

UNDERGROUND STORAGE TANK INDEMNIFICATION FUND

FINANCIAL STATEMENTS (UNAUDITED)

As of June 30, 2016 and 2015
and
For the Fiscal Years Ended June 30, 2016 and 2015

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

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

	2016	2015
ASSETS:		
Cash In Transit.....	\$ -	\$ 4,296
Temporary Investments.....	13,619,414	20,147,972
Long-Term Investments.....	208,829,238	191,044,591
Receivables, net:		
Interest on Loan to General Fund.....	14,588,915	14,354,573
Investments Interest and Dividends.....	894,002	871,338
Investments Sold.....	1,419,763	170,635
Advances to Other Funds.....	67,500,000	67,500,000
TOTAL ASSETS	<u>\$ 306,851,332</u>	<u>\$ 294,093,405</u>
LIABILITIES:		
Accounts Payable and Accrued Liabilities.....	\$ 15,611,910	\$ 15,985,928
Invoices Payable.....	1,925,852	2,421,835
Accrued Payables Goods Receipts.....	-	1,832,730
Investments Purchased Payable.....	3,075,105	311,119
Due to Other Funds.....	127,343	92,148
Due to Other Governments.....	1,504	628
Due to Fiduciary Funds.....	5,857	2,005
Due to Political Subdivisions.....	106,553	119,052
Held for:		
Base for Environmental Cleanup	1,482,573	1,556,534
Catastrophic Release	20,798	47,602
Pollution Prevention	6,250	31,134
Investigation and Closure Costs	118,334	713,873
Other Encumbrances.....	1,055,627	1,771,120
Open Claims	283,313,626	269,207,697
TOTAL LIABILITIES	<u>\$ 306,851,332</u>	<u>\$ 294,093,405</u>

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

	2016	2015
Actuarial liability for estimated, unpaid claims, June 30, 2015	\$ (395,936,760)	\$ (398,148,595)
Net Assets held for Open Claims.....	283,313,626	269,207,697
Claims Liability - Net Assets Available (Unavailable)	<u>\$ (112,623,134)</u>	<u>\$ (128,940,898)</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 Years Ended June 30
(UNAUDITED)

	2016	2015
RECEIPTS:		
Fees:		
Gallon.....	\$ 52,229,410	\$ 51,708,866
Tank Capacity.....	5,938,478	5,938,023
TIP.....	299,230	347,112
Investment Income:		
Interest and Dividend Income.....	4,725,169	4,359,124
Recapture of Broker Commissions.....	18,759	27,402
Net Increase (Decrease) in Fair Value of Investments.....	1,090,384	2,604,456
Interest on Loans.....	234,501	126,805
Litigation Settlement.....	544,945	5,881,927
Other.....	350,207	474,426
TOTAL RECEIPTS.....	<u>65,431,083</u>	<u>71,468,141</u>
DISBURSEMENTS:		
Administrative:		
Insurance Department Personnel and Other Charges.....	(947,332)	311,723
Third Party Administrator.....	5,234,284	4,129,544
Professional Services.....	1,475,731	1,878,474
Loan Administration.....	(640)	(1,753)
Total Administrative.....	<u>5,762,043</u>	<u>6,317,988</u>
Claims Indemnification:		
Losses.....	36,424,186	46,008,319
Loss Expenses - Non-Legal.....	2,260,406	2,970,615
Loss Expenses - Legal.....	330,954	423,211
Total Claims Indemnification.....	<u>39,015,546</u>	<u>49,402,145</u>
Allocations - Funds Released:		
Environmental Cleanup Program.....	2,997,369	2,787,911
Pollution Prevention Program.....	62,660	83,739
Catastrophic Release Program.....	39,199	189,044
Investigation and Closure Costs.....	3,355,192	3,004,867
Total Allocations - Funds Released.....	<u>6,454,420</u>	<u>6,065,561</u>
TOTAL DISBURSEMENTS.....	<u>51,232,009</u>	<u>61,785,694</u>
NET RECEIPTS OVER (UNDER) DISBURSEMENTS.....	<u>\$ 14,199,074</u>	<u>\$ 9,682,447</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, 2016 and 2015
and
For the Fiscal Years Ended June 30, 2016 and 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

Cash-in-transit: Amounts represent funds that have been posted to the accounting system, but not yet paid or receipted by Treasury. Negative amounts represent expenditures in excess of revenues yet to be paid by Treasury. Reported balances are typically paid or otherwise settled within 60 days.

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 \$307 million at June 30, 2016. Based on the actuarial valuation as of June 30, 2015, the net unfunded liability for future claims is \$113 million at June 30, 2016.

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.

Insurance Department Personnel and Other Charges: Negative amount is due to the elimination of \$1,542,249 of all long term liabilities, including net pension and related items and accruals for self insurance, compensated absences and other postemployment benefits. In consultation with the Governmental Accounting Standards Board and other sources, a reexamination of the governmental arrangement of agency funds revealed that long term liabilities should be excluded as fund obligations. Agency funds are used to report resources held by the government in a purely custodial capacity. Since there is no specific resource being held to cover these long term liabilities and related deferred items, such items should not be reported in the agency fund. The Commonwealth is aware of no other states that record these types of long term liabilities in their agency funds and has determined that such long term liabilities are to be reported in the general fund.

Total Insurance Department Personnel and Other Charges before the exclusion of these items was \$594,917. The elimination of the long term liabilities reduces this total to the amount shown, (\$947,332).