

1998

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Certified Public Accountants

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INDEPENDENT AUDITORS' 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, 1998, as listed in the accompanying table of contents, and have issued our report thereon dated February 1, 1999. 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 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 Schedules of Fiscal 1995, 1996 and 1997 *Work Plan* Status as of September 30, 1998 on pages 21 through 34, are presented for purposes of additional analysis and are not a required part of the financial statements. With the exception of the Schedules of Fiscal 1995, 1996 and 1997 *Work Plan* Status as of September 30, 1998, on pages 32, 33 and 34 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.

Elgee Rehfeld & Funk

February 1, 1999

Exxon Valdez Oil Spill Trustee Council
Alaska Department of Fish and Game
Schedule of Expenditures and Obligations - Budget and Actual
Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98001-CLO	Recovery of Harbor Seals From EVOS: Condition and Health Status	\$ 51,100	\$ 51,093	\$ 7
98025	Mechanisms of Impact and Potential Recovery of Nearshore Vertebrate Predators (NVP)	407,300	406,509	791
98052A	Community Involvement	240,800	239,735	1,065
98052B	Traditional Ecological Knowledge	61,300	60,793	507
98064	Monitoring, Habitat Use, and Trophic Interactions of Harbor Seals in Prince William Sound	272,500	268,891	3,609
98100	Administration, Science Management and Public Information	1,872,500	1,651,257	221,243
98126	Habitat Protection and Acquisition Support	35,700	34,812	888
98127	Tatitlek Coho Salmon Release	10,500	10,207	293
98131	Chugach Native Region Clam Restoration	290,100	287,823	2,277
98139A1-CLO	Little Waterfall Barrier Bypass Improvements	13,400	13,296	104
98139A2	Port Dick Creek Tributary and Development Project	85,800	83,837	1,963
98162	Investigations of Disease Factors Affecting Declines of Pacific Herring Populations in Prince William Sound	517,700	488,664	29,036
98163L	APEX: Historical Data Review	35,000	35,001	(1)
98163T	APEX: Aerial Surveys	58,200	56,791	1,409
98165-CLO	Genetic Discrimination of Prince William Sound Herring Populations	56,000	55,863	137
98166-CLO	Herring Natal Habitats	42,300	41,934	366
98170-CLO	Isotope Ratio Studies of Marine Mammals in Prince William Sound	108,800	106,309	2,491
98180	Kenai Habitat Restoration & Recreation Enhancement	161,200	118,134	43,066
98186-CLO	Coded Wire Tag Recoveries From Pink Salmon in Prince William Sound	120,200	119,916	284
98188	Otolith Thermal Mass Marking of Hatchery Reared Pink Salmon In Prince William Sound	141,100	141,242	(142)
98190	Construction of a Linkage Map for the Pink Salmon Genome	229,400	217,824	11,576
98191A	Field Examination of Oil-Related Embryo Mortalities in Pink Salmon Populations in Prince William Sound	159,400	149,121	10,279
98196	Genetic Structure of Prince William Sound Pink Salmon	130,200	129,090	1,110
98210	Youth Area Watch	150,200	150,084	116
98225	Port Graham Pink Salmon Subsistence Project	73,500	72,169	1,331
98244	Community-Based Harbor Seal Management and Biological Sampling	84,700	81,621	3,079
98247	Kametolook River Coho Salmon Subsistence Project	14,900	14,148	752
98250	Project Management	389,000	251,367	137,633
98252	Investigations of Genetically Important Conservation Units of Rockfish and Walleye Pollock	209,100	201,391	7,709
98254-CLO	Delight and Desire Lakes Restoration	11,700	11,700	-

(Continued)

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
Alaska Department of Fish and Game
Department Totals
Schedule of Expenditures and Obligations - Budget and Actual
Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
(Continued)				
98256B	Sockeye Salmon Stocking at Solf Lake	7,300	6,234	1,066
98263	Assessment, Protection and Enhancement of Salmon Streams in Lower Cook Inlet	107,000	106,942	58
98273	Surf Scoter Life History and Ecology	170,400	155,615	14,785
98274	Documentary Film on Subsistence Use of Herring, Herring Spawn and Resources in the Nearshore Ecosystem in Prince William Sound	89,600	87,840	1,760
98311	Pacific Herring Productivity Dependencies in the Prince William Sound Ecosystem Determined with Natural Stable Isotope Tracers	119,300	119,300	-
98320E	SEA: Salmon and Herring Predation	320,100	307,038	13,062
98320G	SEA: Phytoplankton and Nutrients	106,700	105,811	889
98320H	SEA: Role of Zooplankton	106,100	104,947	1,153
98320R	SEA: Trophodynamic Modeling and Remote Sensing	160,500	158,330	2,170
98320T	SEA: Juvenile Herring Growth and Habitats	546,700	562,290	(15,590)
98320T-SUPP	SEA: Supplement - Herring Traditional Ecological Knowledge	75,900	75,173	727
98320U	SEA: Somatic Energetics	105,800	104,715	1,085
98320Z	SEA: Synthesis and Integration	64,000	62,850	1,150
98325	Assessment of Injury to Intertidal and Nearshore Subtidal Communities: Preparation of Manuscripts	43,400	23,998	19,402
98327	Pigeon Guillemot Restoration Research at the Alaska SeaLife Center	5,900	5,090	810
98329	Synthesis of the Toxicological Impacts on Pink Salmon	12,300	11,684	616
98340	Toward Long-Term Oceanographic Monitoring of the Gulf of Alaska Ecosystem	77,100	76,921	179
98341	Harbor Seal Recovery: Controlled Studies of Health and Diet	152,200	145,911	6,289
98348	Responses of River Otters to Oil Contamination: A Controlled Study of Biological Stress Markers and Foraging Success	245,400	236,910	8,490
98427-CLO	Harlequin Duck Recovery Monitoring	78,300	78,268	32
	Alaska Department of Fish and Game Totals	<u>\$ 8,627,600</u>	<u>\$ 8,086,489</u>	<u>\$ 541,111</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
 Alaska Department of Environmental Conservation
 Schedule of Expenditures and Obligations - Budget and Actual
 Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98100	Administration, Science Management and Public Information	61,200	61,225	(25)
	Alaska Department of Environmental Conservation Totals	<u>\$ 61,200</u>	<u>\$ 61,225</u>	<u>\$ (25)</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
Alaska Department of Natural Resources
Schedule of Expenditures and Obligations - Budget and Actual
Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98007A	Archaeological Index Site Monitoring	\$ 88,300	\$ 72,287	\$ 16,013
98100	Administration, Science Management and Public Information	557,800	540,759	17,041
98126	Habitat Protection and Acquisition Support	338,800	250,729	88,071
98149	Archaeological Site Stewardship	40,600	36,665	3,935
98180	Kenai Habitat Restoration & Recreation Enhancement	262,300	242,250	20,050
98250	Project Management	24,800	22,025	2,775
98300	Synthesis of the Scientific Findings from EVOS Restoration Program	81,300	54,209	27,091
98339	Prince William Sound Human Use and Wildlife Disturbance Model	21,200	20,116	1,084
Alaska Department of Natural Resources Totals		<u>\$ 1,415,100</u>	<u>\$ 1,239,040</u>	<u>\$ 176,060</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
Department of Agriculture, United States Forest Service
Schedule of Expenditures and Obligations - Budget and Actual
Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98007A	Archaeological Index Site Monitoring	\$ 26,900	\$ 19,433	\$ 7,467
98025	Mechanisms of Impact and Potential Recovery of Nearshore Vertebrate Predators (NVP)	28,500	27,062	1,438
98043B	Monitoring of Cutthroat Trout and Dolly Varden Habitat Improvement Structures	24,000	26,400	(2,400)
98100	Administration, Science Management and Public Information	70,800	59,025	11,775
98126	Habitat Protection and Acquisition Support	205,500	188,768	16,732
98145-CLO	Cutthroat Trout and Dolly Varden: Relation Among and Within Populations of Anadromous and Resident Forms	120,700	120,700	-
98180	Kenai Habitat Restoration and Recreation Enhancement	68,400	19,774	48,626
98220-CLO	Eastern PWS Wildstock Salmon Habitat Restoration	11,900	7,696	4,204
98250	Project Management	33,400	20,311	13,089
98256B	Sockeye Salmon Stocking at Solf Lake	88,200	97,020	(8,820)
98302-CLO	PWS Cutthroat Trout and Dolly Varden Char Inventory	4,100	3,977	123
98339	PWS Human Use/Wildlife Disturbance Model	118,000	120,786	(2,786)
98346	Publication of an Indexed Bibliography of the Genus Ammodytes (Sand Lance)	5,400	-	5,400
Department of Agriculture, United States Forest Service		<u>\$ 805,800</u>	<u>\$ 710,952</u>	<u>\$ 94,848</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
Department of Interior, Fish and Wildlife Service
Schedule of Expenditures and Obligations - Budget and Actual
Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98007A	Archaeological Index Site Monitoring	\$ 24,500	\$ 30,613	\$ (6,113)
98100	Administration, Science Management and Public Information	38,400	33,908	4,492
98126	Habitat Protection and Acquisition Support	237,800	105,671	132,129
98144A	Common Murre Population Monitoring	57,400	55,935	1,465
98149	Archaeological Site Stewardship	26,300	17,263	9,037
98159	Surveys to Monitor Marine Bird Abundance in Prince William	237,000	231,729	5,271
98163B	APEX: Seabird Interactions	89,900	85,704	4,196
98163E	APEX: Kittiwakes	242,100	229,119	12,981
98163F	APEX: Guillemots	127,900	123,903	3,997
98163J	APEX: Barren Islands Seabird Studies	112,500	105,897	6,603
98163K	APEX: Large Fish as Samplers	9,600	9,644	(44)
98163R	APEX: Marbled Murrelet Productivity	112,700	101,040	11,660
98161-CLO	Differentiation and Interchange of Harlequin Duck Populations Within the North Pacific	3,300	1,700	1,600
98250	Project Management	39,100	39,104	(4)
	Department of Interior - Fish and Wildlife Service Totals	<u>\$ 1,358,500</u>	<u>\$ 1,171,230</u>	<u>\$ 187,270</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
Department of Interior, U.S. Geological Survey
Schedule of Expenditures and Obligations - Budget and Actual
Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98025	Mechanisms of Impact and Potential Recovery of Nearshore Vertebrate Predators (NVP)	\$ 1,054,700	\$ 1,001,566	\$ 53,134
98161-CLO	Harlequin Duck - Indicator Species for Ecological Monitoring and Recovery	13,200	9,326	3,874
98163L	APEX: Barren Island Survey & Historical Data Review	24,800	24,470	330
98163M	Response of Seabirds to Forage Fish Density	267,700	264,170	3,530
98163N	APEX: Black-Legged Kittiwake Controlled Feeding Experiment	30,000	27,000	3,000
98169	Genetic Study of Murres, Guillemots and Murrelets	88,200	87,928	272
98250	Project Management	37,000	36,771	229
98306	Ecology and Demographics of the Pacific Sand Lance	32,800	31,936	864
98327	Pigeon Guillemot Restoration Research at the Alaska SeaLife Center	117,400	117,260	140
98338	Survival of Adult Murres and Kittiwakes in Relation to Forage Fish Abundance	56,200	56,004	196
Department of Interior - U.S. Geological Survey Totals		<u>\$ 1,722,000</u>	<u>\$ 1,656,431</u>	<u>\$ 65,569</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
 Department of Interior, National Park Service
 Schedule of Expenditures and Obligations - Budget and Actual
 Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98100	Administration, Public Information & Scientific Management	\$ 8,500	\$ 7,575	\$ 925
98126	Habitat Protection and Acquisition Support	13,600	10,989	2,611
	Department of Interior - National Park Service Totals	<u>\$ 22,100</u>	<u>\$ 18,564</u>	<u>\$ 3,536</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
 Department of Interior, Office of the Secretary
 Schedule of Expenditures and Obligations - Budget and Actual
 Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98100	Administration, Science Management and Public Information	\$ 103,300	\$ 88,300	\$ 15,000
98126	Habitat Protection and Acquisition Support	20,000	5,384	14,616
	Department of Interior - Bureau of Indian Affairs, Office of the Secretary Totals	<u>\$ 123,300</u>	<u>\$ 93,684</u>	<u>\$ 29,616</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
 Department of Interior, Bureau of Indian Affairs
 Schedule of Expenditures and Obligations - Budget and Actual
 Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98286	Elders/Youth Conference on Subsistence and the Oil Spill	\$ 90,200	\$ 84,300	\$ 5,900
	Department of Interior - Bureau of Indian Affairs, Office of the Secretary Totals	<u>\$ 90,200</u>	<u>\$ 84,300</u>	<u>\$ 5,900</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
U.S. Department of Commerce, National Oceanic and Atmospheric Administration
Schedule of Expenditures and Obligations - Budget and Actual
Fiscal Year Ending September 30, 1998

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
98012A-BAA	Comprehensive Killer Whale Investigation in Prince William Sound	\$ 154,700	\$ 152,593	\$ 2,107
98025	Mechanisms of Impact and Potential Recovery of Nearshore Vertebrate Predators (NVP)	162,400	160,455	1,945
98076	Effects of Oiled Incubation Substrate on Straying and Survival of Wild Pink Salmon	272,200	273,978	(1,778)
98100	Administration, Science Management and Public Information	83,800	79,389	4,411
98142-BAA	Status and Ecology of Kittlitz's Murrelets in Prince William Sound	269,000	265,297	3,703
98163A	APEX: Forage Fish Assessment	268,600	264,380	4,220
98163C	APEX: Fish Diet Overlap	29,900	29,330	570
98163G	APEX: Seabird Energetics	221,300	218,231	3,069
98163I	APEX: Project Management	160,600	158,397	2,203
98163L	APEX: Historical Data Review	31,600	30,955	645
98163O	APEX: Statistical Review	21,400	21,106	294
98163Q	APEX: Modeling	71,900	68,804	3,096
98163S	APEX: Jellyfish as Competitors and Predators of Fishes	96,500	95,186	1,314
98194-CLO	Pink Salmon Spawning Habitat Recovery	25,000	23,839	1,161
98195	Pristane Monitoring in Mussels	114,900	110,982	3,918
98250	Project Management	36,800	46,100	(9,300)
98289-BAA	Status of Black Oystercatchers in Prince William Sound	80,400	79,251	1,149
98290	Hydrocarbon Data Analysis, Interpretation, and Database Maintenance	75,700	72,092	3,608
98291	Chenega-Area Shoreline Residual Oiling Reduction	182,000	179,957	2,043
98297-BAA	Oceanography of Prince William Sound Bays and Fjords	94,200	92,864	1,336
98320I	SEA: Stable Isotopes	132,400	130,643	1,757
98320J	SEA: Information Systems and Model Development	460,600	460,600	-
98320M	SEA: Physical Oceanography	133,000	131,171	1,829
98320N	SEA: Nekton and Plankton Acoustics	171,600	169,266	2,334
98325-BAA	Assessment of Injury to Intertidal and Nearshore Subtidal Communities: Preparation of Manuscripts	56,500	55,719	781
98329	Synthesis of the Toxicological Impacts on Pink Salmon	13,300	13,638	(338)
98330-BAA	Mass-Balance Model of Trophic Fluxes in Prince William Sound	179,800	177,286	2,514
98347	Fatty Acid Profile and Lipid Class Analysis for Estimating Diet Composition and Quality at Different Trophic Levels	110,600	108,108	2,492
98468-BAA	FEATS: Fundamental Estimations of Acoustic Target Strength	19,000	18,784	216
U.S. Department of Commerce, National Oceanic and Atmospheric Administration Totals		<u>\$ 3,729,700</u>	<u>\$ 3,688,401</u>	<u>\$ 41,299</u>

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

Exxon Valdez Oil Spill Trustee Council
Schedule of Fiscal 1995
Work Plan Status as of September 30, 1998
(Unaudited)

	Budget	Actual Expenditures & Obligations as of 9/30/98	Unobligated Balance as of 9/30/98
<i>Alaska Departments of:</i>			
Fish & Game	\$ 13,593,200	\$ 12,181,924	\$ 1,411,276
Environmental Conservation	2,202,200	1,466,016	736,184
Natural Resources	1,730,300	1,162,230	568,070
Total State of Alaska	<u>17,525,700</u>	<u>14,810,170</u>	<u>2,715,530</u>
<i>United States Departments of:</i>			
Agriculture, United States Forest Service	2,808,300	2,516,778	291,522
<i>Interior:</i>			
Fish & Wildlife Service	1,532,200	1,273,458	258,742
U.S. Geological Survey	765,300	747,242	18,058
National Park Service	91,400	63,540	27,860
Minerals Management Service	17,400	9,434	7,966
Office of the Secretary	71,200	49,860	21,340
Commerce, National Oceanic & Atmospheric Administration	<u>3,192,900</u>	<u>2,951,880</u>	<u>241,020</u>
Total United States	<u>8,478,700</u>	<u>7,612,192</u>	<u>866,508</u>
Totals	<u>\$ 26,004,400</u>	<u>\$ 22,422,362</u>	<u>\$ 3,582,038</u>

See Note 5 of the Notes to Supplementary Information Related to Restoration Projects on Page 37 for additional discussion relating to this schedule.

Exxon Valdez Oil Spill Trustee Council
Schedule of Fiscal 1996
Work Plan Status as of September 30, 1998
(Unaudited)

	<u>Budget</u>	<u>Actual Expenditures & Obligations as of 9/30/98</u>	<u>Unobligated Balance as of 9/30/98</u>
Alaska Departments of:			
Fish & Game	\$ 12,618,000	\$ 11,574,433	\$ 1,043,567
Environmental Conservation	263,100	261,210	1,890
Natural Resources	<u>2,503,900</u>	<u>1,857,455</u>	<u>646,445</u>
Total State of Alaska	<u>15,385,000</u>	<u>13,693,098</u>	<u>1,691,902</u>
United States Departments of:			
Agriculture, United States Forest Service	2,820,800	2,203,709	617,091
Interior:			
Fish & Wildlife Service	1,809,800	1,643,531	166,269
U.S. Geological Survey	1,418,700	1,389,265	29,435
National Park Service	81,700	58,109	23,591
Office of the Secretary	67,200	52,845	14,355
Commerce, National Oceanic & Atmospheric Administration	<u>3,981,300</u>	<u>3,915,938</u>	<u>65,362</u>
Total United States	<u>10,179,500</u>	<u>9,263,397</u>	<u>916,103</u>
Totals	<u><u>\$ 25,564,500</u></u>	<u><u>\$ 22,956,495</u></u>	<u><u>\$ 2,608,005</u></u>

See Note 5 of the Notes to Supplementary Information Related to Restoration Projects on Page 37 for additional discussion relating to this schedule.

Exxon Valdez Oil Spill Trustee Council
Schedule of Fiscal 1997
Work Plan Status as of September 30, 1998
(Unaudited)

	Budget	Actual Expenditures & Obligations as of 9/30/98	Unobligated Balance as of 9/30/98
<i>Alaska Departments of:</i>			
Fish & Game	\$ 10,097,200	\$ 9,592,955	\$ 504,245
Environmental Conservation	3,241,700	3,030,140	211,560
Natural Resources	1,668,400	1,502,918	165,482
Total State of Alaska	<u>15,007,300</u>	<u>14,126,013</u>	<u>881,287</u>
<i>United States Departments of:</i>			
Agriculture, United States Forest Service	1,222,900	990,779	232,121
<i>Interior:</i>			
Fish & Wildlife Service	1,332,500	1,119,240	213,260
U.S. Geological Survey	1,604,100	1,594,580	9,520
National Park Service	86,700	80,541	6,159
Office of the Secretary	67,400	68,570	(1,170)
Bureau of Indian Affairs	15,800	15,800	-
Commerce, National Oceanic & Atmospheric Administration	4,147,600	4,052,062	95,538
Total United States	<u>8,477,000</u>	<u>7,921,572</u>	<u>555,428</u>
Totals	<u>\$ 23,484,300</u>	<u>\$ 22,047,585</u>	<u>\$ 1,436,715</u>

See Note 5 of the Notes to Supplementary Information Related to Restoration Projects on Page 37 for additional discussion relating to this schedule.

See Independent Auditors' Report on Supplementary Restoration Project Information and Notes Thereto.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 1998

1. PRESENTATION

The information presented in the accompanying Schedules of Expenditures and Obligations - Budget and Actual present the budgets for each project approved by the *Exxon Valdez* Trustee Council (Council) as included in the Council's *Fiscal Year 1998 Work Plan*, and any amendments approved thereto, along with expenditures and obligations incurred by the Trustee Agencies in carrying out the Fiscal 1998 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 1998 relating to restoration projects of prior years and to the liquidation of prior year encumbrances, is also not presented. The procedures used to develop and implement the project budgets for Fiscal 1998 are discussed in Note 6 to the Trust Fund Financial Statements.

The schedules 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 at year-end are included in the Actual Expenditures & Obligations column in the accompanying Schedules of Expenditures and Obligations - Budget and Actual.

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 August 29, 1996, the Trustee Council adopted Procedures that supersede the Operating Procedures adopted by the Trustee Council September 21, 1992. The purpose of the adopted Procedures was to provide guidance regarding the authorities and responsibilities of agencies that receive Joint Trust Funds approved by the Trustee Council.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 1998

3. FINANCIAL OPERATING PROCEDURES (Continued)

Adjustments

The Procedures allow Trustee Agencies to transfer funds into or out of projects up to the cumulative amount of \$25,000 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. Transfers in excess of this amount must be approved by the Council. 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 or objectives 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:

1. Fifteen percent of each project's actual personnel costs; and
2. Seven percent of the first \$250,000 of each projects actual contractual costs, plus two percent of project's actual contractual costs in excess of \$250,000.

Amounts budgeted and expended on projects for general administration are included in the personnel and contractual lines as appropriate in the accompanying Schedules of Expenditures and Obligations - Budget and Actual.

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 as follows:

Actual Expenditures and Obligations, "Department Totals"	
Schedules of Expenditures and Obligations - Budget and Actual,	
Alaska Department of Fish and Game	\$ 8,086,489
Alaska Department of Environmental Conservation	61,225
Alaska Department of Natural Resources	<u>1,239,040</u>
Total	9,386,754
Add: Prior Years' Encumbrances Liquidated During Fiscal 1998	2,149,573
Less: Encumbrances Outstanding at September 30, 1998 Relating to Fiscal 1998 Restoration Projects	<u>(1,463,735)</u>
Total Current Operating Expenditures, Settlement Trust Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 10,072,592</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 1998

5. CURRENT STATUS OF 1997, 1996 and 1995 WORK PLAN RESTORATION PROJECTS

Total expenditures and obligations relating to 1997, 1996 and 1995 Work Plan Restoration Projects for each agency as of September 30, 1998 is presented on pages 31, 32 and 33. 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, 1997 which, during fiscal 1998, were liquidated due to incurring less expenditures under contracts than the amounts originally anticipated by the agencies.