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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, 2001, as listed in the accompanying table of contents, and have issued our report thereon dated February 8, 2002. 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 2001 *Work Plan* Status as of September 30, 2001 on pages 23 through 32, 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 2000 *Work Plan* Status as of September 30, 2001, on page 32 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, LLC

February 8, 2002

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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01052	Community Involvement/Traditional Ecological Knowledge	\$ 201,900	\$ 201,766	\$ 134
01064-CLO	Monitoring, Habitat Use, and Trophic Interactions of Harbor Seals in Prince William Sound	22,600	22,600	-
01100	Administration, Science Management, and Public Information	1,087,000	1,024,043	62,957
01126	Habitat Protection and Acquisition Support	15,800	15,800	-
01131	Chugach Native Region Clam Restoration	10,500	10,500	-
01190	Construction of Linkage Map for the Pink Salmon Genome	405,200	405,200	-
01210	Youth Area Watch	107,000	107,000	-
01245	Community-Based Harbor Seal Management and Biological Sampling	40,000	39,928	72
01247	Kametolook River Coho Salmon Subsistence Project	22,700	16,232	6,468
01250	Project Management	92,200	92,147	53
01256B	Sockeye Salmon Stocking at Solf Lake	6,500	6,273	227
01273	Surf Scoter Life History and Ecology: Linking Satellite Technology with Traditional Knowledge to Conserve the Resource	50,100	37,057	13,043
01340	Toward Long-Term Oceanographic Monitoring of the Gulf of Alaska Ecosystem	72,000	72,000	-
01341	Harbor Seal Recovery: Controlled Studies of Health and Diet	82,200	82,200	-
01366	Improved Salmon Escapement Enumeration Using Remote Video and Time-Lapse Recording Technology	11,300	10,997	303
01371	Effects of Harbor Seal Metabolism on Stable Isotope Ratio Tracers	92,900	92,900	-
01385	Partnering with NOAA to Quantify and Monitor Environmental Attributes of Kachemak Bay	11,000	10,999	1
01389	3-D Ocean State Simulations for Ecosystem Applications from 1995-98 in Prince William Sound	142,500	98,707	43,793
01391	CIIMS: Cook Inlet Information Management/Monitoring System	27,100	19,810	7,290
01407	Harlequin Duck Population Dynamics	67,600	65,608	1,992
01423	Patterns and Processes of Population Change in Selected Nearshore Vertebrate Predators	143,300	143,287	13
01441	Harbor Seal Recovery: Effects of Diet on Lipid Metabolism and Health	93,500	93,500	-
01455	Gulf Ecosystem Monitoring and Research Program Data System	6,600	-	6,600
01462	Effects of Disease on Pacific Herring Population Recovery in Prince William Sound	86,000	84,252	1,748
01478	Testing Satellite Tags as a Tool for Identifying Critical Habitat	19,900	19,742	158
01481	Documentary Film on the Oil Spill Impacts on Subsistence Use of Intertidal Resources	111,800	100,092	11,708
01513	<i>Exxon Valdez</i> Oil Spill Exhibit: The Continuing Legacy	50,300	50,300	-
01535	EVOS Trustee Council Restoration Program Final Report	94,500	85,582	8,918
01538	Evaluation of Two Methods to Discriminate Pacific Herring Stocks along the Northern Gulf of Alaska	4,000	4,000	-

(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
 Schedule of Expenditures and Obligations - Budget and Actual
 Fiscal Year Ending September 30, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
(Continued)				
01543	Evaluation of Oil Remaining in the Inter tidal from the <i>Exxon Valdez</i> Oil Spill	2,300	2,169	131
01550	Alaska Resources Library and Information Services	86,900	87,221	(321)
01558	Harbor Seal Recovery: Application of New Technologies for Monitoring Health	280,200	280,151	49
01610	Kodiak Island Youth Area Watch	61,800	61,800	-
01630	Planning for Long-Term Research and Monitoring Program	33,300	26,305	6,995
	Alaska Department of Fish and Game Totals	<u>\$ 3,642,500</u>	<u>\$ 3,470,168</u>	<u>\$ 172,332</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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01100	Administration, Science Management and Public Information	\$ 21,600	\$ 21,561	\$ 39
01250	Project Management	19,100	14,504	4,596
01391	Cook Inlet Information Management/Monitoring System	56,400	56,400	-
01543	Evaluation of Oil Remaining in the Intertidal from the <i>Exxon Valdez</i> Oil Spill	2,300	2,072	228
01630	Planning for Long-Term Monitoring and Research Program	9,500	9,500	-
	Alaska Department of Environmental Conservation Totals	<u>\$ 108,900</u>	<u>\$ 104,037</u>	<u>\$ 4,863</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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01100	Administration, Science Management and Public Information	\$ 331,600	\$ 284,998	\$ 46,602
01126	Habitat Protection and Acquisition Support	108,200	105,154	3,046
01250	Project Management	17,000	16,959	41
01391	Cook Inlet Information Management/Monitoring system	142,000	140,509	1,491
01543	Evaluation of Oil Remaining in the Intertidal from the <i>Exxon Valdez</i> Oil Spill	36,800	36,761	39
01630	Planning for Long-Term Research and Monitoring Program	195,100	168,434	26,666
	Alaska Department of Natural Resources Totals	<u>\$ 830,700</u>	<u>\$ 752,815</u>	<u>\$ 77,885</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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01100	Administration, Science Management, and Public Information	\$ 19,500	\$ 16,308	\$ 3,192
01126	Habitat Protection and Acquisition Support	46,200	32,300	13,900
01250	Project Management	12,200	10,940	1,260
01256B	Sockeye Salmon Stocking at Solf Lake	17,900	11,465	6,435
01543	Evaluation of Oil Remaining in the Intertidal from the Exxon Valdez Oil Spill	2,300	-	2,300
01630	Planning for Long-Term Monitoring and Research Program	8,500	5,272	3,228
	Department of Agriculture, United States Forest Service Totals	<u>\$ 106,600</u>	<u>\$ 76,285</u>	<u>\$ 30,315</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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01144A	Common Murre Population Monitoring	\$ 46,500	\$ 45,228	\$ 1,272
01159	Surveys to Monitor Marine Bird Abundance in Prince William Sound During Winter and Summer	25,000	25,214	(214)
01163B	APEX: Seabird Interactions	38,500	38,358	142
01423	Patterns and Processors of Population Change in Selected Nearshore Vertebrate Predators	12,200	11,131	1,069
Department of Interior - Fish and Wildlife Service Totals		<u>\$ 122,200</u>	<u>\$ 119,931</u>	<u>\$ 2,269</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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01163L	APEX: Barren Island Survey & Historical Data Review	\$ 37,500	\$ 40,183	\$ (2,683)
01327	Pigeon Guillemot Restoration Research at the Alaska SeaLife Center	86,900	86,884	16
01338	Survival of Adult Murres and Kittiwakes in Relation to Forage Fish Abundance	47,200	46,879	321
01404	Testing Archival Tag Technology in Alaska Salmon	75,000	77,766	(2,766)
01423	Patterns and Processes of Population Change in Selected Nearshore Vertebrate Predators	349,900	341,745	8,155
01478	Testing Satellite Tags as a Tool for Identifying Critical Habitat	6,900	6,387	513
01479	Effects of Food Stress on Survival and Reproductive Performance of Seabirds	129,600	129,577	23
01534	Comparison of Cyochrome P4501A Induction in Blood and Liver Cells of Sea Otters	19,900	20,075	(175)
01543	Evaluation of Oil Remaining in the Intertidal from the Exxon Valdez Oil Spill	2,300	2,300	-
01555	Can Stress Hormones be Used as an Indication of Food Availability and Reproductive Performance? An Experimental Approach	18,900	18,967	(67)
01599	Evaluation of Yakataga Oil Seeps as Regional Background Hydrocarbon Sources in Benthic Sediments of the spill Area	3,000	2,990	10
Department of Interior - U.S. Geological Survey Totals		<u>\$ 777,100</u>	<u>\$ 773,753</u>	<u>\$ 3,347</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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01100	Administration, Science Management and Public Information	\$ 52,270	\$ 51,066	\$ 1,204
01126	Habitat Protection and Acquisition Support	94,800	63,098	31,702
01250	Project Management	50,600	50,494	106
01391	CIIMMS: Cook Inlet Information/Monitoring System	13,500	13,472	28
01550	Alaska Resources Library and Information Services	42,200	42,200	-
01630	Planning for Long-term Research and Monitoring Program	21,000	14,687	6,313
	Department of Interior - Office of the Secretary Totals	<u>\$ 274,370</u>	<u>\$ 235,017</u>	<u>\$ 39,353</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, 2001

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
01012A-BAA	Photographic and Acoustic Monitoring of Killer Whales in Prince William Sound and Kenai Fjords	\$ 74,500	\$ 74,387	\$ 113
01100	Administration, Science Management and Public Information	23,100	19,540	3,560
01163-CLO	Alaska Predator Ecosystem Experiment in Prince William Sound and the Gulf of Alaska (APEX)	123,600	113,352	10,248
01195	Pristane Monitoring in Mussels	55,000	54,239	761
01250	Project Management	81,800	86,150	(4,350)
01290	Hydrocarbon Data Analysis, Interpretation, and Database Maintenance	32,500	33,367	(867)
01360-BAA	The Exxon Valdez Oil Spill: Guidance for Future Research Activities	241,600	241,329	271
01393-BAA	Prince William Sound Food Webs: Structure and Change	119,000	118,948	52
01396	Alaska Shark Assessment	78,000	76,918	1,082
00401	Assessment of Spot Shrimp Abundance in Prince William Sound	94,400	92,081	2,319
01452-BAA	Assessing Prey and Competitor/Predators of Pink Salmon Fry	57,600	57,500	100
01454	Evidence and Consequences of Persistent Oil Contamination in Pink Salmon Natal Habitats	96,100	94,587	1,513
01468-CLO	FEATS: Fundamental Estimations of Acoustic Target Strength	5,800	5,771	29
01476	Effects of Oiled Incubation Substrate on Pink Salmon Reproduction	94,200	92,562	1,638
01492	Were Pink Salmon Embryo Studies in Prince William Sound Biased	62,100	61,614	486
01538	Evaluation of Two Methods to Discriminate Pacific Herring Stocks along the Northern Gulf of Alaska	6,100	-	6,100
01543	Evaluation of Oil Remaining in the Intertidal from the Exxon Valdez Oil Spill	459,200	464,557	(5,357)
01551-BAA	Checklist and Distributional Analysis of Marine Algal Species Collected as Vouchers Under Project CH1A	65,800	65,730	70
01552-BAA	Exchange Between Prince William Sound and the Gulf Alaska	105,700	105,595	105
01599	Evaluation of Yakataga Oil Seeps as Regional Background Hydrocarbon Sources in Benthic Sediments of the Spill Area	7,500	8,231	(731)
01630	Planning for Long-Term Monitoring and Research Program	9,800	10,206	(406)
	U.S. Department of Commerce, National Oceanic and Atmospheric Administration Totals	<u>\$ 1,893,400</u>	<u>\$ 1,876,664</u>	<u>\$ 16,736</u>

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

Exxon Valdez Oil Spill Trustee Council
Schedule of Fiscal 2000
Work Plan Status as of September 30, 2001
(Unaudited)

	Budget	Actual Expenditures & Obligations as of 9/30/2001	Unobligated Balance as of 9/30/2001
Alaska Departments of:			
Fish & Game	\$ 4,387,900	\$ 4,014,595	\$ 373,305
Environmental Conservation	246,000	197,383	48,617
Natural Resources	932,400	922,844	9,556
Total State of Alaska	5,566,300	5,134,822	431,478
United States Departments of:			
Agriculture, United States Forest Service	320,400	279,999	40,401
Interior:			
Fish & Wildlife Service	710,200	703,647	6,553
U.S. Geological Survey	1,090,000	1,080,551	9,449
Office of the Secretary	345,300	336,222	9,078
Commerce, National Oceanic & Atmospheric Administration	2,816,400	2,785,701	30,699
Total United States	5,282,300	5,186,120	96,180
Totals	\$ 10,848,600	\$ 10,320,942	\$ 527,658

See Note 5 of the Notes to Supplementary Information Related to Restoration Projects on Pages 35 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, 2001

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 2001 Work Plan*, and any amendments approved thereto, along with expenditures and obligations incurred by the Trustee Agencies in carrying out the Fiscal 2001 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 2001 relating to restoration projects of prior years and to the liquidation of prior year encumbrances, are also not presented. The procedures used to develop and implement the project budgets for Fiscal 2001 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. On August 3, 2000, the Trustee Council adopted Procedures that supersede the Operating Procedures adopted by the Trustee Council August 29, 1996. 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, 2001

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. 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 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.

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	\$ 3,470,168
Alaska Department of Environmental Conservation	104,037
Alaska Department of Natural Resources	<u>752,815</u>
Total	4,327,020
Add: Prior Years' Encumbrances Liquidated During Fiscal 2001	439,941
Less: Encumbrances Outstanding at September 30, 2001 Relating to Fiscal 2001 Restoration Projects	<u>(280,864)</u>
Total Current Operating Expenditures, Settlement Trust Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 4,486,097</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 2001

5. CURRENT STATUS OF 2000 WORK PLAN RESTORATION PROJECTS

Total expenditures and obligations relating to 2000 *Work Plan* Restoration Projects for each agency as of September 30, 2001 is presented on pages 32. 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, 2000 which, during fiscal 2001, were liquidated due to incurring less expenditures under contracts than the amounts originally anticipated by the agencies.