U.S. Fish & Wildlife Service

Shared Commitments to Conservation

2005 Annual Financial Report of the U.S. Fish and Wildlife Service

Front Cover Photo Credit: Brown and White Pelicans Rest On Pelican Island NWR, George Gentry/USFWS

Table of Contents

Message from the Director of the U.S. Fish and Wildlife Service

I am pleased to present the U.S. Fish and Wildlife Service's Annual Financial Report, providing information on our financial, management, and programmatic results for fiscal year 2005.

I am proud to announce that the Service has received, for the third consecutive year, an unqualified audit opinion from the independent auditors who concluded that the Service's financial statements are presented fairly in all material respects. Additionally, the Independent Auditors' Report for fiscal year 2005 identified no material weaknesses. This demonstrates our dedication to maintaining sound financial practices and reliable financial information to support our commitment to effectively manage resources to protect and enhance fish, wildlife, and plants and their habitats for the benefit of this and future generations.

We addressed fiscal challenges in fiscal year 2005. The Independent Auditors' Report for fiscal year 2004 identified three reportable conditions related to internal controls over financial reporting and processes, none of which KPMG considered to be a material weakness. In addition, KPMG noted significant deficiencies in internal controls over the Service's Required Supplementary Information and Required Supplementary Stewardship Information. Although KPMG noted the significant deficiencies again in fiscal year 2005, the Service is implementing corrective actions which I am confident will resolve these issues.

With regard to compliance with laws and regulations, the Service was reported to be noncompliant with portions of the Federal Financial Management Improvement Act (FFMIA). We aggressively implemented actions for all reportable conditions and all were resolved or downgraded in the Independent Auditors' Report for fiscal year 2005. Also, the Service has and will continue to take specific corrective actions to ensure greater security and general controls over sensitive information systems. Therefore, I conclude that the Service's systems of management, administrative controls provide reasonable assurance that Service operations, taken as a whole, meet the objectives of Section 2 of the Federal Managers' Financial Integrity, and that Service operations are being conducted consistent with the intended objectives of Office of Management and Budget's (OMB) Circular A-130.

Also in fiscal year 2005, we evaluated the Service's management controls as required by the FFMIA. The purpose of this evaluation is to identify any material weakness that places the overall control system at risk and to ensure that intended program results are achieved, resources are used consistent with the Service's mission, resources are protected from waste, fraud, and mismanagement, laws and regulations are followed, and information is reliable and reported timely. Again, I'm pleased to report that the Service is in compliance and no such weakness was identified.

The financial and performance data presented in this report are complete and reliable, and in accordance with guidance from OMB. Additionally, we evaluated our financial management system as required by the FFMIA. I conclude that the Service's financial system substantially complies with the U.S. Standard general ledger at the transaction level and with Federal financial accounting standards. It also substantially complies with Federal financial management system requirements regarding information technology security and general controls.

The information presented in this report provides the means to manage Service goals and objectives. It also illustrates how the Service supports the U.S. Department of the Interior's vision for effective stewardship based on communication, consultation, and cooperation, all in the service of conservation.

The Service is entrusted with the protection, conservation, and recovery of threatened and endangered species, migratory birds, some marine mammals, inter-jurisdictional and other fisheries and their habitats, stewardship of the National Wildlife Refuge System, and assists foreign governments with their conservation efforts. Additionally, we oversee Federal assistance programs to states for sport fish restoration and wildlife restoration, which distribute hundreds of millions of dollars from excise taxes on fishing and hunting equipment to state wildlife agencies. We accept these responsibilities with optimism and resolve. As we meet the inspiring challenges of the future, we pursue our mission in the most efficient and effective manner to meet our responsibilities as stewards of the public trust.

H. Dale Hall, Director
November 1, 2005

I. The United States Fish and Wildlife Service

Communities and individuals throughout the United States (U.S.) have a strong commitment to fish and wildlife resources. Many communities realize substantial economic benefits from tourism and visitors that come to enjoy fish and wildlife. Hunting and fishing remain strong components of community culture all along the nation's great river systems. As an asset of tremendous environmental, recreational, and economic importance, the nation's fish and wildlife resources represent a vital part of our natural heritage, one that is facing increasing pressures. For this reason, the mission of the U.S. Fish and Wildlife Service (Service) grows continuously more complex and critical.

Lavonda Walton/USFWS

National Fishing Week in Washington, DC

A. Mission and Organization

The Service's mission is working with others to conserve, protect, and enhance fish, wildlife, plants, and their habitats for the continuing benefit of the American people.

Mission

The Service is the principal Federal agency responsible for conserving, protecting, and enhancing fish, wildlife, plants, and their habitats for the continuing benefit of the American people. The Service manages the 91-million-acre National Wildlife Refuge System (NWRS), which encompasses 545 National Wildlife Refuges (NWRs), thousands of small wetlands, and other special management areas. It also operates 69 National Fish Hatcheries, 64 fishery resource offices, and 81 ecological services field stations. The agency enforces Federal wildlife laws, administers the Endangered Species Act, manages migratory bird populations, restores nationally significant fisheries, conserves and restores wildlife habitat such as wetlands, and helps foreign governments with their conservation efforts. It also oversees the Federal Assistance program that distributes hundreds of millions of dollars in excise taxes on fishing and hunting equipment to state fish and wildlife agencies.


Chuck Young/USFWS

Combat fishing for king salmon

The Service has the privilege of being the primary agency responsible for the protection, conservation, and renewal of these resources for this and future generations. We accept this responsibility and challenge with optimism and resolve to pass along to future generations of stewards a fish and wildlife resource heritage that is stronger than when it was entrusted to us.

The Service employs approximately 10,000 permanent and temporary staff and is supported by citizens volunteering approximately 1.4 million hours. Although the Service is headquartered in Washington, D.C., over 90% of the workforce is located in communities across the nation at over 700 field stations supported by seven regional offices. The Service continues to focus on building and maintaining relationships with a broad array of stakeholders, including the states, tribes, community groups, and other organizations due to our involvement at the community level.


USFWS

Tetlin refuge autumn landscape

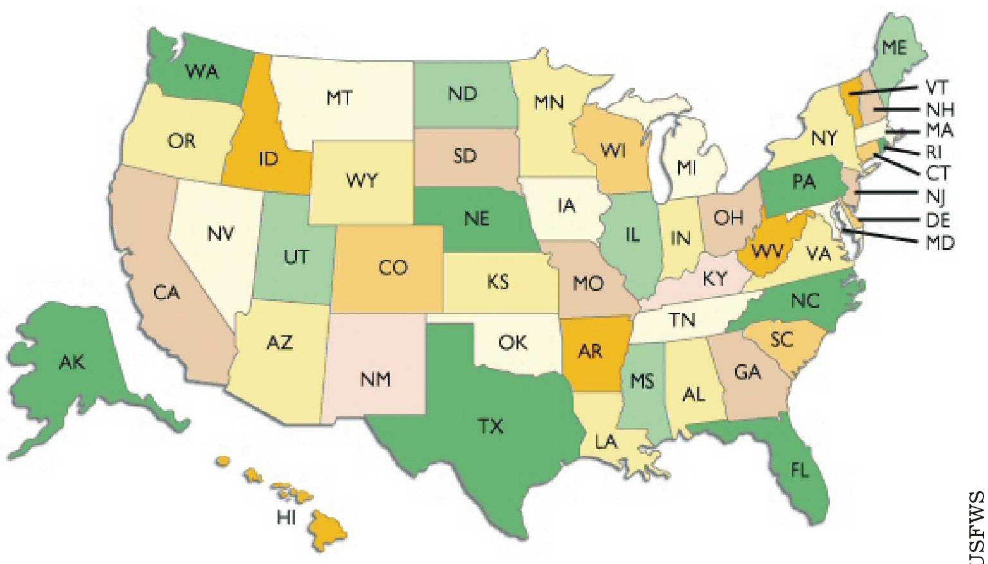
Organization

As shown in the accompanying organization chart, the Directorate of the Service is comprised of the Director, two Deputy Directors, and 11 Assistant Directors, all located in Washington, D.C. There are seven Regional Directors and one Manager of Operations, located throughout the U.S. The Service headquarters offices are located in Washington, D.C. and Arlington, Virginia, with field units in Denver, Colorado, and Shepherdstown, West Virginia.

Mum

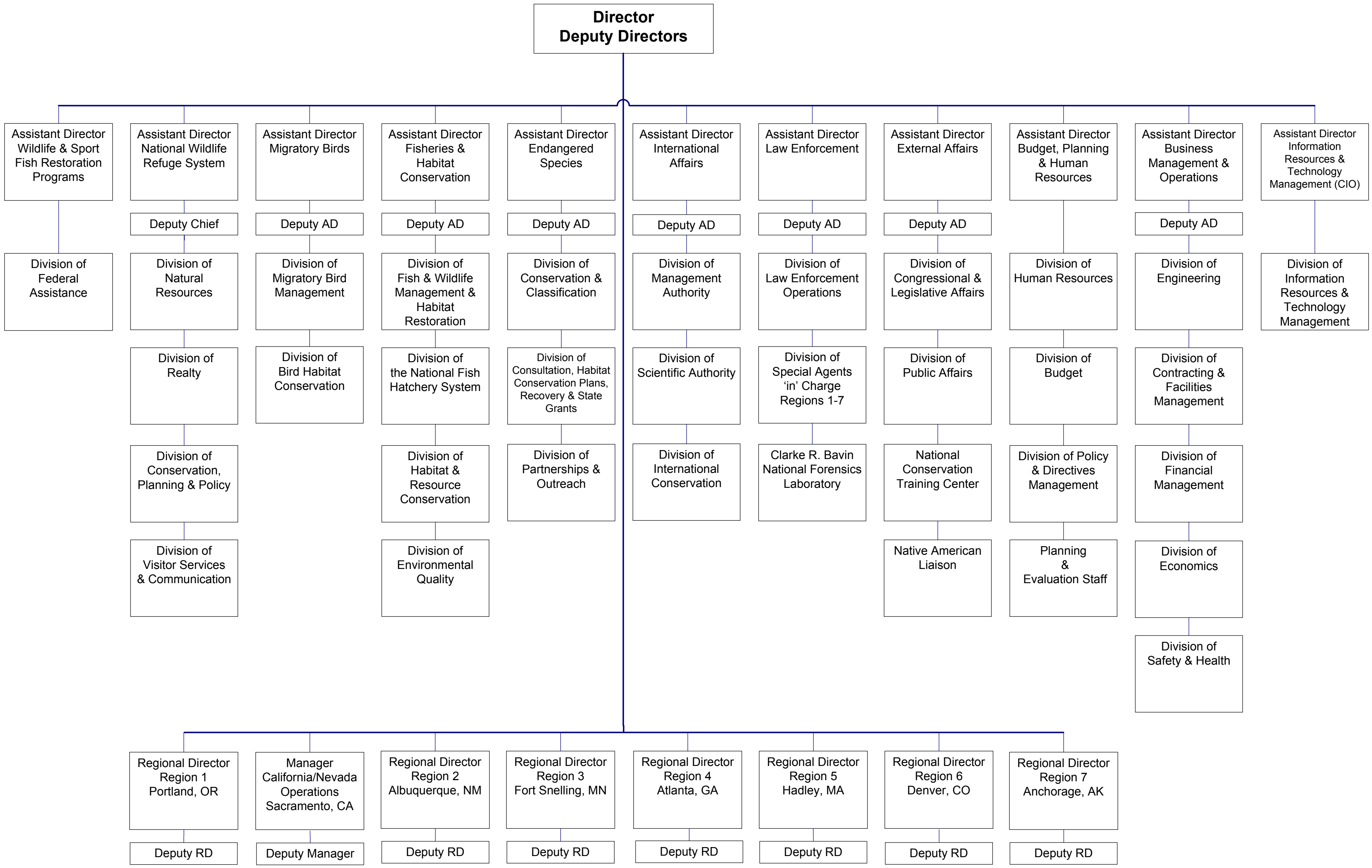
Regional Offices are located throughout the U.S. Region 1, located in Portland, Oregon, serves California, Hawaii, Idaho, Nevada, Oregon, and Washington, as well as the Trust Territories of the Pacific. (Region 1 also includes the California/Nevada Operations Office.) Region 2, located in Albuquerque, New Mexico, serves Arizona, New Mexico, Oklahoma, and Texas. Region 3, located in Ft. Snelling, Minnesota, serves Indiana, Illinois, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin. Region 4, located in Atlanta, Georgia, serves Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee, as well as Puerto Rico and the Virgin Islands. Region 5, located in Hadley, Massachusetts, serves Connecticut, Delaware, Maine, Massachusetts, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, Vermont, West Virginia, and the District of Columbia. Region 6, located in Denver, Colorado, serves Kansas, Montana, North Dakota, South Dakota, Nebraska, Colorado, Utah, and Wyoming. Region 7, located in Anchorage, Alaska serves the entire state of Alaska.

In the U.S. Department of the Interior (DOI), the Service's Director reports to the Assistant Secretary for Fish and Wildlife and Parks and has direct line authority over Service headquarters and the seven regional offices. Assistant Directors provide policy, program management, and administrative support to the Director. Regional Directors guide policy and program implementation through their field structures, and coordinate activities with Service partners.



The United States Map

B. Organizational Chart



II. Management's Discussion and Analysis

The following areas are addressed in the Management's Discussion and Analysis:

A. Mission Goals and Performance
B. Management Controls and Legal Compliance
C. Financial Highlights
D. Limitations of Financial Statements
E. Analysis of Financial Statements

Don Morgan/USFWS

Bull river wildlife management area

A. Mission Goals and Performance

DOI has developed a Strategic Plan for Fiscal Year (FY) 2003 - 2008 that encompasses the missions and goals of its eight bureaus and the DOI Offices (http://www.doi.gov/ppp/stratplanfy2003_2008). The plan is organized around the DOI's principal mission areas:

1. Resource Protection
2. Resource Use
3. Recreation
4. Serving Communities
5. Management Excellence

The Service is entrusted with the protection, conservation, and recovery of threatened and endangered species, migratory birds, some marine mammals, inter-jurisdictional and other fisheries, their habitats, and stewardship of NWRS. As such, the Service will significantly contribute to the successful achievement of the DOI's mission goals for Resource Protection, Recreation, Serving Communities, and Management Excellence while supporting the Resource Use mission goal through a collaborative environmental consultation effort.

The following information delineates Strategic Plan goal attainment for FY 2005 and provides explanations where appropriate for analysis and discussion.

Note: the DOI's guidance and specifications for the performance section of bureau FY 2005 annual reports considers performance targets to be "met" when final or estimated data indicates that performance will be at or within 5% of the target.

Robert H. Pos/USFWS

Workers load trout onto truck at Creston National Fish Hatchery, Montana

Mission Goal 1 - Resource Protection

Resource Protection/Improve Health of Watersheds, Landscapes, and Marine Resources that are DOI Managed or Influenced in a Manner Consistent with Obligations Regarding the Allocation and Use of Water/Achieve Watershed and Landscape Goals Through Voluntary Partnerships

The Service estimated that 240,230 acres of wetlands and uplands would be restored or protected in FY 2005 through voluntary partnerships. The Service estimates that this target will be exceeded by restoring or protecting 743,192 acres in FY 2005. There are several reasons why the target may be exceeded. One of the contributors to this goal, the Service's Coastal Program succeeded in protecting over 300,000 acres of uplands in a single project in the Gulf of Mexico. This value is considerably greater than the planned FY 2005 Regional target of 150 acres. Because the Coastal Program works on a voluntary basis with landowners and managers, it is difficult to predict exactly how many acres will be achieved during the year. The actual FY 2005 performance data for the contributing Partners and Coastal programs will be reported in the first quarter of FY 2006. In addition, the Service's Refuge Program also contributes to this goal. The Refuge program's planned FY 2005 target of 4,269 wetland/upland acres restored was greatly exceeded with a reported number of 214,448 acres. There are two major reasons why the Refuges program exceeded its target: First, the target of 4,269 acres was exceptionally low. Second, two recently completed projects for removing invasive fox populations from islands in Alaska Maritime NWR contributed approximately 140,000 restored acres, thus greatly exceeding past figures.


Libby Hurland/USFWS

Coastal marsh restoration

Resource Protection/Sustain Biological Communities on DOI Managed or Influenced Lands and Waters in a Manner Consistent with Obligations Regarding the Allocation and Use of Water

The Service set a FY 2005 target of stabilizing or improving the population status of 37% or 352 species of the 940 federally-listed threatened or endangered species listed for a decade or more. The FY 2005 target was met as 350 threatened and endangered species of a total population of 37% or 347 of 937 species were stabilized or improved. Three species were delisted since the FY 2005 estimate. Additionally, the Service set a target to prevent listing 2% or 4 of the 256 candidate species as a result of conservation actions or agreements. This target was not met, but conservation actions and agreements did prevent the listing of 3 species. The complex and voluntary nature of establishing and implementing candidate agreements adds to the difficulties in accomplishing the target.


USFWS

Environmental education at San Luis NWR

Resource Protection/Sustain Biological Communities on DOI Managed or Influenced Lands and Waters Consistent with Obligations Regarding the Allocation and Use of Water

The Service set a FY 2005 target to restore or enhance 365,462 acres consistent with management documents, program objectives, and substantive and procedural requirements of state and Federal water law. Current estimates reveal that 374,320 acres will be restored or enhanced in FY 2005. The key contributing Service program to this performance measure is the North American Wetlands Conservation Act (NAWCA). The NAWCA grant program is an internationally recognized program that provides grants throughout the United States, Canada, and Mexico and is one of the key instruments for conservation of waterfowl and other migratory birds. For over 14 years, the NAWCA grant program, through voluntary grant partnerships, has both protected and improved the health and integrity of the landscapes in which people reside and work in harmony with our fish and wildlife resources.

Mission Goal 2 - Resource Use

Although Resource Use is only tangentially applicable to the activities performed by the Service and the DOI Strategic Plan does not contain an applicable performance measure, the Service does contribute through a collaborative environmental consultation effort. These consultation activities contribute to identifying environmental issues and potential mitigation strategies. Service costs in this mission goal are related to consultation work performed for other parties. Approximately 2% or $28.5 million of the

Service's FY 2005 appropriated funding is directed to these efforts. This activity is funded by Congressional appropriation, not reimbursable agreements, but is similar to reimbursable agreements in that there are no meaningful measures relating to the activity other than workload type measures.

Mission Goal 3 - Recreation

Recreation/Provide for a Quality Recreation Experience, Including Access, Enjoyment of Natural and Cultural Resources on DOI Managed, and Partnered Lands and Waters

The Service set targets for accomplishment in the following three intermediate performance measures:

Community Partnerships: The Service set a FY 2005 target to maintain 42% or 239 of 573 recreation sites through community partnerships. These partnerships are groups formally engaged (through memorandums of understanding, memorandums of agreement, or general agreements) in helping the Service achieve its mission. The Service exceeded this target by maintaining 49% or 278 of 573 recreation areas through community partnerships. The reason for this success was due to the ever-increasing interest of citizens and communities to engage with the National Wildlife Refuge System and National Fish Hatchery System, coupled with national programs designed to build capacity in Friends organizations through grants, mentoring, training, and conferences.

John & Karen Hollingsworth/USFWS

Brown Pelican on refuge sign

Facility Condition Index (FCI): The Service uses the FCI, a standard measure of the physical condition for facilities, to estimate its deferred maintenance needs. The FCI is the ratio of estimated deferred maintenance needs to the estimates of replacing facilities at today's costs. The objective is to work towards lowering the FCI. The Service set the FCI target for FY 2005 at 0.166 for refuge recreational facilities. It is used to provide information to support the intermediate measure of achieving a condition rating of fair or better for NWRS recreational facilities (docks, boat launches, kiosks, observation decks, campground boardwalks, and picnic areas). The Service exceeded this target as the final FY 2005 FCI for recreation facilities was 0.087. The main reason for this improvement is due to the ongoing condition assessment process for National Wildlife Refuge System facilities, which continually improves the accuracy of deferred maintenance and replacement cost of facilities.

Facilitated Programs: The Service set a FY 2005 target for refuge and hatchery staff (paid employees, volunteers, and cooperating association employees) to offer facilitated refuge and hatchery interpretation or educational programs to 14,478,039 visitors to refuges and hatcheries. The Service met only 79% of the FY 2005 target (11,441,551 visitors). The shortfall reported in facilitated visits is primarily due to the change in the reporting system used to track the number of visitors to the NWRs. During initial deployment of the new system in August and September 2005, connectivity issues and other implementation difficulties resulted in the underreporting of visitation.

Mission Goal 4 - Serving Communities

Protect Lives and Property/Intermediate Strategy 1, Improve Fire Management

The Service set a FY 2005 target of limiting burn damage from unplanned and unwanted wildland fires on refuge land to 260,000 acres. These types of fires include those burning outside the parameters defined in land use or fire management plans. The Service estimates that about 271,000 acres were burned in FY 2005. All the preparation possible cannot prevent all forest and rangeland fires. Therefore, the Service must be prepared to respond effectively to unwanted wildfires that occur in places and under circumstances conductive to damaging fires.

Mission Goal 5 - Management Excellence

Eric Eckl/USFWS

Prescribed burn

Management Excellence

The Service set a FY 2005 target of 1,196,487 volunteer hours. Final FY 2005 data reveals that 1,404,064 volunteer hours were donated through dedicated volunteers exceeding the FY 2005 target by 17%. The Service provides opportunities for members of the public who wish to take an active role in the conservation of fish and wildlife through support of Service programs and activities and offers additional opportunities on refuges and hatcheries through volunteer assistance that would not otherwise be available. With Service employees working side-by-side with volunteers on every level, the Service protects, conserves, and restores our nation's fish, wildlife, plants, and their habitat. The Service strives to develop projects and activities suitable for volunteers and maintains a communication and organizational framework to ensure people with the right skills and capability are on the right job.

Impact of Hurricanes

The devastation to the Gulf Coast wreaked by Hurricane Katrina and Hurricane Rita during August and September 2005 caused damage to 49 NWRs from Florida to Texas. The hardest hit refuges in Louisiana and Texas are expected to remain closed for an extended period while damage assessments and clean-up activities are completed. Repairs to roads, dams, levees, buildings and equipment in some refuges are expected to take years to complete. Because of the hurricanes, Service efforts to protect endangered species, control invasive species, and protect wildlife habitat along the Gulf Coast have been severely hampered.

Data Verification and Validation

The Fish and Wildlife Service is committed to ensuring that those who use the Service's reported performance information to make decisions can do so with the confidence that our data are reliable and valid. The Service has made significant progress in developing the essential processes that support data verification methods used by the four major program areas in determining data quality. For example, to ensure standardized data definitions, the Service has worked closely with DOI in developing performance measure definition templates for all DOI Strategic Plan performance measures. Some of these templates have been refined to ensure accurate reporting by the contributing DOI bureaus. All goals and measures are developed and reviewed by Service officials and staff from the field through the Headquarters level. Each goal is measurable and clear, and was developed to have a direct bearing on the mission activity in which it is categorized.

Gary Kramer/USFWS

Pyrrhuloxia

Data sources are clearly identified. The Service utilizes a number of databases for collecting and reporting performance data. For example, the Ecological Services Program maintains the Environmental Conservation Online System, Threatened & Endangered Species System, and Habitat Information Tracking System. The Fisheries Program uses its Fishery Information System (including the Fisheries Operational Needs System) to track performance. The Refuge Program utilizes a series of national databases that collect and provide crucial performance information including: Refuge Management Information System, Refuge Comprehensive Accomplishment Reporting System, and Refuge Operating Needs System. The Migratory Bird Management Program utilizes a national database to enter and track its performance information. The Service is working toward creating a centralized data repository for all performance data that will ensure a "one-stop" shopping location for all Service reporting. This system was under development during FY 2005.

All data is aggregated at the Regional level. Each Region's program offices have designated responsible officials who certify that the data are accurate and that proper procedures are followed during each reporting period. The collection staffs in the field offices are highly-skilled and well-trained biologists. The assistant regional directors at each regional office have the ultimate responsibility for verifying the data accuracy. The data accuracy is again checked in the headquarters offices of the assistant directors for the various reporting programs.

While we strive to collect and report accurate data, data limitations exist for some performance measures. Some performance data is collected by outside sources. For example, Breeding Bird Survey data are provided by the U.S. Geological Survey-Biological Research Division. The National Audubon Christmas Bird Count is collected by volunteers. The International Affairs Program relies on obtaining plant and animal species performance data from foreign sources.

The Service is using DOI guidance, including the *"Data Validation and Verification Assessment Matrix,"* to keep programs on track to report accurate performance data. This guidance was reiterated in FY 2005 to all programs within the Service. Each program was asked to use a checklist, based on the Assessment Matrix to evaluate their internal validation and verification processes to determine any areas that could be improved. The Service continues to work on better accountability for its performance measure reporting and will be issuing additional guidance to its programs and Regions during FY 2006.

B. Management Controls and Legal Compliance

The Service is dedicated to maintaining integrity and accountability in all programs and operations. Service management assesses its systems of management, administrative, and financial controls to ensure that:

1. Programs achieve their intended results
2. Resources are used consistent with the Service's mission
3. Resources are protected from waste, fraud, and mismanagement
4. Laws and regulations are followed
5. Reliable and timely information is maintained, reported, and used for decision making

Gary Kramer/USFWS

Bald eagle

The Service assesses the adequacy of its management controls through continuous monitoring and periodic evaluations, consistent with Office of Management and Budget (OMB) Circular A-123 *"Management Accountability and Control,"* and the Federal Managers' Financial Integrity Act (FMFIA). Each year, the Service identifies specific management control assessments planned for the fiscal year. The results from these internal reviews as well as results in certain final audit reports issued primarily by the Office of Inspector General and the U.S. Government Accountability Office are considered in the development of the Service's annual assurance statement on management controls. The statement also considers information obtained from the knowledge and experience management has gained from the daily operation of programs and systems of accounting and administrative controls. The statement informs DOI of the effectiveness of the Service's management controls, and includes information about any pending and new bureau-level material weaknesses and corrective actions.

In FY 2005, management control reviews were conducted in administrative, program, and information technology areas. No material control weaknesses were identified from these reviews. The Service reported to DOI a potential material weakness in the endangered species program. DOI makes the final determination about material weakness designations. Corrective actions for control weaknesses are monitored until completion.

William Vogel/USFWS

Forest road above Cooper lake

C. Financial Highlights

Service Financial Performance

In FY 2005, the Service has continued to improve the quality and timeliness of its financial information. The Service has improved its financial performance measure score under the President's Management Agenda, Governmentwide Initiative performance indicators. The Service's challenge remains to process financial and related information, received from over 700 field offices, in a timely and efficient manner.

In FY 2005, the Service continued to maintain strong transaction processing performance levels. The accounts receivable delinquency rate (excluding debts referred to the Department of the Treasury for action) was less than 1% at the end of FY 2005.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Virginia round-leaf birch

In FY 2005, the Service paid its vendors on time 99% of the time with only $22,196 in late payment penalties on approximately $450 million of total payments to vendors. This improves on the FY 2004 on time payment rate of 98%. During the same period, 95% of the Service's payments to vendors were accomplished through the Electronic Funds Transfer (EFT) and 97% of all other payments were paid through EFT.

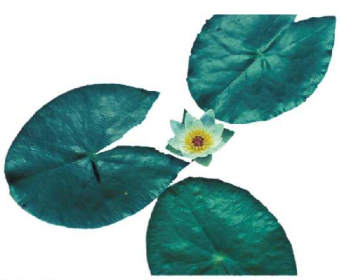
Cardholders and approving officials are regularly advised of their respective responsibilities under the charge card program. Failure to comply with charge card policy can create an environment open for delinquent account balances or unauthorized use of Service funds. For FY 2005, charge card accounts delinquent more than 60 days represented less than 1% of the total employee debt, which exceeded the Federal Government FY 2005 performance objective of 1%. During FY 2004 the service charge card delinquency rate was also less than 1%.

As required by the Improper Payment Information Act of 2002, the Service conducted risk assessments for improper payments by reviewing programs and activities according to departmental guidance. After performing risk identification and risk analysis, offices determined annual dollar volumes, annual estimated improper payment amounts, percentages of improper payments to dollar volumes, and risk ratings. No program in the Service received a high-risk rating for making significant improper payments.

Improving the Accuracy and Timeliness of Financial Information

The President's Management Agenda, Governmentwide Initiatives, Improved Financial Performance section, challenges agencies to provide accurate and timely financial information. During FY 2005, the Service had in place numerous processes designed to improve the accuracy and timelines of its financial reporting and information.

The Service uses a Central Contractor Registration (CCR) database of contractors approved to conduct business with the Federal Government. The CCR helps make the payment process more efficient and reduces the number of erroneous payments. It also serves to increase the visibility of vendors, and establishes a common source of vendor data for the Federal Government. At the end of FY 2005, 91% of the vendors used by the Service were registered in the CCR. This is a significant increase over FY 2004 when 82% of vendors registered in the CCR.


USFWS

Water lily

The Service employs a web-based questionnaire to assess the presence and appropriate use of internal controls over key financial processes performed throughout the Service. Each of the Service's offices performing financial functions will complete the questionnaire at least once every four years. In 2005, 25% or 191 of the Servicewide eligible stations completed the questionnaire, meeting the Service's annual goal. Data from these surveys are used as a tool to strengthen guidance or initiate timely corrective actions for problems discovered from the survey responses.

As part of the President's Management Agenda, the OMB has established accelerated due dates for completing performance and accountability reports. The DOI's Performance and Accountability Report is now due 45 days from the end of the fiscal year. The Service prepared comprehensive quarterly financial statements throughout FY 2005 to meet the mandatory accelerated reporting schedule.

The Service transitioned successfully from Omega World Travel to Carlson Wagonlit Government Travel, a new web-based reservation system used to make travel arrangements. Since the implementation date of March 2005, online participation has increased from 12% in FY 2004 to approximately 60% as of the end of FY 2005, resulting in overall cost savings for the Service.

As a model of responsible fiscal management, the Service implemented a management initiative in FY 2005 designed to encourage cost containment and efficient fund management relating to its leased space. Funding management of 499 service space leases, totaling approximately $50 million annually, was transitioned to occupying program offices nationwide, empowering managers to efficiently manage and contain costs. By moving from central payment, the visibility of administration costs that support mission work are increased. Full implementation was achieved during FY 2005.

Managing the Sport Fish Restoration Account


USFWS

Lake trout

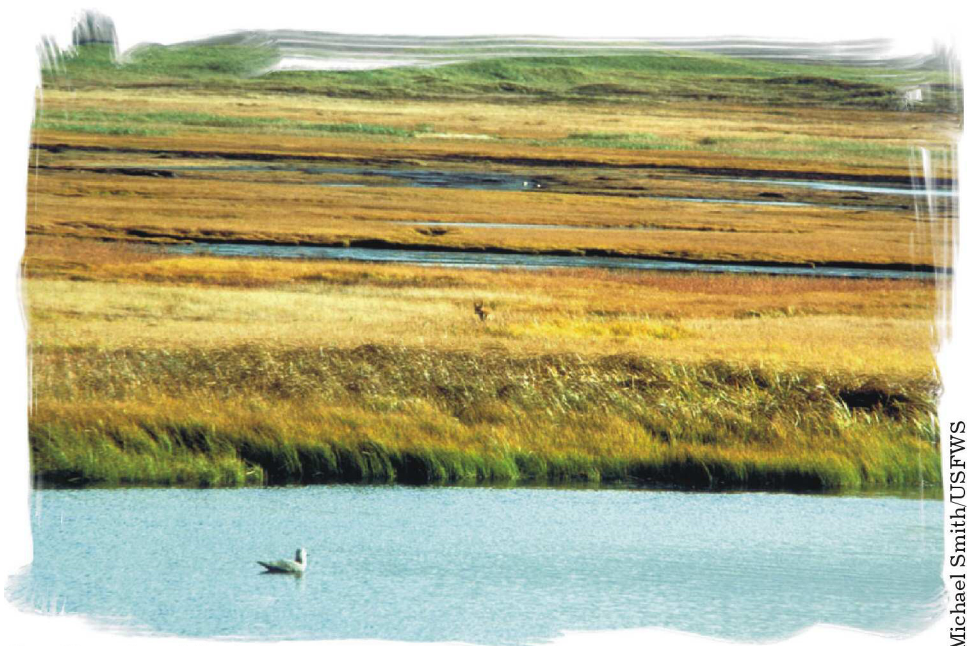
The Service's Sport Fish Restoration Account (SFRA) makes grants available to states to restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands, and to enhance public use and benefits from sport fish resources. The source of funding for the SFRA is the Aquatic Resources Trust Fund (ARTF), which receives revenue through excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. In addition to the SFRA, the ARTF funds the Boating Safety Account, which provides funding for boating safety programs conducted by the U.S. Coast Guard and coastal wetlands initiatives conducted by the Corps of Engineers. Title 26 of the U.S. Code, Section 9602 designates the Department of the Treasury as manager of the ARTF, with overall responsibility for the fund's accounting and investment activities. The ARTF is presented on the Service's financial statements in accordance with the requirements of Statement of Federal Financial Accounting Standards (SFFAS) Number 7, *"Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting"*, and Statement of Federal Financial Accounting Concepts (SFFAC) Number 2, *"Entity and Display"*, which require trust funds that finance multiple programs to be reported by the entity with the preponderance of fund activity.


USFWS

School fish

D. Limitations of the Financial Statements

The Principal Financial Statements have been prepared to report the financial position and results of operations of the Service, pursuant to the requirements of 31.U.S.C. 3515(b). The statements have been prepared from the books and records of the Service in accordance with prescribed formats. The statements are different from the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity, and that liabilities reported in the financial statements cannot be liquidated without legislation providing resources to do so.



Michael Smith/USFWS

Cape Newenham fall colors

E. Analysis of Financial Statements


USFWS

Pickerel frog

The Service produces audited annual financial statements that summarize its financial activity and financial position. The Principal Financial Statements include:

1. Consolidated Balance Sheet
2. Consolidated Statement of Net Cost
3. Consolidated Statement of Changes in Net Position
4. Combined Statement of Budgetary Resources
5. Consolidated Statement of Financing

The notes accompanying the financial statements provide additional detail and context concerning the information presented in the financial statements. Two other statements, the Consolidating Statement of Net Cost and the Combining Statement of Budgetary Resources provide additional detail of information presented in the financial statements.

Budgetary Resources

The Service obtains most of its funding from enacted appropriations. In FY 2005, the Service's appropriations budget was approximately $2.17 billion. The total budgetary resources available for use in FY 2005 are approximately $2.94 billion. This includes budget authority, unobligated balances as of the beginning of the year, net transfers of budget authority, and spending authority from offsetting collections. In FY 2004, the Service's appropriation budget was $2.10 billion, with total budgetary resources available for use amounting to about $2.86 billion.

Earned Revenue

In addition to budgetary appropriations, the Service obtains funding to support its programs from reimbursable agreements, where the Service receives compensation for services it provides to other Federal agencies and public entities. The Service also earns revenue from fees and collections relating to its various programs. In FY 2005, the Service recognized approximately $188 million in earned revenue compared with $152 million in FY 2004.

Expenses

The Service's cost of operations before earned revenue in FY 2005 was approximately $2.32 billion. The Service's cost of operations before earned revenue in FY 2004 was $2.20 billion. The FY 2005 expenses include $73.7 million in cleanup and repair costs relating to damage to Service property caused by hurricanes during FY 2005.

The table below provides the Service's analysis of expenses by mission goal. Expenses relating to the Management Excellence mission goal (which includes Reimbursable Activities and Other) are considered immaterial.


Gary Kramer/USFWS

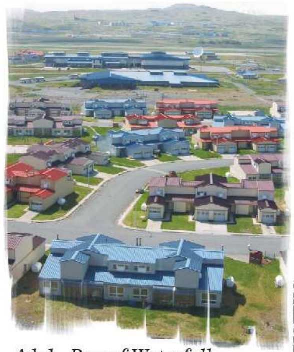
Western tanager

Expenses by Mission Goals
Through September 30, 2005
(dollars in thousands)

Mission Goal	Amount of FY 2005 Expenses	Percentage of FY 2005 Expenses	Amount of FY 2004 Expenses	Percentage of FY 2004 Expenses
Resource Protection	$ 1,560	67.3 %	$ 1,558	70.8 %
Resource Use	29	1.3	31	1.4
Recreation	564	24.3	477	21.7
Serving Communities	164	7.1	136	6.1
Total	**$ 2,317**	**100.0 %**	**$ 2,202**	**100.0 %**

Assets

The largest portion of reported assets, 45.1% as of September 30, 2005, is Treasury Securities held by the Service representing invested amounts from the Federal Aid in Wildlife Restoration Fund ($452 million), and ARTF ($1.54 billion). As of September 30, 2004, $363 million was held in the Wildlife Restoration Fund, and about $1.45 billion was included in the ARTF, representing about 42.8% of Service assets. Although the Department of the Treasury is responsible by statute for the balances in the ARTF, it is presented on the Service's financial statements in accordance with the requirements of the SFFAC Number 2, *"Entity and Display."*



USFWS

Adak, Bay of Waterfall

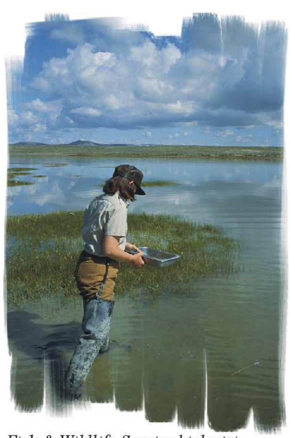
The Service's Fund Balance with the Department of the Treasury, as of September 30, 2005, is 32.9% or $1.46 billion of Service assets. As of September 30, 2004, the Service's fund balance with the Department of the Treasury was 34.9% or $1.48 billion of total assets. The portion of this balance available to the Service at any point in time depends on the terms of the Service's appropriation language, and other applicable statutes.

The Service's investment in Property, Plant, and Equipment (PP&E), net of accumulated depreciation, is 20.7% or $917 million of Service assets. As of September 30, 2004, the Service's net PP&E was 21.3% or $900 million of Service assets. The Service does not report stewardship property, such as NWR lands and waterfowl production areas in its financial statements. The Service also excludes heritage assets from its reports, such as land, buildings, and structures recognized for their ecological, cultural, historical, and scientific importance. Stewardship and heritage assets are not recognized as having an identifiable financial value that can be quantified on financial statements. In accordance with the requirements of the SFFAS Number 6, *"Accounting for Property, Plant, and Equipment,"* purchases of these assets are considered expenses of the accounting period they are acquired.

Due to the significant damage to Service PP&E caused by hurricanes in FY 2005, the Service retired or disposed of assets totaling $2.9 million in recorded cost. In addition, the Service recorded downward adjustments totaling $6.4 million for impairments to other PP&E.

Liabilities and Net Position

The largest portion of Service liabilities, $440 million as of September 30, 2005, consists of amounts owed to the U.S. Coast Guard and the Corps of Engineers from the ARTF. As of September 30, 2004, the ARTF liability to these agencies amounted to $421 million. These liabilities are reported in Service financial statements in accordance with the requirements of SFFAC Number 2, *"Entity and Display."*



Pedro Ramirez Jr./USFWS

Fish & Wildlife Service biologist collects sediment samples

The Service has $200 million in unfunded liabilities to the public, which cannot be paid until Congress appropriates funds in future periods. At the end of FY 2004, the Service had $141 million in unfunded liabilities to the public. These liabilities consist primarily of unfunded annual leave and the Service's actuarial Federal Employees Compensation Act (FECA) liability. They also include environmental cleanup liabilities, representing the future costs of remediating hazardous waste, and landfills existing on Service lands. In FY 2005 and 2004, unfunded liabilities included estimated costs to repair damage to NWRs, National Fish Hatcheries, and other Service facilities caused by hurricanes and storms. The estimated liability as of September 30, 2005 for storms occurring in FY 2005 was $73.7 million. The estimated liability as of September 30, 2004 for storms occurring during FY 2004 were $21.2 million. The following table summarizes the Service's unfunded liabilities to the public.

Unfunded Liabilities to the Public
as of September 30, 2005 and 2004
(dollars in millions)

Unfunded Liabilities	**2005**	**2004**
Federal Employees Compensation Act	$ 63	$ 59
Unfunded Annual Leave	49	48
Environmental Cleanup	14	13
Other	74	21
Total	**$ 200**	**$ 141**

TomMacKenzie/USFWS

Destroyed boat in boathouse at Sabine NWR

The Service's Net Position consists of two components:

1. Unexpended Appropriations
2. Cumulative Results of Operations

The Unexpended Appropriations amount reflects spending authority made available to the Service by Congressional appropriation that the Service has not yet used. The Cumulative Results of Operations amount reflects the net results of the Service's operations over time. The Service's Net Position as of September 30, 2005 is $3.66 billion, of which $536 million is unexpended appropriations and $3.12 billion is cumulative results of operations. As of September 30, 2004, the Service's net position was $3.54 billion, with $502 million in unexpended appropriations and $3.04 billion in cumulative results of operations.

Tom MacKenzie/USFWS

Sabine NWR from the air showing roof damage and huge pile of debris

III. U.S. Fish and Wildlife Service Financial Statements

The Service Financial Statements section covers the following areas:

A. Principal Financial Statements
B. Notes to Principal Financial Statements
C. Required Supplementary Information (RSI)
D. Required Supplementary Stewardship Information (RSSI)


USFWS

Innoko refuge wetlands

A. Principal Financial Statements

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidated Balance Sheet
as of September 30, 2005 and 2004
(dollars in thousands)

	2005	2004
ASSETS (Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 1,457,266	$ 1,479,492
Investments, Net (Notes 4 and 11)	1,999,112	1,816,233
Accounts and Interest Receivable (Note 5)	28,913	26,410
Other		
Advances and Prepayments	1,368	1,301
Total Intragovernmental Assets	3,486,659	3,323,436
Cash (Note 3)	51	107
Accounts and Interest Receivable, Net (Note 5)	22,003	10,700
General Property, Plant, and Equipment, Net (Note 6)	917,489	900,160
Other		
Advances and Prepayments	210	286
Stewardship Assets		
TOTAL ASSETS	**$ 4,426,412**	**$ 4,234,689**
LIABILITIES (Note 8)		
Intragovernmental Liabilities:		
Accounts Payable	$ 6,991	$ 5,810
Other		
Accrued Employee Benefits	21,108	17,904
Advances, Deferred Credits, and Deposit Funds	976	689
Aquatic Resources Trust Fund Amounts Due to Others (Note 11)	439,930	420,896
Judgment Fund	0	15
Other Liabilities	1,926	1,926
Total Intragovernmental Liabilities	470,931	447,240
Accounts Payable	59,301	80,068
Federal Employees and Veterans' Benefits	62,270	58,821
Environmental and Disposal Liabilities (Note 8)	14,033	12,874
Other		
Accrued Employee Payroll and Benefits	72,876	66,586
Advances, Deferred Credits, and Deposit Funds	8,561	6,357
Contingent Liabilities (Note 8)	100	12
Other Liabilities	78,364	21,247
TOTAL LIABILITIES	**766,436**	**693,205**
Commitments and Contingencies (Notes 8 and 9)		
Net Position		
Unexpended Appropriations	536,093	501,981
Cumulative Results of Operations	3,123,883	3,039,503
Total Net Position	**3,659,976**	**3,541,484**
TOTAL LIABILITIES AND NET POSITION	**$ 4,426,412**	**$ 4,234,689**

The accompanying notes are an integral part of these financial statements.

U. S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidated Statement of Net Cost
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	2005	2004
Resource Protection		
Cost	$ 1,559,529	$ 1,557,927
Less: Earned Revenue	150,810	126,119
Net Cost	**1,408,719**	**1,431,808**
Resource Use		
Cost	28,743	30,555
Less: Earned Revenue	240	521
Net Cost	**28,503**	**30,034**
Recreation		
Cost	564,384	477,216
Less: Earned Revenue	22,538	21,993
Net Cost	**541,846**	**455,223**
Serving Communities		
Cost	164,032	136,134
Less: Earned Revenue	13,729	3,743
Net Cost	**150,303**	**132,391**
Reimbursable Activity and Other		
Cost	24	0
Less: Earned Revenue	773	0
Net Cost	**(749)**	**0**
Total		
Costs	**2,316,712**	**2,201,832**
Less: Earned Revenue	**188,090**	**52,376**
Net Cost of Operations (Note 14)	**$ 2,128,622**	**$ 2,049,456**

The accompanying notes are an integral part of these financial statements.

U. S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidated Statement of Changes in Net Position
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	2005	2004
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$ 501,981	$ 498,236
Budgetary Financing Sources		
Appropriations Received, General Funds	1,176,585	1,121,014
Appropriations Transferred In/Out	86,270	94,718
Appropriations - Used	(1,212,825)	(1,198,544)
Other Adjustments	(15,918)	(13,443)
Net Change	34,112	3,745
Ending Balance – Unexpended Appropriations	**$ 536,093**	**$ 501,981**
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	$ 3,039,503	$ 2,913,926
Budgetary Financing Sources		
Appropriations – Used	1,212,825	1,198,544
Royalties Retained	1,036	6,456
Non-Exchange Revenue	793,791	745,962
Transfers In/Out without Reimbursement	127,309	165,382
Donations and Forfeitures of Cash and Cash Equivalents	3,287	3,444
Other Budgetary Financing Sources	8,404	169
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others (Note 10)	62,061	50,488
Transfers In/Out without Reimbursement	4,289	4,588
Total Financing Sources	2,213,002	2,175,033
Net Cost of Operations	(2,128,622)	(2,049,456)
Net Change	**84,380**	**125,577**
Ending Balance - Cumulative Results of Operations	**$ 3,123,883**	**$ 3,039,503**

The accompanying notes are an integral part of these financial statements.

U. S. Department of the Interior
U.S. Fish and Wildlife Service
Combined Statement of Budgetary Resources
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	Total Budgetary Accounts	
	2005	2004
Budgetary Resources:		
Budget Authority:		
Appropriations Received	$ 2,169,124	$ 2,103,220
Net Transfers, Current Year Authority	(122,472)	(94,440)
Unobligated Balance:		
Beginning of Fiscal Year	663,852	570,853
Net Transfers, Unobligated Balance, Actual	0	15,296
Spending Authority from Offsetting Collections:		
Earned		
Collected	162,002	139,063
Receivable from Federal Sources	12,345	(3,631)
Change in Unfilled Customer Orders		
Advance Received	838	(344)
Without Advance from Federal Sources	(11,140)	70,883
Subtotal: Spending Authority from Offsetting Collections	164,045	205,971
Recoveries of Prior Year Obligations	81,120	79,302
Temporarily Not Available Pursuant to Public Law	(3,030)	0
Permanently Not Available	(15,919)	(16,323)
Total Budgetary Resources	**$ 2,936,720**	**$ 2,863,879**
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$ 2,105,297	$ 1,996,205
Reimbursable	162,747	203,822
Total Obligations Incurred (Note 12)	2,268,044	2,200,027
Unobligated Balance:		
Apportioned	666,380	660,255
Unobligated Balance not Available	2,296	3,597
Total Status of Budgetary Resources	**$ 2,936,720**	**$ 2,863,879**
Relationship of Obligations to Outlays:		
Obligations Incurred	$ 2,268,044	$ 2,200,027
Obligated Balance, Net, Beginning of Fiscal Year	1,219,608	1,211,727
Obligated Balance, Net, End of Fiscal Year:		
Accounts Receivable	39,838	27,493
Unfilled Customer Orders from Federal Sources	105,158	116,298
Undelivered Orders	(1,334,932)	(1,256,824)
Accounts Payable	(97,006)	(106,575)
Total Obligated Balance, Net, End of Fiscal Year	(1,286,942)	(1,219,608)
Less: Spending Authority Adjustments	(82,325)	(146,554)
Outlays:		
Disbursements	2,118,385	2,045,592
Collections	(162,840)	(138,719)
Net Outlays Before Offsetting Receipts	1,955,545	1,906,873
Less: Offsetting Receipts	(35,186)	(61,170)
Net Outlays	**$ 1,920,359**	**$ 1,845,703**

The accompanying notes are an integral part of these financial statements.

U. S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidated Statement of Financing
for the years ended September 30, 2005 and 2004
(dollars in thousands)

	2005	2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	$ 2,268,044	$ 2,200,027
Less: Spending Authority from Offsetting Collections/Recoveries	(245,165)	(285,274)
Obligations Net of Offsetting Collections and Recoveries	2,022,879	1,914,753
Less: Offsetting Receipts	(35,186)	(61,170)
Net Obligations	1,987,693	1,853,583
Other Resources:		
Transfers In/Out Without Reimbursement	4,289	4,588
Imputed Financing From Costs Absorbed by Others (Note 10)	62,061	50,488
Net Other Resources Used to Finance Activities	66,350	55,076
Total Resources Used to Finance Activities	**2,054,043**	**1,908,659**
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(78,097)	(62,608)
Increase (Decrease) in Unfilled Customer Orders	(10,302)	70,540
Resources That Fund Expenses Recognized in Prior Periods	107	(3,375)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	(5,565)	27,594
Resources That Finance the Acquisition of Assets	(79,287)	(80,258)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	26,329	10,958
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(146,815)	(37,149)
Total Resources Used to Finance the Net Cost of Operations	**1,907,228**	**1,871,510**
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase (Decrease) in Annual Leave Liability	1,054	2,336
Increase in Environmental and Disposal Liability	1,159	522
Other	58,478	21,591
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	**60,691**	**24,449**
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	61,959	42,534
Allocation Transfers Reconciling Items (Note 13)	98,750	110,901
Other	(6)	62
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**160,703**	**153,497**
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	**221,394**	**177,946**
Net Cost of Operations	**$ 2,128,622**	**$ 2,049,456**

The accompanying notes are an integral part of these financial statements.

B. Notes to Principal Financial Statements

Note 1 - Summary of Significant Accounting Principles

A. Reporting Entity

The Service is a bureau within the U.S. Department of the Interior (DOI), a cabinet-level agency of the Federal Government's Executive Branch. The Service is responsible for conserving, protecting, and enhancing fish, wildlife and plants, and their habitats for the continuing benefit of the American people. Authority over money or other budget authority made available to the Service is vested in the Service's Director, who is responsible for administrative oversight and policy direction of the Service. Accounts are maintained which restrict the use of money (or other budget authority) for use consistent with the purposes and the time period authorized. These accounts also provide assurance that obligations do not exceed authorized amounts.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the Service as required by the Chief Financial Officers Act of 1990, as amended by the Reports Consolidation Act of 2000, and the Government Management Reform Act of 1994. The financial statements have been prepared from the Service's books and records in accordance with the guidance provided in OMB Circular A-136, *"Financial Reporting Requirements"* revised August 23, 2005, as required for FY 2005 and 2004. Furthermore, the financial statements have been prepared in accordance with the Service's accounting policies summarized in this note.

The accounting records are maintained and these financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Federal Accounting Standards Advisory Board (FASAB), recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish GAAP for the Federal Government under Rule 203 of the AICPA's Code of Professional Conduct. The financial statements reflect both accrual and budgetary accounting transactions. Under the accrual accounting method, revenue is recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting principles, by contrast, are designed to recognize the obligation of funds according to legal requirements, which may be prior to the occurrence of accrual-based transactions. The recognition of budgetary accounting transactions facilitates compliance with legal constraints and controls over the use of Federal funds. The accounts are maintained in accordance with the Department of the Treasury's United States (U.S.) Standard General Ledger.

The financial statements have been prepared from the books and records of the Service except for certain amounts relating to the Aquatic Resources Trust Fund (ARTF), which were provided by the Department of the Treasury. Title 26 of the U.S. Code, Section 9602 designates the Department of the Treasury as manager of the ARTF, with overall responsibility for the fund's accounting and investment activities. Although the Secretary of the Department of the Treasury is responsible by statute for the balances in the ARTF, it is presented on the Service's financial statements in accordance with the requirements of the Statement of Federal Financial Accounting Concepts (SFFAC) Number 2, *"Entity and Display."* SFFAC Number 2 requires trust funds that finance multiple programs to be reported by the entity with the preponderance of activity. This is also consistent with OMB guidance for financial reporting, which cites the Statement of Federal Financial Accounting Standards (SFFAS) Number 7, *"Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,"* Paragraph 87, as applicable to the ARTF. As of September 30, 2005 the SFRA received approximately 76% of the ARTF transfers as compared to 79% as of September 30, 2004.

The financial statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity. Legislation must provide resources and legal authority in order to liquidate liabilities. Intragovernmental assets and liabilities arise from transactions with other Federal agencies.

The Service maintains accounts in three separate budgetary categories:

1. Resource Management
2. Grant Programs
3. Other Funds

1. Resource Management

This category includes expenditure accounts arising from Congressional appropriations or other authorizations to spend general revenue. The principal resource management accounts are:

a. Resource Management, Operating
b. Resource Management, Federal Infrastructure Improvement

2. Grant Programs

The Service administers 14 budgetary accounts for grant programs established under specific trust agreements and statutes. The major categories of grant programs are:

a. Sport Fish Restoration
b. Federal Aid in Wildlife Restoration
c. Other grant programs:
- Wildlife Conservation (two budgetary accounts)
- North American Wetlands Conservation
- State Wildlife Grants
- Tribal Wildlife Grants
- Landowner Incentive
- Cooperative Endangered Species Conservation Fund
- Private Stewardship Grants
- Multinational Species Conservation Fund (four budgetary accounts)

3. Other Funds

The Service also administers various other budgetary accounts, including:

a. Miscellaneous Permanent Appropriations - These funds are receipt funds earmarked by law for a specific purpose, and do not require appropriation language to use the receipts. These funds include:
- Operations/Maintenance - Quarters
- Lahontan Valley and Pyramid Lake Fish and Wildlife Fund
- Other Miscellaneous Appropriations

b. Construction
c. Land Acquisition
d. Contributed Fund Account
e. Commercial Salmon Fishery Capacity Reduction
f. Migratory Bird Conservation Account
g. Recreation Fee Demonstration Program

C. Fund Balance with the Department of the Treasury and Cash

The Service maintains all cash accounts with the Department of the Treasury except for the imprest fund accounts. The funds with the Department of the Treasury include appropriated, special receipt, and trust funds, which are available to pay current liabilities and outstanding obligations. Cash receipts and disbursements of the Service are processed by the Department of the Treasury, and the Service's accounts are regularly reconciled with those of the Department of the Treasury.

D. Investments in Treasury Securities

The Service invests funds from the Federal Aid in Wildlife Restoration Fund (Treasury Symbol 14X5029), the Multinational Species Conservation Fund (Treasury Symbol 14X1652), and the ARTF (Treasury Symbol 20X8147) in non-marketable market-based Treasury securities issued by the Federal Investment Branch of the Bureau of Public Debt. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. The Service intends to hold these investments until maturity. Investments are valued at cost and adjusted for amortization of premiums and discounts, if applicable. The premiums and discounts are recognized as adjustments to interest income, utilizing the straight-line method. No provision is made for unrealized gains or losses on these securities. Interest on investments is accrued as it is earned.

The Department of the Treasury (see below, Note 1E Accounts and Interest Receivable) manages the investments reported by the Service for ARTF (Treasury Symbol 20X8147). Although the Service has advisory authority for ARTF investment decisions, the Department of the Treasury has legal responsibility for investing ARTF funds. Consistent with authorizing legislation and the Department of the Treasury fiscal investment policies, the Secretary of the Department of the Treasury invests such portion of the ARTF balance deemed by the program agencies not necessary to meet current withdrawals to cover program and related costs as defined by law. Such investments are non-marketable market-based securities as authorized by legislation and are issued and redeemed by the Federal Investment Branch of the Bureau of Public Debt, in the Department of the Treasury. These securities are held in the name of the Secretary of the U.S. Department of the Treasury for the ARTF and interest in investments is accrued as it is earned. The premiums and discounts are recognized as adjustments to interest income, utilizing the effective interest method. Although funds collected and deposited in the ARTF in any one fiscal year are available for investment during the same fiscal year collected, they are not available for obligation that same year. Thus, the use of such funds collected from a prior fiscal year is restricted until the following fiscal year. Note 4 provides additional information on Service and ARTF investments.

E. Accounts and Interest Receivable

Receivables represent amounts owed to the Service by other Federal agencies and the public, (with the exception of amounts owed to the ARTF and reported by the Service), and include accounts and interest receivable. Accounts receivable primarily arise from the provision of goods and services or from the levy of fines and penalties resulting from the Service's regulatory responsibilities. Interest receivable consists primarily of amounts earned but not yet received from Service investments and ARTF investments reported by the Service. An allowance for doubtful accounts is maintained to reflect uncollectible receivables from the public. The allowance amount is estimated based on an average of prior year write-offs and an analysis of outstanding accounts receivable. Federal accounts receivable are considered to be fully collectible.

F. Operating Materials and Supplies

Operating materials and supplies consist of items such as lumber, sand, gravel, and other items purchased in large quantities, which will be consumed in future operations. Operating materials and supplies are accounted for based on the purchase method. Under this method, operating materials and supplies are expensed when purchased.

G. Property, Plant, and Equipment

1. General Property, Plant, and Equipment (PP&E)

General PP&E consists of that property which is used in Service operations. General PP&E includes buildings, structures, facilities, and equipment used in the operation of wildlife refuges, fish hatcheries, wildlife and fishery research centers, waterfowl production areas, and administrative sites. In FY 2004, the Service made a prospective change in the real property capitalization threshold from $50,000 to $100,000. Capitalized buildings and structures have a cumulative acquisition cost of $100,000 or more. Buildings and structures are reported in the financial statements based on legal ownership. Buildings are comprised of facilities owned by the Service, such as houses, garages, shops, schools, laboratories, and other buildings. Structures and facilities owned by the Service include powerhouses and pumping plants, structural and general service facilities systems (e.g., drainage, plumbing, sewer, ventilating, water or heating systems), ground and site improvements (e.g., roads and roadways, fences, parking areas, sidewalks, sprinkler systems, yard drainage systems, or yard lighting systems), bridges and trestles, dams, and waterways and wells. Capitalized costs include materials, labor, and overhead costs incurred during construction, attorney and architect fees, and building permits. Permanent improvements to stewardship land, including earthen structures, such as canals, dikes, levees, and dirt roads, are not capitalized. Depreciation of buildings and other structures is recorded using the straight-line method based on an estimated useful life of 10 to 40 years. Note 6 provides additional information on the Service's general PP&E.

Investments in improvements to buildings, structures and facilities leased by the Service are capitalized if they exceed the capitalization threshold for real property. Leasehold improvements are amortized using the straight-line method over their estimated useful life or the term of lease, whichever is less.

Capitalized equipment consists of those assets, other than buildings or other structures, which have an estimated useful life of two or more years and an initial acquisition cost of $15,000 or more. In FY 2004, the Service made a prospective change in the capitalization threshold for capitalized equipment from $25,000 to $15,000. Depreciation of equipment is recorded using the straight-line method based on the estimated useful life of the respective assets of 5 to 20 years.

2. Construction Work in Progress (CWIP)

CWIP is used for the accumulation of the cost of construction or major renovation of real property during the construction period. Costs are transferred out of CWIP when they meet the criteria for capitalization.

3. Stewardship Property, Plant, and Equipment (PP&E)

The SFFAS No. 6, *"Accounting for Property, Plant, and Equipment (PP&E*)," established various categories to stewardship PP&E including stewardship land and heritage assets. A portion of the Service's stewardship lands has been reserved for wildlife refuges while the remainder is managed for multiple uses. Heritage assets are assets with historical, cultural, or natural significance. In accordance with Federal accounting standards, the Service assigns no financial value in its financial statements to the stewardship lands or heritage assets it administers. Acquisition costs for stewardship assets and any permanent improvement to these assets are expensed in the accounting period incurred. The Required Supplementary Stewardship Information (RSSI) section of this report provides additional information concerning stewardship land and heritage assets.

4. Internal Use Software

Internal Use Software is capitalized at cost if the acquisition cost is $100,000 or more. For commercial off-the-shelf software, the capitalized costs include the amount paid to the vendor for the software; for contractor-developed software, it includes the amount paid to a contractor to design, program, install, and implement software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. The estimated useful life for calculating amortization of software is 2 to 5 years using the straight-line method.

5. Leases

The Service leases certain PP&E for its operations. All of the Service's leases are considered operating leases in which the Service does not assume the risks of ownership of the PP&E. Note 9 provides additional information on the Service's operating leases.

H. Seized and Forfeited Property

Property seized by or forfeited to the Service consists primarily of wildlife and wildlife products. A smaller number of non-wildlife property items, such as guns, ammunition, or forensic evidence, is also seized by or forfeited to the Service. The Service is responsible for safeguarding seized and forfeited property from the time of seizure through the final disposition of the property. Methods of disposing of seized and forfeited property include retaining the property in the Service for educational purposes, transferring the property to other Federal entities, returning the property to the owner, or disposing of the property through destruction, sale, donation, or other methods authorized by law. Property for which a legal market exists is reported at appraised value or at values received at auction. Property that cannot be legally sold (e.g., all or parts of migratory birds, bald and golden eagles, endangered or threatened species, marine mammals, and species listed on Appendix I to the Convention on International Trade in Endangered Species) is classified as "non-marketable" and has no legal value. Note 7 provides additional information on seized and forfeited property.

I. Liabilities and Contingencies

A liability for Federal accounting purposes is a probable and measurable outflow or other sacrifice of resources as a result of past transactions or events. Intragovernmental liabilities arise from transactions with other Federal agencies. Liabilities Not Covered by Budgetary Resources result from the receipt of goods or services, or the occurrence of events, for which budgetary resources are not available. A liability cannot be paid absent appropriation of funds by Congress, and there is no certainty that such budgetary resources will be provided. The Federal Government, acting in its sovereign capacity, can abrogate those liabilities that arise for reasons other than through contracts.

Liabilities of the ARTF are the amount of funds resulting from the original budget authority for a fiscal year less the draw down of cash transferred during that same fiscal year.

Contingent liabilities relate to conditions, situations, or circumstances where the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The Service recognizes contingent liabilities when a future outflow or other sacrifice of resources is both measurable and probable.

J. Revenue and Other Financing Sources

1. Appropriations

The Service receives the majority of the funding needed to support its programs through appropriations. The Service receives annual, multi-year, and no-year appropriations that may be used within statutory limits for operating expenses and capital expenditures. Additional amounts are obtained through reimbursements for services provided to public entities and other Federal agencies in accordance with reimbursable agreements. Receipts from reimbursable agreements are recognized as revenue when earned, and may be used to offset the cost of operations, including indirect costs. The Combined Statement of Budgetary Resources presents information about the resources appropriated to the Service.

2. Exchange and Non-exchange Revenue

The Service classifies revenue as either exchange or non-exchange revenue. Exchange revenue derives from transactions in which both the Service and the other party receive value. This revenue is presented in the Consolidated Statement of Net Cost. The non-exchange revenue results from donations to the government and from the government's sovereign right to demand payment, including fines for violation of environmental laws. This revenue is not considered as reductions of the cost of the Service's operations and is reported on the Consolidated Statement of Changes in Net Position. Significant funding is made available to support Service programs from tax revenue, which is recognized when earned. This tax revenue emanates from excise taxes, collected from manufacturers of equipment used in hunting, fishing, sport shooting on ranges, and on motorboat fuels, which are deposited into either the Wildlife Restoration Fund or the ARTF.

ARTF information is presented in the Service's financial statements in accordance with the requirements of SFFAC Number 2, *"Entity and Display."* The sources of funding for the ARTF include excise taxes levied on the sale of fishing tackle and equipment, certain motorboat and small engine gasoline, and interest earned on invested trust funds. These funds are used to make grants available to states for support projects that restore, conserve, manage, protect, and enhance sport fish resources and coastal wetlands and projects that provide for public use and benefit from sport fish resources. The ARTF also provides funds for boating safety programs conducted by the U.S. Coast Guard and costal wetlands initiatives conducted by the U.S. Army Corps of Engineers. The Appropriations Act of 1951 authorized amounts equal to revenue credited during the year to be used in the subsequent fiscal year. This inflow is recorded as permanent appropriations to remain available until expended.

3. Imputed Financing Sources

In certain instances, operating costs of the Service are paid from funds appropriated to other Federal agencies. As an example, the Office of Personnel Management (OPM), by law, pays certain costs of retirement programs; and certain legal judgments against the Service are paid from the Judgment Fund maintained by the Department of the Treasury. Within DOI itself, the Solicitor's Office provides legal services to other DOI bureaus at less than full cost. When costs identifiable to the Service and directly attributable to the Service's operations are paid by other agencies, the Service recognizes these amounts as operating expenses. In addition, the Service recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position to indicate the funding of Service operations by other Federal agencies.

4. Deferred Revenue

Unearned revenue is recorded as deferred revenue until earned.

K. Personnel Compensation and Benefits

1. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned. The accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave, future funding sources will be used. Sick leave and other types of non-vested leave are expensed as taken. Accrued benefits are included in Intragovernmental Liabilities as accrued payroll and benefits.

2. Federal Employees Worker's Compensation Program

The Federal Employees Compensation Act (FECA) authorizes income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The U.S. Department of Labor administers the FECA program. Initially, the U.S. Department of Labor pays FECA benefit claims for DOI employees and subsequently DOI reimburses it. The U.S. Department of Labor is responsible for calculating FECA liability of future compensation benefits for all Federal agencies and then distributes the resulting liability to each benefiting agency.

The FECA liability consists of two components. The first component is based on actual claims paid by the U.S. Department of Labor but not yet reimbursed by the Service. The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs.

3. Federal Employees Group Life Insurance Program (FEGLI)

The OPM administers the FEGLI program. The Service recognizes identified costs for partial funding of insurance costs paid for by OPM as Service expenses. The funding for insurance costs is reflected as imputed financing sources on the Statement of Changes in Net Position.

Most Service employees are entitled to participate in the FEGLI program. Participating employees can obtain various options of term life insurance. OPM administers this program and is responsible for reporting FEGLI liabilities on its financial statements.

4. Retirement Programs

The OPM administers the Federal retirement programs. The Service recognizes identified costs for partial funding of retirement benefits paid for by OPM as Service expenses. The funding for these retirement costs is reflected as imputed financing sources on the Statement of Changes in Net Position.

Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) defined benefit pension plans. FERS went into effect January 1, 1987.

FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect either the combination of FERS and Social Security, or remain in CSRS.

FERS offers a savings plan to which the Service automatically contributes 1% of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional 4% of basic pay. FERS employees could contribute up to 15% of their gross earnings to the plan for the year ended September 30, 2005, or 14% of their gross earnings to the year ended September 2004. CSRS employees could contribute up to 10% of their gross earnings for the year ended September 30, 2005, or 9% of their gross earnings for the year ended September 2004. CSRS employees receive no matching contribution from the Service.

The Service is not responsible for, and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for, and reports these amounts.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

M. Statement of Financing

The Statement of Financing is used to reconcile budgetary data with proprietary data. It articulates the relationship between net obligations derived from an entity's budgetary accounts and the net cost of operations derived from the entity's proprietary accounts by identifying and explaining key differences between two numbers.

Note 2 - Assets Analysis

The assets reported in the financial statements include unrestricted entity assets, restricted entity assets, and restricted non-entity assets. Unrestricted entity assets are currently available for use by the Service. Restricted entity assets are not currently available for use by the Service, pending authorization by Congress. Restricted non-entity assets are held by the Service or the ARTF with no authority for use by the Service, and will be transferred to other agencies at a future date. They include assets to be transferred to the Job Corps program and ARTF amounts scheduled for transfer to the U.S. Coast Guard and the Corps of Engineers. Restricted non-entity assets also include estimates of future transfers of current ARTF funds to these two agencies. The following chart summarizes the Service's unrestricted entity, restricted entity, and restricted non-entity assets:

Assets Analysis
as of September 30, 2005 and 2004
(dollars in thousands)

	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	2005 TOTAL
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,449,288	$ 7,978	$ 0	$ 1,457,266
Investments, Net	753,238	682,777	563,097	1,999,112
Accounts and Interest Receivable	19,461	9,452	0	28,913
Other				
Advances and Prepayments	1,368	0	0	1,368
Total Intragovernmental Assets	**$ 2,223,355**	**$ 700,207**	**$ 563,097**	**$ 3,486,659**
Cash	51	0	0	51
Accounts and Interest Receivable, Net	22,003	0	0	22,003
General Property, Plant, and Equipment, Net	917,489	0	0	917,489
Other				
Advances and Prepayments	210	0	0	210
Subtotal	**210**	**0**	**0**	**210**
Stewardship Assets				
TOTAL ASSETS	**$ 3,163,108**	**$ 700,207**	**$ 563,097**	**$ 4,426,412**

	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	2004 TOTAL
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,454,550	$ 24,941	$ 1	$ 1,479,492
Investments, Net	631,241	640,576	544,416	1,816,233
Accounts and Interest Receivable	18,283	8,127	0	26,410
Other				
Advances and Prepayments	1,301	0	0	1,301
Total Intragovernmental Assets	**$ 2,105,375**	**$ 673,644**	**$ 544,417**	**$ 3,323,436**
Cash	107	0	0	107
Accounts and Interest Receivable, Net	10,700	0	0	10,700
General Property, Plant, and Equipment, Net	900,160	0	0	900,160
Other				
Advances and Prepayments	286	0	0	286
Subtotal	**286**	**0**	**0**	**286**
Stewardship Assets				
TOTAL ASSETS	**$ 3,016,628**	**$ 673,644**	**$ 544,417**	**$ 4,234,689**

Note 3 - Fund Balance with Treasury and Cash

In conformance with OMB Circular A-136, *"Fund Balance with Treasury"* as of September 30, 2005 reflects further detail regarding balances with Treasury not covered by Budgetary Resources. The Fund Balance with Treasury as of September 30, 2004 has been restated to provide comparable presentation.

The Service's fund balance with the Department of the Treasury is as follows:

Fund Balance with Treasury
as of September 30, 2005 and 2004
(dollars in thousands)

Fund Balance with Treasury by Fund Type

	2005	2004
General Fund	$ 521,819	$ 494,046
Special Fund	905,585	932,007
Trust Fund	27,810	53,022
Other Fund Types	2,052	417
Total Fund Balance with Treasury by Fund Type	**$ 1,457,266**	**$ 1,479,492**

Status of Fund Balance with Treasury

	2005	2004
Unobligated		
Available	$ 179,767	$ 317,033
Unavailable	4,027	3,597
Obligated Not Yet Disbursed	1,137,171	1,028,001
Subtotal	**$ 1,320,965**	**$ 1,348,631**
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	$ 134,249	$ 130,444
Deposit Funds, Clearing, and Suspense Accounts	2,052	417
Subtotal	**136,301**	**130,861**
Total Status of Fund Balance with Treasury	**$ 1,457,266**	**$ 1,479,492**

Service imprest cash as of September 30, 2005 and 2004 is $51,000 and $107,000 respectively.

Service Cash
as of September 30, 2005 and 2004
(dollars in thousands)

	2005	2004
Imprest Fund	$ 51	$ 107
Total Cash	**$ 51**	**$ 107**

Note 4 - Investments, Net

Investments in non-marketable market-based Treasury securities consist of various bills purchased through the Federal Investment Branch of the Bureau of Public Debt. The invested funds consist of excise tax receipts from the Federal Aid in Wildlife Restoration Fund (Treasury Symbol 14X5029), and the ARTF (Treasury Symbol 20X8147). There was no activity for the Multinational Species Conservation Fund (Treasury Symbol 14X1652). The Service's outstanding investments in Treasury securities are as follows:

Investments, Net
as of September 30, 2005 and 2004
(dollars in thousands)

	Investment Type	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value 2005
U.S. Treasury Securities					
14X5029	Non-Marketable, Market-Based	$ 450,309	$ 1,337	$ **451,646**	$ 446,705
Total Entity		450,309	1,337	**451,646**	446,705
ARTF 20X8147	Non-Marketable, Market-Based	1,543,740	983	**1,544,723**	1,473,847
Total Non-Entity		1,543,740	983	**1,544,723**	1,473,847
Total U.S. Treasury Securities		1,994,049	2,320	**1,996,369**	1,920,552
Accrued Interest		2,743	0	**2,743**	0
Total Investments		**$ 1,996,792**	**$ 2,320**	**$ 1,999,112**	**$ 1,920,552**

	Investment Type	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value 2004
U.S. Treasury Securities					
14X5029	Non-Marketable, Market-Based	$ 363,832	$ (1,073)	$ **362,759**	$ 363,614
Total Entity		363,832	(1,073)	**362,759**	363,614
ARTF 20X8147	Non-Marketable, Market-Based	1,455,389	(4,045)	**1,451,344**	1,446,897
Total Non-Entity		1,455,389	(4,045)	**1,451,344**	1,446,897
Total U.S. Treasury Securities		1,819,221	(5,118)	**1,814,103**	1,810,511
Accrued Interest		2,130	0	**2,130**	0
Total Investments		**$ 1,821,351**	**$ (5,118)**	**$ 1,816,233**	**$ 1,810,511**

Note 5 – Accounts and Interest Receivable, Net

Accounts and interest receivable consist of amounts owed the Service by other Federal agencies and the public and are recognized primarily when the Service performs reimbursable services or sells goods. Accounts receivable also includes those funds, including taxes receivable, to be deposited in the ARTF. Interest receivable consists of monies earned but not yet received and primarily derives from investments disclosed in Note 4.

OMB Circular A-136 requires an additional category of "Over 2 Years Past Due". In order to provide comparable information 2004 has been reclassified to reflect the Accounts and Interest Receivable consist of the following:

Accounts and Interest Receivable, Net
as of September 30, 2005 and 2004
(dollars in thousands)

Accounts and Interest Receivable from Federal Agencies	**2005**	**2004**
Accounts and Interest Receivable from Federal Agencies		
Current	$ 22,814	$ 25,321
1 - 180 Days Past Due	430	116
181 - 365 Days Past Due	72	56
1 to 2 Years Past Due	27	101
Over 2 Years Past Due	125	72
Total Billed Accounts and Interest Receivable - Federal	23,468	25,666
Unbilled Accounts and Interest Receivable	5,445	744
Total Accounts and Interest Receivable - Federal	**$ 28,913**	**$ 26,410**

Accounts and Interest Receivable from the Public	**2005**	**2004**
Accounts and Interest Receivable from the Public		
Current	$ 22,009	$ 10,775
1 - 180 Days Past Due	42	37
181 - 365 Days Past Due	23	34
1 to 2 Years Past Due	57	53
Over 2 Years Past Due	0	13
Total Billed Accounts and Interest Receivable - Public	22,131	10,912
Unbilled Accounts and Interest Receivable	0	7
Total Accounts and Interest Receivable - Public	22,131	10,919
Allowance for Doubtful Accounts - Public	(128)	(219)
Total Accounts and Interest Receivable - Public, Net of Allowance	**$ 22,003**	**$ 10,700**

Change in Allowance for Doubtful Accounts - Public	**2005**	**2004**
Allowance for Doubtful Accounts, Beginning	$ 219	$ 469
Deletions	(91)	(250)
Allowance for Doubtful Accounts, Ending	**$ 128**	**$ 219**

Note 6 - General Property, Plant, and Equipment (PP&E), Net

The presentation of PP&E as of September 30, 2005 includes a category for Construction in Progress in Abeyance denoting construction in progress that has been halted due to lack of funding or other reasons and continued to be maintained. Construction in progress in Abeyance for the Service represents engineering design costs for two projects, a visitor center, and a dam, both awaiting construction funding. There were no projects considered as Construction in Progress in Abeyance as of September 30, 2004.

Net General PP&E owned by the Service consists of the following:

General Property, Plant, and Equipment (PP&E), Net
as of September 30, 2005 and 2004
(dollars in thousands)

	Acquisition Cost	Accumulated Depreciation	Net Book Value 2005
Land and Land Improvements	$ 11,313	$ 0	$ 11,313
Buildings	609,254	162,406	446,848
Structures and Facilities	509,235	231,473	277,762
Leasehold Improvements	2,585	467	2,118
Construction in Progress			
Construction in Progress - General	46,155	0	46,155
Construction in Progress in Abeyance	1,186	0	1,186
Equipment, Vehicles, and Aircraft	309,706	178,568	131,138
Internal Use Software:			
In Use	1,454	485	969
Total Property, Plant, and Equipment	**$ 1,490,888**	**$ 573,399**	**$ 917,489**

	Acquisition Cost	Accumulated Depreciation	Net Book Value 2004
Land and Land Improvements	$ 10,571	$ 0	$ 10,571
Buildings	575,766	149,479	426,287
Structures and Facilities	474,776	203,037	271,739
Leasehold Improvements	2,585	209	2,376
Construction in Progress			
Construction in Progress - General	67,806	0	67,806
Equipment, Vehicles, and Aircraft	284,389	164,268	120,121
Internal Use Software:			
In Use	1,454	194	1,260
Total Property, Plant, and Equipment	**$ 1,417,347**	**$ 517,187**	**$ 900,160**

Note 7 - Seized and Forfeited Property

Seized and forfeited property is recorded in case files maintained in the Service's Law Enforcement Management Information System (LEMIS 2000). The Service does not assign a financial value to, or recognize for purposes of its financial statements, property seized by or forfeited to the Service that cannot be sold due to legal restrictions. Such property is typically wildlife or wildlife parts that can be donated to schools, aquaria, museums, or zoos for educational or scientific purposes or destroyed. Seized or forfeited property that can be sold legally is valued by individual agents based on their best professional estimate, through declarations, or through evaluating fair market value.

Values of property seized by or forfeited to the Service reported below are not accrued on the financial statements as the property held by the Service cannot be legally sold and, therefore, does not have marketable value. Seized and forfeited property cases and estimated values, including additions and dispositions, are as follows:

Seized and Forfeited Property
for the periods ended September 30, 2005 and 2004
(dollars in thousands)

	Balance 2004		Additions		Dispositions		Balance 2005	
	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value
Seized Property								
Wildlife	1,114	$ 2,906	2,636	$ 1,846	2,668	$ 1,604	1,082	$ 3,148
Non-Wildlife	211	303	210	77	233	333	188	47
Forfeited Property								
Wildlife	1,103	2,899	1,772	1,317	1,807	1,080	1,068	3,136
Non-Wildlife	208	303	116	19	137	275	187	47

	Balance 2003		Additions		Dispositions		Balance 2004	
	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value
Seized Property								
Wildlife	1,014	$ 2,676	1,919	$ 2,464	1,819	$ 2,234	1,114	$ 2,906
Non-Wildlife	201	202	314	136	304	35	211	303
Forfeited Property								
Wildlife	1,004	2,671	1,310	2,093	1,211	1,865	1,103	2,899
Non-Wildlife	200	202	271	127	263	26	208	303

Note 8 - Liabilities Analysis

Liabilities are claims against the Service by other Federal and non-Federal entities for measurable past transactions or events. Certain types of liabilities are not covered by budgetary resources and require Congressional action before budgetary resources can be provided. Service liabilities are detailed below:

Liabilities Analysis
as of September 30, 2005 and 2004
(dollars in thousands)

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	**Non-Current**	**Current**	**Non-Current**	**2005 Total**
Intragovernmental Liabilities:					
Accounts Payable	$ 6,991	$ 0	$ 0	$ 0	**$ 6,991**
Other					
Accrued Employee Benefits	5,318	0	4,889	10,901	**21,108**
Advances, Deferred Credits, and Deposit Funds	0	0	976	0	**976**
Aquatic Resources Trust Fund Amounts Due to Others	0	0	0	439,930	**439,930**
Other Liabilities	0	0	0	1,926	**1,926**
Total Other Liabilities	5,318	0	5,865	452,757	**463,940**
Total Intragovernmental Liabilities	12,309	0	5,865	452,757	**470,931**
Public Liabilities:					
Accounts Payable	59,301	0	0	0	**59,301**
Federal Employee and Veterans' Benefits	0	0	0	62,270	**62,270**
Environmental and Disposal Liabilities	0	0	0	14,033	**14,033**
Other					
Accrued Employee Payroll and Benefits	23,832	0	0	49,044	**72,876**
Advances, Deferred Credits, and Deposit Funds	7,485	0	0	1,076	**8,561**
Contingent Liabilities	0	0	0	100	**100**
Other Liabilities	4,646	0	26,237	47,481	**78,364**
Total Other Liabilities	35,963	0	26,237	97,701	**159,901**
Total Public Liabilities	**95,264**	**0**	**26,237**	**174,004**	**295,505**
Total Liabilities	**$ 107,573**	**$ 0**	**$ 32,102**	**$ 626,761**	**$ 766,436**

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	**Non-Current**	**Current**	**Non-Current**	**2004 Total**
Intragovernmental Liabilities:					
Accounts Payable	$ 5,810	$ 0	$ 0	$ 0	**$ 5,810**
Other					
Accrued Employee Benefits	4,571	0	4,570	8,763	**17,904**
Advances, Deferred Credits, and Deposit Funds	680	0	9	0	**689**
Aquatic Resources Trust Fund Amounts Due to Others	0	0	0	420,896	**420,896**
Judgment Fund	0	0	0	15	**15**
Other Liabilities	0	0	0	1,926	**1,926**
Total Other Liabilities	5,251	0	4,579	431,600	**441,430**
Total Intragovernmental Liabilities	11,061	0	4,579	431,600	**447,240**
Public Liabilities:					
Accounts Payable	80,068	0	0	0	**80,068**
Federal Employee and Veterans' Benefits	0	0	0	58,821	**58,821**
Environmental and Disposal Liabilities	0	0	0	12,874	**12,874**
Other					
Accrued Employee Payroll and Benefits	18,596	0	0	47,990	**66,586**
Advances, Deferred Credits, and Deposit Funds	5,949	0	0	408	**6,357**
Contingent Liabilities	0	0	0	12	**12**
Other Liabilities	0	0	21,247	0	**21,247**
Total Other Liabilities	24,545	0	21,247	48,410	**94,202**
Total Public Liabilities	**104,613**	**0**	**21,247**	**120,105**	**245,965**
Total Liabilities	**$ 115,674**	**$ 0**	**$ 25,826**	**$ 551,705**	**$ 693,205**

Environmental Cleanup Liabilities

The Service operates its environmental cleanup program in accordance with the requirements of the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act and cleanup regulations established by the Environmental Protection Agency. Environmental liabilities for the Service are associated with the costs of remediating hazardous waste and landfills existing within units of the National Wildlife Refuge System (NWRS) and the National Fish Hatcheries System (NFHS) and for which the government is legally liable. In accordance with accounting principles generally accepted in the U.S., the Service has recorded in its financial statements a liability for remediating contamination on Service land of $14 million and $13 million as of September 30, 2005 and 2004, respectively. The Service believes that a reasonable estimate of potential liabilities for remediation efforts ranges between $23 million and $120 million as of September 30, 2005. The estimated range of potential liabilities as of September 30, 2004 was between $13 million and $111 million.

The cost range represents the total estimated cost that may be borne by the Service for cleanup on Service lands, based on information available to the Service at this time. Liability estimates are based on accounting definitions of liability, as distinct from legal liability. As such, these estimates may not be construed as an indication that the Service would admit or would be determined to be legally liable for any or all of such costs. These cases include sites on lands obtained by the Service through donation, acquisition or transfer from other Federal agencies. Cost estimates are based on site investigations and the expected degree and type of contamination probable and reasonably possible at these sites. Where possible, estimates include projected costs for site investigations and necessary monitoring to assess the efficacy of cleanup. The Service's methods for estimating these liabilities include quotes from private firms or government agencies that have worked on the sites, projected planning figures based on related projects, and best engineering judgment. Changes in cleanup cost estimates are developed in accordance with departmental policy, which addresses systematic processes for cost estimating and places added emphasis on development and retention of supporting documentation. Changes in cleanup cost estimates are based on progress made in, and revision of, the cleanup plans, assuming current technology, laws, and regulations. There is not a broad application of any particular inflation or deflation factors to prior estimates. There are no material changes in total estimated cleanup costs that are due to changes in law and technology.

Contingent Liabilities

There is one claim pending administrative action against the Service for which a payment has been deemed probable. In accordance with accounting principles generally accepted in the U.S., the Service recorded a contingent liability of $100,000 as of September 30, 2005 and $12,000 as of September 30, 2004. The Service estimates a range of potential liabilities for other claims where the likelihood of an unfavorable outcome is reasonably possible, which is between $161,000 and $1.7 million as of September 30, 2005 and between $51,000 and $4.6 million as of September 30, 2004. The following tables present accrued and the estimated range of loss for potential liabilities related to estimated cleanup costs and contingent liabilities:

Contingent Liabilities
as of September 30, 2005 and 2004
(dollars in thousands)

	Accrued Liabilities	
	2005	2004
Estimated Cleanup Cost	$ 14,033	$ 12,874
Contingent Liabilities	100	12
Total Environmental and Contingent Liabilities - Accrued	**$ 14,133**	**$ 12,886**

	Estimated Range of Loss			
	2005		2004	
Likelihood of Occurrence	**Lower End of Range**	**Upper End of Range**	**Lower End of Range**	**Upper End of Range**
Environmental Cleanup Costs				
Probable	$ 14,033	$ 27,381	$ 12,874	$ 18,053
Reasonably Possible	8,771	93,075	0	92,804
Total Environmental Cleanup Costs	**$ 22,804**	**$ 120,456**	**$ 12,874**	**$ 110,857**
Contingent Liabilities				
Probable	$ 100	$ 100	$ 12	$ 12
Reasonably Possible	161	1,735	51	4,600
Total Contingent Liabilities	**$ 261**	**$ 1,835**	**$ 63**	**$ 4,612**

Liabilities Involving Government-Related Events

During August and September of 2005 and 2004, hurricanes and other storms caused significant damage to numerous units of NWRS, NFHS, and other facilities. In 2005, coastal Alabama, Mississippi, and Texas as well as coastal and southwestern Louisiana sustained significant damage in the wake of Hurricanes Katrina and Rita. In the 2004 storm season, several hurricanes and tropical storms battered the southeastern United States. Most costs for both years encompass removal of debris, repairs to permanent land improvements, and other stewardship assets, as well as repairs for non-capitalized or fully depreciated assets.

FY 2005 reflects an unfunded liability of $74 million in estimated costs; for 2004, the liability was $21 million. Certain capitalized assets were completely destroyed or affected to such an extent as to necessitate adjustment to recorded values. Accounting for destroyed or impaired assets reduced the Service's net property, plant, and equipment by $9 million for 2005, compared with less than $2 million reduction for destroyed or impaired assets for 2004. Subsequent to the funding for most of the 2004 estimated damage in a supplemental appropriation (Public Law 108-324 enacted October 13, 2004), the Service reclassified as funded the remaining liability for clean up costs resulting from the 2004 storms. Non-Federal Other Liabilities reflect the total of the funded 2004 storm damages of $5 million as well as the unfunded 2005 storm damage of $74 million.

Note 9 - Operating Leases

Most of the Service's leased facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. The Service includes the estimated rental payments to GSA in the following table. For federally owned facilities, the Service either does not execute an agreement with GSA, or enters into cancelable agreements, some of which do not have a formal lease expiration date. The Service can vacate these properties after giving 120 to 180 days notice of intent to vacate; however, the Service normally occupies these properties for an extended time period with little variation from year to year. For purposes of disclosing future operating payments, real property leases that have an indefinite period of performance are included from 2006 through 2010. For non-federally owned property an occupancy agreement is generally executed, according to standard contract principles. Estimates for real and personal property leases are based on an annual inflation factor of 1.5% for FY 2006 and 2.4% thereafter.

The estimates for personal property represent the cost of leasing GSA vehicles. The terms for GSA leases frequently exceed one year, although a definite lease period is usually not specified. For purposes of disclosing future operating payments, GSA personal property leases are included from 2006 through 2010. The current lease costs are based on the vehicles leased by the Service from GSA as of September 2005. The Service's estimates are based on an annual inflation factor of 1.5% for FY 2006 and 2.4% for FY 2007 through 2010.

The aggregate estimates for the Service's: (1) future payments due under non-Federal or non-cancelable operating leases; and (2) estimated real property rent payments to GSA and other Federal entities are as follows:

Future Operating Lease Payments
(dollars in thousands)

	Real Property		Personal Property		
FY	**Federal**	**Public**	**Federal**	**Public**	**Total**
2006	$ 46,883	$ 1,069	$ 2,466	$ 8	$ 50,426
2007	44,414	547	2,525	0	47,486
2008	43,130	429	2,586	0	46,145
2009	38,998	160	2,648	0	41,806
2010	38,518	55	2,711	0	41,284
Thereafter	72,649	593	0	0	73,242
Total Future Operating Lease Payments	**$ 284,592**	**$ 2,853**	**$ 12,936**	**$ 8**	**$ 300,389**

Note 10 - Imputed Financing Sources

Imputed financing sources primarily represent costs that have been incurred by the Service but budgeted by another entity. The Statement of Changes in Net Position reflects a total imputed financing from costs absorbed by others in the amount of $62 millions. This total represents two components. The imputed cost of approximately $52 million for the year ended September 30, 2005 reflects the recorded costs (e.g., employee benefit costs) that were financed by budgetary resources of the OPM. For the year ended September 30, 2004, imputed financing sources totaled approximately $50 million. The Service recognizes the actuarial present value of pensions and other retirement benefits for its employees during their active years of service.

In accordance with SFFAS 30, *"Inter-Entity Cost Implementation,"* the Service has begun to incorporate the full cost of services received from other entities within DOI. Accordingly, the Service has recognized imputed costs associated with services received from the Solicitor's Office for $9 million and $400 thousand associated with services received from the Office of the Secretary in support of the new grant system during FY 2005.

Imputed costs also include services that are received by the Service at less than full cost. Although the U.S. Department of the Treasury made no Judgment Fund payments on behalf of the Service in FY 2005, it did pay $15,000 for FY 2004.

Note 11 - Dedicated Collections

The Service's financial statements reflect balances in three dedicated collections accounts: ARTF, the Federal Aid in Wildlife Restoration account, and the SFRA.

The ARTF receives funding from excise tax receipts collected from manufacturers of equipment used in fishing, hunting, and sport shooting, and on motorboat fuels. It provides funding to the Service's SFRA, the U.S. Coast Guard Boat Safety Program and the Corps of Engineers Coastal Wetlands Program. The SFRA is authorized to use the excise tax revenue received to provide assistance to the 50 states, Puerto Rico, Guam, the U.S. Virgin Islands, the Northern Mariana Islands, American Samoa, and the District of Columbia to carry out projects to restore, enhance, and manage sport fishery resources. Receipts collected into this account are permanently appropriated for use in the fiscal year following collection. Excise tax revenue distributed to the Service on behalf of the Coast Guard and Corps of Engineers are immediately transferred out to those entities.

The Federal Aid in Wildlife Restoration Account (the Pittman-Robertson Wildlife Restoration Act) receives funding from excise taxes on sporting firearms, handguns, ammunition, and archery equipment. It provides Federal assistance to the 50 states, Puerto Rico, Guam, and the U.S. Virgin Islands, the Northern Mariana Islands, and American Samoa for projects to restore, enhance, and manage wildlife resources, and to conduct state hunter education programs. The Act authorizes receipts for permanent indefinite appropriations to the Service for use in the fiscal year following collection. Funds not used by the states after two years revert to the Service for carrying out the provisions of the Migratory Bird Conservation Act.

The distribution of funds relating to these accounts represents an inflow of revenue as a result of intragovernmental transfers. The table below reflects the Service's summarized information:

Dedicated Collections
as of and for the years ended September 30, 2005 and 2004
(dollars in thousands)

	2005				2004			
	Aquatic Resources Trust Fund	Wildlife Restoration	Sport Fish Restoration	2005 Total	Aquatic Resources Trust Fund	Wildlife Restoration	Sport Fish Restoration	2004 Total
ASSETS								
Fund Balance with Treasury	$ 7,978	$ 52,311	$ 6,331	**$ 66,620**	$ 24,941	$ 120,209	$ 14,255	**$ 159,405**
Investments, Net	1,544,724	454,388	0	**1,999,112**	1,451,344	364,889	0	**1,816,233**
Accounts Receivable, Net	9,452	0	955,724	**965,176**	8,127	0	921,021	**929,148**
Other Assets	0	51	0	**51**	0	107	0	**107**
TOTAL ASSETS	**$ 1,562,154**	**$ 506,750**	**$ 962,055**	**$ 3,030,959**	**$ 1,484,412**	**$ 485,205**	**$ 935,276**	**$ 2,904,893**
LIABILITIES								
Aquatic Resources Trust Fund Amounts Due to the Service	$ 955,723	$ 0	$ 0	**$ 955,723**	$ 920,993	$ 0	$ 0	**$ 920,993**
Aquatic Resources Trust Fund Amounts Due to Coast Guard	0	0	71,101	**71,101**	0	0	68,351	**68,351**
Aquatic Resources Trust Fund Amounts Due to Corps of Engineers	0	0	368,829	**368,829**	0	0	352,546	**352,546**
Accounts Payable	0	7,390	9,681	**17,070**	0	14,613	22,991	**37,604**
Other Liabilities	0	941	1,098	**2,039**	0	781	988	**1,769**
TOTAL LIABILITIES	955,723	8,331	450,709	**1,414,763**	920,993	15,394	444,876	**1,381,263**
TOTAL NET POSITION	606,431	498,419	511,346	**1,616,196**	563,419	469,811	490,400	**1,523,630**
TOTAL LIABILITIES AND NET POSITION	**$ 1,562,154**	**$ 506,750**	**$ 962,055**	**$ 3,030,959**	**$ 1,484,412**	**$ 485,205**	**$ 935,276**	**$ 2,904,893**
CHANGE IN NET POSITION								
Net Position, Beginning of Fiscal Year	$ 563,419	$ 469,811	$ 490,400	**$ 1,523,630**	$ 554,415	$ 453,674	$ 463,439	**$ 1,471,528**
Change in Net Position:								
Non-exchange Revenue								
Taxes	469,584	251,123	0	**720,707**	455,828	238,807	0	**694,635**
Investment Interest	34,180	13,425	0	**47,605**	16,551	10,254	0	**26,805**
Other Non-Exchange Revenue	0	287	322	**609**	0	197	177	**374**
Transfers In/Out without Reimbursement	(460,752)	(614)	338,690	**(122,676)**	(463,375)	(173)	345,405	**(118,143)**
Exchange Revenue – Services Provided and Other	0	51	0	**51**	0	0	0	**0**
Program Expenses	0	(235,664)	(318,066)	**(553,730)**	0	(232,948)	(318,621)	**(551,569)**
Net Position, End of Fiscal Year	**$ 606,431**	**$ 498,419**	**$ 511,346**	**$ 1,616,196**	**$ 563,419**	**$ 469,811**	**$ 490,400**	**$ 1,523,630**

Note 12 - Combined Statement of Budgetary Resources

Apportionments for the Service fall into OMB Category B, which apportions amounts by activity, project, or object. Apportionment Categories of Obligations Incurred include:

1. Direct and Reimbursable Obligations Incurred
2. Amounts Apportioned and Exempt from Apportionment
3. Obligations by Apportionment Category

Each of the above categories is presented in the following table:

Obligations by Apportionment Category
as of September 30, 2005 and 2004
(dollars in thousands)

	Apportioned		Not Subject to	
	Category A	Category B	Apportionment	2005 Total
Obligations Incurred:				
Direct	$ 0	$ 2,105,297	$ 0	**$ 2,105,297**
Reimbursable	0	162,747	0	**162,747**
Total Obligations Incurred	**$ 0**	**$ 2,268,044**	**$ 0**	**$ 2,268,044**

	Apportioned		Not Subject to	
	Category A	Category B	Apportionment	2004 Total
Obligations Incurred:				
Direct	$ 0	$ 1,996,206	$ 0	**$ 1,996,206**
Reimbursable	0	203,821	0	**203,821**
Total Obligations Incurred	**$ 0**	**$ 2,200,027**	**$ 0**	**$ 2,200,027**

A. Permanent Indefinite Appropriations

As of September 30, 2005, the Service had 12 permanent indefinite appropriations, which are primarily utilized to administer endangered species and wildlife and sport fish restorations grants to states and other non-Federal entities, and to fund land acquisition for the National Wildlife Refuge System (NWRS). These funds do not require annual appropriation action by Congress as they are subject to the authorities of permanent law and are available indefinitely. FY 2005 total budgetary resources for the 12 permanent indefinite funds were $1,004,704,078, which comprise $769,420,343 in obligations incurred and an available balance of $235,283,735. Comparatively, at the end of FY 2004 total budgetary resources were about $950,140,423, which comprised approximately $684,084,489 in obligations incurred and an available balance of about $266,055,934.

B. Legal Arrangements Affecting Use of Unobligated Balances

The Service's FY 2005 operating and grant programs were financed and its financial activity summarized under 9 general fund accounts, 17 special fund accounts, and 2 trust fund accounts, all with distinct Treasury Fund Symbols. Of the 28 total fund accounts, 6 represent allocation transfer accounts for which the Service would be considered as a child (see Note13, Consolidated Statement of Financing - Allocation Transfers).

All of the Service's funding needs are authorized in a number of appropriation laws, which prescribe a combination of current and permanent authority. Each of the Service's funds was appropriated under OMB apportionment Category B and was subject to annual apportionment. Current authority includes funding that is legislatively reauthorized each fiscal year, while permanent authority is issued once and remains in effect in future fiscal years until reauthorized or rescinded. The majority of the Service's 28 fund accounts are classified as no-year, which allows the Service to use its fiscal year-end unobligated resources remaining in these accounts to execute its operating and grant programs in subsequent fiscal years.

The Service's operating account is classified as a multiyear appropriation, whose budget authority is available for two years. The FY 2004/2005 Resource Management appropriation expired at the end of FY 2005. Expired, not cancelled funds, are resources that are available for the next 5 fiscal years to settle obligations arising in the year the funds were enacted, but are not available for new business. These expired resources are reported as "Permanently Not Available."

C. Differences Between Amounts Reported in the Statement of Budgetary Resources and Amounts Reported in the Budget of the U.S. Government

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the FY 2007 President's Budget (Budget of the U.S. Government). The President's Budget with the actual FY 2005 amounts will be released in February 2006 and can be found at the OMB Web site: http://www.whitehouse.gov/omb. The actual amounts for FY 2005 are expected to be released in February 2006.

Budgetary resources and the status of those resources presented in the Combined SBR for the period ended September 30, 2004 differ from the amounts presented as 2004 actuals in the President's FY 2006 Budget. A portion of the differences is due to expired accounts being included in the Statement of Budgetary Resources, but not in the President's Budget.

Differences are presented in the following table:

Comparison of President's Budget to the
Statement of Budgetary Resources
for the year ended September 30, 2004
(dollars in millions)

	2004 Amount per President's Budget*	2004 Amount per Statement of Budgetary Resources	Difference	Explanation
Budgetary Resources:				
Budget Authority:				
Appropriations Received	$ 2,109	$ 2,104	$ 5	A
Net Transfers, Current Year Authority	(85)	(95)	10	A,B
Unobligated Balance:				
Net Transfers, Unobligated Balance, Actual	0	15	(15)	B
Temporarily Not Available Pursuant to Public Law	(9)	0	(9)	C

*Source: Fiscal Year 2004 Actual amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2006.

A. Difference is related to a $5 million adjustment made to the ARTF, Sport Fish Account beginning balance for the U.S. Coast Guard. This adjustment was reported on the Service's FY2004 Annual Report, but not included in the Service's President's Budget. This adjustment impacts the U.S. Coast Guard and the impact would be reported in the U.S. Coast Guard's President's Budget as a reduction in Budget Authority.

B. Difference is related to a $15 million adjustment for a transfer with National Park Service, changing the reporting from line 2.B, Balance Transfer to line 1.D, Transfer of New Authority, as prescribed by OMB scoring rules. This adjustment did not appear in the Service's FY2004 Annual Report because the report was published prior to the adjustment.

C. Difference consists of two adjustments of which total $9 million:

1) Expired balances including $4 million in the Recreational Fee Program Budgetary Account and $2 million and the Resource Management Budgetary Account, are not available for new obligations, and are therefore not presented in the President's Budget.

2) In FY2004 all across-the-board reductions were to be reported as permanent reductions. Subsequently, OMB changed the scoring rules requiring agencies to report appropriations from unavailable receipt accounts as temporary reductions. This required a $3 million adjustment to this reporting item. This adjustment did not appear in the Service's FY2004 Annual Report because the report was published prior to the timing of the adjustment.

Note 13 - Consolidated Statement of Financing – Allocation Transfers

Allocation transfers represent the amount of budget resources transferred to other Federal agencies to carry out the purposes of the parent account. OMB Circular A-11, *"Preparation, Submission, and Execution of the Budget,"* requires transferor (parent) accounts report the allocation transactions of their agency as part of their Statement of Budgetary Resources, while the recipient of allocation transfers reports the proprietary activity on its Balance Sheet, Statement of Net Cost of Operations, and Statement of Changes in Net Position. This process creates a reconciling difference titled "Components of Net Cost of Operations related to Transfer Accounts where Budget Accounts are reported by Other Federal Entities on the Statement of Financing."

The following table presents information on the trading partner, or entity performing the transfer, the purpose of transfer, and the amount of reconciling differences on the Consolidated Statement of Financing.

Consolidated Statement of Financing - Allocation Transfers
for the years ended September 30, 2005 and 2004
(dollars in thousands)

Trading Partner	Nature and Purpose of Transfer	2005	2004
The Service as the Recipient Agency (Child):			
Department of Transportation - Highway Trust Fund	Maintenance of Highways on Interior Land	$ 6,688	$ 7,493
Department of Labor - Job Corps	Employee Training services	7,618	11,927
Department of Agriculture - USDA	Forest Pesticide Programs	229	199
Department of the Interior - Bureau of Land Management	Wildland Fire Management Fund and Central Hazardous Fund	70,939	77,478
Department of the Interior - Office of the Secretary	Natural Resources Damage and Assessment Fund	13,276	13,804
Net Allocation Transfer Reconciling Items		**$ 98,750**	**$ 110,901**

Note 14 - Consolidating Statement of Net Cost

The Government Performance and Results Act (GPRA) mandates that Federal agencies formulate strategic plans, identify major mission goals, and report performance and costs related to these goals. Under GPRA, strategic plans require revision and update every three years. Accordingly, the Service updated its strategic plan in FY 2004 and replaced the four mission goals and reporting responsibility segments with the new GPRA mission goals established for DOI. The mission goals applicable for FY 2005 are: Resource Protection, Resource Use, Recreation, Serving Communities, and Management Excellence. The GPRA also requires that the Service report costs for the goals identified in the strategic plan. Accordingly, the Service presented earned revenue and gross costs by mission goals in the current Strategic Plan. Earned revenue and gross costs relating to the Management Excellence mission goals are included in the Reimbursable and Other category.

OMB Circular A-136 has changed the disclosure requirements for transactions between Federal entities and with the public. The FY 2005 presentation differs from how costs were previously reported. Specifically, in prior years, DOI presented the estimated costs associated with earning revenue from Federal or public sources, rather than amounts paid to Federal agencies or to the public. Total costs remain unchanged.

Intragovernmental exchange revenue or exchange transactions made between the Service and another reporting entity within the Federal Government has been listed separately from those exchange revenues with the public. A public exchange involves an exchange transaction between the Service and a non-Federal entity. If the Service purchased goods or services from another Federal entity and sold them to the public, the exchange revenue would be classified as "public"; however, the related costs would be classified as 'intragovernmental.'

The Service presented costs associated with acquiring, constructing, and renovating heritage assets which were $38,000 and $35,000 for the years ended September 30, 2005 and September 30, 2004, respectively. The costs associated with acquiring and improving stewardship lands were $79 million and $85 million for the years ended September 30, 2005 and September 30, 2004, respectively.

The supporting statements on the following pages present the Service’s cost of services provided, earned revenue, and net cost of operations by mission goal and end outcome for FY 2005 and FY 2004. Due to the change in the presentation of intragovernmental and public costs, the FY 2004 Consolidating Statement of Net Cost has been realigned to correspond to the new OMB A-136 presentation.

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidating Statement of Net Cost
for the year ended September 30, 2005
(dollars in thousands)

	Total 2005	Endangered Species	Fisheries and Habitat Conservation	Servicewide Support	International Affairs	Law Enforcement	Migratory Birds and State Programs	National Wildlife Refuge System	Wildlife and Sport Fish Restoration	Other	Eliminations
Resource Protection											
Intragovernmental Costs	**$ 242,097**	$ 35,938	$ 62,817	$ 51,694	$ 2,101	$ 21,146	$ 7,368	$ 61,209	$ 4,021	$ 0	$ (4,197)
Public Costs	**1,317,432**	190,065	247,370	216,694	13,317	47,173	71,368	213,272	318,173		0
Total Costs	**1,559,529**	226,003	310,187	268,388	15,418	68,319	78,736	274,481	322,194	0	(4,197)
Intragovernmental Earned Revenue	**76,250**	8,513	50,491	2,455		360	217	18,411	0	0	(4,197)
Public Earned Revenue	**74,560**	1,638	35,559	1,813	249	8,823	312	26,166	0	0	0
Total Earned Revenue	**150,810**	10,151	86,050	4,268	249	9,183	529	44,577	0	0	(4,197)
Net Cost	**1,408,719**	215,852	224,137	264,120	15,169	59,136	78,207	229,904	322,194	0	0
Resource Use											
Intragovernmental Costs	**8,225**	7,470	4	649	0	0	0	102	0	0	0
Public Costs	**20,518**	16,556	96	2,406	0	1	0	1,459	0	0	0
Total Costs	**28,743**	24,026	100	3,055	0	1	0	1,561	0	0	0
Intragovernmental Earned Revenue	**169**	167	0	0	0	0	0	2	0	0	0
Public Earned Revenue	**71**	71	0	0	0	0	0	0	0	0	0
Total Earned Revenue	**240**	238	0	0	0	0	0	2	0	0	0
Net Cost	**28,503**	23,788	100	3,055	0	1	0	1,559	0	0	0
Recreation											
Intragovernmental Costs	**62,820**	0	3,852	19,646	0	1	3,860	29,326	3,496	0	2,639
Public Costs	**501,564**	0	16,517	77,384	0	3	20,257	114,707	272,696	0	0
Total Costs	**564,384**	0	20,369	97,030	0	4	24,117	144,033	276,192	0	2,639
Intragovernmental Earned Revenue	**13,021**	0	5,974	925	0	0	164	3,319		0	2,639
Public Earned Revenue	**9,517**	0	1,664	682	0	0	325	6,846		0	0
Total Earned Revenue	**22,538**	0	7,638	1,607	0	0	489	10,165		0	2,639
Net Cost	**541,846**	0	12,731	95,423	0	4	23,628	133,868	276,192	0	
Serving Communities											
Intragovernmental Costs	**34,892**	0	4,134	5,897	0	0	0	24,359	0	0	502
Public Costs	**129,140**	0	21,506	22,983	0	3	7	84,641	0	0	0
Total Costs	**164,032**	0	25,640	28,880	0	3	7	109,000	0	0	502
Intragovernmental Earned Revenue	**5,851**	0	4,060	178	0	0	0	1,111	0	0	502
Public Earned Revenue	**7,878**	0	5,837	131	0	0	0	1,910	0	0	0
Total Earned Revenue	**13,729**	0	9,897	309	0	0	0	3,021	0	0	502
Net Cost	**150,303**	0	15,743	28,571	0	3	7	105,979	0	0	0
Reimbursable Activity and Other											
Intragovernmental Costs	**(3,621)**	0	236	0	0	0	0	834	0	(4,690)	(1)
Public Costs	**3,645**	0	998	0	0	0	0	2,647	0	0	0
Total Costs	**24**	0	1,234	0	0	0	0	3,481	0	(4,690)	(1)
Intragovernmental Earned Revenue	**494**	0	385	0	0	0	0	110	0	0	(1)
Public Earned Revenue	**279**	0	111	0	0	0	0	168	0	0	0
Total Earned Revenue	**773**	0	496	0	0	0	0	278	0	0	(1)
Net Cost	**(749)**	0	738	0	0	0	0	3,203	0	(4,690)	0
Totals											
Intragovernmental Costs	**344,413**	**43,408**	**71,043**	**77,886**	**2,101**	**21,147**	**11,228**	**115,830**	**7,517**	**(4,690)**	**(1,057)**
Public Costs	**1,972,299**	**206,621**	**286,487**	**319,467**	**13,317**	**47,180**	**91,632**	**416,726**	**590,869**	**0**	**0**
Total Costs	**2,316,712**	**250,029**	**357,530**	**397,353**	**15,418**	**68,327**	**102,860**	**532,556**	**598,386**	**(4,690)**	**(1,057)**
Intragovernmental Earned Revenue	**95,785**	**8,680**	**60,910**	**3,558**	**0**	**360**	**381**	**22,953**	**0**	**0**	**(1,057)**
Public Earned Revenue	**92,305**	**1,709**	**43,171**	**2,626**	**249**	**8,823**	**637**	**35,090**	**0**	**0**	**0**
Total Earned Revenue	**188,090**	**10,389**	**104,081**	**6,184**	**249**	**9,183**	**1,018**	**58,043**	**0**	**0**	**(1,057)**
Net Cost of Operations	**$ 2,128,622**	**$ 239,640**	**$ 253,449**	**$ 391,169**	**$ 15,169**	**$ 59,144**	**$ 101,842**	**$ 474,513**	**$ 598,386**	**$ (4,690)**	**$ 0**

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidating Statement of Net Cost
for the year ended September 30, 2004
(dollars in thousands)

	Total 2004	Endangered Species	Fisheries and Habitat Conservation	Servicewide Support	International Affairs	Law Enforcement	Migratory Birds and State Programs	National Wildlife Refuge System	Wildlife and Sport Fish Restoration	Eliminations
Resource Protection										
Intragovernmental Costs	**$ 227,480**	$ 25,617	$ 47,786	$ 81,316	$ 1,478	$ 13,955	$ 5,536	$ 48,928	$ 3,687	$ (823)
Public Costs	**1,330,447**	204,126	230,281	184,779	13,156	46,461	63,510	235,573	352,561	0
Total Costs	**1,557,927**	229,743	278,067	266,095	14,634	60,416	69,046	284,501	356,248	(823)
Intragovernmental Earned Revenue	**80,403**	7,953	53,238	9,605	0	123	235	10,072	0	(823)
Public Earned Revenue	**45,716**	341	18,247	15,905	550	7,352	269	3,052	0	0
Total Earned Revenue	**126,119**	8,294	71,485	25,510	550	7,475	504	13,124	0	(823)
Net Cost	**1,431,808**	**221,449**	**206,582**	**240,585**	**14,084**	**52,941**	**68,542**	**271,377**	**356,248**	**0**
Resource Use										
Intragovernmental Costs	**6,084**	4,754	663	0	0	0	0	667	0	0
Public Costs	**24,471**	17,494	3,597	0	0	0	0	3,380	0	0
Total Costs	**30,555**	22,248	4,260	0	0	0	0	4,047	0	0
Intragovernmental Earned Revenue	**107**	64	0	0	0	0	0	43	0	0
Public Earned Revenue	**414**	0	0	0	0	0	0	414	0	0
Total Earned Revenue	**521**	64	0	0	0	0	0	457	0	0
Net Cost	**30,034**	**22,184**	**4,260**	**0**	**0**	**0**	**0**	**3,590**	**0**	**0**
Recreation										
Intragovernmental Costs	**54,083**	0	3,097	23,020	0	0	2,152	23,828	2,223	(237)
Public Costs	**423,133**	0	16,372	56,918	0	0	11,993	117,053	220,797	0
Total Costs	**477,216**	0	19,469	79,938	0	0	14,145	140,881	223,020	(237)
Intragovernmental Earned Revenue	**13,972**	0	6,531	2,710	0	0	144	4,824	0	(237)
Public Earned Revenue	**8,021**	0	1,347	4,486	0	0	177	2,011	0	0
Total Earned Revenue	**21,993**	0	7,878	7,196	0	0	321	6,835	0	(237)
Net Cost	**455,223**	**0**	**11,591**	**72,742**	**0**	**0**	**13,824**	**134,046**	**223,020**	**0**
Serving Communities										
Intragovernmental Costs	**27,454**	0	1,371	545	0	0	(1)	25,542	0	(3)
Public Costs	**108,680**	0	7,802	9,559	0	0	10	91,309	0	0
Total Costs	**136,134**	0	9,173	10,104	0	0	9	116,851	0	(3)
Intragovernmental Earned Revenue	**3,070**	0	1,723	0	0	0	0	1,350	0	(3)
Public Earned Revenue	**673**	0	359	0	0	0	0	314	0	0
Total Earned Revenue	**3,743**	0	2,082	0	0	0	0	1,664	0	(3)
Net Cost	**132,391**	**0**	**7,091**	**10,104**	**0**	**0**	**9**	**115,187**	**0**	**0**
Totals										
Intragovernmental Costs	**315,101**	**30,371**	**52,917**	**104,881**	**1,478**	**13,955**	**7,687**	**98,965**	**5,910**	**(1,063)**
Public Costs	**1,886,731**	**221,620**	**258,052**	**251,256**	**13,156**	**46,461**	**75,513**	**447,315**	**573,358**	**0**
Total Costs	**2,201,832**	**251,991**	**310,969**	**356,137**	**14,634**	**60,416**	**83,200**	**546,280**	**579,268**	**(1,063)**
Intragovernmental Earned Revenue	**97,552**	**8,017**	**61,492**	**12,315**	**0**	**123**	**379**	**16,289**	**0**	**(1,063)**
Public Earned Revenue	**54,824**	**341**	**19,953**	**20,391**	**550**	**7,352**	**446**	**5,791**	**0**	**0**
Total Earned Revenue	**152,376**	**8,358**	**81,445**	**32,706**	**550**	**7,475**	**825**	**22,080**	**0**	**(1,063)**
Net Cost of Operations	**$ 2,049,456**	**$ 243,633**	**$ 229,524**	**$ 323,431**	**$ 14,084**	**$ 52,941**	**$ 82,375**	**$ 524,200**	**$ 579,268**	**$ 0**

C. Required Supplementary Information

Required Supplementary Information (RSI) covers:

1. Combining Statement of Budgetary Resources
2. Facilities Management Information

USFWS

Beach watchers

Combining Statement of Budgetary Resources

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Combining Statement of Budgetary Resources
for the year ended September 30, 2005
(dollars in thousands)

	Total Budgetary Accounts	Resource Management	Grants: Sport Fish Restoration	Grants: Federal Aid in Wildlife Restoration	Grants: Other	Grants: Total Grants	Other Budgetary Accounts
Budgetary Resources:							
Budget Authority:							
Appropriations Received	**$ 2,169,124**	$ 977,205	$ 460,752	$ 251,218	$ 271,611	$ 983,581	$ 208,338
Net Transfers, Current Year Authority	**(122,472)**	11,083	(122,055)	0	0	(122,055)	(11,500)
Unobligated Balance:							
Beginning of Fiscal Year	**663,852**	63,428	186,894	57,349	213,272	457,515	142,909
Spending Authority from Offsetting Collections:							
Earned							
Collected	**162,002**	152,797	0	0	42	42	9,163
Receivable from Federal Sources	**12,345**	12,579	0	0	0	0	(234)
Change in Unfilled Customer Orders							
Advance Received	**838**	1,328	0	0	0	0	(490)
Without Advance from Federal Sources	**(11,140)**	(19,766)	0	0	0	0	8,626
Subtotal: Spending Authority from Offsetting Collections	**164,045**	146,938	0	0	42	42	17,065
Recoveries of Prior Year Obligations	**81,120**	16,887	30,686	15,424	16,174	62,284	1,949
Temporarily Not Available Pursuant to Public Law	**(3,030)**	0	0	0	(2,509)	(2,509)	(521)
Permanently Not Available	**(15,919)**	(14,312)	0	0	(664)	(664)	(943)
Total Budgetary Resources	**$ 2,936,720**	**$ 1,201,229**	**$ 556,277**	**$ 323,991**	**$ 497,926**	**$ 1,378,194**	**$ 357,297**
Status of Budgetary Resources:							
Obligations Incurred:							
Direct	**$ 2,105,297**	$ 985,550	$ 394,329	$ 276,718	$ 256,710	$ 927,757	$ 191,990
Reimbursable	**162,747**	145,302	0	0	0	0	17,445
Total Obligations Incurred	**2,268,044**	1,130,852	394,329	276,718	256,710	927,757	209,435
Unobligated Balance:							
Apportioned	**666,380**	68,081	161,948	47,273	241,216	450,437	147,862
Unobligated Balance Not Available	**2,296**	2,296	0	0	0	0	0
Total Status of Budgetary Resources	**$ 2,936,720**	**$ 1,201,229**	**$ 556,277**	**$ 323,991**	**$ 497,926**	**$ 1,378,194**	**$ 357,297**
Relationship of Obligations to Outlays:							
Obligations Incurred	**$ 2,268,044**	$ 1,130,852	$ 394,329	$ 276,718	$ 256,710	$ 927,757	$ 209,435
Obligated Balance, Net, Beginning of Fiscal Year	**1,219,608**	258,930	327,456	185,392	362,601	875,449	85,229
Obligated Balance, Net, End of Fiscal Year:							
Accounts Receivable	**39,838**	39,832	0	0	0	0	6
Unfilled Customer Orders from Federal Sources	**105,158**	93,398	0	0	0	0	11,760
Undelivered Orders	**(1,334,932)**	(322,820)	(350,273)	(196,045)	(377,785)	(924,103)	(88,009)
Accounts Payable	**(97,006)**	(63,748)	(9,904)	(7,588)	(8,500)	(25,992)	(7,266)
Total Obligated Balance, Net, End of Fiscal Year	**(1,286,942)**	**(253,338)**	**(360,177)**	**(203,633)**	**(386,285)**	**(950,095)**	**(83,509)**
Less: Spending Authority Adjustments	**(82,325)**	(9,701)	(30,686)	(15,424)	(16,174)	(62,284)	(10,340)
Outlays:							
Disbursements	**2,118,385**	1,126,743	330,922	243,053	216,852	790,827	200,815
Collections	**(162,840)**	(154,125)	0	0	(42)	(42)	(8,673)
Net Outlays Before Offsetting Receipts	**1,955,545**	972,618	330,922	243,053	216,810	790,785	192,142
Less: Offsetting Receipts	**(35,186)**	0	0	(12,411)	0	(12,411)	(22,775)
Net Outlays	**$ 1,920,359**	**$ 972,618**	**$ 330,922**	**$ 230,642**	**$ 216,810**	**$ 778,374**	**$ 169,367**

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Combining Statement of Budgetary Resources
for the year ended September 30, 2004
(dollars in thousands)

			Grants				
Budgetary Resources:	**Total Budgetary Accounts**	**Resource Management**	**Sport Fish Restoration**	**Federal Aid in Wildlife Restoration**	**Other**	**Total Grants**	**Other Budgetary Accounts**
Budget Authority:							
Appropriations Received	**$ 2,103,220**	$ 963,352	$ 463,375	$ 222,890	$ 273,255	$ 959,520	$ 180,348
Net Transfers, Current Year Authority (+/-)	**(94,440)**	5,200	(117,960)	0	0	(117,960)	18,320
Unobligated Balance:							
Beginning of Fiscal Year	**570,853**	30,365	149,178	61,510	180,633	391,321	149,167
Net Transfers, Unobligated Balance, Actual (+/-)	**15,296**	15,296	0	0	0	0	0
Spending Authority from Offsetting Collections:							
Earned							
Collected	**139,063**	137,397	0	0	1	1	1,665
Receivable from Federal Sources	**(3,631)**	(3,044)	0	0	0	0	(587)
Change in Unfilled Customer Orders							
Advance Received	**(344)**	(344)	0	0	0	0	0
Without Advance from Federal Sources	**70,883**	71,794	0	0	0	0	(911)
Subtotal: Spending Authority from Offsetting Collections	**205,971**	205,803	0	0	1	1	167
Recoveries of Prior Year Obligations	**79,302**	16,212	36,475	15,270	7,335	59,080	4,010
Permanently Not Available	**(16,323)**	(11,932)	0	0	(2,929)	(2,929)	(1,462)
Total Budgetary Resources	**$ 2,863,879**	**$ 1,224,296**	**$ 531,068**	**$ 299,670**	**$ 458,295**	**$ 1,289,033**	**$ 350,550**
Status of Budgetary Resources:							
Obligations Incurred:							
Direct	**$ 1,996,205**	$ 957,186	$ 344,173	$ 242,320	$ 245,023	$ 831,516	$ 207,503
Reimbursable	**203,822**	203,682	0	0	0	0	140
Total Obligations Incurred	**2,200,027**	1,160,868	344,173	242,320	245,023	831,516	207,643
Unobligated Balance:							
Apportioned	**660,255**	59,831	186,894	57,349	213,272	457,515	142,909
Unobligated Balance Not Available	**3,597**	3,597	0	0	0	0	0
Total Status of Budgetary Resources	**$ 2,863,879**	**$ 1,224,296**	**$ 531,067**	**$ 299,669**	**$ 458,295**	**$ 1,289,031**	**$ 350,552**
Relationship of Obligations to Outlays:							
Obligations Incurred	**$ 2,200,027**	$ 1,160,868	$ 344,173	$ 242,320	$ 245,023	$ 831,516	$ 207,643
Obligated Balance, Net, Beginning of Fiscal Year	**1,211,727**	269,263	337,866	193,561	318,757	850,184	92,280
Obligated Balance, Net, End of Fiscal Year:							
Accounts Receivable	**27,493**	27,252	0	0	0	0	241
Unfilled Customer Orders from Federal Sources	**116,298**	113,164	0	0	0	0	3,134
Undelivered Orders	**(1,256,824)**	(340,205)	(304,255)	(170,615)	(354,871)	(829,741)	(86,878)
Accounts Payable	**(106,575)**	(59,141)	(23,201)	(14,777)	(7,730)	(45,708)	(1,726)
Total Obligated Balance, Net, End of Fiscal Year	**(1,219,608)**	(258,930)	(327,456)	(185,392)	(362,601)	(875,449)	(85,229)
Less: Spending Authority Adjustments	**(146,554)**	(84,962)	(36,475)	(15,270)	(7,335)	(59,080)	(2,512)
Outlays:							
Disbursements	**2,045,592**	1,086,239	318,108	235,219	193,844	747,171	212,182
Collections	**(138,719)**	(137,053)	0	0	(1)	(1)	(1,665)
Subtotal: Outlays	**1,906,873**	949,186	318,108	235,219	193,843	747,170	210,517
Less: Offsetting Receipts	**(61,170)**	0	0	(8,553)	(35,094)	(43,647)	(17,523)
Net Outlays	**$ 1,845,703**	**$ 949,186**	**$ 318,108**	**$ 226,666**	**$ 158,749**	**$ 703,523**	**$ 192,994**

Facilities Management

Deferred Maintenance

Lee Karney/USFWS

Great egret

Water management facilities, fish hatcheries, visitor centers, buildings, roads, dikes, dams, bridges, and other facilities represent a major investment by the American people in resources that support the mission of the Service. Annually, the Service must defer needed maintenance primarily because of budget constraints. Deferring maintenance of facilities leads to accelerated deterioration that can adversely impact public and employee health and safety, disrupt operations of the Service, and compromise the conservation of fish and wildlife resources.

Estimating deferred maintenance requires the professional judgment of numerous site managers gathering information from multiple sources. These estimates can represent average costs among several sources or the last estimate increased over time to accommodate inflation. Each method is acceptable; however, estimates may vary by 15% above or below any discrete number provided.

The Service's estimates of deferred maintenance are aggregate estimates for all facilities and for all property related to facility operations, and represent estimates of bringing existing facilities into a functional or acceptable operating condition. Equipment replacement is excluded from this estimate.

The Service's method of calculating deferred maintenance employs condition assessment surveys and is consistent with calculations made by the other bureaus within the DOI. Condition assessments of the Service's public road systems have resulted in upward revisions of the deferred maintenance estimates and may contribute to additional estimate increases in future years.

Deferred maintenance for Service facilities is estimated at approximately $2.03 billion, plus or minus 15%, placing the range between approximately $1.73 billion and $2.34 billion for all facilities under the jurisdiction of the Service.

The table below shows deferred maintenance projections by assets category.

Estimated Range of Deferred Maintenance
as of September 30, 2005
(dollars in thousands)

			General PP&E		Stewardship PP&E		Total	
Type of Deferred Maintenance	Item(s) Covered Note (1)	Condition Category Note (2)	Low	High	Low	High	Low	High
Roads, Bridges and Trails	A,B,C,D	Poor	$ 748,013	$ 1,012,018	$ 262,157	$ 354,683	$ 1,010,170	$ 1,366,701
Irrigation, Dams, and Other Water Structures	A,B,C,D	Fair	260,856	352,923	36,508	49,393	297,364	402,316
Buildings (e.g. Administration, Education, Housing, Historic Buildings)	A,B,C,D	Poor	254,326	344,088	20,508	27,746	274,834	371,834
Other Structures (e.g. Recreation sites, Hatcheries, etc.)	A,B,C,D	Fair	141,961	192,065	2,087	2,823	144,048	194,888
Total			**$ 1,405,156**	**$ 1,901,094**	**$ 321,260**	**$ 434,645**	**$ 1,726,416**	**$ 2,335,739**

Note (1) Category:
A – Critical Health and Safety Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to public or employee safety.
B – Critical Resource Protection Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to natural or cultural resources.
C – Critical Mission Deferred Maintenance: A facility deferred maintenance need that poses a serious threat to a bureau's ability to carry out its assigned mission.
D – Compliance and other Deferred Maintenance: A facility deferred maintenance need that will improve public or employee safety, health, or accessibility; compliance with codes, standards, laws, complete unmet programmatic needs, and mandated programs; protection of natural or cultural resources to a bureau's ability to carry out its assigned mission.

Note (2) Condition Assessment:
Good – Facility/equipment condition meets established maintenance standards, operates efficiently, and has a normal life.
Fair – Facility/equipment condition meets minimum standards but requires additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.
Poor – Facility/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function. In some cases, that includes condemned or failed facilities.
Based on periodic condition assessments, an indicator of condition is the percent of facilities and items of equipment on each of the good, fair, or poor categories.


USFWS

Flooded highway 27, damaged and downed power lines outside of Hackberry, LA, on the way to Sabine NWR

A standard measure of condition for facilities, known as the Facilities Condition Index (FCI), is a ratio of the estimates of deferred maintenance needs to the estimates of replacing facilities at today's costs. The FCI illustrates the portion of an institution's capital amount that it would have to spend to eliminate the deferred maintenance. If the ratio of accumulated deferred maintenance to replacement value is from 0 to .05, the condition of the facilities is considered "good." If the ratio is greater than .05 but less than .10, the condition is considered "fair" and if the ratio is .10 or greater, then condition is considered "poor." The combined FCI for all Service facilities is estimated at approximately .11, meaning that the overall condition of Service facilities is "poor." (A discussion of the FCI for Service recreation facilities is included in the Management's Discussion and Analysis section of this report.)

Equipment Replacement and Repair

Although the estimates for deferred maintenance exclude associated equipment, the Service is tracking equipment needs in much the same manner as it tracks facility condition and maintenance. As with its facilities, the Service has determined that much of its equipment is in poor condition and, thus, in need of repair, rehabilitation, or replacement.


USFWS

Delta NWR hurricane Katrina

D. Required Supplementary Stewardship Information

Required Supplementary Stewardship Information (RSSI) covers:

1. Stewardship Lands
2. Stewardship Investments
3. Heritage Assets

Stephen Tuttle/USFWS

Continental divide

Stewardship Lands

USFWS

Bird on refuge sign

Almost all of the Service's stewardship lands (99.9%) are in the NWRS. Lands within the NWRS include 545 refuge units, 203 Waterfowl Production Areas, and 50 Coordination Areas. Lands and facilities within the National Fish Hatcheries System (NFHS) comprise 69 National Fish Hatcheries, 7 Fish Technology Centers, 9 Fish Health Centers, and 1 Historical National Fish Hatchery, located in 34 states.

The chart below displays the acreage owned by the Service (Federal Acres) and acreage where the Service has an interest via easement, agreement, or lease in land (non-Federal acres). Lands are acquired through a variety of methods, including withdrawal from the public domain, fee title purchase, transfer of jurisdiction, donation, or gift. Lands are purchased through two primary sources of funding, the Migratory Bird Conservation Fund and the Land and Water Conservation Fund.

Service Stewardship Land
as of September 30, 2005
(acres in thousands)

	Federal Acres							
Category	2005 Beginning Balance	Additions	Withdrawals	2005 Ending Balance	Total Non-Federal Acres 1/	Combined Total Acres	Condition – Acceptable or Needs Intervention 2/	Number of Sites
National Wildlife Refuges	89,351	120	0	89,471	1,429	90,900	Acceptable	545
Refuge Coordination Areas	197	0	0	197	64	261	Acceptable	50
Waterfowl Productions Areas	746	5	0	751	2,415	3,166	Acceptable	203
Fish Hatcheries	13	0	0	13	4	17	Acceptable	86

1/ Agreement, Easement, Lease Acres
2/ Land is categorized as "acceptable" when it is adequate for operating needs and the Service has not identified any improvements that are necessary to prepare and/or sustain the land for its intended use.

Uses of Stewardship Lands

Lands managed within the NWRS are used to conserve and manage fish, wildlife, and plant resources for the benefit of present and future generations. While the needs of fish and wildlife must come first, refuges welcome those who want to enjoy the natural world, to observe or photograph wildlife, to hunt or to fish, or to study and learn about wildlife and their needs.

Stewardship of the nation's fishery and aquatic resources, through the NFHS, has been a core responsibility of the Service for more than 130 years. Although the Service does not own all the lands and facilities in the NFHS, the Service participates in managing all units within the system. In addition to conservation, restoration, and management of fish and wildlife resources and their habitats, the NFHS provides recreational opportunities to the public, such as fishing, hiking, and bird watching.

Condition of Stewardship Lands[1]

Stewardship lands managed by the Service are used and managed in accordance with the explicit purpose of the statutes that authorize their acquisition or designation and that direct their use and management. The Service manages lands within the NWRS so that the fish, wildlife, and plants that depend on these lands for habitat are benefited over both the short and long term. Lands placed in the NWRS are protected into perpetuity for as long as they remain in the NWRS. As new lands enter the NWRS, they are managed to maintain their natural state, to mitigate adverse effects of actions previously conducted by others, or to enhance existing conditions to improve benefits to fish and wildlife resources. The Service safeguards the stewardship values of the lands it administers through management actions taken on individual refuges; however, such actions are taken in consideration of the needs and purposes of the entire NWRS.

George Gentry/USFWS

Fish & Wildlife Service volunteers restore wetland habitat, Alabama

Conservation systems provide integrated habitat and life support for both permanent resident populations and for migratory populations needing temporary stopover sites to rest, breed, feed, and to survive nationwide and, in some cases, worldwide seasonal migrations

The Service assesses the condition of its stewardship lands and resources by monitoring habitat characteristics and determining whether management actions are needed to change those characteristics to benefit their usefulness to fish and wildlife resources. The Service collects information on the condition of various types of habitat, including uplands, wetland, and riparian zones. The assessments indicate the number of acres that are in acceptable condition, or need intervention. Although certain areas currently require intervention, the condition of Service lands, as a whole, is considered acceptable. A methodology for estimating the cost to improve all Service lands to an acceptable condition is currently under development and is expected to be assembled by the end of FY 2006.

Carl Zitsman/USFWS

Boy releasing trout, West Virginia

The extent of damage to Service lands along the Gulf Coast caused by hurricanes during August and September 2005 will not be fully known for some time, but is considered quite substantial. Intervention on these lands to return them to an acceptable condition is expected to take a number of years.

While the current condition of Service stewardship lands is sufficient to support the mission of the Service and the statutory purposes for which these conservation systems were authorized, it is recognized that land or habitat conditions are not static. They may change, either through the imposition of management techniques or through natural stressors or processes acting on those lands. The Service's goal is to provide habitat that optimizes the usefulness of stewardship lands to benefit fish and wildlife resources.

Net Change in Stewardship Land Acreage from 2004 to 2005

The Service had an estimated net increase of approximately 91,161 acres of stewardship lands in FY 2005. These lands provide permanent protection for valuable wetland, riparian, coastal, and upland habitat for fish, wildlife, and plant species, including threatened and endangered species. In FY 2005, the Service added Glacial Ridge NWR located in Minnesota to the units for NWRS in FY 2005, increasing the total from 544 to 545.

[1]The Service has two categories of stewardship lands, NWRS and NFHS. The NWRS, which constitutes 99.98% of Service stewardship lands, is a conservation function that achieves its goals through managing lands to benefit fish, wildlife, and plants. The NFHS, which constitutes 0.02% of Service stewardship lands, is a conservation function that achieves its goals using facility infrastructure such as raceways, ponds, hatchery buildings, etc. They do not meet their goals through land management. For this reason, the Service reports on condition of lands only within the NWRS and not within the NFHS.

Stewardship Investments

Revenue from Stewardship Assets

The Recreation Fee Demonstration Program has been a highly successful endeavor for 112 participating NWRs, which collected approximately $4 million in FY 2004. With the passing of the Federal Lands Recreation Enhancement Act (REA) in December 2004, the Recreational Fee Demonstration Program is now replaced by the 10-year Recreation Fee Program. It is very similar to the former pilot program in that at least 80% of the collections go back to the collecting site. Likewise, expenditures are to enhance visitor services, visitor-related maintenance, and similar initiatives. The REA repealed the recreation fee authorities under Land and Water Conservation Fund Act and Emergency Wetlands Resources Act, so recreation sites collecting under those authorities will either need to qualify for the new Recreation Fee Program or cease collections. We are still implementing this new program and drafting guidance. Recreation fee sites have collected just over $4 million in FY 2005.

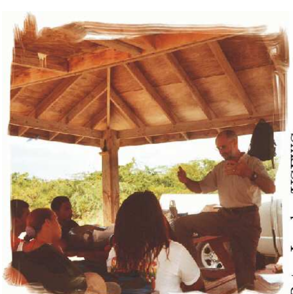
Ryan Hagerty/USFWS

Father & children explore the visitor center at Chincoteague NWR, Virginia

Also, the Service makes payments to counties in which Service lands and holdings are located. Funding for these payments is derived from a combination of annual appropriations and revenue generated through the sale of products from Service lands incidental to habitat management, such as timber and oil and gas receipts. Payments to counties were approximately $18 million for both FY 2005 and 2004.

Investments in Human Capital

Stewardship investment in human capital refers to education and training programs financed by the Federal Government for the benefit of the public. The U.S. Department of Labor administers the Job Corps Program, which provides training and educational opportunities for at-risk young people aged 16 to 24 years old. The Service uses operating funds by the U.S. Department of Labor for its participation in the program, and operates the Treasure Lake Job Corps Civilian Conservation Center, located on the Wichita Mountains National Wildlife Refuge near Indiahoma, Oklahoma. Effective January 2005, operation of the Mingo Job Corps Center was transferred from the Service to the U.S. Forest Service. Information on the funds provided by the U.S. Department of Labor is included in the table below:



Betsy Lorden/USFWS

Manager Oscar Diaz talked with YCC workers at Vicques NWR

Investment in Human Capital
(dollars in millions)

	2001*	2002	2003	2004	2005**	Total
Total Job Corps Program	$10.90	$12.30	$12.30	$11.90	$7.60	$55.00

* Some amounts are based on obligations rather than actual expenses. Beginning in FY 2002, other educational programs includes educational facilities cost.

** The 2005 amount reflects the transfer of operation of the Mingo Job Corps Center to the U.S. Forest Service.

Job Corps Centers are rated, among other factors, on the attainment of goals for graduations and student placement in jobs once students leave the program. For FY 2005, the Treasure Lake Center's statistics are as follows for the number of students served, graduates, and placements:

- 429 Students Serviced
- 156 Graduates
- 172 Placements

Investment in Non-Federal Physical Property

USFWS

MV Tiglax research vessel

Stewardship investment in non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or major renovation of physical property owned by state or local governments. Such investments include major additions, alterations or replacements; the purchase of major equipment; and, the purchase or improvements of other physical assets for purposes of enhancing fish and wildlife management in states and for land restoration, species protection, recreational hunting and boating improvements, and habitat loss prevention. Expenses for maintenance and operations are not considered investments. In FY 2005, the Service estimates that it provided $121 million in grants to state and local governments that resulted in the purchase, construction, or major renovation of physical property they own. The amounts provided for non-Federal physical property are provided below.

Investment in Non-Federal Physical Property
(dollars in millions)

Property Type	2001*	2002**	2003	2004	2005	Total
Dams and Other Water Structures	$ -	$ -	$ 62.0	$ 37.6	$ 33.0	$ 132.6
Land	-	-	52.0	84.6	64.0	200.6
Roads and Bridges***	-	-	0	0	13.0	13.0
Schools and Public Buildings***	-	-	-	-	11.0	11.0
Not Classified	178.0 - 192.0	169.0	-	-	0	347.0 – 361.0
Total	**$ 178.0 - 192.0**	**$ 169.0**	**$ 114.0**	**$ 122.2**	**$ 121.0**	**$ 704.2 – 718.2**

* First year reported, submitted as a range, not categorized.
** Not categorized.
*** Roads and Bridges and Schools and Public Buildings property types were not used prior to FY 2005.

Richard Biggins/USFWS

Dam Redland creek, Tennessee

Heritage Assets

Some of the Service stewardship lands fall into the category of heritage assets. Heritage assets are those lands, buildings and structures, and associated resources recognized for their ecological, cultural, historical, and scientific importance. Heritage assets also include cultural resources, such as archaeological resources and historic properties, and museum collections derived from lands and facilities managed by the Service.

Ron Laubenstein/ USFWS

Shorebird viewers at Kachemak Bay Shorebird Festival in Homer, Alaska

Heritage assets include those lands managed by the Service that carry overlay or special designations authorized by Congress, the President, the Secretary of the Interior or by conventions of national or international statute. Thus, heritage assets also include Wilderness Areas, Wild and Scenic Rivers, National Natural Landmarks (NNLs), and Wetlands of International Importance. Such lands managed by the Service protect valuable natural and cultural resources in every state and a number of U.S. territories and possessions. The protection of these lands benefits not only the nation's fish and wildlife populations, but helps preserve important elements of our past and cultural diversity. The condition of all lands managed by the Service, including those lands represented by special designations of national or international importance, are discussed in previous paragraphs as well as in this section. Special designations are managed or maintained in a manner that preserves the values that originally qualified these assets for their special designations. The status and condition of cultural resources, museum collections, and facilities defined as heritage assets are discussed below.

Ron Coles/USFWS

Klamath NWR

Condition of Heritage Assets Facilities

The Service defines those sites and facilities under its administration that have nationally recognized historical or cultural designations as heritage assets. Please refer to the RSI section of this report for details on the deferred maintenance needs of all facilities managed by the Service. From this information, the Service concludes that the infrastructure that supports the mission work of the Service is suffering from accelerated deterioration. Overall, the numerous facilities managed by the Service, which include heritage assets, are in need of some form of repair.

USFWS

Bronze sculpture of fishery workers

Cultural Resources

Lands managed by the Service are particularly important for protecting significant sites associated with the Nation's prehistory and history. By closely examining their geographic distribution, an obvious pattern unfolds. The Service lands are located along major river corridors, coastal areas, or in association with wetlands and North America's migratory bird flyways. These same areas have been used by humans for thousands of years for transportation, settlement, and subsistence. Archaeological and historic sites located on these lands contribute important information on changes to habitat and wildlife over time and offer fish and wildlife conservation partnership opportunities with local communities and tribes.

As of the end of FY 2005, the Service documented over 13,000 archaeological resources on a small percentage of its lands and estimates that it is responsible for tens of thousands of additional sites yet to be identified.

USFWS

Lodore school building on Browns Park NWR, Colorado

Cultural properties range in age and type from the Lodore School building on Browns Park NWR, Colorado to early 20th Century military fortifications at Midway NWR to a National Register eligible archaeological site on Natchitoches National Fish Hatchery, to a segment of the Lewis and Clark National Historic Trail on the Charles M. Russell NWR, Montana to a cultural landscape and setting for events connected to the Underground Railroad at Great Dismal Swamp NWR. Cultural properties managed by the Service reflect our Nation's rich heritage and diversity.

John & Karen Hollingsworth/USFWS

Mussels research

Of the total number of known cultural resources, 85 sites or districts have been listed in the National Register of Historic Places, while an additional 409 are considered eligible for listing. The Service also manages nine National Historic Landmarks designated by the Secretary of the Interior to protect and recognize sites of exceptional importance. Approximately 675 buildings and structures are considered potentially eligible for listing in the National Register. Each of these designations is comprised of a specific number of tangible Service assets (sites, buildings, structures, and landscapes) that are captured within the Service-wide Real Property Inventory (RPI). The Service has 157 assets listed on the National Register, 227 assets considered eligible for listing on the National Register, 25 assets are listed as National Historic Landmarks, and 3,256 assets are considered potentially eligible for listing on the National Register.

Inventories and records of archaeological and historic sites are maintained by each Service Regional Office for field stations under its jurisdiction. The Service-wide information on the number and status of archaeological properties is summarized each year for the Secretary of the Interior's report to Congress required by the Archaeological Resources Protection Act.

The physical condition of cultural resources managed by the Service varies tremendously, depending on location, maintenance, use, and type of resource. No comprehensive assessment is available. The Service estimates that a minimum of 10 years is required to assess the condition of identified cultural resources under its jurisdiction.

Non-Collectible Cultural and Natural Heritage Assets
as of September 30, 2005

Category	Beginning Balance (units)	Additions (units)	Withdrawals (units)	2005 Ending Balance (units)	Heritage Asset Designation C 1/ or N	Condition of Units (%) 2/			
						Good	Fair	Poor	Unknown
Archeological and Historic Sites	12,022	1,034		13,056	N				100%
National Historic Landmarks	9			9	N				100%
National Register of Historic Places	85			85	C				100%
Wilderness Preservation Areas	84			84	N	50%	50%		
Wild and Scenic Rivers	8			8	N		100%		
National Natural Landmarks	43			43	N	50%	50%		
Wildlife Refuges	544	1		545	N		100%		
Total	**12,795**	**1,035**		**13,830**					

1/ C - Cultural
2/ "Good condition means a site shows no clear evidence of negative disturbance or deterioration by natural forces or human activities; "fair" means that a site shows clear evidence of negative disturbances or deterioration by natural forces and/or human activities.

Museum Collections

Based on the most current assessment, Service museum collections consist of millions of objects, documents, and specimens maintained in 145 offices or on loan to 316 non-Federal repositories for study and long-term care. Collections consist of archaeological materials excavated from the Service managed cultural resources; paleontological collections; objects and documents associated with the agency's history; wildlife art; and, wildlife, fisheries, and botanical specimens. The Service collections are used for educational and interpretive programs, research on changes to habitat and wildlife, and to maintain the history and traditions of the Service programs and employees.

LaVonda Walton/USFWS

Wildlife at Patuxent wildlife visitor center

In FY 2005, the Service continued with its cooperative work with the Museum of the Rockies-Berkeley to survey and excavate dinosaur fossils from the Hell Creek Formation on the Charles M. Russell National Wildlife Refuge, Montana. The session was part of a five-year program to survey the refuge's world-renowned fossil beds to identify the remains of mammals, invertebrates, dinosaurs and plants. Collections from the excavations will be stored at the Museum of the Rockies in Bozeman for study and possible future display.

The Service maintains a collection of artwork at the Academy of Natural Sciences of Philadelphia under a long-term loan agreement. The collection consists of 487 pieces of artwork created by notable painters such as Louis Agassiz Fuertes, Ernest Thompson Seton, and Jay Norwood (Ding) Darling. The artists were commissioned by the Bureau of Biological Survey, a predecessor to the Service, during the late 19th and early 20th centuries to depict various wildlife species and landscapes for use in government publications. Under the agreement, the Academy maintains the collection in a climate controlled and secure storage area to prevent deterioration and loss.

Ryan Hagerty/USFWS

Visitor explores the visitor center at Chincoteague NWR, Virginia

The Service continues to access new museum collections each year, primarily as a result of the scientifically controlled excavation of archaeological sites on its lands. The overall condition of Service museum collections is fair to good. Over 82% of the Service collections are maintained on loan by museums and other institutions. The Service ensures that these collections are safeguarded through compliance with the Secretary of the Interior's curation standards found in the Code of Federal Regulations, 36 CFR 79. Institutions must maintain the appropriate environmental, record-keeping, and security controls in order to qualify for maintaining federal collections.

Information standards for tracking the location, provenance or origin, and condition of museum collections are addressed by the Service policy and data standards released in FY 1998. In an effort to assist field stations in managing their collections, the Service released a new museum property software package for tracking essential information and preparing annual reports. Additionally, a Museum Property working group has been launched in FY 2005 and is comprised of Service subject matter experts whose goal is to maintain the stewardship responsibilities of the agency with respect to heritage assets.

FY 2005 also saw the completion of a survey of archaeological collections in the Service's Alaska Region through a cooperative agreement with the Army Corps of Engineers St. Louis District Office. A new phase of work has been contracted that will take a national focus in identifying museum collections on field stations and developing suggestions for how to better maintain the materials as well as use them for education and interpretation.

Collectible Heritage Assets – Locations Housing Service Assets
as of September 30, 2005

					Condition of Facility Housing Collection 1/			
Museum Collections	**Beginning Collections**	**Additions**	**Withdrawals**	**Ending Collections**	**Good (Meet >70%)**	**Fair (Meet 50-70%)**	**Poor (Meet 50%)**	**Not Yet Assessed**
Held at Service Facility	145			145	3			142
Held at Non-Service Facilities	316			316	40	2	-	274
Total	**461**			**461**	**43**	**2**		**416**

1/ Good condition means meeting more than 70% of standards in DOI's Manual Chapter 411, Museum Property; fair means meeting 50-70% of DOI standards; poor means meeting less than 50% of DOI Standards.

Wilderness

The Wilderness Protection Act of 1964 created the National Wilderness Preservation System. Designations ensure that lands in the Wilderness Preservation System are preserved and protected in their natural state. Wilderness is where the earth and its community of life are untrammeled by human beings and where humans themselves are visitors who do not remain. Of the approximately 106 million acres in the Wilderness Preservation System, the Service manages 82 wilderness units encompassing over 20 million acres in 26 states. This total represents approximately 20% of the National Wilderness Preservation System. These lands and resources are kept in their natural state and protected from man-made disturbances and, as such, the condition of these lands is maintained to preserve the natural qualities for which they were originally designated. Although mostly located in Alaska, the Service manages a number of wilderness areas in the lower 48 states including those at Agassiz NWR in Minnesota and Lostwood NWR in North Dakota.

Information on wilderness areas is reported each year in the Service Annual Report of Lands Under Control of the Service. Wilderness areas contribute significantly to the Service's mission and to the purposes for which the Refuge System was authorized by sustaining healthy ecosystems and wildlife habitat.

Kevin Bell/USFWS

Steller's sea lions on Amak Island

Wild and Scenic Rivers

With the passage of the Wild and Scenic Rivers Act in 1968, Congress established the National Wild and Scenic Rivers System to preserve and protect free-flowing rivers that possess outstandingly remarkable scenic, recreational, geologic, fish and wildlife, historic, cultural, or other similar values. An eligible river may be added to the National System by an act of Congress or by the Secretary of the Interior upon application of the governor of a state. Designated rivers, or sections of rivers, are classified and administered as wild, scenic, or recreational depending upon the extent of development and accessibility along each section. Uses compatible with the management goals of a particular river are allowed. Development that does not damage the outstanding resources of a designated river, or curtail its free flow, is usually allowed.

The Wild and Scenic Rivers Act has been amended many times to designate additional rivers and authorize eligibility studies. Today, the National System includes 11,294 river miles in 160 river units. Designated rivers are administered by 1 of 4 Federal agencies (Service, U.S. National Park Service, U.S. Bureau of Land Management, and U.S. Forest Service) or the states. The Service manages 1,051 of these river miles on 8 rivers. All but one of these rivers is in Alaska.

Ryan Hagerty/USFWS

Father & son fishing at National Bison Range, Montana

National Natural Landmarks (NNLs)

NNLs are management areas having national significance as sites that exemplify one of a natural region's characteristic biotic or geologic features. Sites must be one of the best-known examples of a unique feature and must be located in the U.S. or on the Continental Shelf. There are 587 designated natural landmarks throughout the U.S., with 43 on units of NWRS. Landmarks vary from the meandering resacas of Laguna Atacosa in Texas, part of the Bayside Resaca Landmark, to the urban Tinicum Wildlife Preserve at John Heinz NWR in Pennsylvania.

Other Service-managed landmarks recognize important ecological or geological features deserving protection and further study. NNLs are designated by the Secretary of the Interior because they possess characteristics of a particular type of natural feature, have not been seriously disturbed by humans, contain diverse or rare natural features, or possess outstanding scientific values and educational opportunities. Their condition is maintained and managed to preserve the natural qualities for which they were originally designated.

Wetlands of International Importance

Adopted in 1971, in Ramsar, Iran, the Convention on Wetlands of International Importance provides a framework for the conservation of wetlands worldwide. Marsh, fen, peatland, or water, whether static or flowing; fresh, brackish or salt and riparian or coastal zones adjacent to wetlands are included in and protected by the Ramsar Convention, embraced by more than 122 nations throughout the world. Ramsar recognizes the special value of 1,031 Wetlands of International Importance located throughout 122 countries in the World. There are 20 refuges that encompass 17 U.S. Ramsar sites.

Bridgett Constanzo/USFWS

Lower levee to restore wetlands

Western Hemisphere Shorebird Reserve Network (WHSRN)

WHSRN was created in 1986 to foster international shorebird conservation partnerships among countries throughout the Americas. Sites are accepted into the WHSRN if they satisfy biological criteria and all owners and stakeholders agree to make a commitment to shorebird conservation. The Service broadly supports the WHSRN. The NWRS boasts an enormous array of shorebird habitats. At present, 24 sites are managed within the Refuge System, nine of which hold international status. Sites range throughout the U.S. from Virginia's shores (Eastern Shore NWR) to the California coast (San Francisco Bay NWR).

IV. Independent Auditors' Report

The Independent Auditors' Report covers:

A. Memorandum: Independent Auditors' Report on the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2005 and 2004
B. Attachment 1: KPMG LLP Independent Auditors' Report
C. Attachment 2: Memorandum – Draft Independent Auditors' Report on the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2005 and 2004
D. Attachment 3: Status of Audit Report Recommendations

USFWS

Wichita Mountains National Wildlife Refuge (NWR), Oklahoma

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, DC 20240

January 30, 2006

Memorandum

To: Dale Hall
Director, Fish and Wildlife Service

From: for Anne L. Richards Kimberly Elmore
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Fish and Wildlife Service's Financial Statements for Fiscal Years 2005 and 2004 (Report No. X-IN-FWS-0015-2005)

Attached is the subject KPMG LLP-prepared auditors' report (Attachment 1), which contains an unqualified opinion on the Fish and Wildlife Service's (Service) financial statements. However, KPMG identified significant deficiencies in the Service's reporting on the condition of heritage assets and deferred maintenance related to both stewardship land and heritage assets. In addition, KPMG found instances in which the Service's financial management systems did not fully comply with federal accounting standards and with the Federal Financial Management Improvement Act of 1996 (FFMIA). The report contains six recommendations that, if implemented, should resolve the findings.

In its December 1, 2005 response (Attachment 2) to the draft auditors' report, the Service disagreed with six recommendations (see Attachment 3, "Status of Audit Report Recommendations"). We will refer those recommendations to the Assistant Secretary for Policy, Management and Budget for resolution.

The Department of the Interior contracted with KPMG, an independent certified public accounting firm, to audit the Service's financial statements for fiscal years 2005 and 2004. The contract required that KPMG conduct its audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States, the Office of Management and Budget's "Audit Requirements for Federal Financial Statements," and the Government Accountability Office's/President's Council on Integrity and Efficiency's "Financial Audit Manual."

KPMG is responsible for the auditors' report and for the conclusions expressed in the report. We do not express an opinion on the Service's financial statements or KPMG's conclusions on the effectiveness of internal controls, on whether the Service's financial management systems substantially complied with FFMIA, or on compliance with laws and regulations.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report.

We appreciate the cooperation and assistance of Service personnel during the audit. If you have any questions, please contact me at 202–208–5512.

Attachments (3)

cc: Assistant Secretary, Fish and Wildlife and Parks
Chief Financial Officer, Fish and Wildlife Service
Director, Office of Financial Management
Audit Liaison Officer, Office of Financial Management
Audit Liaison Officer, Fish and Wildlife and Parks
Audit Liaison Officer, Fish and Wildlife Service
Focus Leader, Financial Reporting, Office of Financial Management
Focus Leader, Management Control and Audit Follow-up,
Office of Financial Management

ATTACHMENT I

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Director of the United States Fish and Wildlife Service and Inspector General of the
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the United States Fish and Wildlife Service (the Service) as of September 30, 2005 and 2004, and the related consolidated statements of net cost, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing for the years then ended (hereinafter referred to as the financial statements). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered the Service's internal control over financial reporting and tested the Service's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that the Service's financial statements as of and for the years ended September 30, 2005 and 2004, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses.

Our limited procedures over required supplementary stewardship information and deferred maintenance reported as required supplementary information identified the following significant deficiencies in the reporting on the condition of heritage assets and deferred maintenance for stewardship land and heritage assets.

A. Processes and controls over the condition assessment of heritage assets

B. Reporting of deferred maintenance amounts for stewardship land and heritage assets

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996 (FFMIA)*, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements.*

The results of our tests of FFMIA disclosed instances where the Service's financial management systems did not substantially comply with federal accounting standards. These instances are detailed later in this report.

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

C. Federal Financial Management Improvement Act of 1996 (FFMIA)

The following sections discuss our opinion on the Service's financial statements, our consideration of the Service's internal control over financial reporting, our tests of the Service's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the Service as of September 30, 2005 and 2004, and the related consolidated statements of net cost, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Service as of September 30, 2005 and 2004, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements, Part A, Form and Content of the Performance and Accountability Report*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

As a result of such limited procedures, we believe that the Required Supplementary Stewardship Information for heritage assets is not presented in conformity with accounting principles generally accepted in the United States of America because the Service has not completed its identification and condition assessment of heritage assets. Also, we believe that the Required Supplementary Information for deferred maintenance is not presented in conformity with accounting principles generally accepted in the United States of America because the Service does not have adequate internal controls surrounding the compilation of data on heritage assets and stewardship land.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Service's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions 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. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

Internal Control Over Required Supplementary Stewardship Information

We noted a significant deficiency in internal control over Required Supplementary Stewardship Information discussed in the following paragraphs that, in our judgment, could adversely affect the Service's ability to collect, process, record, and summarize Required Supplementary Stewardship Information.

A. Processes and Controls Over the Condition Assessment of Heritage Assets

Accounting standards for federal entities establish minimum reporting requirements for heritage assets. These standards require the Service to report, as required supplementary information in its stewardship section of its annual report, the condition of heritage assets. The Service has not completed condition assessments for all heritage assets, including museum collections, archeological and historic sites, national historic landmarks, and national register of historic places. Specifically, the Service has not assessed the condition of 416 out of 461 facilities housing museum collections. As a result, the Service has not disclosed the condition assessment of all its heritage assets in the Required Supplementary Stewardship Information.

In addition, the Service did not have adequate controls in place to ensure museum collection data was accurate in its annual report. Specifically, we noted the Service adjusted the number of museum collections based on our audit inquiries.

Recommendations

The Service should:

1. Revise its condition assessment manual to document requirements/standards of what is considered to be an acceptable operating condition in relation to the Service's categories of heritage assets, including museum collections.

2. Perform periodic inspections over the categories of heritage assets to determine the condition for disclosure in the financial statements.

3. Ensure information reported on heritage assets is accurate, complete, and supported by proper documentation.

Management's Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendations. Management indicated that meaningful and consistent condition assessments of cultural resources are not feasible.

Auditors' Response to Management's Response

Statement of Federal Financial Accounting Standards (SFFAS) No. 8, *Supplementary Stewardship Reporting*, paragraphs 50 and 81, requires federal agencies to report in the stewardship section of its report the condition of heritage assets. The Service has assessed the condition of a limited number of facilities housing museum collections. Further, we believe the reporting of the condition of the facility does not address the true condition of the museum collection. We encourage the Service to continue to seek guidance from the Federal Accounting Standards Advisory Board for reporting museum collections.

Internal Control Over Required Supplementary Information (Deferred Maintenance)

Deferred maintenance amounts are reported as required supplementary information to the financial statements. We noted certain significant deficiencies in internal control over the reporting of deferred maintenance amounts discussed in the following paragraphs that, in our judgment, could adversely affect the Service's ability to collect, process, record, and summarize in a timely manner.

B. Reporting of Deferred Maintenance Amounts for Stewardship Land and Heritage Assets

Accounting standards for federal entities establish minimum reporting requirements for stewardship land and heritage assets. These standards require the Service to report, as required supplementary information in its deferred maintenance section of its annual report, the amount of deferred maintenance for stewardship land and heritage assets. Federal accounting guidance defines deferred maintenance as maintenance that was not performed when it should have been or was scheduled to be and which, therefore, was put off or delayed for a future period. Maintenance is the act of keeping fixed assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services.

In fiscal year 2005, the Service implemented a process to assess the condition of stewardship land. However, a methodology for estimating the cost to improve all Service lands to an acceptable condition is currently under development and is expected to be implemented by the end of fiscal year 2006. Therefore, in fiscal year 2005, the Service did not disclose estimated deferred restoration costs for stewardship land.

Also, the Service has not completed condition assessments and estimated deferred maintenance for all heritage assets, such as, the archeological sites, historic structures, and museum collections.

Recommendations

1. The Service should finalize its process to estimate deferred restoration costs on stewardship land and report the estimate as required supplementary information.
2. The Service should develop a process consistent with accounting standards generally accepted in the United States of America for estimating deferred maintenance costs on heritage assets.

Management's Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendations. Management indicated that stewardship land does not have deferred maintenance and that for conceptual and practical reasons, meaningful and consistent condition assessments of stewardship land and heritage assets are not feasible.

Auditors' Response to Management's Response

SFFAS No. 6, *Accounting for Property, Plant and Equipment*, paragraph 83, requires federal agencies to report in its deferred maintenance section of its report the amount of deferred maintenance for stewardship land and heritage assets.

During our audit, the Service represented to us that it has implemented a process to assess the condition of stewardship land and was developing a methodology to estimate deferred restoration costs. However, as documented in management's response, the Service subsequently changed its position to indicate that stewardship land and heritage assets do not have deferred maintenance and that for conceptual and practical reasons, meaningful and consistent condition assessments of stewardship land and heritage assets are not feasible. As a result of this change, the recommendation that the Service should finalize its process to estimate deferred restoration costs on stewardship land and report the estimate as required supplementary information is not valid. Instead, the Service should work with the Department to develop a process consistent with accounting standards generally accepted in the United States of America for performing condition assessments on stewardship land and reporting deferred maintenance.

A summary of the status of prior year reportable conditions is included as Exhibit I. We also noted certain additional matters that we reported to the management of the Service in a separate letter dated November 1, 2005.

COMPLIANCE AND OTHER MATTERS

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements described in the Responsibilities section of this report, exclusive of those referred to in *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed instances, described below, where the Service's financial management systems did not substantially comply with applicable federal accounting standards.

C. Federal Financial Management Improvement Act of 1996 (FFMIA) – Federal Accounting Standards

The Service is required to prepare its financial statements in accordance with federal accounting standards. As discussed in the section of this report entitled Internal Control over Required Supplementary Stewardship Information (RSSI) and Internal Control Over Required Supplementary Information (RSI), we noted significant deficiencies in internal control over RSSI related to condition assessments of categories of heritage assets and over RSI related to deferred maintenance amounts for stewardship land and heritage assets. These significant deficiencies in internal control are also indicators of noncompliance with FFMIA provisions relating to federal accounting standards.

Statement of Federal Financial Accounting Standards (SFFAS) No. 8, *Supplementary Stewardship Reporting*, paragraph 81 (as amended by SFFAS No. 14), establishes minimum reporting requirements for heritage assets. These standards require the Service to report in its stewardship section of its annual report the condition of heritage assets. Our audit found the Service has not performed condition assessments on many of its heritage assets.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, paragraph 83, establishes minimum reporting requirements for deferred maintenance. These standards require the Service to report in its deferred maintenance section of its annual report deferred maintenance for each major category of assets, which includes stewardship land and heritage assets. The Service has not reported in its annual report any deferred maintenance costs related to stewardship land and heritage assets.

Recommendation

We recommend that the Service strengthen its procedures and internal control to ensure that condition assessments over categories of heritage assets are completed and deferred maintenance costs on stewardship land and heritage assets are reported in accordance with federal accounting standards.

Management's Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our recommendation. As discussed in the sections of our report entitled Internal Control Over Required Supplementary Stewardship Information and Internal Control Over Required Supplementary Information, management did not agree with our recommendations to develop procedures to conduct condition assessments on heritage assets and to identify and report deferred maintenance amounts on stewardship land and heritage assets.

Auditors' Response to Management's Response

As discussed in the sections of our report entitled Internal Control Over Required Supplementary Stewardship Information and Internal Control Over Required Supplementary Information, federal accounting standards require federal agencies to report in their annual reports the condition of heritage assets and amounts of deferred maintenance on stewardship land and heritage assets. We believe the Service needs to improve its reporting in these areas to meet the requirements of federal accounting standards.

The results of our tests of FFMIA disclosed no instances in which the Service's financial management systems did not substantially comply with the federal financial management systems requirements and the United States Standard General Ledger at the transaction level.

RESPONSIBILITIES

Management's Responsibilities

The Government Management Reform Act of 1994 (GMRA), Accountability of Tax Dollars Act, and Government Corporation Control Act require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To assist the U.S. Department of the Interior in meeting the GMRA reporting requirements, the Service prepares annual financial statements in accordance with Part A of OMB Circular A-136.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining internal controls over financial reporting; and
- Complying with laws, regulations, contracts, and grant agreements, including FFMIA.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2005 and 2004 financial statements of the Service based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2005 audit, we considered the Service's internal control over financial reporting by obtaining an understanding of the Service's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on the Service's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, we considered the Service's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of the Service's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis and Performance sections, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Service's fiscal year 2005 financial statements are free of material misstatement, we performed tests of the Service's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Service. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether the Service's financial management systems substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

DISTRIBUTION

This report is intended solely for the information and use of the Service's management, the U.S. Department of the Interior Office of Inspector General, OMB, the Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 1, 2005

Exhibit I

UNITED STATES FISH AND WILDLIFE SERVICE

Summary of the Status of Prior Year Findings

September 30, 2005

Ref	Condition	Status
2004-A	Controls, processes, and financial reporting related to construction work in progress	This condition has been downgraded from a reportable condition to a management letter comment in fiscal year 2005. Management letter comments are reported in a separate letter dated November 1, 2005.
2004-B	Controls and processes over financial statement variance analysis.	This condition has been corrected.
2004-C	Application and general controls over financial management systems.	This condition has been downgraded from a reportable condition to a management letter comment in fiscal year 2005. Management letter comments are reported in a separate letter dated November 1, 2005.
2004-D	Processes and controls over the condition assessment of heritage assets.	This finding has not been corrected and is repeated as a significant deficiency in fiscal year 2005. See finding A.
2004-E	Controls over reporting performance measures.	This condition has been corrected.
2004-F	Reporting of deferred maintenance amounts for stewardship land and heritage assets.	This finding has not been corrected and is repeated as a significant deficiency in fiscal year 2005. See finding B.
2004-G	Federal Financial Management Improvement Act of 1996	This finding has not been entirely corrected and is repeated as a significant deficiency in fiscal year 2005. See finding C.

ATTACHMENT 2

United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

DEC 0 1 2005

In Reply Refer To:
FWS/DFM

Memorandum

To: Anne L. Richards
Assistant Inspector General for Audits
Office of Inspector General

From: Acting Director

Subject: Revised Draft Independent Auditors' Report on the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2005 and 2004

We have reviewed the subject draft audit report dated November 9, 2005, in which KPMG, LLP issued an unqualified opinion on the Service's financial statements for Fiscal Years (FY) 2005 and 2004. However, the draft report identifies differing interpretations of accounting standards as they apply to certain significant deficiencies related to heritage assets and stewardship land.

The Assistant Secretary – Policy, Management and Budget, outlined in her October 21, 2005, memorandum that:

- assessing the condition of museum objects based upon the condition of the facility housing the collection is appropriate;
- the Department will not perform formal condition assessments of stewardship land; and
- the Department does not impose a reporting requirement for bureaus to estimate and report deferred maintenance for stewardship land.

Accordingly, the Service does not agree with the report's findings that require condition assessments and the reporting of deferred maintenance amounts for stewardship land and heritage assets for the National Wildlife Refuge System.

General Comments

The Service is committed to taking all necessary corrective actions to resolve the identified deficiencies in internal controls over financial reports. However, several of the recommendations address areas such as requirements for condition assessments and deferred maintenance reporting relating to stewardship land and certain heritage assets where corrective actions depend in part on implementation of the Department's (DOI) policies, processes or systems. The Service will support the DOI in these endeavors.

A. Processes and Controls over the Condition Assessment of Heritage Assets

The Service does not concur with the finding and recommendations.

The Service believes that non-structural, cultural heritage assets do not have deferred maintenance as defined by Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant and Equipment.* Further, the Service believes that for conceptual and practical reasons, meaningful and consistent condition assessments of cultural resources of the type envisioned in Statement of Federal Financial Accounting Standards No. 8, *Supplementary Stewardship Information,* are not feasible.

The Service's position concerning museum collections is consistent with the conclusion reached by the Department's AS/PMB in the memorandum referenced above. In that memorandum, the AS/PMB concludes that assessing the condition of museum objects based on the condition of the facility housing the collection is appropriate.

The Office of Management and Budget (OMB) recognizes that the concept of deferred maintenance may not be applicable to some types of heritage assets. OMB Circular A-136, Form and Content of the Performance and Accountability Report, Section 11.2, Deferred Maintenance, includes the statement: "In some cases, such as heritage assets and stewardship land, management may determine that maintenance is not needed. In that case, deferred maintenance would not exist." Limiting the calculation of deferred maintenance to finite constructed assets (roads, bridges, buildings, dams, etc.) provides a reliable and clear cut mechanism for determining deferred maintenance values. Introducing more subjective elements such as cultural sites would in the Service's opinion only introduce error and decrease rather than increase the value of financial audit information on deferred maintenance.

Setting aside the conceptual issues, there are also practical difficulties in assessing the condition of archaeological and historic sites and national historic landmarks. As with other types of stewardship land, the list of potential criteria for determining what constitutes an "acceptable operating condition" for these types of resources would be quite long. For example, condition assessments could consider vegetation density, water levels, impact of wildfires and floods, contaminant levels, air quality, susceptibility to vandalism, and impacts due to visitation. The criteria would be highly subjective, would vary considerably from site to site, and the cost of correcting deficiencies difficult to estimate.

The Service recommended that the Department petition the Federal Accounting Standards Advisory Board (FASAB) to revisit its reporting requirements for certain types of heritage assets including archaeological and historic sites and that deferred maintenance assessments be restricted to constructed assets such as buildings (i.e. those assets constructed in modern times for a particular use).

Additionally, the Service does provide deferred maintenance estimates relating to all constructed assets (buildings and facilities) that are designated as heritage assets. Historic structures such as buildings or lighthouses (including buildings that house museum collections) are incorporated in the Service's comprehensive condition assessment process and deferred maintenance costs are assessed and reported in annual financial reports. For these assets, the criteria for determining the deferred maintenance estimates are reasonable.

Although the Service does not perform formal condition assessments for the non-constructed components of archaeological and historic sites, national historic landmarks and National Register sites, the Service does collect information pertaining to the condition of these non-structural heritage assets. Information pertaining to the condition of archaeological and historic sites is obtained by the Regional Historic Preservation Officer (RHPO), located at each Service Regional Office. The information is checked by the RHPO, refuge staff, or by State historic preservation agencies working in conjunction with the Service. Information gleaned from this monitoring program is reported in the Annual Work Plan and the Service's Refuge Annual Performance Plan Report.

Information on the condition of non-structural heritage assets is collected annually and in many cases, this information is constantly adjusted based on new information received. Providing adequate storage and protection of museum collections is a requirement of those institutions with which the Service has active, up-to-date agreements. New agreements with institutions and updated information about the condition of the institutions holding museum property is added each year and will result in a steady increase in the number of evaluated facilities. Information collected for condition assessment of these facilities follows established Departmental guidance. All reporting requirements for non-structural heritage assets follow formats established by the specific Departmental data call and all responses are documented and reviewed prior to submission to the Department.

The Service's data systems are currently in transition. In FY 2005, the Service established a new performance plan database that includes a process to capture condition information for nonstructural heritage assets. It also includes a measure for completion of cultural resource assessments that are designed to assess condition of heritage assets and identify any needed corrective actions to preserve these resources for the future. Corrective actions will include a mix of structural and non-structural solutions. Because of the specialized expertise required to assess these unique heritage resources, this process fits best within the Cultural Resource program rather than the Service's Facility Maintenance program. The Service plans to continue to segment activities in this manner.

The Service is continuing with its efforts to evaluate non-Service facilities that hold Service museum collections. During FY 2006 and FY 2007, we will work closely with the U.S Army Corps (Corps) of Engineers under a cooperative agreement to evaluate non-Service facilities on the list in a manner that is consistent with Department of the Interior policies and standards found in Department Manual 411. The task will require that the Corps identify or verify facilities where Service collections are stored and evaluate the facilities against a condition rating. The Corps has extensive experience working with many of the facilities and their rating system, which is based on how well a facility meets specific requirements for proper curation of museum collections, is accepted by the Department. This assessment should provide up-to-date information of the status of these facilities at minimal cost. Beginning in FY 2008, following its review of non-Service facilities, the Corps will also examine Service facilities with museum collections. Using information from facility management plans that underscore facility condition, the Corps will follow a similar evaluation procedure as used for non-Service facilities to provide updated condition information for Service facilities.

B. Reporting of Deferred Maintenance Amounts for Stewardship Land and Heritage Assets

The Service does not concur with the finding and recommendations.

Please see the discussion above for the Service's response to the finding concerning deferred maintenance for heritage assets. The Service believes that stewardship land does not have deferred maintenance as defined by Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant and Equipment*. Further, the Service believes that for conceptual and practical reasons, meaningful and consistent condition assessments of stewardship land of the type envisioned in Statement of Federal Financial Accounting Standards No. 8, *Supplementary Stewardship Reporting*, are not feasible. This position is supported in the conclusion reached by the AS/PMB. In the memorandum referenced above, the AS/PMB finds that since land is not subject to periodic and/or recurring maintenance cycles and requirements, there is no deferred maintenance on these assets. Accordingly, the AS/PMB states: " … the Department does not impose a reporting requirement for bureaus to estimate and report deferred maintenance for bureau stewardship land in their respective financial statements."

In the Service's performance planning, there is no distinction between lands that need or do not need intervention to achieve their intended purposes. The Service prepares rough cost estimates for use by managers in prioritizing and scheduling intervention projects. However, the Service does not believe they are appropriate for external financial reporting purposes.

C. Federal Financial Management Improvement Act of 1996 (FFMIA) - Federal Accounting Standards

The Service does not concur with the finding and the recommendation because they are not consistent with DOI policy as stated above.

The Service believes FASAB standards relating to condition assessments and deferred maintenance reporting need clarification as they relate to stewardship land and certain heritage assets. Additionally, the Service believes FASAB standards relating to reporting requirements for certain types of heritage assets, including archaeological and historic sites, and deferred maintenance assessments should be restricted to constructed assets such as buildings. The Service plans to work through the DOI to have FASAB clarify the applicability of its requirements for condition assessments and deferred maintenance for these types of assets.

The Service appreciates the opportunity to provide comments on the draft audit report. If you have any questions or need additional information, please contact Paul Henne, Assistant Director for Business Management and Operations and Chief Financial Officer, at (703) 358-1822.

cc: Jeff Norris, KPMG LLP

ATTACHMENT 3

STATUS OF AUDIT REPORT RECOMMENDATIONS

Recommendation	Status	Action Required
A.1, A.2, A.3, B.1, B.2 and C	Unresolved.	Recommendation will be referred to the Assistant Secretary, Policy, Management and Budget for resolution.

Back Cover Photo Credit: Brown and White Pelicans Rest On Pelican Island NWR, George Gentry/USFWS

U.S. Fish & Wildlife Service
http://www.fws.gov

November 2005