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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, 2002, as listed in the accompanying table of contents, and have issued our report thereon dated March 3, 2003. 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, 2002 on pages 21 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 2001 *Work Plan* Status as of September 30, 2002, 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.

Elgee, Rehfeld, Mertz & Barrett, LLC

March 3, 2003

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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02052	Natural Resource Management and Stewardship Capacity Building	\$ 131,400	\$ 131,400	\$ -
02100	Public Information, Science Management and Administration	1,030,300	921,317	108,983
02190	Construction of Linkage Map for the Pink Salmon Genome	168,000	168,000	-
02210	Prince William Sound/Lower Cook Inlet Youth Area Watch	106,100	106,100	-
02245	Community-Based Harbor Seal Management and Biological Sampling	26,800	26,800	-
02247	Kametolook River Coho Salmon Subsistence Project	30,800	20,512	10,288
02250	Project Management	60,600	55,188	5,412
02320	Sound Ecosystem Assessment (SEA): Printing the Final Report	2,100	599	1,501
02340	Toward Long-Term Oceanographic Monitoring of the Gulf of Alaska Ecosystem	77,800	77,800	-
02395	Workshop on Nearshore/Intertidal Monitoring	63,600	63,304	296
02407	Harlequin Duck Population Dynamics	68,700	68,375	325
02423	Patterns and Processes of Population Change in Selected Nearshore Vertebrate Predators	153,000	153,000	-
02441	Harbor Seal Recovery: Effects of Diet on Lipid Metabolism and Health	20,200	20,200	-
02455	GEM Data System	105,000	95,771	9,229
02462-CLO	Effects of Disease on Pacific Herring Population Recovery in Prince William Sound	77,400	74,794	2,606
02535	EVOS Trustee Council Restoration Program Final Report	52,400	35,952	16,448
02538	Evaluation of Two Methods to Discriminate Pacific Herring Stocks along the Northern Gulf of Alaska	32,800	25,000	7,800
02550	Alaska Resources Library and Information Services	93,400	92,715	685
02556	Mapping Marine Habitats: Kachemak Bay	62,400	62,035	365
02558	Harbor Seal Recovery: Application of New Technologies for Monitoring Health	292,300	292,264	36
02584	Evaluation of Airborne Remote Sensing Tools for GEM Monitoring	63,600	63,600	-
02593	River Otters and Fishes in the Nearshore Environment: A Synthesis	32,400	32,400	-
02603	Implementation of an Ocean Circulation Model: A Transition from SEA to GEM	80,000	80,000	-
02608	Permanent Archiving of Specimens Collected in Nearshore Habitats	61,600	61,550	50
02610	Kodiak Archipelago Youth Area Watch	61,800	61,800	-
02612	Detecting and Understanding Marine-Terrestrial Linkages in the Kenai River Watershed	44,600	43,177	1,423
02613	Mapping Marine Habitats: Prince William Sound to McCarty Fjord	80,000	80,000	-

(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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
(Continued)				
02614	Monitoring Program for Near-Surface Temperature, Salinity and Flourescence in the Northern Pacific Ocean	38,200	38,200	-
02619	Mapping Marine Habitats: Kodiak	70,000	70,000	-
02630	Planning for GEM	187,000	180,491	6,509
02649	Reconstructing Sockeye Populations in the Gulf of Alaska over the Last Several Thousand Years	88,100	88,100	-
02671	Coordinating Volunteer Vessels of Opportunity to Collect Oceanographic Data in Kachemak Bay and Lower Cook Inlet	34,800	34,633	167
Alaska Department of Fish and Game Totals		<u>\$ 3,497,200</u>	<u>\$ 3,325,077</u>	<u>\$ 172,123</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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02100	Public Information, Science Management and Administration	\$ 23,000	\$ 6,245	\$ 16,755
02250	Project Management	10,300	8,774	1,526
02514	Lower Cook Inlet Waste Management Plan Implementation Phase 1	47,900	15,000	32,900
02630	Planning for GEM	16,100	16,700	(600)
02667	Effectiveness of Citizens' Environmental Monitoring Program	17,900	22,151	(4,251)
02668	Developing an Interactive Water Quality and Habitat Database and Making it Accessible on the Web	16,100	15,000	1,100
Alaska Department of Environmental Conservation Totals		\$ 131,300	\$ 83,870	\$ 47,430

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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02100	Public Information, Science Management and Administration	\$ 307,700	\$ 305,565	\$ 2,135
02126	Habitat Protection and Acquisition Support	105,700	105,700	-
02250	Project Management	8,600	8,600	-
02600	Synthesis of the Ecological Findings from the EVOS Damage Assessment and Restoration Programs, 1989-2001	133,800	133,796	4
02630	Planning for GEM	117,700	59,844	57,856
	Alaska Department of Natural Resources Totals	<u>\$ 673,500</u>	<u>\$ 613,505</u>	<u>\$ 59,995</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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02100	Public Information, Science Management and Administration	\$ 20,000	\$ 21,028	\$ (1,028)
02250	Project Management	8,700	8,500	200
02256B-CLO	Sockeye Salmon Stocking at Solf Lake	15,500	9,093	6,407
	Department of Agriculture, United States Forest Service Totals	<u>\$ 44,200</u>	<u>\$ 38,621</u>	<u>\$ 5,579</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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02126	Habitat Protection and Acquisition Support	\$ 75,000	\$ 7,635	\$ 67,365
02144	Common Murre Population Monitoring	14,800	14,796	4
02159	Surveys to Monitor Marine Bird Abundance in Prince William Sound	33,200	33,300	(100)
02423	Patterns and Processors of Population Change in Selected Nearshore Vertebrate Predators	12,100	12,085	15
02561	Evaluating the Feasibility of Developing a Community - Based Forage Fish Sampling Project for GEM	54,300	33,720	20,580
	Department of Interior - Fish and Wildlife Service Totals	<u>\$ 189,400</u>	<u>\$ 101,536</u>	<u>\$ 87,864</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, 2002

<u>Project Number</u>	<u>Project Title</u>	<u>Budget</u>	<u>Actual Expenditures & Obligations</u>	<u>(Over) Under Expended</u>
02100	Public Information, Science Management and Administration	\$ 112,500	\$ 108,790	\$ 3,710
02163M	APEX: Numerical and Functional Response of Seabirds to Fluctuations in Forage Fish Density	50,000	49,985	15
02250	Project Management	36,200	36,200	-
02404	Testing Archival Tag Technology in Coho Salmon	104,600	104,544	56
02423	Patterns and Processes of Population Change in Selected Nearshore Vertebrate Predators	317,600	317,600	-
02479	Effects of Food Stress on Survival and Reproductive Performance of Seabirds	55,000	54,998	2
02585	Lingering Oil: Bioavailability and Effects to Prey and Predators	94,800	94,223	577
02656	Retrospective Analysis of Nearshore Marine Communities Based on Analysis of Archeological Material and Isotopes	105,100	87,772	17,328
Department of Interior - U.S. Geological Survey Totals		<u>\$ 875,800</u>	<u>\$ 854,112</u>	<u>\$ 21,688</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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02100	Administration, Science Management and Public Information	\$ 43,800	\$ 40,688	\$ 3,112
	Department of Interior - Office of the Secretary Totals	<u>\$ 43,800</u>	<u>\$ 40,688</u>	<u>\$ 3,112</u>

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

Exxon Valdez Oil Spill Trustee Council
 Department of Interior, National Parks Service
 Schedule of Expenditures and Obligations - Budget and Actual
 Fiscal Year Ending September 30, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02656	Retrospective Analysis of Nearshore Marine Communities Based on Analysis of Archeological Material and Isotopes	\$ 4,800	\$ 4,800	\$ -
	Department of Interior - National Parks Service Totals	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ -</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, 2002

Project Number	Project Title	Budget	Actual Expenditures & Obligations	(Over) Under Expended
02012-BAA	Photographic and Acoustic Monitoring of Killer Whales in Prince William Sound and Kenai Fjords	\$ 35,200	\$ 35,200	\$ -
02100	Public Information, Science Management and Administration	22,600	13,384	9,216
02195	Pristane Monitoring in Mussels	20,000	19,890	110
02250	Project Management	57,300	60,506	(3,206)
02290	Hydrocarbon Database and Interpretation Service	35,000	34,409	591
02360-BAA	The <i>Exxon Valdez</i> Oil Spill: Guidance for Future Research Activities	90,100	90,094	6
02396	Alaska Salmon Shark Assessment	28,800	27,800	1,000
02401	Assessment of Spot Shrimp Abundance in Prince William Sound	25,500	22,125	3,375
02476	Effects of Oiled Incubation Substrate on Pink Salmon Reproduction	39,800	36,700	3,100
02492	Were Pink Salmon Embryo Studies in Prince William Sound Biased	24,000	24,300	(300)
02538	Evaluation of Two Methods to Discriminate Pacific Herring Stocks along the Northern Gulf of Alaska	47,600	29,872	17,728
02543	Evaluation of Oil Remaining in the Intertidal from the Exxon Valdez Oil Spill	113,100	107,349	5,751
02552-BAA	Exchange Between Prince William Sound and the Gulf Alaska	102,500	109,200	(6,700)
02574-BAA	Assessment of Bivalve Recovery on Treated Mixed-Soft Beaches in Prince William Sound	94,800	94,831	(31)
02584	Evaluation of Airborne Remote Sensing Tools for GEM Monitoring	15,000	13,600	1,400
02585	Lingering Oil: Bioavailability and Effects to Prey and Predators	201,600	201,280	320
02622	Digital Maps from Existing Seasonal Environmental Sensitive Area Maps: Cook Inlet/Kenai Peninsula	36,600	36,380	220
02624-BAA	A CPR-Based Plankton Survey Using Ships of Opportunity to Monitor the Gulf of Alaska	120,600	120,632	(32)
02636-BAA	Management Applications: Commercial Fishing	50,000	49,948	52
U.S. Department of Commerce, National Oceanic and Atmospheric Administration Totals		<u>\$ 1,160,100</u>	<u>\$ 1,127,500</u>	<u>\$ 32,600</u>

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

Exxon Valdez Oil Spill Trustee Council
Schedule of Fiscal 2001
Work Plan Status as of September 30, 2002
(Unaudited)

	<u>Budget</u>	Actual Expenditures & Obligations as of 9/30/2002	Unobligated Balance as of 9/30/2002
Alaska Departments of:			
Fish & Game	\$ 3,642,500	\$ 3,435,835	\$ 206,665
Environmental Conservation	108,900	103,296	5,604
Natural Resources	<u>830,700</u>	<u>752,242</u>	<u>78,458</u>
Total State of Alaska	<u>4,582,100</u>	<u>4,291,373</u>	<u>290,727</u>
United States Departments of:			
Agriculture, United States Forest Service	320,400	279,999	40,401
Interior:			
Fish & Wildlife Service	122,200	119,931	2,269
U.S. Geological Survey	777,100	773,753	3,347
Office of the Secretary	274,370	234,118	40,252
Commerce, National Oceanic & Atmospheric Administration	<u>1,893,400</u>	<u>1,836,500</u>	<u>56,900</u>
Total United States	<u>3,387,470</u>	<u>3,244,301</u>	<u>143,169</u>
Totals	<u>\$ 7,969,570</u>	<u>\$ 7,535,674</u>	<u>\$ 433,896</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

Fiscal Year Ended September 30, 2002

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 2002 Work Plan*, and any amendments approved thereto, along with expenditures and obligations incurred by the Trustee Agencies in carrying out the Fiscal 2002 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 2002 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 2002 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 3, 2000, the Trustee Council adopted a second revision of the original Procedures that superseded the previous Procedures. On July 9, 2002, the Trustee Council adopted a third revision of the original Procedures that supersede the previous Procedures adopted by the Trustee Council August 3, 2000. 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, 2002

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 project's 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	\$ 3,325,077
Alaska Department of Environmental Conservation	83,870
Alaska Department of Natural Resources	<u>613,505</u>
Total	34,022,452
Add: Prior Years' Encumbrances Liquidated During Fiscal 2002	231,249
Less: Encumbrances Outstanding at September 30, 2002 Relating to Fiscal 2002 Restoration Projects	<u>(383,285)</u>
Total Current Operating Expenditures, Settlement Trust Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 3,870,616</u>

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL

NOTES TO SUPPLEMENTARY INFORMATION RELATED TO RESTORATION PROJECTS

Fiscal Year Ended September 30, 2002

5. CURRENT STATUS OF 2001 WORK PLAN RESTORATION PROJECTS

Total expenditures and obligations relating to *2001 Work Plan* Restoration Projects for each agency as of September 30, 2002 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, 2001 which, during fiscal 2002, were liquidated due to incurring less expenditures under contracts than the amounts originally anticipated by the agencies.