

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
AND
TRUST FUNDS FINANCIAL STATEMENTS
Fiscal Year 2013

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year 2013

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Exxon Valdez Oil Spill Trustee Council
Anchorage, Alaska

We have performed the procedures enumerated below, which were agreed to by the management of *Exxon Valdez* Oil Spill Trustee Council (EVOSTC or Trustee Council) solely to assist you in evaluating the sufficiency of policies and procedures established by the Trustee Council over the flow of funds into and out of the *Exxon Valdez* Oil Spill Trustee Council's Natural Resources Damage Assessment and Restoration (NRDA&R) account, State of Alaska Investment Fund and Settlement Trust, as well as the process and controls of each of the federal agencies over unspent project funds for proper and timely return to the *Exxon Valdez* Oil Spill Trustee Council's NRDA&R account for the year ended September 30, 2013. The management of EVOSTC and the federal and State of Alaska agencies are responsible for the proper use of funds in accordance with EVOSTC's mission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings with respect to the Natural Resources Damage Assessment and Restoration Fund, State of Alaska EVOS Settlement Account and EVOSTC Restoration Office are as follow:

Natural Resources Damage Assessment and Restoration Fund (NRDA&R)

Procedure and Finding #1:

We obtained the necessary information and performed procedures to verify the flow of funds into and out of EVOSTC's NRDA&R account and evaluate U.S. Department of the Interior's process in place related to monitoring the return of unspent project funds from the federal agencies.

In order to perform this procedure we obtained the annual cash flows plan for federal fiscal year (FFY) 2013 from the Department of the Interior (DOI). We verified, without exception, that disbursements to federal agencies were made in accordance with EVOSTC's workplan, court notices and cash flows plans submitted by the agencies for FFY 2013. We reconciled amounts disbursed from the NRDA&R account to amounts reported by agencies taking into account the timing and the different reporting mechanisms employed by each of the agencies.

As reported in prior years, there is no formal mechanism to track the status of the historical funds disbursed to the federal agencies from NRDA&R account due to the DOI Office of the Secretary (DOI-OS) not having access to the accounting records of the non-DOI federal trustee agencies. DOI-OS places reliance on expenditure reports provided by these agencies, and its ability to monitor the return of unspent funds is limited to what these agencies report. Federal trustee agencies periodically do notify DOI-OS when funds are unspent and available to return.

Recommendation:

In prior years we recommended EVOSTC Restoration Office and DOI-OS evaluate whether they can identify and implement a reporting mechanism to facilitate project expenditure data collection from the Agencies. EVOSTC Restoration Office and DOI-OS evaluated the feasibility of implementing this recommendation and determined that further action is not necessary at this time.

Procedure and Finding # 2:

We evaluated the process and controls of each of the federal agencies to ensure that unspent project funds are properly and timely returned to *Exxon Valdez* Oil Spill Trustee Council's NRDA&R account.

In order to perform this procedure we contacted each of the federal agencies to determine when unspent project funds were last returned and for which projects. We requested that each of the agencies prepare a schedule of unspent project funds by project/year. Results of our procedures are summarized for each agency below:

United States Geological Survey (USGS)

The agency returned approximately \$1,500 of lapsed funds in FFY13 (for project year FFY12). These funds were primarily related to EVOSTC administrative support. As of the completion of the agreed-upon procedures engagement, USGS has not identified any additional funds to be returned related to FFY13 projects. USGS has requested that EVOSTC apply carryover balances of unexpended funds totaling approximately \$550,000 to FFY14 project year. We recommend EVOSTC Restoration Office follow up with USGS and monitor proper, timely expenditure of these funds.

National Oceanic and Atmospheric Administration (NOAA)

NOAA performed a comprehensive analysis of all DARFF (NOAA's treasury account) balances to determine whether return of lapsed funds was necessary. As a result of this review, NOAA identified and subsequently returned approximately \$133,600 of lapsed funds for project years FFY08 through FFY12. PWS Harbor Cleanup Project comprised the majority of this balance.

United States Forest Service (USFS)

Approximately \$4,000 of Trustee Council staff support funds were not utilized by USFS during FFY13. A majority of this balance pertained to the underutilized 9% General and Admin allocation. We recommend EVOSTC Restoration Office follow up with USFS to determine whether the return of these funds is appropriate.

United States Fish and Wildlife Service (USFWS)

As of the completion of our current year procedures, the USFWS has not provided requested workpapers for our review, asserting staff limitations. During our prior year engagement procedures, USFWS performed a thorough analysis of project funds spanning fiscal years 2007 through 2012 and evaluated total appropriations from EVOSTC against actual USFWS project expenditures. As a result of these procedures, USFWS identified and subsequently returned approximately \$197,000 during FFY13. Given that USFWS appears to be caught up on its prior year funds reconciliations due do the significant cleanup effort during FFY12, and given unavailability of FFY13 records, further procedures with respect to this agency were not performed. We will follow up on the status of FFY13 projects during our FFY14 AUP engagement.

Recommendation:

We continue to recommend that the EVOSTC Restoration Office periodically remind federal agency personnel of the need to monitor and return any de-obligated EVOS funding, especially in light of the fact that some of the EVOS liaison positions which had been filled by long-term employees are continuing to experience turnover.

State of Alaska EVOS Settlement Account

Procedures and Findings:

1. We evaluated procedures in place at the State of Alaska, Department of Fish and Game (ADFG) for monitoring unspent project funds to ensure that these funds are identified and reported to the Trustee Council and used to offset future Trustee Council funding.
2. We evaluated the EVOSTC Restoration Office's process in place to monitor the timely return of unspent funds.
3. We reviewed the EVOSTC Restoration Office's process for determining unencumbered and unspent EVOS project funds are available to reduce future court notices.

The EVOSTC Restoration Office has continued to follow its established informal procedures for identifying unencumbered, unspent funds available for project appropriations before requesting additional fund disbursements from the State Investment Account. The EVOSTC Restoration Office works closely with ADFG during the budgeting process. Upon request from the EVOSTC Restoration Office, ADFG prepares an estimate of the available fund balance based on cash balance in treasury and current and prior year operating appropriations as well as capital appropriation in place across all State of Alaska EVOS agencies. Based on the available balance estimate provided by ADFG, management determines whether to use the existing fund balance or request a transfer from the investment fund. This process was consistently followed during FFY13 based on our review of court notices and fund balance analysis provided by ADFG.

Recommendation:

Current procedures appear to be adequate for determining fund balance available for future appropriations.

EVOSTC Restoration Office

Procedures and Findings:

1. We evaluated controls over expenditures by the EVOSTC Restoration Office to ensure that costs incurred are reasonable and within the mission of the EVOS Trustee Council.
2. We obtained and reviewed a listing of expenditures for the EVOSTC internal admin allocation – project 13100.

We reviewed administrative management expenditures for State fiscal year 2013 noting that procedures in place are adequate to ensure compliance with the Annual Project Development and Implementation budget and that incurred expenses were reasonable and within EVOSTC's mission.

We also followed up on our prior year recommendation for the EVOSTC for court notices and supporting resolutions be reviewed for clerical accuracy and agreement to supporting documentation before being finalized. In response to this recommendation, the Trustee Council management is developing a consistent internal policy for drafting resolutions, and redesigning and making more concise the resolution document so it will contain simplified background language and consolidate all funding authorized at a particular Trustee Council meeting. As part of this effort, the Trustee Council is also redesigning its Annual Funding Overview (AFO) document which to list every project and parcel for which funding has been authorized during the subject fiscal year. It is anticipated that an AFO approved at a Trustee Council meeting as an attachment to a resolution will serve as the official documentation of funding authorized for the subject fiscal year and used with its corresponding resolution as an attachment to the court notice and other agency documents used to facilitate funding transfers.

Recommendation:

We have no further recommendations related to the EVOSTC Restoration Office's management of administrative funds.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on established policies and procedures over the use of EVOSTC funding. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the *Exxon Valdez* Oil Spill Trustee Council and the federal and State of Alaska liaison agencies, and is not intended to be and should not be used by anyone other than these specified parties.

ERM

July 9, 2014

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Exxon Valdez Oil Spill Trustee Council
Anchorage, Alaska

We have compiled the accompanying financial statements of the *Exxon Valdez* Oil Spill Trustee Council Oil Spill Investment Fund and Oil Spill Settlement Trust as of and for the years ended June 30, 2013 and 2012 and the accompanying financial statements of Natural Resources Damage Assessment and Restoration Fund – cash basis as of and for the years ended September 30, 2013 and 2012, as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements of the *Exxon Valdez* Oil Spill Trustee Council Oil Spill Investment Fund and Oil Spill Settlement Trust are in accordance with accounting principles generally accepted in the United States of America or whether financial statements of the Natural Resources Damage Assessment and Restoration Fund are in accordance with the cash basis of accounting.

Management is responsible for the preparation and fair presentation of the *Exxon Valdez* Oil Spill Trustee Council Oil Spill Investment Fund and Oil Spill Settlement Trust financial statements in accordance with accounting principles generally accepted in the United States of America and for the preparation and fair presentation of Natural Resources Damage Assessment and Restoration Fund financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the *Exxon Valdez* Oil Spill Trustee Council's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The accompanying financial statements of the State of Alaska, *Exxon Valdez* Oil Spill Investment Fund (Investment Fund) present only the Investment Fund and do not purport to, and do not, present fairly the financial position of the State of Alaska or any of its component units as of June 30, 2013 and 2012, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements of the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund (NRDA&R), *Exxon Valdez* Civil Settlement Restoration, present only the amounts related to the *Exxon Valdez* Oil Spill Trustee Council and do not purport to, and do not, present fairly the financial position of NRDA&R or the U.S. Department of the Interior, Fish and Wildlife Service as of September 30, 2013 and 2012, and the results

of their operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements of the State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust (Settlement Trust) present only the Settlement Trust and do not purport to, and do not, present fairly the financial position of the State of Alaska or any of its component units as of June 30, 2013 and 2012, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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July 9, 2014

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
STATE OF ALASKA - EXXON VALDEZ OIL SPILL INVESTMENT FUND
 (An Agency Fund of the State of Alaska)
STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES
 June 30, 2013 and 2012

	2013				2012			
	Research	Habitat	Koniag	Total	Research	Habitat	Koniag	Total
ASSETS:								
Cash and Investments	\$ 96,650,098	\$ 40,747,111	\$ 57,621,256	\$ 195,018,465	\$ 92,368,314	\$ 36,318,814	\$ 51,196,602	\$ 179,883,730
Total Assets	<u>\$ 96,650,098</u>	<u>\$ 40,747,111</u>	<u>\$ 57,621,256</u>	<u>\$ 195,018,465</u>	<u>\$ 92,368,314</u>	<u>\$ 36,318,814</u>	<u>\$ 51,196,602</u>	<u>\$ 179,883,730</u>
LIABILITIES:								
Accounts Payable	\$ 43,097	\$ 16,945	\$ 23,886	\$ 83,928	\$ 43,133	\$ 15,454	\$ 21,945	\$ 80,532
Assets Held in Custody by the State of Alaska	<u>96,607,001</u>	<u>40,730,166</u>	<u>57,597,370</u>	<u>194,934,537</u>	<u>92,325,181</u>	<u>36,303,360</u>	<u>51,174,657</u>	<u>179,803,198</u>
Total Liabilities	<u>\$ 96,650,098</u>	<u>\$ 40,747,111</u>	<u>\$ 57,621,256</u>	<u>\$ 195,018,465</u>	<u>\$ 92,368,314</u>	<u>\$ 36,318,814</u>	<u>\$ 51,196,602</u>	<u>\$ 179,883,730</u>

See independent accountant's compilation report.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
STATE OF ALASKA - EXXON VALDEZ OIL SPILL INVESTMENT FUND
(An Agency Fund of the State of Alaska)
STATEMENTS OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
For the Years Ended June 30, 2013 and 2012

	2013				2012			
	Research	Habitat	Koniag	Total	Research	Habitat	Koniag	Total
ASSETS:								
Investments, Beginning of Year	\$ 92,368,314	\$ 36,318,814	\$ 51,196,602	\$ 179,883,730	\$ 99,091,935	\$ 35,492,397	\$ 50,409,789	\$ 184,994,121
Additions:								
Interest and Investment Income	12,305,910	5,014,144	7,120,098	24,440,152	2,232,247	1,040,771	1,447,956	4,720,974
Deductions:								
State of Alaska,								
Exxon Valdez Oil Spill Settlement Trust	2,885,127	229,969	-	3,115,096	1,158,321	151,399	-	1,309,720
Investment Management Fees	43,136	15,452	21,943	80,531	46,673	14,995	21,131	82,799
United States Department of the Interior, Natural Resources Damage Assessment and Restoration Fund	5,095,863	340,426	673,501	6,109,790	7,750,874	47,960	640,012	8,438,846
Total Deductions	8,024,126	585,847	695,444	9,305,417	8,955,868	214,354	661,143	9,831,365
Investments, End of Year	\$ 96,650,098	\$ 40,747,111	\$ 57,621,256	\$ 195,018,465	\$ 92,368,314	\$ 36,318,814	\$ 51,196,602	\$ 179,883,730
LIABILITIES:								
Accounts Payable, Beginning of Year	\$ 43,133	\$ 15,454	\$ 21,945	\$ 80,532	\$ 46,674	\$ 14,994	\$ 21,130	\$ 82,798
Additions	43,097	16,945	23,886	83,928	43,133	15,454	21,945	80,532
Deductions	43,133	15,454	21,945	80,532	46,674	14,994	21,130	82,798
Accounts Payable, End of Year	43,097	16,945	23,886	83,928	43,133	15,454	21,945	80,532
Assets Held in Custody								
by the State of Alaska, Beginning of Year	92,325,181	36,303,360	51,174,657	179,803,198	99,045,261	35,477,403	50,388,659	184,911,323
Additions	12,262,813	4,997,199	7,096,212	24,356,224	2,189,114	1,025,317	1,426,011	4,640,442
Deductions	7,980,993	570,393	673,499	9,224,885	8,909,194	199,360	640,013	9,748,567
Assets Held in Custody by the State of Alaska, End of Year	96,607,001	40,730,166	57,597,370	194,934,537	92,325,181	36,303,360	51,174,657	179,803,198
	\$ 96,650,098	\$ 40,747,111	\$ 57,621,256	\$ 195,018,465	\$ 92,368,314	\$ 36,318,814	\$ 51,196,602	\$ 179,883,730

See independent accountant's compilation report.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 UNITED STATES DEPARTMENT OF THE INTERIOR,
 NATURAL RESOURCES DAMAGE ASSESSMENT
 AND RESTORATION FUND
 STATEMENTS OF ASSETS, LIABILITIES AND TRUST FUND
 BALANCE ARISING FROM CASH TRANSACTIONS - CASH BASIS
 September 30, 2013 and 2012

	2013	2012
ASSETS:		
Cash and Investments	\$ 241,140	\$ 1,019,134
Total Assets	\$ 241,140	\$ 1,019,134
 LIABILITIES AND FUND BALANCE:		
Trust Fund Balance	\$ 241,140	\$ 1,019,134
Total Liabilities and Trust Fund Balance	\$ 241,140	\$ 1,019,134

See independent accountant's compilation report.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 UNITED STATES DEPARTMENT OF THE INTERIOR,
 NATURAL RESOURCES DAMAGE ASSESSMENT
 AND RESTORATION FUND
 STATEMENTS OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN TRUST FUND BALANCE - CASH BASIS
 For the Years Ended September 30, 2013 and 2012

	2013	2012
Receipts:		
Contributions:		
<i>Exxon Valdez</i> Oil Spill Investment Fund	\$ 6,204,879	\$ 8,472,335
Unobligated Balances Returned to NRDA&R:		
U.S. Department of Commerce,		
National Oceanic and Atmospheric Administration	-	39,117
U.S. Department of the Interior,		
U.S. Fish and Wildlife Service	194,137	-
U.S. Geological Survey	1,158	51,330
Investment Income	212	161
Total Receipts	6,400,386	8,562,943
Disbursements:		
U.S. Department of the Interior,		
Bureau of Land Management	11,627	13,625
U.S. Fish and Wildlife Service	531,160	394,696
U.S. Geological Survey	1,122,366	1,285,572
National Park Service	59,400	105,185
Office of the Secretary	1,421,893	30,956
U.S. Department of Agriculture,		
U.S. Forest Service	49,558	33,899
U.S. Department of Commerce,		
National Oceanic and Atmospheric Administration	3,982,376	6,073,201
Total Disbursements	7,178,380	7,937,134
Excess (Deficiency) of Receipts Over Disbursements	(777,994)	625,809
Trust Fund Balance, Beginning of Year	1,019,134	393,325
Trust Fund Balance, End of Year	\$ 241,140	\$ 1,019,134

See independent accountant's compilation report.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 STATE OF ALASKA - *EXXON VALDEZ OIL SPILL SETTLEMENT TRUST*
 (A Special Revenue Fund of the State of Alaska)

BALANCE SHEETS
 June 30, 2013 and 2012

	2013	2012
ASSETS:		
Cash and Investments	\$ 7,150,244	\$ 8,875,948
Accounts Receivable	-	89
Prepaid Expense	2,145	-
	\$ 7,152,389	\$ 8,876,037
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 1,010,239	\$ 1,945,131
Due to State of Alaska General Fund	101,697	162,715
	1,111,936	2,107,846
Fund Balance:		
Restricted for Development	6,040,453	6,768,191
	\$ 7,152,389	\$ 8,876,037

See independent accountant's compilation report.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
STATE OF ALASKA - EXXON VALDEZ OIL SPILL SETTLEMENT TRUST
 (A Special Revenue Fund of the State of Alaska)
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN TRUST FUND BALANCE
 For the Years Ended June 30, 2013 and 2012

	2013	2012
Revenues:		
Contributions - State of Alaska, <i>Exxon Valdez</i> Oil Spill Investment Fund	\$ 3,115,096	\$ 1,309,720
Interest and Investment Income	24,509	140,338
Total Revenues	3,139,605	1,450,058
Expenditures:		
Current Operating:		
Natural Resources Damage Assessment and Restoration Projects - State of Alaska, Department of Commerce, Community, and Economic Development	2,037,370	2,594,620
Department of Fish and Game	1,717,704	1,479,731
Department of Natural Resources	92,151	74,389
Department of Environmental Conservation	-	4,053
Total Current Operating Expenditures	3,847,225	4,152,793
Capital Expenditures:		
Research Infrastructure Improvements - Alaska Department of Fish & Game	20,118	-
Land Acquisitions - State of Alaska, Department of Natural Resources	-	261,427
Total Expenditures	3,867,343	4,414,220
Excess (Deficiency) of Revenues Over Expenditures	(727,738)	(2,964,162)
Trust Fund Balance, Beginning of Year	6,768,191	9,732,353
Trust Fund Balance, End of Year	\$ 6,040,453	\$ 6,768,191

See independent accountant's compilation report.