
| Due to Political Subdivisions..... | 119,052 |
| Held for: | |
| Base for Environmental Cleanup | 1,556,534 |
| Catastrophic Release | 47,602 |
| Pollution Prevention | 31,134 |
| Investigation and Closure Costs | 713,873 |
| Other Encumbrances..... | 1,771,120 |
| Open Claims | 268,865,221 |
| TOTAL LIABILITIES..... | <u>\$ 294,093,405</u> |

**UNDERGROUND STORAGE TANK INDEMNIFICATION FUND
STATEMENT OF ACTUARIAL CLAIMS LIABILITY
As of June 30
(UNAUDITED)**

| | 2015 |
|--|--------------------------------|
| Actuarial Liability for estimated, unpaid claims, June 30, 2014..... | \$ (404,249,196) |
| Net Assets held for Open Claims..... | 268,865,221 |
| Claims Liability - Net Assets Available (Unavailable) | <u>\$ (135,383,975)</u> |

- The notes to the financial statements are an integral part of this statement -

UNDERGROUND STORAGE TANK INDEMNIFICATION FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
For the Fiscal Year Ended June 30
(UNAUDITED)

2015

RECEIPTS:

Fees:

| | | |
|--------------------|----|------------|
| Gallon..... | \$ | 51,708,866 |
| Tank Capacity..... | | 5,938,023 |
| TIIP..... | | 347,112 |

Investment Income:

| | | |
|---|--|-----------|
| Interest and Dividend Income..... | | 4,359,124 |
| Recapture of Broker Commissions..... | | 27,402 |
| Net Increase (Decrease) in Fair Value of Investments..... | | 2,604,456 |

| | | |
|----------------------------|--|-----------|
| Interest on Loans..... | | 126,805 |
| Litigation Settlement..... | | 5,881,927 |
| Other..... | | 474,426 |

| | | |
|----------------------------|--|--------------------------|
| TOTAL RECEIPTS..... | | <u>71,468,141</u> |
|----------------------------|--|--------------------------|

DISBURSEMENTS:

Administrative:

| | | |
|---|--|-------------------------|
| Insurance Department Personnel and Other Charges..... | | 654,198 |
| Third Party Administrator..... | | 4,129,544 |
| Professional Services..... | | 1,878,474 |
| Loan Administration..... | | (1,753) |
| Total Administrative..... | | <u>6,660,463</u> |

Claims Indemnification:

| | | |
|--|--|--------------------------|
| Losses..... | | 46,008,319 |
| Loss Expenses - Non-Legal..... | | 2,970,615 |
| Loss Expenses - Legal..... | | 423,211 |
| Total Claims Indemnification..... | | <u>49,402,145</u> |

Allocations - Funds Released:

| | | |
|--|--|-------------------------|
| Environmental Cleanup Program..... | | 2,787,911 |
| Pollution Prevention Program..... | | 83,739 |
| Catastrophic Release Program..... | | 189,044 |
| Investigation and Closure Costs..... | | 3,004,867 |
| Total Allocations - Funds Released..... | | <u>6,065,561</u> |

| | | |
|---------------------------------|--|--------------------------|
| TOTAL DISBURSEMENTS..... | | <u>62,128,169</u> |
|---------------------------------|--|--------------------------|

| | | |
|---|-----------|-------------------------|
| NET RECEIPTS OVER (UNDER) DISBURSEMENTS..... | \$ | <u>9,339,972</u> |
|---|-----------|-------------------------|

- The notes to the financial statements are an integral part of this statement -

UNDERGROUND STORAGE TANK INDEMNIFICATION FUND
NOTES TO FINANCIAL STATEMENTS
As of June 30, 2015
and
For the Fiscal Year Ended June 30, 2015

NOTE A—BASIS OF PRESENTATION

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States applicable to governments. The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting requirements for governments.

Classified as an Agency Fund, the Underground Storage Tank Indemnification Fund financial statements are prepared using a full accrual basis of accounting and economic resources measurement focus. Balances are presented utilizing data posted to the Finance (FI) module of SAP to include accruals--or all subsequent activity--applicable to the reporting period, regardless of when cash is actually received or disbursed. Agency funds typically involve the receipt, temporary custody and remittance of resources to specific individuals, private organizations or other governments, and thus do not report equity balances. All assets within the fund are considered a custodial liability. Governments need to ensure that the resources of agency funds cannot be used to benefit programs of the government.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Temporary investments: Typically, amounts invested in the Treasury Investment Program (TIP) are The Treasury Liquid Asset Pool (Fund 99). Amounts invested in TIP Fund 99 are almost always reported at a \$1.00 per-share basis, similar to a bank money market account.

Long-term investments: Reported by the Underground Storage Tank Indemnification Fund due to statutory authority giving the Department of Insurance permission to invest and manage amounts outside the TIP as a separate portfolio. Such amounts are typically reported at fair value based on security-specific closing prices on national exchanges, as provided by established pricing service providers. Amounts invested in TIP Fund 198 are reported using published per-share net asset values, similar to how shares in a publicly-traded mutual fund are priced on a daily basis. Monthly changes in unrealized gains/losses are included in the Underground Storage Tank Indemnification Fund Statement of Receipts and Disbursements along with investment income.

Net Increase (Decrease) in Fair Value of Investments: Amounts consist of realized gain/loss on the sale of investments during the reporting period and unrealized gain/loss on investments currently held.

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NOTE C - CLAIMS LIABILITY - AVAILABLE (UNAVAILABLE)

The Storage Tank and Spill Prevention Act, Act 32 of 1989, as amended, established the Underground Storage Tank Indemnification Fund to administer a program to provide claim payments to owners and operators of underground storage tanks who incur liability for taking corrective action, bodily injury or property damage caused by a release from underground storage tanks. Expenses for administration of the fund are also covered. The fund is administered by the Insurance Department in conjunction with a nine member Underground Storage Tank Indemnification Board.

Act 13 of 1998 established a new loan program to assist owners of regulated underground storage tanks to upgrade their underground storage tank systems to meet federal Environmental Protection Agency upgrade requirements or to remove them from service. Act 100 of 2000 expanded the upgrade loan program to include the removal of underground storage tanks. The act also established an environmental cleanup program and a pollution prevention program that are administered by the Department of Environmental Protection.

The Fund has assets of \$294 million at June 30, 2015. Based on the actuarial valuation as of June 30, 2014, the net unfunded liability for future claims is \$135 million at June 30, 2015.

NOTE D - RECEIPTS AND DISBURSEMENTS

Loan Administration Costs: Negative amount is due to quarterly adjustments to the allowance for uncollectable account that exceed loan administrative costs.