

UNDERGROUND STORAGE TANK INDEMNIFICATION FUND

FINANCIAL STATEMENTS (UNAUDITED)

As of June 30, 2014 and 2013
and
For the Fiscal Years Ended June 30, 2014 and 2013

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

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As of June 30, 2014 and 2013
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UNDERGROUND STORAGE TANK INDEMNIFICATION FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
As of June 30
(UNAUDITED)

	2014	2013
ASSETS:		
Cash In Transit	\$ 2,119,794	\$ -
Temporary Investments.....	37,831,210	38,960,622
Long-Term Investments.....	152,317,905	123,617,196
Receivables, net:		
Interest on Loan to General Fund.....	14,228,415	14,113,452
Investments Interest and Dividends.....	742,466	745,499
Investments Sold.....	296,841	521,914
Advances to Other Funds.....	67,500,000	67,500,000
TOTAL ASSETS.....	<u>\$ 275,036,631</u>	<u>\$ 245,458,683</u>
LIABILITIES:		
Accounts Payable and Accrued Liabilities.....	\$ 190,165	\$ 199,110
Invoices Payable.....	2,049,759	2,291,080
Investments Purchased Payable.....	1,205,881	444,650
Held for:		
Base for Environmental Cleanup	1,545,532	489,283
Catastrophic Release	149,533	115,614
Pollution Prevention	138,661	56,797
Investigation and Closure Costs	844,992	387,462
Other Encumbrances.....	1,569,328	2,869,138
Open Claims	267,342,780	238,605,549
TOTAL LIABILITIES.....	<u>\$ 275,036,631</u>	<u>\$ 245,458,683</u>

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

	2014	2013
Actuarial Liability for estimated, unpaid claims, June 30, 2013 and 2012	\$ (433,888,790)	\$ (460,336,699)
Net Assets held for Open Claims.....	267,342,780	238,605,549
Claims Liability - Net Assets Available (Unavailable)	<u>\$ (166,546,010)</u>	<u>\$ (221,731,150)</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)

	2014	2013
RECEIPTS:		
Fees:		
Gallon.....	\$ 55,571,495	\$ 53,995,628
Tank Capacity.....	6,439,296	6,174,442
TIP.....	(100,354)	703,179
Investment Income:		
Interest and Dividend Income.....	4,256,533	4,052,259
Recapture of Broker Commissions.....	20,608	27,055
Net Increase (Decrease) in Fair Value of Investments.....	15,755,579	6,399,951
Interest on Loans.....	115,796	145,541
Redeposit of Checks.....	-	(20,662)
Litigation Settlement.....	-	6,147,038
Other.....	503,513	806,457
TOTAL RECEIPTS.....	<u>82,562,466</u>	<u>78,430,888</u>
DISBURSEMENTS:		
Administrative:		
Insurance Department Personnel and Other Charges.....	611,039	593,369
Third Party Administrator.....	3,755,636	2,735,784
Professional Services.....	1,288,718	1,076,814
Loan Administration.....	(418)	1,740
Total Administrative.....	<u>5,654,975</u>	<u>4,407,707</u>
Claims Indemnification:		
Losses.....	37,699,784	39,566,642
Loss Expenses - Non-Legal.....	3,275,243	3,460,551
Loss Expenses - Legal.....	520,964	566,690
Total Claims Indemnification.....	<u>41,495,991</u>	<u>43,593,883</u>
Allocations - Funds Released:		
Environmental Cleanup Program.....	2,591,022	2,693,637
Pollution Prevention Program.....	36,179	69,914
Catastrophic Release Program.....	407,067	372,085
Investigation and Closure Costs.....	3,310,249	2,626,000
Total Allocations - Funds Released.....	<u>6,344,517</u>	<u>5,761,636</u>
TOTAL DISBURSEMENTS.....	<u>53,495,483</u>	<u>53,763,226</u>
NET RECEIPTS OVER (UNDER) DISBURSEMENTS.....	<u>\$ 29,066,983</u>	<u>\$ 24,667,662</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, 2014 and 2013
and
For the Fiscal Years Ended June 30, 2014 and 2013

NOTE A—BASIS OF PRESENTATION

The Underground Storage Tank Indemnification Fund financial statements are prepared using balances reported in the SAP Finance Module as of the end of each calendar month during the Commonwealth's fiscal year. Most financial statement amounts are presented on an 'as reported' basis and typically do not include accruals, deferrals, reclassifications or eliminations which are posted as of fiscal year end for preparing basic financial statements in accordance with U.S. generally accepted accounting principles applicable to state and local governments.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Temporary investments: Typically amounts invested in the Treasury Investment Program (TIP), either The Common Investment Pool (Fund 198) or The Treasury Liquid Asset Pool (Fund 99). 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. 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.

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.

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 \$275 million at June 30, 2014. Based on the actuarial valuation as of June 30, 2013, the net unfunded liability for future claims is \$167 million at June 30, 2014.

NOTE D - RECEIPTS AND DISBURSEMENTS

Receipts/TIP Fees: Negative amount represents correction of Gallon Fees that were inadvertently posted to TIP Fees in FY2012.

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