

05.04.10

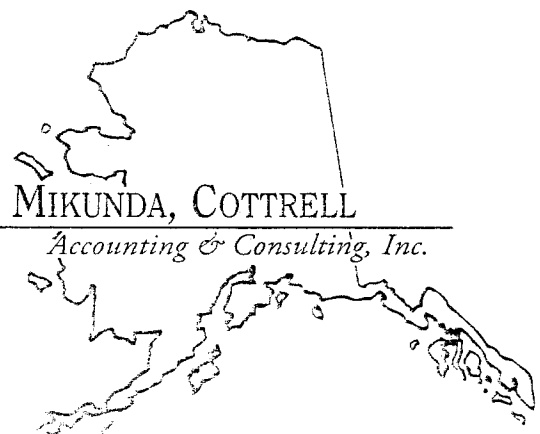
EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Trust Funds Financial Statements and Supplementary
Restoration Projects Information

September 30, 2003

MIKUNDA, COTTRELL

Accounting & Consulting, Inc.



EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Trust Funds Financial Statements and Supplementary
Restoration Projects Information

September 30, 2003

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Table of Contents

TRUST FUNDS FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Trust Fund Financial Statements	
Balance Sheet - State of Alaska, <i>Exxon Valdez</i> Oil Spill Investment Fund	3
Statement of Changes in Fiduciary Assets and Liabilities - State of Alaska, <i>Exxon Valdez</i> Oil Spill Investment Fund	4
Statement of Assets, Liabilities and Trust Fund Balance Arising from Cash Transactions - U.S. Department of the Interior, Office of the Secretary, Natural Resources Damage Assessment and Restoration Fund	5
Statement of Receipts, Disbursements and Changes in Trust Fund Balance - U.S. Department of the Interior, Office of the Secretary, Natural Resources Damage Assessment and Restoration Fund	6
Balance Sheet - State of Alaska, <i>Exxon Valdez</i> Oil Spill Settlement Trust	7
Statement of Revenues, Expenditures and Changes in Fund Balance - State of Alaska, <i>Exxon Valdez</i> Oil Spill Settlement Trust	8
Notes to Trust Funds Financial Statements	9-22

SUPPLEMENTARY RESTORATION PROJECTS INFORMATION

Independent Auditors' Report on Supplementary Restoration Projects Information	23
Schedules of Expenditures and Obligations - Budget and Actual	
State of Alaska	
Department of Fish and Game	24
Department of Natural Resources	25
United States Government	
Department of Interior, Fish and Wildlife Service	26
Department of Interior, U.S. Geological Survey	27
Department of Interior, Office of the Secretary	28
Department of Interior, National Park Service	29
Department of Commerce, National Oceanic and Atmospheric Administration	30

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Table of Contents, continued

	<u>Page</u>
SUPPLEMENTARY RESTORATION PROJECTS INFORMATION	
Schedule of Fiscal 2002 <i>Work Plan</i> Status as of September 30, 2003 (Unaudited)	31
Notes to Supplementary Information Related to Restoration Projects	32-34
INDEPENDENT AUDITORS' REPORTS ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> <i>Exxon Valdez Oil Spill Trustee Council</i>	
State of Alaska, <i>Exxon Valdez Oil Spill Investment Fund</i>	35
U.S. Department of the Interior, Natural Resources Damage Assessment and Restoration Fund	36
State of Alaska, <i>Exxon Valdez Oil Spill Settlement Trust</i>	37

MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

(907) 278-8878, Fax (907) 278-5779

www.mcc-cpa.com

Independent Auditor's Report

Members, Exxon Valdez Oil Spill Trustee Council
Anchorage, Alaska

We have audited the financial statements of Exxon Valdez Oil Spill Trustee Council, Trust Funds as of and for the year ended September 30, 2003, as listed in the accompanying table of contents. These financial statements are the responsibility of the Exxon Valdez Oil Spill Trustee Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, financial presentation for the State of Alaska, Exxon Valdez Oil Spill Investment Fund (Investment Fund) is of the Investment Fund only and is not intended to present the financial position of the State of Alaska or any of its component units and the results of their operations.

As discussed in Note 2, the financial presentation for the U.S. Department of the Interior, Office of the Secretary, Natural Resources Damage Assessment and Restoration Fund (NRDA&R) is of the amounts related to the Exxon Valdez Oil Spill Trustee Council only and is not intended to present the financial position of NRDA&R or the U.S. Department of Interior Fish and Wildlife Service and the results of their operations, in conformity with generally accepted accounting principles of the United States.

As discussed in Note 2, the financial presentation for the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust) is of the Settlement Trust only and is not intended to present financial position of the State of Alaska or any of its component units and the results of their operations.

As discussed in Note 2, financial presentation for the NRDA&R are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States.

Members, Exxon Valdez Oil Spill Trustee Council
Anchorage, Alaska

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of NRDA&R and the financial position of the Investment Fund and Settlement Trust as of September 30, 2003, and the results of their operations for the year then ended, on the basis of accounting described in note 2.

In accordance with Government Auditing Standards, we have also issued our reports dated April 26, 2004, on our consideration of the Exxon Valdez Oil Spill Trustee Council, Trust Fund' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations and contracts.

Mikunda, Cottrell & Co.

April 26, 2004

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
State of Alaska - Exxon Valdez Oil Spill Investment Fund
(An Agency Fund of the State of Alaska)
Balance Sheet
September 30, 2003

Assets:	
Cash and investments	\$ 161,272,727
Interest receivable	<u>2</u>
 Total assets	 <u><u>161,272,729</u></u>
Liabilities:	
Accounts payable	28,075
Assets held in custody by the State of Alaska	<u>161,244,654</u>
 Total liabilities	 \$ <u><u>161,272,729</u></u>

See accompanying notes to financial statements.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 State of Alaska - Exxon Valdez Oil Spill Investment Fund
 (An Agency Fund of the State of Alaska)
 Statement of Changes in Fiduciary Assets and Liabilities
 Year Ended September 30, 2003

Additions:	
Interest and investment income	\$ <u>22,596,009</u>
Deductions:	
State of Alaska:	
Exxon Valdez Oil Spill Settlement Trust	1,283,808
Investment management fees	73,260
United States Department of the Interior, Office of the Secretary, Natural Resources Damage Assessment and Restoration Fund	<u>2,284,300</u>
Total deductions	<u>3,641,368</u>
Net increase in assets	18,954,641
Assets held in custody by the State of Alaska, beginning of year	<u>142,290,013</u>
Assets held in custody by the state of Alaska, end of year	\$ <u><u>161,244,654</u></u>

See accompanying notes to financial statements.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
United States Department of the Interior, Office of the Secretary
Natural Resources Damage Assessment and Restoration Fund
Statement of Assets, Liabilities and Trust Fund Balance arising from cash transactions:
September 30, 2003

Assets:	
Cash and investments	\$ <u>223,051</u>
Liabilities and Fund Balance:	
Liabilities	-
Trust fund balance	<u>223,051</u>
 Total liabilities and trust fund balance	 \$ <u>223,051</u>

See accompanying notes to financial statements.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 United States Department of the Interior, Office of the Secretary
 Natural Resources Damage Assessment and Restoration Fund
 Statement of Receipts, Disbursements and Changes in Trust Fund Balance
 Year Ended September 30, 2003

Receipts:

Contributions:

Exxon Valdez Oil Spill Settlement Trust	\$ 121,800
Exxon Valdez Oil Spill Investment Fund	<u>2,284,300</u>
	<u>2,406,100</u>

Unobligated balance returned to NRDA&R:

U.S. Department of Interior:

Fish and Wildlife Service	84,674
United States Geological Survey	<u>40,661</u>
	125,335

Investment income

14,380

Total Receipts

2,545,815

Disbursements:

U.S. Department of Interior:

Fish and Wildlife Service	1,130,000
United States Geological Survey	831,600
National Park Service	4,700
Office of Secretary	24,200
U.S. Department of Agriculture, United State Forest Service	249,500
U.S. Department of Commerce, National Oceanic and Atmospheric Administration	1,171,800
EVOS Criminal Settlement Fund	<u>150,000</u>

Total disbursements

3,561,800

Deficiency of receipts over disbursements

(1,015,985)

Trust Fund balance, beginning of year

1,239,036

Trust Fund balance, end of year

\$ 223,051

See accompanying notes to financial statements.

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 Sheet
September 30, 2003

Assets:	
Cash and investments	\$ <u>5,827,172</u>
Total assets	<u>5,827,172</u>
Liabilities and Fund Balances:	
Liabilities - accounts payable	<u>669,521</u>
Fund balances:	
Reserved for encumbrances	3,132,067
Unreserved	<u>2,025,584</u>
Total fund balance	<u>5,157,651</u>
Total liabilities and fund balance	\$ <u>5,827,172</u>

See accompanying notes of the financial statements.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 State of Alaska - Exxon Valdez Oil Spill Settlement Trust
 (A Special Revenue Fund of the State of Alaska)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Year Ended September 30, 2003

Revenues:	
Contributions - State of Alaska Exxon Valdez Investment Fund	\$ 5,034,359
Interest and investment income	<u>217,452</u>
 Total revenues	 <u>5,251,811</u>
Expenditures:	
Current operating:	
Natural Resources Damage Assessment and Restoration Projects - Alaska	
Department of Fish & Game	2,181,004
Department of Natural Resources	<u>450,493</u>
	<u>2,631,497</u>
Capital outlay:	
Research Infrastructure Improvements - Alaska	
Department of Environmental Conservation	219,028
Department of Natural Resources	<u>1,536,987</u>
Land acquisitions - Alaska	
Department of Natural Resources	<u>291,000</u>
	<u>1,047,015</u>
 Total expenditures	 <u>3,678,512</u>
 Excess of revenues over expenditures	 1,573,299
 Fund balance, beginning of year	 <u>3,584,352</u>
 Fund balance, end of year	 \$ <u><u>5,157,651</u></u>

See accompanying notes of the financial statements.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements

September 30, 2003

(1) Exxon Valdez Oil Spill Trustee Council

Formation of the Exxon Valdez Oil Spill Trustee Council

The United States of America (United States) and the State of Alaska (State) entered into a Memorandum of Agreement and Consent Decree (MOA) on August 28, 1991. The MOA was made to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the *T/V Exxon Valdez Oil Spill* (Oil Spill), which occurred on the night of March 23-24, 1989 in Prince William Sound, Alaska. Upon entering into the MOA, the United States and the State believed that the terms of the MOA were in the public interest and would best enable them to fulfill their duties as trustees to assess injuries and to restore, replace, rehabilitate, enhance, or acquire the equivalent of the natural resources injured, lost, or destroyed as a result of the Oil Spill.

Pursuant to the MOA and federal laws, the United States and State act as co-trustees in the collection and joint use of all natural resource damage recoveries for the benefit of natural resources injured, lost or destroyed as a result of the Oil Spill. To manage the co-trustee relationship, the *Exxon Valdez Oil Spill Trustee Council* (Council) was formed.

Exxon Valdez Oil Spill Trustee Council Structure

The Council consists of six trustees, three trustees represent the United States and three trustees represent the State. The United States' trustees are the Secretaries of the United States Departments of Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (a bureau of the United States Department of Commerce). The State's trustees consist of the Commissioners of the State Departments of Environmental Conservation and Fish and Game, and the Attorney General of the State of Alaska. The MOA allows the President of the United States or the Governor of the State of Alaska to transfer trustee status from one official to another official of their respective governments.

All decisions of the Council must be made by the unanimous agreement of the trustees. If the trustees cannot reach unanimous consent, either the United States or the State may resort to litigation in the United States District Court for the District of Alaska (Court).

Restoration Office

The Council has established a Restoration Office, which is responsible for the coordination and supervision of the activities of the Council. The Restoration Office is managed by an Executive Director who reports directly to the Council. Since the Council exists through the MOA, it and the Restoration Office operate within the framework of the Trustee Agencies. During fiscal 2003, most activities of the Restoration Office were conducted through the Alaska State Departments of Fish and Game and Natural Resources.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Exxon Valdez Oil Spill Trustee Council, continued

Restoration Office, continued

The Restoration Office develops an annual budget, which, upon approval by the Council, sets forth the anticipated expenditures of the Restoration Office. The Council makes an annual contribution to the State agencies equal to the budget for the Restoration Office. The contributions are made using the disbursements procedures discussed in Note 6.

Termination of the Exxon Valdez Oil Spill Trustee Council

The MOA shall terminate when the United States and the State certify to the Court, or when the Court determines on application by either government, that all activities contemplated under the MOA have been completed.

(2) Summary of Significant Accounting Policies

State of Alaska, Exxon Valdez Oil Spill Investment Fund

As requested by the Council and ordered by the Court, the Council deposited all undisbursed balances into the State of Alaska Exxon Valdez Investment Fund (Investment Fund) established by the Alaska Department of Revenue, Division of Treasury. The transfer occurred October 5, 2000. The total amount deposited in the Investment Fund was \$134,696,900. As further discussed in Note 5, amounts paid by Exxon Corporation after October 5, 2000 are made directly to the United States and the State for reimbursement of certain costs incurred by them in connection with the Oil Spill. In accordance with the MOA, public law 106-113 and as ordered by the presiding Court pending disbursements to the Federal and State trust funds, money that is not directly paid to the United States and the State is placed in this interest bearing Investment Fund.

The Investment Fund is an agency fund within the State. Agency funds are custodial in nature (i.e. assets equal liabilities) and do not measure the results of operations. The State of Alaska adopted Governmental Accounting Standards Board Statement No.34, basic financial statements – and Management Discussion and Analysis for State and Local Governments (GASB 34), in fiscal 2001, effective July 1, 2000. GASB 34 establishes financial reporting standards for all state and local governments and related entities. For the Investment Fund presentation in these financial statements, GASB 34 does not apply.

Upon unanimous approval of the Trustee Council, funds are disbursed to the United States NRDA&R Funds and the State Settlement Trust to be expended by the Trustee Agencies in accordance with the Council's wishes. The accompanying financial statements for the Investment Fund reflect the intent of the disbursements as to natural resource damage assessment and restoration, or the acquisition of land or research infrastructure improvements to further protect the natural resources. The financial statements also reflect the fiscal year that the disbursements are to be expended by the Trustee Agencies.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

State of Alaska, Exxon Valdez Oil Spill Investment Fund, continued

The financial presentation for the Investment Fund is of the Investment Fund only and is not intended to present the financial position of the State of Alaska or any of its component units and the results of their operations.

U.S. Department of the Interior, Natural Resources Damage Assessment and Restoration Fund

Disbursements which are made from the Investment Fund to the United States are deposited in the U.S. Department of the Interior, Fish and Wildlife Service, Natural Damage Assessment and Restoration Fund (NRDA&R). NRDA&R was established pursuant to Public Law 102-154, and is administered by the U.S. Department of the Interior, Fish and Wildlife Service. It is a trust fund which was established to hold natural resources damage assessment and restoration settlement proceeds of the United States Government. Public Law 120-229 requires that federal proceeds from the Agreement and Consent Decree (see additional discussion in Note 4) be deposited in NRDA&R, and that all interest earned on these proceeds be available to the Federal Trustees for necessary expenses for assessment and restoration of areas affected by the Oil Spill. Public Law 120-229 also calls for amounts in NRDA&R to be invested by the U.S. Secretary of the Treasury interest bearing obligations of the United States.

Disbursements from NRDA&R are made pursuant to the directions of the Council and as notified to the Court. At the beginning of each fiscal year, the Department of the Interior, Fish and Wildlife Service communicates with each of the United States Trustee Agencies to determine the timing of disbursements from NRDA&R to each Federal Agency. Investments are purchased in order to earn interest on available balances within NRDA&R, with scheduled maturity dates coincident with the scheduled date of disbursement.

The financial presentation for NRDA&R is of the amounts related to the Council only and is not intended to present the financial position of NRDA&R or the Department of Interior, Fish and Wildlife Service and the results of their operations.

State of Alaska, Exxon Valdez Oil Spill Settlement Trust

Disbursements which are made from the Investment Fund to the State are deposited in the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust). The Settlement Trust is established pursuant to AS 37.14.400. Pursuant to State law, a state agency may not expend money from the Settlement Trust unless the expenditures are in accordance with an appropriation made by law. Expenditures of funds are made upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

State of Alaska, Exxon Valdez Oil Spill Settlement Trust, continued

The Settlement Trust is a special revenue fund of the State. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The State of Alaska adopted Governmental Accounting Standards Board's Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis for State and Local Governments* (GASB 34), in fiscal 2001, effective July 1, 2000. GASB 34 establishes financial reporting standards for all state and local governments and related entities. For the Settlement Trust presentation in these financial statements, GASB 34 does not apply.

Upon approval by the Council, State Trustee Agencies make expenditure directly against the Settlement Trust.

The financial presentation for the Settlement Trust is of the Settlement only and is not intended to present the financial position of the State of Alaska or any of its component units and the results of its operations.

Basis of Accounting

Basis of accounting refers to when revenues, expenditures, and the related assets and liabilities are recorded in the accounts and financial statements. Specifically, it relates to the timing of the financial measurements made, regardless of the measurement focus applied.

The basis of accounting used by the Investment Fund, NRDA&R, and Settlement Trust are as follows:

Investment Fund - Agency funds are used to report resources held by the state purely in a custodial capacity (assets equal liabilities). The financial statements of the Investment Fund are accounted for using a current financial resources measurement focus on the accrual basis.

NRDA&R - The financial statements of NRDA&R are prepared on a cash basis of accounting. As such, revenues are recognized when received, and disbursements are recognized when paid.

Settlement Trust - The financial statements of the Settlement Fund are accounted for using a current financial resources measurement focus on the modified accrual basis. The Settlement Fund recognizes revenues when the source is measurable and available, and intended for the fiscal year. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Assets are recorded when measurable and due.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

Settlement Trust, continued

Expenditures are recorded when the related liability is incurred. Encumbrance accounting, under which purchase orders and contracts for the expenditures of money are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary integration of the Settlement Trust. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Until June 30, 1997, interest and interest income was allocated to the Settlement Trust as agreed to under a Memorandum of Understanding (MOU) by and between the State Departments of Revenue and Administration effective July 1, 1993. Under the MOU, interest was credited daily to the Settlement Trust by determining the Settlement Trust's daily cash balance and applying the current weekly 180-day Treasury Bill Rates based on the Treasury Bill auctions. Effective July 1, 1997, a new MOU, dated November 26, 1997, superseded the original MOU and modified the method of determining interest income earned by the Settlement Trust. Under the new method, interest income is allocated daily based on actual earnings of the cash management pool of which the Settlement Trust is a part.

Statement Presentation

Separate balance sheets and statements of receipts and disbursements or revenues and expenditures are presented for each of the Investment Fund, NRDA&R, and the Settlement Trust. This is due to the fact that ownership of the Trust Funds rests separately with each of the U.S. Department of the Interior, Fish and Wildlife Service and the State of Alaska, and the different bases of accounting used by the Trust Funds.

Accounts Payable – Settlement Trust

Accounts payable in the Settlement Trust financial statements include disbursements made against the Settlement Trust subsequent to September 30, 2003, but which relate to fiscal 2003 restoration activities.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

(3) **Cash and Investments**

Cash and investments for the Investment Fund, NRDA&R, and the Settlement Trust are as follows:

Investment Fund – Cash and investments of the Investment Fund represent cash on deposit in banks, and cash invested in various investments as a part of the Council’s long-term investment needs. By law, all deposits and investments relating to the Investment Fund are under the control of the Commissioner of the State Department of Revenue. The State’s cash is invested pursuant to State laws which mandate that investments shall be made with the judgment and care exercised by an institutional investor of ordinary professional prudence, discretion and intelligence. Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No.3.

The State maintains the Investment Fund as part of several investment pools. The Short-term Fixed Income Pool, the Broad Market Fixed Income Pool, and the SOA International Equity Pool contain assets of other participants outside the control of the Commissioner of Revenue and, as such, cannot be categorized into one of the three risk categories because the amounts reported represent interests in the pool rather than ownership of specific identifiable securities. The Non-retirement Domestic Equity Pool is an open-ended mutual fund-like pool and is therefore not categorized with regard to credit risk. Investments of the State are stated at fair value in accordance with GASB Statement No.31. Fair Value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

<u>Cash and Equivalents</u>	<u>Research</u>	<u>Habitat</u>	<u>Koniag</u>	<u>Total</u>
Short term Fixed Income Pool	\$ 2,310	-	-	2,310
Marketable Debt and Equity Securities:				
Broad Market Fixed Income Pool	40,266,127	10,891,427	13,657,452	64,815,006
Non-retirement Domestic Equity Pool	42,540,746	11,633,323	14,263,361	68,437,430
State of Alaska International Equity Pool	<u>17,449,761</u>	<u>4,702,782</u>	<u>5,865,438</u>	<u>28,017,981</u>
	<u>\$ 100,258,944</u>	<u>27,227,532</u>	<u>33,786,251</u>	<u>161,272,727</u>

Additional investment information on the various pools and investments, as well as the Funds, may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Cash and Investments, continued

NRDA&R – All cash and investments of NRDA&R are held in the name of the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund at the U.S. Department of the Treasury. At September 30, 2003, substantially all balances are held in U.S. Treasury Bills and Notes with maturities ranging from 30 to 300 days. A nominal amount of cash is also included in the balance. Market values of investment securities held by NRDA&R approximate their cost at September 30, 2003. There are no uninsured or unregistered deposits or investments. This places all of NRDA&R's investment and deposits in GASB credit risk category 1*.

	Category			Market
	1	2	3	Value
Cash and cash equivalents	\$ 41,202	-	-	41,202
U.S. Treasury Bill	181,849	-	-	181,849
	\$ 223,051	-	-	223,051

* GASB Statement No.3 requires deposits and investments to be categorized to indicate the level of risk assumed by an entity. For investments, category 1 consists of investments that are insured or registered for which the securities are held by the entity or its custodian in the entity's name, category 2 consists of uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name, and category 3 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent not in the entity's name.

Settlement Trust – Cash and investments of the Settlement Trust represent cash on deposit in banks, and cash invested in various investments as a part of the State's short-term cash management pools. By law, all deposits and investments relating to the Settlement Trust are under the control of the Commissioner of the State Department of Revenue. The State's cash is invested pursuant to State laws which mandate that investments shall be made with judgment and care exercised by an institution investor of ordinary professional prudence, discretion and intelligence. Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No.3.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Cash and Investments, continued

The State maintains the Settlement Fund as part of an investment pool. The Short-term Fixed Income Pool contains assets of other participants outside the control of the Commissioner of Revenue and, as such, cannot be categorized into one of the three risk categories because the amounts reported represent interests in the pool rather than ownership of specific identifiable securities. Investments of the State are stated at fair value in accordance with GASB Statement No.31. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

<u>Cash and Equivalents</u>	<u>Market/Carrying Value</u>
Short-term Fixed Income Pool	\$ <u>5,827,172</u>

Additional investment information on the various pools and investments, as well as the Funds, may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

(4) Contributions by Exxon Corporation

Agreement and Consent Decree

On October 8, 1991, the United States, the State, Exxon Corporation (Exxon) and Exxon Shipping Company, and Exxon Pipeline Company entered into an Agreement and Consent Decree (Agreement). The Agreement principally stipulates that Exxon make certain payments, and that all parties release and covenant not to sue or to file any administrative claim against the other parties or specifically identified third parties.

Pursuant to the Agreement Exxon paid the United States and the State a total of \$900 million as follows:

<u>Date Payment Due</u>	<u>Amount</u>
Ten days after the Agreement became effective	\$ 90,000,000
December 1, 1992	150,000,000
September 1, 1993	100,000,000
September 1, 1994	70,000,000
September 1, 1995	70,000,000
September 1, 1996	70,000,000
September 1, 1997	70,000,000
September 1, 1998	70,000,000
September 1, 1999	70,000,000
September 1, 2000	70,000,000
September 1, 2001	<u>70,000,000</u>
	\$ <u>900,000,000</u>

In addition to the payments above, Exxon paid \$831,233 in interest.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Contributions by Exxon Corporation

Reopener for Unknown Injury

In addition to the payment terms discussed above, the Agreement also has a reopener provision that allows the government to claim an additional \$100 million from Exxon between September 1, 2002, and September 1, 2006, as required for the performance of restoration projects in Prince William Sound and other areas affected by the Oil Spill to restore one or more populations, habitats, or species which, as a result of the Oil Spill, suffered substantial loss or substantial decline in the areas affected by the Oil Spill.

The cost of the restoration projects must be grossly disproportionate to the magnitude of the benefits obtained, and the reopener is available only for any losses or declines that could not reasonably have been known or anticipated from information available at the time of the Agreement.

(5) Reimbursement to the United States and the State

Under the terms of the Agreement, certain amounts paid by Exxon are to be made directly to the United States and the State. These payments are to be used solely to reimburse them for the following purposes:

1. Response and clean-up costs incurred by either of them on or before December 31, 1990 in connection with the Oil Spill;
2. Natural resource damages assessment costs incurred by either of them on or before March 12, 1991 in connection with the Oil Spill;
3. (State only) Attorneys fees, experts' fees, and other costs incurred by the State on or before March 12, 1991 in connection with litigation arising from the Oil Spill;
4. Response and clean-up costs incurred by either of them after December 31, 1990 in connection with the Oil Spill;
5. To assess injury resulting from the Oil Spill and to plan, implement, and monitor the restoration, rehabilitation, or replacement of natural resources, natural resource services, or archaeological sites and artifacts injured, lost or destroyed as a result of the Oil Spill, or the acquisition of equivalent resources or services after March 12, 1991; and
6. (State only) Reasonable litigation costs incurred by the State after March 12, 1991.

The Agreement states that the amounts to be reimbursed to the United States for items one and two above are not to exceed \$67 million. The amounts to be reimbursed to the State for items one, two, and three above are not to exceed \$75 million. The agreement does not place a cap on items four and five. The amounts paid to the State for item six above are not to exceed \$1 million per month.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

(6) Disbursements from Investment Fund

Approved Payment Uses

Under the terms of the MOA, amounts paid by Exxon, excluding the reimbursements discussed in the preceding Note, are deposited into the Investment Fund. These payments are to be used solely to assess injury resulting from the Oil Spill and to plan, implement, and monitor the restoration, rehabilitation, or replacement of natural resources, natural services, or archaeological sites and artifacts injured, lost or destroyed as a result of the Oil Spill, or the acquisition of equivalent resources or services.

Project Approval

The Council has developed a solicitation and review process for projects to address the purposes stated above. The outcome of the process is the development of a fiscal year Work Plan, which approves the funding for all projects to be conducted during the fiscal year. For the fiscal year ending September 30, 2003, the following project solicitation and review process was used by the Council:

1. In February 2002, the Council published an *Invitation to Submit Restoration Proposals for Federal Fiscal Year 2003 Phase I*. As part of the requirements, proposers developed and submitted detailed project descriptions and project budgets for review.
2. In May 2002, the Council's Chief Scientist and core reviewers coordinated a preliminary scientific and technical review of the proposals. The Council's Executive Director also discussed proposals with Trustee agencies, Chief Scientist and representatives of the Public Advisory Committee (the Public Advisory Committee consists of members of the public and concerned groups and was appointed by the Secretary of Interior based on the Council's recommendation in accordance with the MOA to help provide meaningful public participation in the injury assessment and restoration process) and drafted preliminary recommendations.
3. In June 2002, all proposals and the results of the reviews were published in the *Draft Fiscal Year 2003 Work Plan Phase I* and distributed for public comment.
4. In June 2002, a public hearing was held on the *Draft Fiscal Year 2003 Work Plan Phase I* and the Public Advisory Group met to advise Trustee Council on the final work plan.
5. In July 2002, the Council published an *Invitation to Submit Restoration Proposals for Federal Fiscal Year 2003 Phase II*.
6. The majority of approved projects received funding from the Council in August 2001.
7. In August 2002, following public comment, the Council approved 29 projects totaling \$3,725,000 for *Fiscal Year 2003 Work Plan Phase I*.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Disbursements from Investment Fund

Project Approval, continued

8. In October 2002, the Council's Chief Scientist and core reviewers coordinated a preliminary scientific and technical review of the proposals. The Council's Executive Director also discussed proposals with Trustee agencies, Chief Scientist and representatives of the Public Advisory Group (the Public Advisory Group consists of members of the public and concerned groups and was appointed by the Secretary of Interior based on the Council's recommendation in accordance with the MOA to help provide meaningful public participation in the injury assessment and restoration process) and drafted preliminary recommendations. All proposals and the results of the reviews were published in the *Draft Fiscal Year 2003 Work Plan Phase II* and distributed for public comment.
9. In November 2002, following public comment, the Council approved 12 projects totaling \$1,727,700 for *Fiscal Year 2003 Work Plan Phase II*.

In addition to the process outlined above, the Council has also identified and acquired several tracts of land as permitted by the MOA. The land acquisition support costs are funded through the Work Plan. The Council separately approves land acquisitions.

Interest Income and Unobligated Balance Recovery – NRDA&R and the Settlement Trust

The governments are to report to the Council the amount of interest earned on net available balances in NRDA&R and the Settlement Trust. When appropriate, the Council then recovers the interest reported by reducing subsequent disbursements from the Investment Fund for future projects. In addition, actual project costs are frequently less than the original project budgets. When this occurs, the United States and the State retain the unspent or unobligated balances. When appropriate, the Council then recovers these balances by reducing subsequent disbursements for new projects. During fiscal 2003, disbursements to the United States and the State were reduced by \$73,500 and \$2,310,992 for such interest income and unspent or unobligated balances, respectively.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Disbursements from the Investment Fund

During fiscal 2003, the Council disbursed \$3,641,368 for restoration projects, land acquisition and other Council Authorizations pursuant to the MOA as follows:

Restoration Projects Authorized By the Council

For 2003:

To be conducted by the State	\$ 1,283,808
To be conducted by the United States	<u>933,300</u>
Total	<u>2,217,108</u>

Land Acquisitions and Research Infrastructure Improvements Authorized By the Council

For 2003:

To be acquired by the United States	<u>1,351,000</u>
-------------------------------------	------------------

Investment Management Fees 73,260

Disbursement from the Investment Fund \$ 3,641,368

(8) Real Property Acquisitions

In order to protect the habitat of resources and services injured by the Oil Spill, the Council directed its staff to establish a process for the evaluation and acquisition of real property that was imminently threatened by development, or had habitat value. This process was divided into two phases; large parcels, generally those over 1,000 acres, and small parcels, generally those smaller than 1,000 acres.

Large Parcel Acquisitions

The large parcel of the land evaluation and acquisition process was initiated in 1992. This evaluation process lead to the consideration of numerous parcels for acquisition by Trustee Agencies. As of September 30, 2003, the Council funded the acquisition, through either the purchase of the property or the acquisition on a limited term conservation easement, for 635,770 acres, with a total purchase cost of \$429,343,410. Of the total purchase cost, excluding interest \$373,200,065 is being provided from Joint Trusts, and \$56,143,346 from other sources.

Large Parcel Easement Acquisition

During fiscal 2003, a large parcel easement acquisition (Koniag Conservation Easement) offer closed for 55,402 acres that are now under a limited term conservation easement. The easement terms are for a commitment by the Council of \$29,800,000 over the next ten years (until 2012). Payments will be made over the next ten years. At that time the seller has the option to sell the land in fee for the remainder of the committed funds plus any interest earnings in the fund.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Real Property Acquisitions, continued

Pending Large Parcel Acquisitions

A large parcel acquisition offer for 17,000 acres and timber rights for 2,300 acres, which will expire in fiscal 2005 is pending. The offer by the Council is to pay for one-half the value of these parcels, the balance of funds to be obtained by a group called the Afognak Conservation Partners.

Small Parcel Acquisitions

The small parcel phase of the land evaluation and acquisition process was initiated in 1994. The nomination period is open ended, and the Council continues to receive and evaluate nominations. The nominations are evaluated under a grant to a third party through the Department of the Interior.

Through September 30, 2003, the Trustee Council has completed acquisition of 104 parcels containing 9,272 acres with a total cost of \$22,479,450. One of the acquisitions also contained a provision in which the seller relinquished remaining selections totaling 1,207 acres under their entitlement pursuant to the Alaska Native Claims Settlement Act (ANCSA). All of the small parcels are purchased under fee simple title, and cash is paid on these parcels at closing. Most of these acquisitions are purchased through Alaska Department of Natural Resources or the U.S. Department of the Interior, Fish and Wildlife Service. Of the total purchase cost on the parcels acquired to date, \$21,995,450 is being provided from the Exxon Valdez Oil Spill Trust Funds, and \$484,000 from other sources.

Kodiak Island Borough Master Waste Management Plan

During fiscal 1999, the Trustee Council approved the expenditure of \$1,857,100 for capital improvements to various waste management systems of the remote communities of Kodiak Island. Specifically, this project will upgrade and improve landfills, disposal sites and solid waste management, and will construct and install used oil and hazardous waste storage and disposal facilities and equipment, and provide for systems maintenance and repairs for seven communities on the Kodiak Island. The Alaska Department of Environmental Conservation (DEC) will expend the funds principally through contracts initiated in fiscal 2001. As of September 30, 2003, \$499,564 has been expended. Of the total funding for the project, \$48,700 will be retained by DEC for contract administration.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Financial Statements, continued

Real Property Acquisitions, continued

Archeological repository

During 1998, the Trustee Council approved the concept of a single regional archeological repository in one of eight communities in the Chugach and lower Cook Inlet regions to house and display spill-related artifacts at a cost not to exceed \$1 million, the construction of new or renovated community facilities in the remaining seven communities to display spill-related archeological resources at a total cost not to exceed \$1.6 million, and the development of traveling exhibits of spill-related archeological materials for display in community facilities in the spill area at a total cost not to exceed \$200,000. During 1999, the Trustee Council resolved to provide \$2.8 million (plus a reasonable amount of funding for project management and general administration to be approved by the Council) to the Alaska Department of Natural Resources (DNR) to administer a grant award to Chugachmiut. Through fiscal 2003, the Trustee Council also approved \$157,200 for project management and general administration making the total approved \$2,957,200. As of September 30, 2003, \$1,807,639 has been expended on the project.

(9) Subsequent Events

On October 1, 2003, the Council notified the United States District Court of Alaska of a disbursement of \$372,100 and 1,572,600 from the Koniag and Research Sub-Accounts of Investment Fund, respectively, for large and small parcel habitat acquisitions and research projects.

On December 2, 2003, the Council notified the United States District Court of Alaska of a disbursement of \$3,187,402 from the Research Sub-Account of the Investment Fund related to its fiscal 2004 *Work Plan* for restoration projects.

MIKUNDA, COTTRELL & CO.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

(907) 278-8878, Fax (907) 278-5779

www.mcc-cpa.com

Independent Auditor's Report on Supplementary Restoration Projects Information

Members, Exxon Valdez Oil Spill Trustee Council
Anchorage, Alaska

We have audited the financial statements of the *Exxon Valdez* Oil Spill Trustee Council, Trust Funds as of and for the year ended September 30, 2003, as listed in the accompanying table of contents, and have issued our report thereon dated April 26, 2004. These financial statements are the responsibility of the *Exxon Valdez* Oil Spill Trustee Council's management. Our responsibility is to express an opinion on these financial statements based on our audit,

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the *Exxon Valdez* Oil Spill Trustee Council, Trust Funds, taken as a whole. The accompanying Schedules of Expenditures and Obligations Budget and Actual, and Schedule of Fiscal 2002 *Work Plan* Status as of September 30, 2003 on pages 24 through 31, are presented for purposes of additional analysis and are not a required part of the financial statements. With the exception of the Schedule of Fiscal 2002 *Work Plan* Status as of September 30, 2003, on page 31 on which we express no opinion and which are marked "unaudited," the information in these schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Mikunda, Cottrell & Co.

April 26, 2004

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Alaska Department of Fish and Game
 Schedule of Expenditures and Obligations - Budget and Actual
 Year Ended September 30, 2003

<u>Project Number</u>	<u>Project Title</u>	<u>Budget</u>	<u>Actual</u>	
			<u>Expenditures & Obligations</u>	<u>(Over) Under Expended</u>
030052	Tribal Natural Resource Stewardship and Meaningful Tribal Involvement in GEM	\$ 169,600	167,064	2,536
030100	Public Information and Administration	950,200	624,427	325,773
030190	Construction of Linkage Map for the Pink Salmon Genome	54,500	40,246	14,254
030210	Youth Area Watch	98,600	73,361	25,239
030250	Project Management	50,000	33,555	16,445
030340	Toward Long-Term Oceanographic Monitoring of the Gulf of Alaska	51,600	50,043	1,557
030455	Gulf Ecosystem Monitoring and Research Program Data System	212,900	135,355	77,545
030462	Effects of Disease on Pacific Herring Population Recovery in Prince William Sound	87,000	73,229	13,771
030550	Alaska Resources Library and information Services	95,100	88,178	6,922
030556	High Resolution Mapping of the Intertidal and Shallow Subtidal Shores in Kachemak Bay	32,300	22,351	9,949
030558	Harbor Seal Recovery: Application of New Technologies for Monitoring Health	286,700	265,068	21,632
030584	Evaluation of Airborne Remote Sensing Tools for GEM Monitoring	31,400	30,175	1,225
030596	Securing Flow Data for a Lower Kenai Peninsula Salmon Stream	22,600	10,590	12,010
030610	Kodiak Archipelago Youth Area Watch	63,000	47,458	15,542
030614	Monitoring Programs for Near-Surface Temperature, Salinity and Fluorescence in the Northern Pacific Ocean	29,000	27,974	1,026
030630	Scientific Management under GEM & Lingering Oil Programs	434,900	262,542	172,358
030642	Database on the Marine Invertebrate Macrofauna of Prince William Sound: An Addition to the University of Alaska Museum's ARCTOS	19,200	18,968	232
030649	Reconstructing Sockeye Populations in the Gulf of Alaska over the Last Several Thousand Years	92,500	90,382	2,118
030666	Alaska Natural Geography in Shore Areas: An Initial Field Project for the Census of Marine Life	266,300	199,665	66,635
030670	Monitor Dynamics Cook Inlet Salmon	80,900	37,836	43,064
030684	Sustainable Management in the Kenai River Watershed	59,900	59,055	845
030685	Visible Remote Sensing of the Gulf of Alaska	77,100	59,131	17,969
Alaska Department of Fish and Game Total		\$ <u>3,265,300</u>	<u>2,416,653</u>	<u>848,647</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 Alaska Department of Natural Resources
 Schedule of Expenditures and Obligations - Budget and Actual
 Year Ended September 30, 2003

<u>Project Number</u>	<u>Project Title</u>	<u>Budget</u>	<u>Actual Expenditures (Over) Under & Obligations</u>	<u>Expended</u>
030126	Habitat Protection and Acquisition	\$ 85,700	55,200	30,500
030250	Project Management	10,000	10,000	-
030600	Synthesis of the Ecological Findings from the EVOS Damage Assessment and Restoration Programs, 1989-2001	215,900	215,900	-
030630	Scientific Management under GEM & Lingering Oil Program	<u>103,600</u>	<u>103,600</u>	<u>-</u>
	Alaska Department of Natural Resources Total	\$ <u>415,200</u>	<u>384,700</u>	<u>30,500</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 Department of Interior, Fish and Wildlife Service
 Schedule of Expenditures and Obligations - Budget and Actual
 Year Ended September 30, 2003

<u>Project Number</u>	<u>Project Title</u>	<u>Budget</u>	<u>Actual Expenditures (Over) Under & Obligations</u>	<u>Expended</u>
030423	Patterns and Processors of Population Change in Selected Nearshore Vertebrate Predators	\$ 11,500	11,500	-
030561	Community-Based Forage Fish Sampling	<u>17,000</u>	<u>17,000</u>	<u>-</u>
	Department of Interior, Fish and Wildlife Service Total	\$ <u>28,500</u>	<u>28,500</u>	<u>-</u>

EXXON VALDEZ OIL SPILL COUNCIL

Department of Interior, U.S. Geological Survey
 Schedule of Expenditures and Obligations - Budget and Actual
 Year Ended September 30, 2003

<u>Project Number</u>	<u>Project Title</u>	<u>Budget</u>	<u>Actual Expenditures (Over) Under & Obligations</u>	<u>Expended</u>
030100	Public Information, Science Management and Administration	\$ 139,900	117,980	21,920
030250	Project Management	27,900	27,883	17
030423	Patterns and Processes of Population Change in Selected Nearshore Vertebrate Predators	205,100	205,100	-
030585	Lingering Oil: Bioavailability and Effects to Prey and Predators	15,700	15,700	-
030600	Synthesis of the Ecological Findings from the EVOS Damage Assessment and Restoration Programs, 1999-2001	21,800	21,800	-
030620	Lingering Oil & Predators: Pathways of Exposure & Population Status	268,200	268,200	-
030630	Scientific Management under GEM & Lingering Oil Programs	14,000	8,959	5,041
030656	Retrospective Analysis of Nearshore Marine Communities Based on Archeological Material and Isotopes	49,000	47,995	1,005
030687	Monitoring in the Nearshore: A Process for Making Reasoned Decisions	90,000	89,591	409
	Department of Interior, U.S. Geological Survey Total	\$ <u>831,600</u>	<u>803,208</u>	<u>28,392</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 Department of Interior, Office of the Secretary
 Schedule of Expenditures and Obligations - Budget and Actual
 Year Ended September 30, 2003

<u>Project Number</u>	<u>Project Title</u>	<u>Budget</u>	Actual <u>Expenditures (Over) Under</u> <u>& Obligations</u>	<u>Expended</u>
030100	Public Information and Administration	\$ 26,500	25,840	660
	Department of Interior, Office of the Secretary Total	\$ <u>26,500</u>	<u>25,840</u>	<u>660</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL
 Department of Interior, National Park Service
 Schedule of Expenditures and Obligations - Budget and Actual
 Year Ended September 30, 2003

<u>Project Number</u>	<u>Project Title</u>	Actual Expenditures (Over) Under		
		<u>Budget & Obligations</u>	<u>Expended</u>	<u> </u>
030656	Retrospective Analysis of Nearshore Marine Communities Based on Analysis of Archeological Material and Isotopes	\$ <u>4,700</u>	<u>4,700</u>	<u>-</u>
	Department of Interior, National Park Service Total	\$ <u>4,700</u>	<u>4,700</u>	<u>-</u>

EXXON VALDEZ OIL SPILL COUNCIL

U.S. Department of Commerce, National Oceanic and Atmospheric Administration
 Schedule of Expenditures and Obligations - Budget and Actual
 Year Ended September 30, 2003

<u>Project Number</u>	<u>Project Title</u>	<u>Budget</u>	<u>Actual Expenditures & Obligations</u>	<u>(Over) Under Expended</u>
030012	Photographic and Acoustic Monitoring of Killer Whales in Prince William Sound and Kenai Fjords	\$ 18,100	17,881	219
030250	Project Management	49,700	48,501	1,199
030290	Hydrocarbon Database and Interpretation Service	22,500	21,209	1,291
030476	Effects of Oiled Incubation Substrate on Pink Salmon Reproduction	37,100	35,228	1,872
030574	Assessment of Bivalve Recovery on Treated Mixed-Soft Beaches in Prince William Sound	36,000	35,562	438
030575	Designing a Community Involvement/Community-based Monitoring Plan for GEM	109,600	108,270	1,330
030584	Evaluation of Airborne Remote Sensing Tools for GEM Monitoring	7,900	7,798	102
030585	Lingering Oil: Bioavailability & Effects to Prey & Predators	105,900	103,823	2,077
030607	Geographic Information Systems Map of Water Quality Monitoring Sites Across the Gulf of Alaska	13,100	12,939	161
030620	Lingering Oil & Predators: Pathways of Exposure & Population Status	167,600	163,755	3,845
030623	PWSRCAC-EVOS Long-Term Environmental Monitoring Program	70,900	69,394	1,506
030624	A CPR-Based Survey to Monitor the Gulf of Alaska and Detect Ecosystem Change	197,200	195,118	2,082
030625	Prince William Sound Isotope Ecology Synthesis	25,500	25,193	307
030635	Trophic Dynamics of Soft-Sediment	100,000	98,802	1,198
030636	Management Applications: Commercial Fishing	50,900	50,286	614
030641	ShoreZone Mapping for GEM	34,400	33,991	409
030647	Investigating the Relative Roles of Natural and Shoreline Harvest in Altering the Kenai Peninsula's Rocky Intertidal	87,900	86,833	1,067
030654	Surface Nutrients over the Shelf and Basin in Summer: Bottom-up Control of Ecosystem Diversity	37,500	37,047	453
U.S. Department of Commerce, National Oceanic and Atmospheric Administration Total		\$ <u>1,171,800</u>	<u>1,151,630</u>	<u>20,170</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Schedule of Fiscal 2002

Work Plan Status as of September 30, 2003

(Unaudited)

	<u>Budget</u>	<u>Actual Expenditures & Obligations</u>	<u>Unobligated Balance</u>
Alaska Department of:			
Fish and Game	\$ 3,497,200	3,490,437	6,763
Environmental Conservation	131,300	94,977	36,323
Natural Resources	<u>673,500</u>	<u>562,458</u>	<u>111,042</u>
Total State of Alaska	<u>4,302,000</u>	<u>4,147,872</u>	<u>154,128</u>
United States Department of:			
Agriculture, United States Forest Service	44,200	38,621	5,579
Interior:			
Fish & Wildlife Service	189,400	104,726	84,674
U.S. Geological Survey	875,800	835,139	40,661
Office of Secretary	43,800	40,688	3,112
National Park Service	4,800	4,800	-
Commerce, National Oceanic & Atmospheric Administration	<u>1,160,000</u>	<u>1,127,500</u>	<u>32,500</u>
Total United States	<u>2,318,000</u>	<u>2,151,474</u>	<u>166,526</u>
Total State of Alaska and United States	\$ <u>6,620,000</u>	<u>6,299,346</u>	<u>320,654</u>

See Note 5 of the Notes to Supplementary Information Related to Restoration Projects on Page 34 for additional discussion relating to this schedule

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Supplementary Information Related to Restoration Projects

(1) **Presentation**

The information presented in the accompanying Schedule of Expenditures and Obligations – Budget and Actual present the budgets for each approved by the Exxon Valdez Trustee Council (Council) as included in the Council's Fiscal Year 2003 Work Plan, and any amendments approved thereto, along with expenditures and obligations incurred by the Trustee Agencies in carrying out the Fiscal 2003 restoration projects only. The information presented is not intended to present the results of operations of any other activities conducted by the Trustee Agencies. Expenditures incurred by the Trustee Agencies in Fiscal 2003 relating to restoration projects of prior years and to the liquidations of prior year encumbrances, are also not presented. The procedures used to develop and implement the project budgets for Fiscal 2003 are discussed in Note 6 to the Trust Fund Financial Statements.

The schedule titled "Department Total" for each agency reflect total budgets, expenditures and obligations for each Trustee Agency.

(2) **Basis of Accounting**

Basis of accounting refers to when revenues, expenditures and the related assets and liabilities are recorded in the accounts and financial statements. Specifically, it relates to the timing of the financial measurements made, regardless of the measurement focus applied.

As discussed in Note 2 to the Trust Fund Financial Statements, the State of Alaska accounts for the expenditure of funds from the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust) on the modified accrual basis of accounting.

As discussed in Note 2 to the Trust Fund Financial Statements, the United States accounts for the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund (NRDA&R) on the cash basis of accounting. However, the United States Trustee Agencies use modified accrual accounting to account for the expenditure of funds within each agency. Expenditures are recorded when the related liability is incurred. Encumbrance (obligation) accounting, under which purchase orders and contracts for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary integration of the United States Government. Encumbrances (obligations) outstanding in year-end are included in the Actual Expenditure & Obligations column in the accompanying Schedule of Expenditures and Obligation – Budget and Actual.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Supplementary Information Related to Restoration Projects, continued

(3) **Financial Operating Procedures**

On September 21, 1992, the Council adopted Financial Operating Procedures (Procedures) to be used by the United States and State of Alaska Trustee Agencies in conducting restoration projects. The objective of the Procedures was to ensure public trust and accountability while maximizing the Council's ability to use settlement funds for approved restoration activities. On April 23, 2003 the Trustee Council adopted a fourth revision of the original procedures. The purpose of the adopted Procedures is to provide guidance regarding the authorities and responsibilities of agencies that receive Joint Funds approved by the Trustee Council.

Adjustments

The procedures allow Trustee Agencies to transfer funds into or out of projects up to the cumulative amounts of \$10,000 or up to ten percent of the authorized level of funding for each affected project, whichever is less, provided that such transfers will not alter the underlying scope or objectives of the project. The Council must approve transfers in excess of this amount. The budget amounts presented include transfers made between projects by the agencies, which were approved by the Executive Director or were made in accordance with the Procedures.

Single Project Budget Transfers

The Procedures authorize Trustee Agencies to transfer, within a single project, budgeted funds between object classes (such as personnel, travel and contractual costs), and may change detailed items of expenditure, including specific personnel, to accommodate circumstances encountered during budget implementation, provided that such transfers will not alter the underlying scope of objective of the project. The budget amounts presented do not include such transfers made by the agencies.

General Administration

The Procedures include a provision for general administration costs to be included in the budgets of the restoration projects. Actual recovery of general administrative costs shall be in proportion to actual direct costs and is limited to nine percent of total project costs.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

Notes to Supplementary Information Related to Restoration Projects, continued

(4) **Settlement Trust Reconciliation**

Total Current Operating Expenditures reflected in the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust), Statement of Revenues, Expenditures and Changes in Fund Balances reconcile to Actual Expenditures and Obligations reflected in the accompanying "Department Totals" Schedules of Expenditures and Obligations – Budget and Actual for each State Trustee Agency follows:

Actual Expenditures and Obligations, "Department Totals" Schedules of Expenditures and Obligations – Budget and Actual,	
Alaska Department of Fish and Game	\$ 2,416,653
Alaska Department of Environmental Conservation	-
Alaska Department of Natural Resources	<u>384,700</u>
Total	2,801,353
Add: Prior Years' Encumbrances Liquidated During Fiscal 2002	118,091
Less: Encumbrances Outstanding at September 30, 2003 Relating To Fiscal 2003 Restoration Projects	<u>(287,947)</u>
Total Current Operating Expenditures	<u>\$ 2,631,497</u>

(5) **Current Status of 2002 Work Plan Restoration Projects**

Total expenditures and obligations relating to 2002 Work Plan Restoration Projects for each agency as of September 30, 2003 is presented on page 31. This information is included in order to reflect any changes in expenditures and obligations from amounts previously reported.

The significant changes in the amounts previously reported are due to encumbrances existing at September 30, 2002 which, during fiscal 2003, were liquidated due to incurring less expenditures under contracts than the amounts originally anticipated by the agencies.

MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

(907) 278-8878, Fax (907) 278-5779

www.mcc-cpa.com

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*

Members, *Exxon Valdez* Oil Spill Trustee Council,
Anchorage, Alaska

We have audited the financial statements of the *Exxon Valdez* Oil Spill Trustee Council State of Alaska, *Exxon Valdez* Oil Spill Investment Fund as of and for the year ended September 30, 2003, and have issued our report thereon dated April 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *Exxon Valdez* Oil Spill Trustee Council, State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Exxon Valdez* Oil Spill Trustee Council, State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

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

Mikunda, Cottrell & Co.

April 26, 2004

MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

(907) 278-8878, Fax (907) 278-5779

www.mcc-cpa.com

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members, *Exxon Valdez* Oil Spill Trustee Council,
Anchorage, Alaska

We have audited the financial statements of the *Exxon Valdez* Oil Spill Trustee Council, U.S. Department of the Interior, Natural Resource Damage Assessment and Restoration Fund as of and for the year ended September 30 2003 and have issued our report thereon dated April 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *Exxon Valdez* Oil Spill Trustee Council, U.S. Department of the Interior, Natural Resource Damage Assessment and Restoration Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Exxon Valdez* Oil Spill Trustee Council, State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

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

Mikunda, Cottrell & Co.

April 26, 2004

MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

(907) 278-8878, Fax (907) 278-5779

www.mcc-cpa.com

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members, *Exxon Valdez* Oil Spill Trustee Council,
Anchorage, Alaska

We have audited the financial statements of the *Exxon Valdez* Oil Spill Trustee Council, State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust as of and for the year ended September 30, 2003, and have issued our report thereon dated April 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *Exxon Valdez* Oil Spill Trustee Council, State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Exxon Valdez* Oil Spill Trustee Council, State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the *Exxon Valdez* Oil Spill Trustee Council in a separate letter dated April 26, 2004.

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

Mikunda, Cottrell & Co.

April 26, 2004