

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
AND
TRUST FUNDS FINANCIAL STATEMENTS
Fiscal Year 2014

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

TRUST FUNDS FINANCIAL STATEMENTS

Fiscal Year 2014

TABLE OF CONTENTS

TRUST FUNDS FINANCIAL STATEMENTS

| | |
|---|-----|
| Independent Accountant’s Report on Applying Agreed-upon Procedures | 1-4 |
| Independent Accountant’s Compilation Report | 5 |
| Trust Funds Financial Statements | |
| Statements of Fiduciary Assets and Liabilities – State of Alaska – <i>Exxon Valdez</i> Oil Spill Investment Fund | 6 |
| Statements of Changes in Fiduciary Assets and Liabilities – State of Alaska – <i>Exxon Valdez</i> Oil Spill Investment Fund | 7 |
| Statements of Assets, Liabilities and Trust Fund Balance Arising from Cash Transactions – Cash Basis – United States Department of the Interior, Natural Resources Damage Assessment and Restoration Fund | 8 |
| Statements of Receipts, Disbursements and Changes in Trust Fund Balance – Cash Basis – United States Department of the Interior, Natural Resources Damage Assessment and Restoration Fund | 9 |
| Balance Sheets – State of Alaska – <i>Exxon Valdez</i> Oil Spill Settlement Trust | 10 |
| Statements of Revenues, Expenditures and Changes in Trust Fund Balance – State of Alaska – <i>Exxon Valdez</i> Oil Spill Settlement Trust | 11 |

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

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 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 Trustee Council's NRDA&R account for the year ended September 30, 2014. 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) 2014 from the Department of the Interior (DOI). We verified, without exception, that disbursements to federal agencies were made in accordance with EVOSTC's work plan, court notices and cash flows plans submitted by the agencies for FFY 2014. 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, and did in FFY 2014, DOI-OS when funds are unspent and available to return.

Recommendation:

We have no current year recommendations with respect to NRDA&R.

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 the 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 \$46,269 of lapsed restoration project funds in FFY 2015 - subsequent to the end of 2014 for project year FFY 2013. This followed returns in FFY 2013 for earlier years' projects and EVOSTC administrative support. USGS has requested that EVOSTC apply carryover balances of unexpended funds totaling approximately \$468,000 to FFY 2014 project year. As in prior 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 returned approximately \$133,600 of lapsed funds during FFY 2014 for project years FFY 2008 through FFY 2012. PWS Harbor Cleanup Project comprised the majority of this balance.

Also, in FFY 2015 subsequent to the end of FFY 2014, NOAA returned \$164,658 in funding for project years FFY 2010 through FFY 2014.

United States Forest Service (USFS)

Approximately \$4,000 of Trustee Council staff support funds were not utilized by USFS during FFY 2013 and returned in FFY 2014. A majority of this balance pertained to the underutilized 9% General and Admin allocation. In addition, USFS notified the Trustee Office subsequent to year-end that it would return an additional \$26,600 in project funding unused and de-obligated for projects through FFY 2014.

United States Fish and Wildlife Service (USFWS)

USFWS notified the Trustee Office subsequent to year-end that it would return approximately \$35,500 in lapsed funding on several projects through FFY 2013.

National Park Service (NPS)

Early in FFY 2014, NPS returned approximately \$17,000 related to a cancelled habitat acquisition project near Port Graham.

Recommendation:

Over the last two or three fiscal years, significant progress has been made within the federal trustee agencies to evaluate their Trustee Council projects and return unused project and habitat project funding. 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.

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 FFY 2014 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 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 2014 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.

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 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.

A handwritten signature in black ink, consisting of the letters 'E', 'R', and 'M' in a cursive, stylized font.

September 30, 2015

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Exxon Valdez Oil Spill Trustee Council
Anchorage, Alaska

Management is responsible for 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, 2014 and 2013 and the accompanying financial statements of Natural Resources Damage Assessment and Restoration Fund – cash basis as of and for the years ended September 30, 2014 and 2013, as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these 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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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.



September 30, 2015

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, 2014 and 2013

| | 2014 | | | | 2013 | | | |
|--|-----------------------|-----------------------|-------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| | Research | Habitat | Koniag | Total | Research | Habitat | Koniag | Total |
| ASSETS: | | | | | | | | |
| Cash and Investments | \$ 108,205,152 | \$ 114,737,187 | \$ - | \$ 222,942,339 | \$ 96,650,098 | \$ 40,747,111 | \$ 57,621,256 | \$ 195,018,465 |
| Total Assets | <u>\$ 108,205,152</u> | <u>\$ 114,737,187</u> | <u>\$ -</u> | <u>\$ 222,942,339</u> | <u>\$ 96,650,098</u> | <u>\$ 40,747,111</u> | <u>\$ 57,621,256</u> | <u>\$ 195,018,465</u> |
| LIABILITIES: | | | | | | | | |
| Accounts Payable | \$ 44,925 | \$ 47,627 | \$ - | \$ 92,552 | \$ 43,097 | \$ 16,945 | \$ 23,886 | \$ 83,928 |
| Assets Held in Custody by the State of Alaska | 108,160,227 | 114,689,560 | - | 222,849,787 | 96,607,001 | 40,730,166 | 57,597,370 | 194,934,537 |
| Total Liabilities | <u>\$ 108,205,152</u> | <u>\$ 114,737,187</u> | <u>\$ -</u> | <u>\$ 222,942,339</u> | <u>\$ 96,650,098</u> | <u>\$ 40,747,111</u> | <u>\$ 57,621,256</u> | <u>\$ 195,018,465</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, 2014 and 2013

| | 2014 | | | | 2013 | | | |
|---|----------------|----------------|---------------|----------------|---------------|---------------|---------------|----------------|
| | Research | Habitat | Koniag | Total | Research | Habitat | Koniag | Total |
| ASSETS: | | | | | | | | |
| Investments, Beginning 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 |
| Additions: | | | | | | | | |
| Interest and Investment Income | 17,914,586 | 10,842,037 | 7,571,091 | 36,327,714 | 12,305,910 | 5,014,144 | 7,120,098 | 24,440,152 |
| Transfers within accounts | - | 64,320,787 | - | 64,320,787 | - | - | - | - |
| Total Additions (Losses) | 17,914,586 | 75,162,824 | 7,571,091 | 100,648,501 | 12,305,910 | 5,014,144 | 7,120,098 | 24,440,152 |
| Deductions: | | | | | | | | |
| State of Alaska, | | | | | | | | |
| Exxon Valdez Oil Spill Settlement Trust | 1,276,299 | 787,444 | - | 2,063,743 | 2,885,127 | 229,969 | - | 3,115,096 |
| Investment Management Fees | 43,097 | 16,945 | 23,886 | 83,928 | 43,136 | 15,452 | 21,943 | 80,531 |
| United States Department of the Interior, | | | | | | | | |
| Natural Resources Damage | | | | | | | | |
| Assessment and Restoration Fund | 5,040,136 | 368,359 | 847,674 | 6,256,169 | 5,095,863 | 340,426 | 673,501 | 6,109,790 |
| Transfers within accounts | - | - | 64,320,787 | 64,320,787 | - | - | - | - |
| Total Deductions | 6,359,532 | 1,172,748 | 65,192,347 | 72,724,627 | 8,024,126 | 585,847 | 695,444 | 9,305,417 |
| Investments, End of Year | \$ 108,205,152 | \$ 114,737,187 | \$ - | \$ 222,942,339 | \$ 96,650,098 | \$ 40,747,111 | \$ 57,621,256 | \$ 195,018,465 |
| LIABILITIES: | | | | | | | | |
| Accounts Payable, Beginning of Year | \$ 43,097 | \$ 16,945 | \$ 23,886 | \$ 83,928 | \$ 43,133 | \$ 15,454 | \$ 21,945 | \$ 80,532 |
| Additions | 44,925 | 47,627 | - | 92,552 | 43,097 | 16,945 | 23,886 | 83,928 |
| Deductions | 43,097 | 16,945 | 23,886 | 83,928 | 43,133 | 15,454 | 21,945 | 80,532 |
| Accounts Payable, End of Year | 44,925 | 47,627 | - | 92,552 | 43,097 | 16,945 | 23,886 | 83,928 |
| Assets Held in Custody | | | | | | | | |
| by the State of Alaska, Beginning 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 |
| Additions | 17,869,661 | 75,115,197 | 7,571,091 | 100,555,949 | 12,262,813 | 4,997,199 | 7,096,212 | 24,356,224 |
| Deductions | 6,316,435 | 1,155,803 | 65,168,461 | 72,640,699 | 7,980,993 | 570,393 | 673,499 | 9,224,885 |
| Assets Held in Custody | | | | | | | | |
| by the State of Alaska, End of Year | 108,160,227 | 114,689,560 | - | 222,849,787 | 96,607,001 | 40,730,166 | 57,597,370 | 194,934,537 |
| | \$ 108,205,152 | \$ 114,737,187 | \$ - | \$ 222,942,339 | \$ 96,650,098 | \$ 40,747,111 | \$ 57,621,256 | \$ 195,018,465 |

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, 2014 and 2013

| | 2014 | 2013 |
|--|------------|------------|
| ASSETS: | | |
| Cash and Investments | \$ 196,378 | \$ 241,140 |
| Total Assets | \$ 196,378 | \$ 241,140 |
| LIABILITIES AND FUND BALANCE: | | |
| Trust Fund Balance | \$ 196,378 | \$ 241,140 |
| Total Liabilities and Trust Fund Balance | \$ 196,378 | \$ 241,140 |

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, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Receipts: | | |
| Contributions: | | |
| <i>Exxon Valdez</i> Oil Spill Investment Fund | \$ 5,487,579 | \$ 6,204,879 |
| Unobligated Balances Returned to NRDA&R: | | |
| U.S. Department of Commerce, | | |
| National Oceanic and Atmospheric Administration | 133,622 | - |
| U.S. Department of Agriculture, USFS | 4,581 | - |
| U.S. Department of the Interior, | | |
| U.S. National Park Service | 16,993 | - |
| U.S. Fish and Wildlife Service | - | 194,137 |
| U.S. Geological Survey | - | 1,158 |
| Investment Income | <u>42</u> | <u>212</u> |
| Total Receipts | <u>5,642,817</u> | <u>6,400,386</u> |
| Disbursements: | | |
| U.S. Department of the Interior, | | |
| Bureau of Land Management | 8,720 | 11,627 |
| U.S. Fish and Wildlife Service | 915,941 | 531,160 |
| U.S. Geological Survey | 1,016,933 | 1,122,366 |
| National Park Service | 43,600 | 59,400 |
| Office of the Secretary | 175,066 | 1,421,893 |
| U.S. Department of Agriculture, | | |
| U.S. Forest Service | 54,500 | 49,558 |
| U.S. Department of Commerce, | | |
| National Oceanic and Atmospheric Administration | <u>3,472,819</u> | <u>3,982,376</u> |
| Total Disbursements | <u>5,687,579</u> | <u>7,178,380</u> |
| Deficiency of Receipts Over Disbursements | (44,762) | (777,994) |
| Trust Fund Balance, Beginning of Year | <u>241,140</u> | <u>1,019,134</u> |
| Trust Fund Balance, End of Year | <u>\$ 196,378</u> | <u>\$ 241,140</u> |

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, 2014 and 2013

| | 2014 | 2013 |
|--|--------------|--------------|
| ASSETS: | | |
| Cash and Investments | \$ 4,984,692 | \$ 7,150,244 |
| Prepaid Expense | - | 2,145 |
| Total Assets | \$ 4,984,692 | \$ 7,152,389 |
| LIABILITIES AND FUND BALANCE: | | |
| Liabilities: | | |
| Accounts Payable | \$ 149,740 | \$ 1,010,239 |
| Due to State of Alaska General Fund | 68,502 | 101,697 |
| Total Liabilities | 218,242 | 1,111,936 |
| Fund Balance: | | |
| Restricted for Development | 4,766,450 | 6,040,453 |
| Total Liabilities and Fund Balance | \$ 4,984,692 | \$ 7,152,389 |

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, 2014 and 2013

| | 2014 | 2013 |
|--|--------------|--------------|
| Revenues: | | |
| Contributions - State of Alaska, <i>Exxon Valdez</i> Oil Spill Investment Fund | \$ 2,063,743 | \$ 3,115,096 |
| Interest and Investment Income | 33,039 | 24,509 |
| Total Revenues | 2,096,782 | 3,139,605 |
| Expenditures: | | |
| Current Operating: | | |
| Natural Resources Damage Assessment and Restoration Projects - State of Alaska, Department of Commerce, Community, and Economic Development | 30 | 2,037,370 |
| Department of Fish and Game | 1,606,215 | 1,717,704 |
| Department of Natural Resources | 56,524 | 92,151 |
| Total Current Operating Expenditures | 1,662,769 | 3,847,225 |
| Capital Expenditures: | | |
| Research Infrastructure Improvements - Alaska Department of Fish & Game | 602,956 | 20,118 |
| Land Acquisitions - State of Alaska, Department of Natural Resources | 1,105,060 | - |
| Total Capital Expenditures | 1,708,016 | 20,118 |
| Total Expenditures | 3,370,785 | 3,867,343 |
| Deficiency of Revenues Over Expenditures | (1,274,003) | (727,738) |
| Trust Fund Balance, Beginning of Year | 6,040,453 | 6,768,191 |
| Trust Fund Balance, End of Year | \$ 4,766,450 | \$ 6,040,453 |

See independent accountant's compilation report.