U.S. Fish & Wildlife Service

Shared Commitments to Conservation

2007 Annual Financial Report of the U.S. Fish and Wildlife Service

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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 2007.

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.

I am proud to announce that the Service has received, for the fifth 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 2007 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 continued to address various challenges in fiscal year 2007. The Service continued its evaluation of the Service's internal controls over financial reporting in accordance with the requirements of OMB Circular A-123, Appendix A. The Service's evaluation covered all of the business processes that generate amounts reported in the financial statement line items identified by the Department as material to the consolidated financial statements. No material weaknesses related to internal control over financial reporting were identified during the evaluation. I am pleased to provide reasonable assurance that the controls over financial reporting relating to these business processes are suitably designed and are operating effectively.

The Service has and will continue to take specific corrective actions to ensure greater security and improved general controls over sensitive information systems. Therefore, I conclude that the Service's systems of management and administrative controls provide reasonable assurance that Service operations, taken as a whole, meet the objectives of Section 2 of the Federal Managers' Financial Integrity Act, 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 2007, we evaluated the Service's management controls as required by the Federal Financial Management Improvement Act (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 am pleased to report that the Service is in compliance and no such material weaknesses were 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 management systems substantially comply with applicable Federal accounting standards and the U.S. Standard General Ledger at the transaction level. They also substantially comply 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.

H Dale Hall

H. Dale Hall, Director
November 1, 2007

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 Fish and Wildlife Service (Service) grows continuously more complex and critical.

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'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. The Service manages the 96 million acre National Wildlife Refuge System (NWRS), which encompasses 548 National Wildlife Refuges (NWRs), thousands of small wetlands, and other special management areas. The Service also manages 87 land units and facilities within the National Fish Hatcheries System (NFHS). The agency enforces Federal wildlife laws, administers the Endangered Species Act, manages migratory bird populations, restores nationally significant fish species, 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.

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. The Service accepts this responsibility and challenge with optimism and resolve to pass along to future generations of stewards a fish and wildlife resource heritage that continues to grow in strength and sense of purpose.

The Service employs approximately 9,300 permanent and temporary fulltime staff. Additionally, citizens support the organization by volunteering approximately 2.3 million hours per year. 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 through our involvement at the community level.

Organization

As shown in the accompanying organization chart, the Directorate of the Service is comprised of the Director, two Deputy Directors, ten Assistant Directors, and the Chief of Law Enforcement, all located in Washington, D.C. There are seven Regional Directors, 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.

Regional Offices are located throughout the U.S.

- Region 1, headquartered in Portland, Oregon, serves California, Hawaii, Idaho, Nevada, Oregon, and Washington, and the Trust Territories of the Pacific. (Also included is the California/Nevada Operations Office.)

- Region 2, headquartered in Albuquerque, New Mexico, serves Arizona, New Mexico, Oklahoma, and Texas.

- Region 3, headquartered in Minneapolis, Minnesota, serves Indiana, Illinois, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin.

- Region 4, headquartered 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.

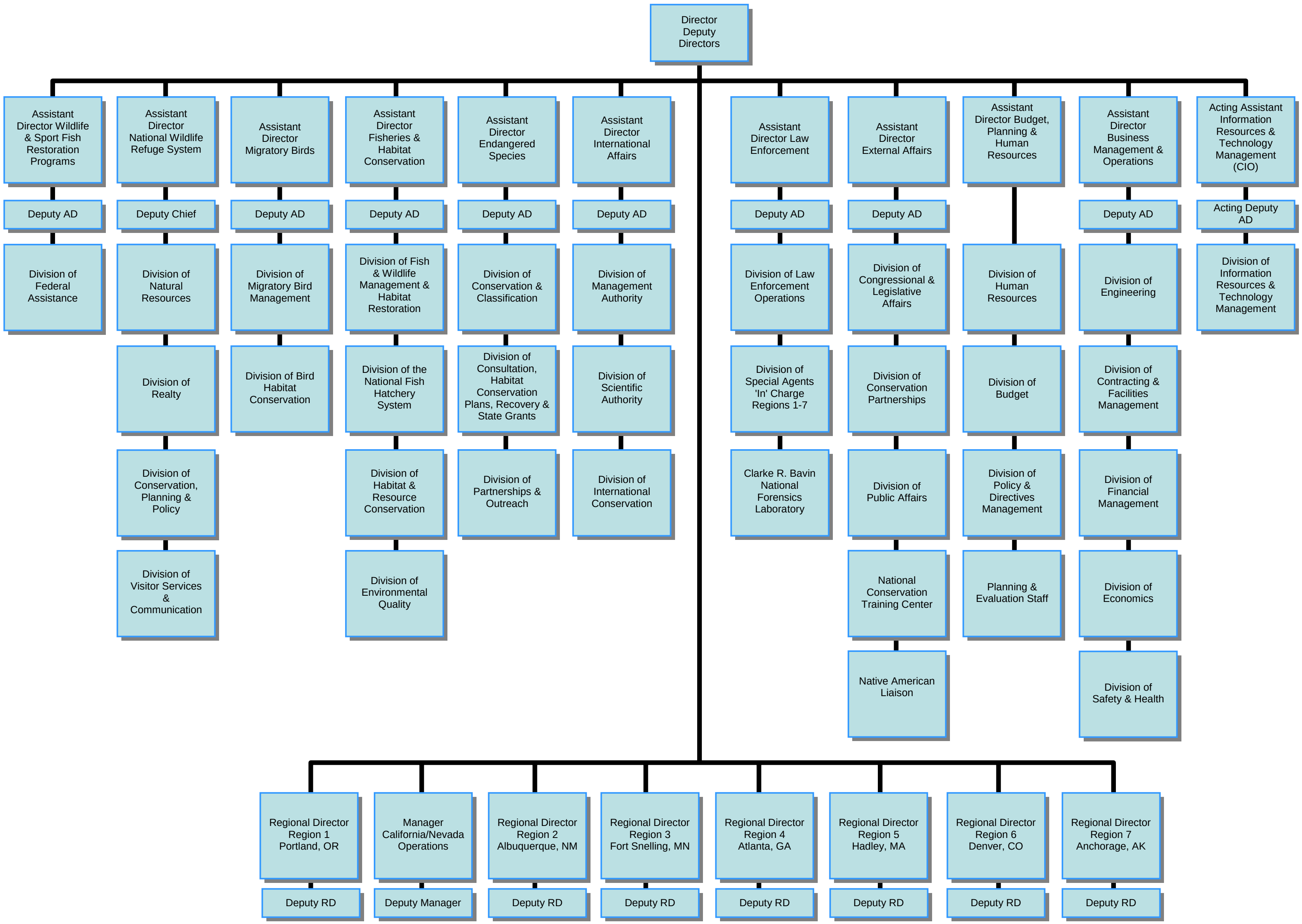
- Region 5, headquartered in Hadley, Massachusetts, serves Connecticut, Delaware, Maine, Massachusetts, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Virginia, Vermont, West Virginia, and the District of Columbia.

- Region 6, headquartered in Denver, Colorado, serves Kansas, Montana, North Dakota, South Dakota, Nebraska, Colorado, Utah, and Wyoming.

- Region 7, headquartered in Anchorage, Alaska serves the entire State of Alaska.

In the 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.

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

A. Mission Goals and Performance

In December 2006, the Department of the Interior (DOI) released its revised Strategic Plan for FY 2007 –2012 that encompasses the missions and goals of its eight bureaus and the DOI Offices. The plan can be found at:
http://www.doi.gov/ppp/Strategic%20Plan%20FY07-12/strat_plan_fy2007_2012.pdf

The plan is organized around the DOI's principal mission areas:

- Resource Protection
- Resource Use
- Recreation
- Serving Communities
- 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 and their habitats, and stewardship of the National Wildlife Refuge System. 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 Resource Use through a collaborative environmental consultation effort.

The following information delineates Strategic Plan goal attainment for FY 2007 and contains actual and estimated FY 2007 performance measure values. Estimated FY 2007 performance values are based on prior year's performance measure trend data.

Note: the DOI's guidance and specifications for the performance section of bureau FY 2007 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.

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

The Service estimated that 554,355 acres of wetlands would be restored on non-DOI lands in FY 2007. As of 9/30/07, the Service has not received final performance data from all contributing programs. However, the Service estimates that 607,289 were restored in FY 2007, thereby exceeding the 2007 estimate. The final 2007 data is estimated because one of the primary contributors to this measure is the North American Wetlands Conservation Fund which doesn't receive 2007 actual data from its partnering states and foreign countries until November 2007. Estimates are based on prior year's trend data. One of the reasons the Service will exceed its FY 2007 target is due to unexpected high leveraging rates of partnership funding through the Partners program.

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 an initial FY 2007 target of stabilizing or improving the population status of 509 species of the 1,079 Federally-listed threatened or endangered species listed for a decade or more (47%). After the DOI issued its revised Strategic Plan in December 2006, a new measure replaced this measure. The new measure was the percent of threatened and endangered species that are stabilized or improved. The qualifying phrase, listed a decade or more, was deleted. Thus, the final actual number of threatened and endangered species that were stabilized or improved was 573 or 45% (573/1,269), thereby exceeding the FY 2007 target. Additionally, the Service set a target to prevent listing 3 of the 283 candidate species (1.1%) as a result of conservation actions or agreements. For FY 2007, the Service met its target by preventing 3 species from being listed.

The Service set a FY 2007 target to control 250,317 National Wildlife Refuge System acres infested with invasive plants or about 12% of the total number of acres infested (2,015,841 acres). The Service exceeded its 2007 target by controlling 280,961 acres or 14% (280,961/2,015,541) infested with invasive plants. One of the contributing Regions (CNO) exceeded its 2007 target by about 60% due to additional outside funding and successful partnering efforts

Mission Goal 2 – Resource Use

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 $19 million of the Service's FY 2007 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/Improve the Quality and Diversity of Recreation Experiences and Visitor Enjoyment on DOI Lands.

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

Provide Recreational Opportunities: In FY 2007, the Service estimated that 105 NWRs/Watershed Management Districts (WMDs) that are open to public visitation would have a current Visitor Services plan. This represents about 22% of the 469 NWRs/WMDs that are open to the public. For FY 2007, the Service opened 132 NWRs/WMDs (132/469) or 28% to the public, thereby exceeding its target.

Improve Capacities to Provide Recreation, Where Appropriate: In FY 2007, the Service planned to have 293 or 62% (293/470) of the NWRs meet applicable accessibility standards. The Service exceeded its target as 313/470 (66%) of the NWRs met applicable accessibility standards.

Expand Seamless Recreation Opportunities with Partners: In FY 2007, The Service estimated that 221 waters would provide recreational fishing opportunities. These waters provide fish specifically for angling to help mitigate the impacts of water development projects. They do not include data where fish are stocked for education and outreach events such as Kid's Fishing Days. As of 9/30/2007, the Service does not have complete data. As a result, the Service estimates that it will meet its 2007 target of 221 waters. This is the first year the Service is reporting to this measure.

Mission Goal 4 – Serving Communities

Improve Protection of Lives, Resources, and Property

In FY 2007, the Service set at a target of 345 physical and chemical hazards that would be mitigated in appropriate time to ensure visitor or public safety. This represented about 48% of 720 identified physical and chemical hazards. The Service did not meet this target as only 267 or 37% (267/720) physical and chemical hazards were mitigated. A hazardous site is considered mitigated when all identified hazards are mitigated at the site.

Mission Goal 5 – Management Excellence

Management Excellence

The Service set a FY 2007 target of 1,930,175 volunteer hours that would be contributed to the NWRs and NFHS. The Service exceeded its 2007 target, as 2,328,109 volunteer hours were contributed by volunteers. 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.

Data Verification

The 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 the data are reliable and valid. The Service has made significant progress in developing processes that support data verification for the four major data quality areas. For example, to ensure standardized data definitions, the Service has worked closely with the DOI in developing new and revised performance measure definition templates for the revised DOI Strategic Plan performance measures. All goals and measures in the Service's Operational Plan are developed and reviewed by Service officials and staff from the field through the Headquarters level. Each goal is measurable and clear, and has a direct bearing on the mission activity in which it is categorized.

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 to track performance. The Refuge Program utilizes a newly deployed, national database (Refuge Annual Performance Plan) that enforces a review process to ensure data validity.

In September 2006, the Service introduced a new Cognos software tool, Enterprise Planner, to report final FY 2006 performance data. Enterprise Planner was also used to set FY 2007 planned performance measure targets. FY 2006 and FY 2007 performance data for the Refuge program was imported directly from the Refuge Annual Performance Plan database. Also, FY 2007 final performance data was imported from the Fisheries Information System, Environmental Conservation Online System, and the new Environmental Contaminants Annual Reporting System. It is anticipated that more program performance data will be imported directly from the other Service corporate databases.

Enterprise Planner has been used to set national, roll-up performance targets for the FY 2009 Secretarial and Office of Management and Budget (OMB) budget submissions.

The web-based, Enterprise Planning Excel interface leverages each of the enterprise properties that enable highly scalable and flexible planning, including workflow and collaboration, and data management. Enterprise Planning streamlines data collection with standardize data structures and definitions, and eliminates redundant, unnecessary data input requirements. It is equipped with validation and verification functionality that requires reviewer submission at each hierarchical level, which provides improved data quality and consistency. This approval hierarchy for data verification and validation consists of the Assistant Regional Director's office "contributors" inputting the data, and Washington office "reviewers" reviewing the data. After the data is reviewed and approved by the two offices, the Regional Directors make the final review and approval. Next, the Regional Directors submit the data to the Planning and Evaluation Office for analysis. The data is then submitted to the Deputy Director who reviews the data and submits it to the Director for final approval. Only the "owner" of the worksheet has the rights to make changes to the numbers that have been submitted. All reviewers have the ability to reject the data that has been sent, or submit to the next level for review.

Data limitations do exist for some performance measures, such as that collected by outside sources. For example, Breeding Bird Survey data are provided by the U.S. Geologic Survey-Biological Research Division; foreign governments provide performance data for the International Affairs program; and States provide performance data for the North American Wetlands Conservation program and for the Federal Assistance program.

Data Validity

The goals directly measure the results that the organization hopes to achieve in the delivery of the core components of the mission. Data collected is relevant and presents an accurate picture of the performance of the organization toward achieving the goals. Performance data for goals is obtained by existing data collection processes and is supported by program information management systems. To a large degree, the Service must rely on the quality assurance/quality controls in place at the primary data source to ensure data accuracy.

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:

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

The Service assesses the adequacy of its management controls through continuous monitoring and periodic evaluations, consistent with 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 Service also performs an annual comprehensive evaluation of its internal controls over financial reporting in accordance with the requirements of OMB Circular A-123, Appendix A. The FY 2007 assessment covered all of the business processes that generate amounts reported in the financial statement line items identified by DOI as material to the consolidated financial statements, as well as other processes material to the Service's financial statements. 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 assurance 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 2007, management control reviews were conducted in administrative, program, and information technology areas. No material weaknesses in internal control were identified. Corrective actions for the non-material control weaknesses are monitored until completion.

C. Financial Highlights

Service Financial Performance

In FY 2007, the Service continued to maintain the high quality and timeliness of its financial information. The Service's challenge remains to continue to process financial and related information in a timely and efficient manner.

The Service maintained strong transaction processing performance levels through FY 2007. The accounts receivable delinquency rate (excluding debts referred to the U.S. Department of the Treasury for action) was estimated to be 1% at the end of FY 2007.

In FY 2007, the Service achieved 98% on-time payments to its vendors, with only $31,136 in late payment penalties on approximately $474 million in total payments subject to the requirements of the Prompt Payment Act. During the same period, 96% of the Service's payments to vendors were accomplished through the Electronic Funds Transfer (EFT) and 99% of all other payments were paid through the EFT.

Service charge 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 2007, charge card accounts delinquent more than 60 days represented .89% of the total employee debt, which is less than the Federal Government FY 2007 performance objective of 2%.

As required by DOI, Service offices 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 Financial Processes and Results

The President's Management Agenda, Government-wide initiatives, Improved Financial Performance section, challenges agencies to produce accurate and timely financial information to support operating, budget, and policy decisions. During FY 2007, the Service demonstrated its dedication to maintaining integrity and accountability in its programs and operations by continuing the evaluation of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A.

During FY 2007, the internal control over financial reporting evaluation included a review of all of the Service's major business processes and sub-processes. The Service identified 247 control activities that included 125 key controls, all of which were reviewed for suitability of design and operating effectiveness. No material weaknesses in internal control over financial reporting were found for any business process or sub-process.

The Director provided a statement to the Assistant Secretary - Policy, Management, and Budget stating that the Service provides reasonable assurance that controls over financial reporting for the Department's line items material to the Department were suitably designed and operating effectively.

As part of the President's Management Agenda, the OMB established accelerated due dates for completing performance and accountability reports beginning in FY 2004. The Department's Performance and Accountability Report is now due 45 days after the end of each fiscal year. Throughout FY 2007, the Service provided the Department with timely comprehensive quarterly financial statements.

Beginning in FY 2007, the Service initiated exception reporting on a transaction basis for the Service's charge card program. By targeting specific types of high risk transactions, the Division of Financial Management assists program offices with review and oversight. This additional control helps to ensure that the Service's charge card program operates within policy guidelines.

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.

E. Analysis of Financial Statements

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

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost (SNC)
- Consolidated Statement of Changes in Net Position (SCNP)
- Combined Statement of Budgetary Resources (SBR)

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.

Effective FY 2007, OMB per its authority under Statements of Federal Financial Accounting Standards (SFFAS) Number. 7*, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,* has designated the Consolidated Statement of Financing (SOF) as a footnote, and no longer a Principal Statement. Note 14, *Reconciliation of Net Cost of Operations to Budget (Formerly the Statement of Financing*) discusses this change.

Budgetary Resources

The Service obtains most of its funding from enacted appropriations. In FY 2007, the Service's appropriations totaled $2.9 billion. Total budgetary resources available for use in FY 2007 were approximately $3.1 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 2006, the Service's appropriation budget was $1.8 billion, with total budgetary resources available for use amounting to about $3.1 billion.

The difference in the appropriation amounts reflects the exclusion of three funds within Sport Fish Restoration Account, (SFRA, Treasury Symbol 14168151): U.S. Coast Guard, U.S. Army Corps of Engineers, U.S. Coast Guard, Boat Safety Transfer Account, in FY2006 reporting. Due to its initial implementation of SFFAS No. 27 in FY2006, the Service did not consider the funds reportable components of SFRA, the only portion of SFRBTF (Treasury Symbol 20X8147) for which the Service reported. With the June 29, 2007 OMB clarification of reporting for SFFAS No.27, the Service resumed reporting these three components for SFRA related transactions. Notes 1.C, *Sport Fish Restoration and Boating Trust Fund* and 1.E, *Changes in Accounting Principles* provide further discussion.

Earned Revenue

In addition to 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 2007, the Service recognized approximately $176 million in earned revenue compared with $220 million in FY 2006. The difference in total revenue between current and prior year primarily reflects the impact of the FY 2006 completion of the majority of the Bolsa Chica reimbursable agreement. The agreement accounted for approximately $38 million more revenue during FY 2006.

Expenses

The Service's cost of operations before earned revenue through September 30, 2007 was approximately $2.3 billion. The Service's cost of operations before earned revenue in FY 2006 was $2.5 billion. Several factors contributed to the expenses for FY 2006 exceeding those of the current year. Costs associated with refuge reconstruction in the aftermath of Hurricane Katrina proved higher in FY 2006. Also, the completion of the majority of work associated with the Bolsa Chica Lowlands Project occurred during calendar year 2005 and the first half of 2006. There will be ongoing, but decreasing construction through the completion of construction in 2008, creating a trend of decreasing payments made to the prime contractor.

The table provides the Service's analysis of expenses by mission goal.

Expenses by Mission Goals
For the Years Ended September 30, 2007 and 2006
(dollars in millions)

Mission Goal	Amount of 2007 Expenses	Percentage of 2007 Expenses	Amount of 2006 Expenses	Percentage of 2006 Expenses
Resource Protection	$1,678	73.9 %	$ 1,717	70.0 %
Resource Use	9	.4	10	.1
Recreation	477	21.0	517	20.9
Serving Communities	106	4.7	221	9.0
Total	**$2,270**	**100 %**	**$ 2,465**	**100.0 %**

Assets

As of September 30, 2007, approximately 13.6% of the Service's assets are Treasury securities held by the Service representing invested amounts from the Federal Aid in Wildlife Restoration Fund (approximately $573 million) and associated accrued interest (approximately $6 million). As of September 30, 2006, approximately $495 million was held in the Wildlife Restoration Fund, the Service's component of Sport Fish Restoration and Boating Trust Fund (SFRBTF) (approximately $955 million) and associated accrued interest (approximately $6 million). Note 1.C, *Sport Fish Restoration and Boating Trust Fund* provides further discussion.

As of September 30, 2007, the Service's Fund Balance with the U.S. Department of the Treasury is approximately $1.6 billion, or approximately 36.6% of Service assets. As of September 30, 2006, the Service's Fund Balance with the U.S. Department of the Treasury was $1.6 billion, or 39.7% 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 approximately $1.0 billion, or approximately 23.4% of Service assets. As of September 30, 2006, the Service's net PP&E was $975 million, also representing about 23.6% 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 financial statements, 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 in which they are acquired.

Liabilities and Net Position

As of September 30, 2007, the Service has approximately $132 million in unfunded liabilities to the public, which cannot be paid until Congress appropriates funds in future periods. At the end of FY 2006, the Service had $136 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 and disposal liabilities, representing the future costs of remediating hazardous waste, and landfills existing on Service lands. The variance in unfunded leave reflects the Service's decision to categorize a portion of unfunded leave as current in FY 2007.

Unfunded Liabilities to the Public
as of September 30, 2007 and 2006
(dollars in millions)

Unfunded Liabilities	**2007**	**2006**
Federal Employees Compensation Act	$ 63	$ 63
Unfunded Annual Leave	44	50
Environmental Cleanup	22	22
Other	3	1
Total	**$ 132**	**$ 136**

The Service's Net Position consists of two components:

- Unexpended Appropriations
- 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. Beginning in FY 2006, these components are further broken out by earmarked and other funds, in accordance with SFFAS Number 27, *Identifying and Reporting Earmarked Funds.* Earmarked funds address specifically identified revenues, frequently supplemented by other financing sources that remain available to the Service over time, have legislatively mandated usage for designated activities, benefits, or purposes, and require separate accounting from the government's general revenues.

The Service's Net Position as of September 30, 2007 is approximately $3.4 billion, of which approximately $489 million is Unexpended Appropriations. Approximately $87 million of the Unexpended Appropriations relate to earmarked funds. About $2.9 billion of the Service's net position is Cumulative Results of Operations, of which $2.0 billion relates to earmarked funds. The Service's Net Position, as of September 30, 2006 was $3.7 billion, of which $509 million was Unexpended Appropriations and $3.2 billion was Cumulative Results of Operations. The table below summarizes the Service's Net Position as of September 30, 2007.

Service's Net Position
as of September 30, 2007 and 2006
(dollars in millions)

Net Position	**2007**	**2006**
Unexpended Appropriations - Earmarked Funds	$ 87	$ 81
Unexpended Appropriations - Other Funds	402	428
Cumulative Results of Operations - Earmarked Funds	2,002	2,323
Cumulative Results of Operations - Other Funds	876	858
Total Net Position	**$ 3,367**	**$ 3,690**

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)

A. Principal Financial Statements

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidated Balance Sheet
as of September 30, 2007 and 2006
(dollars in thousands)

		2007		2006
ASSETS (Note 2)				
Intragovernmental Assets:				
Fund Balance with Treasury (Note 3)	$	1,565,645	$	1,638,372
Investments, Net (Notes 1.C & 5)		579,811		1,455,757
Accounts and Interest Receivable (Note 5)		19,282		35,668
Sport Fish Restoration and Boating Trust Fund Amounts Due from U.S. Coast Guard (Note 1.C)		1,101,129		-
Other		1,212		697
Total Intragovernmental Assets		**3,267,079**		**3,130,494**
Cash (Note 3)		34		37
Accounts and Interest Receivable, Net (Note 5)		10,506		16,142
General Property, Plant and Equipment, Net (Note 6)		999,797		974,702
Other		199		282
TOTAL ASSETS	**$**	**4,277,615**	**$**	**4,121,657**
Stewardship Assets (Note 1.J.3)				
LIABILITIES (Note 8)				
Intragovernmental Liabilities:				
Accounts Payable	$	3,733	$	5,236
Sport Fish Restoration and Boating Trust Funds Amounts Due to Others (Note 1.C)		528,035		-
Other				
Advances, Deferred Revenue and Deposit Funds		396		1,094
Accrued Payroll Benefits		21,911		21,744
Other Liabilities		105		-
Total Intragovernmental Liabilities		**554,180**		**28,074**
Accounts Payable		79,210		78,348
Federal Employee and Veteran Benefits		63,489		62,810
Environmental and Disposal Liabilities (Note 8)		21,536		22,113
Other				
Contingent Liabilities (Note 8)		60		242
Advances, Deferred Revenue and Deposit Funds		15,388		10,847
Accrued Employee Payroll and Benefits		67,514		71,756
Other Liabilities		109,565		157,531
TOTAL LIABILITIES		**910,942**		**431,721**
Commitments and Contingencies (Notes 8 & 9)				
Net Position				
Unexpended Appropriations - Earmarked Funds (Note 11)		87,454		80,977
Unexpended Appropriations - Other Funds		401,361		428,310
Cumulative Results of Operations - Earmarked Funds (Note 11)		2,002,411		2,323,050
Cumulative Results of Operations - Other Funds		875,447		857,599
Total Net Position		**3,366,673**		**3,689,936**
TOTAL LIABILITIES AND NET POSITION	**$**	**4,277,615**	**$**	**4,121,657**

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, 2007 and 2006
(dollars in thousands)

	2007	2006
Resource Protection		
Costs	$ 1,678,474	$ 1,716,569
Less: Earned Revenue	154,609	191,482
Net Cost	**1,523,865**	**1,525,087**
Resource Use		
Costs	8,969	9,569
Less: Earned Revenue	179	77
Net Cost	**8,790**	**9,492**
Recreation		
Costs	476,043	517,070
Less: Earned Revenue	13,445	14,931
Net Cost	**462,598**	**502,139**
Serving Communities		
Costs	106,255	221,347
Less: Earned Revenue	7,874	13,091
Net Cost	**98,381**	**208,256**
Total		
Costs	**2,269,741**	**2,464,555**
Less: Earned Revenue	**176,107**	**219,581**
Net Cost of Operations (Note 13)	**$ 2,093,634**	**$ 2,244,974**

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, 2007 and 2006
(dollars in thousands)

	2007			2006		
	Earmarked Funds	**All Other Funds**	**Total**	**Earmarked Funds**	**All Other Funds**	**Total**
UNEXPENDED APPROPRIATIONS						
Beginning Balance	$ 80,977	$ 428,310	**$ 509,287**	$ 87,681	$ 448,412	**$ 536,093**
Adjustments						
Changes in Accounting Principles (Note 1.E.)						
Change in Allocation Transfers Reporting	-	(33,678)	**(33,678)**	-	-	**-**
Beginning Balance, as Adjusted	**80,977**	**394,632**	**475,609**	**87,681**	**448,412**	**536,093**
Budgetary Financing Sources						
Appropriations Received, General Funds	85,611	1,091,214	**1,176,825**	74,867	1,249,483	**1,324,350**
Appropriations Transferred In/(Out)	-	(1,773)	**(1,773)**	-	89,183	**89,183**
Appropriations-Used	(79,134)	(1,082,110)	**(1,161,244)**	(80,983)	(1,342,780)	**(1,423,763)**
Other Adjustments	-	(602)	**(602)**	(588)	(15,988)	**(16,576)**
Net Change	6,477	6,729	**13,206**	(6,704)	(20,102)	**(26,806)**
Ending Balance - Unexpended Appropriations	**$ 87,454**	**$ 401,361**	**$ 488,815**	**$ 80,977**	**$ 428,310**	**$ 509,287**
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	$ 2,323,050	$ 857,599	**$ 3,180,649**	$ 2,390,470	$ 733,413	**$ 3,123,883**
Adjustments						
Changes in Accounting Principles (Note 1.E.)						
Change in Allocation Transfers Reporting	(17,533)	5,983	**(11,550)**	(14,578)	-	**(14,578)**
Change in Sport Fish Restoration and Boating Trust Fund Reporting	(475,911)	-	**(475,911)**	(192,763)	-	**(192,763)**
Beginning Balance, as Adjusted	**1,829,606**	**863,582**	**2,693,188**	**2,183,129**	**733,413**	**2,916,542**
Budgetary Financing Sources						
Appropriations-Used	79,134	1,082,110	**1,161,244**	80,983	1,342,780	**1,423,763**
Royalties Retained	1,785	-	**1,785**	1,608	-	**1,608**
Non-Exchange Revenue	371,686	1,630	**373,316**	741,239	2,288	**743,527**
Transfers In/(Out) without Reimbursement	669,957	19,936	**689,893**	237,931	22,451	**260,382**
Donations and Forfeitures of Cash and Cash Equivalents	2,213	-	**2,213**	3,093	-	**3,093**
Other Budgetary Financing Sources	-	-	**-**	-	8,671	**8,671**
Other Financing Sources						
Transfers In/(Out) without Reimbursement	(62,027)	54,168	**(7,859)**	(57,838)	64,321	**6,483**
Imputed Financing from Costs Absorbed by Others (Note 10)	4,630	53,082	**57,712**	5,188	56,366	**61,554**
Total Financing Sources	1,067,378	1,210,926	**2,278,304**	1,012,204	1,496,877	**2,509,081**
Net Cost of Operations	(894,573)	(1,199,061)	**(2,093,634)**	(872,283)	(1,372,691)	**(2,244,974)**
Net Change	172,805	11,865	**184,670**	139,921	124,186	**264,107**
Ending Balance - Cumulative Results of Operations	**$ 2,002,411**	**$ 875,447**	**$ 2,877,858**	**$ 2,323,050**	**$ 857,599**	**$ 3,180,649**
TOTAL NET POSITION	**$ 2,089,865**	**$ 1,276,808**	**$ 3,366,673**	**$ 2,404,027**	**$ 1,285,909**	**$ 3,689,936**

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

U.S. Fish and Wildlife Service
Combined Statement of Budgetary Resources
for the Years Ended September 30, 2007 and 2006
(dollars in thousands)

	Total Budgetary Accounts	
	2007	**2006**
Budgetary Resources:		
Unobligated Balance, Beginning of Fiscal Year:	$ 689,970	$ 668,676
Recoveries of Prior Year Unpaid Obligations	93,554	65,846
Budget Authority		
Appropriation	2,860,906	1,791,245
Spending Authority from Offsetting Collections		
Earned		
Collected	165,841	214,103
Change in Receivables from Federal Sources	(9,546)	(1,319)
Change in Unfilled Customer Orders		
Advance Received	3,672	2,087
Without Advance from Federal Sources	(7,224)	(65,749)
Total Budget Authority	3,013,649	1,940,367
Nonexpenditure Transfers, Net, Anticipated and Actual	(679,298)	440,520
Temporarily Not Available Pursuant to Public Law	-	(6,067)
Permanently Not Available	(602)	(16,576)
Total Budgetary Resources	**$ 3,117,273**	**$ 3,092,766**
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$ 2,386,730	$ 2,274,042
Reimbursable	134,337	128,754
Total Obligations Incurred (Note 12)	2,521,067	2,402,796
Unobligated Balance Available:		
Apportioned	591,493	688,333
Unobligated Balance Not Available	4,713	1,637
Total Status of Budgetary Resources	**$ 3,117,273**	**$ 3,092,766**
Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, Beginning of Fiscal Year	$ 1,519,748	$ 1,431,938
Less: Uncollected Customer Payments from Federal Sources,		
Brought Forward, Beginning of Fiscal Year	(77,929)	(144,996)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	1,441,819	1,286,942
Obligations Incurred, Net	2,521,067	2,402,796
Less: Gross Outlays	(2,288,194)	(2,249,141)
Less: Recoveries of Prior Year Nnpaid Obligations, Actual	(93,554)	(65,846)
Change in Uncollected Customer Payments from Federal Sources	16,770	67,068
Total, Unpaid Obligated Balance, Net, End of Period	**$ 1,597,908**	**$ 1,441,819**
Obligated Balance, Net, End of Period - By Component:		
Unpaid Obligations	1,659,066	1,519,748
Less: Uncollected Customer Payments from Federal Sources	(61,158)	(77,929)
Total, Unpaid Obligated Balance, Net, End of Period	**$ 1,597,908**	**$ 1,441,819**
Net Outlays:		
Net Outlays		
Gross Outlays	2,288,194	2,249,141
Less: Offsetting Collections	(169,513)	(216,190)
Less: Distributed Offsetting Receipts	(86,813)	(75,625)
Net Outlays (Receipts)	**$ 2,031,868**	**$ 1,957,326**

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 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 that restrict the use of money (or other budget authority) consistent with the purposes and within the authorized timeframe. These accounts also provide assurance that obligations do not exceed authorized amounts.

B. Basis of Accounting and Presentation

Reflecting the status of the Service as a component entity of the DOI, these financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources 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. *Analysis of Financial Statements* provides further discussion of the Principal Financial Statements.

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 June 29, 2007, as required for FY 2007 and 2006. Unless otherwise stated, future references to OMB Circular A-136 pertain to this latest revision. 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 U.S. Department of the Treasury's U.S. Standard General Ledger.

The financial statements also reflect the effects of several earlier OMB revisions. Among the most significant prior year OMB revisions, the 2006 revamping of the Standard Form (SF) 133, *Report on Budget Execution and Budgetary Resources,* culminated in a revised format for the Combined Statement of Budgetary Resources (SBR) as well as additional footnote disclosure. Note 12, *Combined Statement of Budgetary Resources (SBR)* provides further discussion.

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:

- Resource Management
- Grant Programs
- Earmarked 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:

- Resource Management, Operating
- 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 10 major categories of grant programs are:

A. Sport Fish Restoration Account (SFRA)
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 Program
    - Cooperative Endangered Species Conservation Fund
    - Private Stewardship Grants
    - Multinational Species Conservation Fund (four budgetary accounts)

3. Earmarked Funds

Earmarked funds address specifically identified revenues, frequently supplemented by other financing sources that remain available to the Service over time, have legislatively mandated usage for designated activities, benefits, or purposes, and require separate accounting from the government's general revenues.

The Service has designated as "major" those funds whose aggregate of individual assets and total net position represent more than eighty percent of the Service's Total Assets and Total Net Position.

Accordingly, the Service's financial statements reflect the balances of four major earmarked funds based on the reporting requirements in effect at the time:

- Federal Aid in Wildlife Restoration Fund
- Cooperative Endangered Species Fund
- State and Tribal Wildlife Fund
- Sport Fish Restoration Account

Earmarked funds, other than major, encompass the following:

- North American Wetlands Land and Water Conservation Fund (LWCF)
- North American Wetlands Conservation
- Landowner Incentive Program
- Land Acquisition
- Migratory Bird
- Private Stewardship Grants
- National Wildlife Refuge Fund
- Contributed Funds
- Recreational Fee Demonstration Program
- Operation & Maintenance – Quarters
- Lahontan Valley/Pyramid Lake
- Proceeds from Sales – Water
- Federal Infrastructure Improvement
- Wildlife Conservation and Appreciation Fund
- Cooperative Endangered Species Conservation Fund

Note 11, *Earmarked Funds*, provides further discussion.

The financial statements have been prepared from the books and records of the Service except for certain U.S. Department of the Treasury provided amounts relating to Sport Fish Restoration and Boating Trust Fund (SFRBTF), previously known as the Aquatic Resources Trust Fund (ARTF). Title 26 of the U.S.C., Section 9602 designates the U.S. Department of the Treasury as manager of the SFRBTF, with overall responsibility for the fund's accounting and investment activities.

The June 29, 2007 revision of OMB Circular A-136 clarified reporting requirements for SFFAS No. 27, *Identifying and Reporting Earmarked Funds,* when several entities bear responsibility for carrying out a program financed with earmarked funds from a Treasury-Managed Trust Fund. As a result of the revised OMB circular effective October 1, 2006, the financial statements of the U.S. Coast Guard (USCG) will present the SFRBTF in its entirety.

Prior to its issuance of further clarification for Treasury-Managed Trust Funds in 2007, OMB addressed the issuance of SFFAS No. 27 in its OMB Circular A-136 dated July 24, 2006. In compliance with the October 1, 2005 effective date, the Service initially implemented SFFAS No. 27 in FY 2006.

C. Sport Fish Restoration and Boating Trust Fund

The Service's financial statements for both FY 2007 and 2006 present only the SFRA portion of the SFRBTF. Since the Service's financial statements no longer reflect investment data for the SFRBTF, there are no non-entity investments reported by the Service. The Service 2007 financial statements do reflect a receivable from USCG. The receivable represents funds due to the Service for its portion of the SFRBTF and funds which the Service, in accordance with U.S.C., Section 777c, will transfer to the other two component entities of the SFRBTF.

As required by the FY 2007 OMB Circular A-136 reporting requirements, the Service's FY 2007 financial statements reflect that portion of the SFRBTF due for distribution to USCG and United States Corps of Engineers (USCOE) as a payable. FY 2006 does not reflect the payable to USCG and USCOE because the new OMB reporting requirements were not effective until FY 2007.

As of September 30, 2007, the SFRA received approximately 71% of the SFRBTF non-expenditure transfers as compared to 75% as of September 30, 2006.

The FY 2007 SFRBTF total in Note 11, *Earmarked Funds,* represents the entity unrestricted and the non-entity restricted components of the SFRBTF receivable due from the USCG. As mandated by OMB Circular A-136, the Earmarked Funds presentation for FY 2006 has not been restated as the new OMB reporting requirements were not effective until FY 2007.

The following footnotes provide further disclosure:

- Note 1.E.2, *SFRBTF Reporting (SFFAS No. 27)*
- Note 2, *Assets Analysis*
- Note 4, *Investments, Net*
- Note 5, *Accounts and Interest Receivable, Net*
- Note 8, *Liabilities Analysis*

D. Allocation Transfers

The Service is a party to allocation transfers with other federal agencies as a receiving (child) entity. Allocation transfers are legal delegations by one department to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived. The Service receives allocation transfers, as the child, from the General Services Administration, Department of Agriculture and the Department of Transportation. Additionally, the Service also receives allocations from two bureaus within the DOI, the Bureau of Land Management and the Office of the Secretary.

Previously, the Service used operating funds of the U.S. Department of Labor (DOL) to participate in its Job Corps Program, dedicated to training and educating at-risk young people aged between 16 and 24 years old. Effective July 1, 2006, the Service transferred its operation of the Treasure Lake Job Corps Civilian Conservation Center to the Bureau of Reclamation. Consequently, only FY 2006 reflects the Service as a child to the DOL.

E. Changes in Accounting Principles

1. Change in Allocation Transfer Reporting (Parent/Child Reporting)

In July 2006, OMB issued an updated Circular No. A-136 to the Federal community delineating Federal financial reporting requirements. In prior versions of this guidance, Federal agencies (child) who received allocated budget authority through another Federal agency (parent) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY 2007, child agencies would be required to provide parent agencies all of their financial activity. The parent agencies would report this financial activity in their financial statements. Early implementation of parental reporting of their children's activity was allowed if both parent and child agency agreed.

In FY 2006, the DOI and the Department of Transportation agreed to use the Federal Highway Trust Fund (14X8083.16) as a pilot for early implementation of this new reporting requirement. The cumulative effect of this change in accounting principle resulted in a decrease of $12 million to assets and liabilities on the FY 2006 Consolidated Balance Sheet. This also resulted in a $14 million decrease to the beginning balance of cumulative results of operations on the FY 2006 Consolidated Statement of Changes in Net Position.

In FY 2007, the Service implemented this Change in Accounting Principle with the remaining child allocation accounts: Real Property Relocation, General Services Administration (Treasury Symbol 47X0535.16); State and Private Forestry, Forest Service (Treasury Symbol 12X1105); Wildland Fire Management, Bureau of Land Management (Treasury Symbol 14X1125.16); Southern Nevada Public Land Management, Bureau of Land Management (Treasury Symbol 14X5232.16); Federal Land Disposal Account, Bureau of Land Management (Treasury Symbol 14X5260.16); Permit Processing Fund, Bureau of Land Management (Treasury Symbol 14X5573.16); Central Hazardous Materials Fund (Treasury Symbol 14X1121.16); and Natural Resource Damage Assessment and Restoration Fund, Office of the Secretary (Treasury Symbols 14X1618.16 and14X5198.16).

The cumulative effect of this change in accounting principle resulted in a decrease of $56 million to assets and $11 million to liabilities on the FY 2007 Consolidated Balance Sheet. This also resulted in a corresponding decrease of $45 million to the beginning balances of unexpended appropriations and cumulative results of operations on the FY 2007 Statement of Changes in Net Position ($34 million, unexpended appropriations and $11 million, cumulative results of operations).

2. SFRBTF Reporting (SFFAS No. 27)

SFRBTF, (Treasury Symbol 20X8147) is a Treasury-Managed Trust Fund in which the Service, U.S. Army Corps of Engineers and the U.S. Coast Guard are all responsible for carrying out the program activities of the trust fund. Previously, as the entity with the preponderance of the activity, the Service complied with the requirements of the Statement of Federal Financial Accounting Concepts (SFFAC) Number 2, *Entity and Display*, footnote 3, by presenting SFRBTF information as part of the Service's financial statements.

SFFAS No. 27, effective October 1, 2005, changed the reporting responsibilities for Treasury - Managed Trust Funds with multiple component entities. SFFAS No. 27, paragraph 20, states that if separate portions of the trust fund's program can be clearly identified with a responsible component entity, then that component entity should report its portion of the program.

In FY 2006, it was determined that the SFRBTF could be identified by separate component entity. Accordingly, in FY 2006 the Service only reported SFRA, its allocated portion of the SFRBTF activity. The cumulative effect of this change in accounting principle resulted in a decrease of $633 million to assets and $440 million to liabilities on the Consolidated Balance Sheet. This also resulted in a net decrease of $193 million to the beginning balance of cumulative results of operations on the FY 2006 Statement of Changes in Net Position.

On June 29, 2007, OMB Circular A-136 clarified reporting requirements effective for FY 2007 for multiple component entities when separate portions of a Treasury-Managed Trust Fund were identifiable. Based on this new guidance, the USCG now reports the assets, liabilities, expenses and revenues for the SFRBTF. The Service is responsible for reporting the receivable from the SFRBTF and the activities in SFRA (Treasury Symbol 14X8151) and an offsetting payable to USCG and USCOE for their portions of the distributions. The cumulative effect of this change in accounting principle results in increases of $12 million to assets and $488 million to liabilities on the Consolidated Balance Sheet. This also results in a net decrease of $476 million to the beginning balance of cumulative results of operations on the FY 2007 Statement of Changes in Net Position.

F. Fund Balance with the Department of Treasury and Cash

The Service maintains all cash accounts with the U.S. Department of the Treasury except for the imprest fund accounts. The funds with the U.S. 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 U.S. Department of the Treasury, and the Service's accounts are regularly reconciled with those of the U.S. Department of the Treasury.

G. Investments in Treasury Securities

The Service invests funds from the Federal Aid in Wildlife Restoration Fund (Treasury Symbol 14X5029) and the Multinational Species Conservation Fund (Treasury Symbol 14X1652) 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. Note 4, *Investments, Net*, provides additional information.

H. Accounts and Interest Receivable

Receivables represent amounts owed to the Service by other Federal agencies and the public, 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 investment, the majority of which are managed by the Treasury. 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. Note 1.C., *Sport Fish Restoration and Boating Trust Fund* and *Note 5, Accounts and Interest Receivable, Net* offer further discussion.

I. 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 current and 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.

J. 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. The real property capitalization threshold is $100,000 for the DOI. 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, *General Property, Plant and Equipment (PP&E), Net*, provides additional information.

Investments in improvements to buildings, structures and facilities leased by the Service are capitalized if they either meet or 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. 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 Assets

SFFAS No.6, *Accounting for Property, Plant & Equipment (PP&E)* established various categories of 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 improvements to these assets are expensed in the accounting period incurred.

The Service manages stewardship lands within the NWRS so that the fish, wildlife, and plants that depend on these lands for habitat are benefited over the short and long term. Stewardship of the nation's fishery and aquatic resources, through the NFHS, is a core responsibility of the Service. Although the Service does not own all the lands and facilities in the NFHS, the Service participates in managing all units within the system. The Service defines a unit of stewardship land as a Natural Wildlife Refuge, a National Fish Hatchery, a Wetland Management District, or other Presidentially, Congressionally, or Secretarially designated area of land that the Service manages. 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 LWCF. 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.

Heritage assets are those lands, buildings, and structures, and associated resources recognized for their ecological, cultural, historical, and scientific importance. The Service's heritage assets can be divided into collectible heritage assets and non-collectible heritage assets. For collectible heritage assets, the Service adheres to the major categories of museum property identified by the DOI. The Service reports at the collection level for these categories.

For non-collectible heritage assets, the Service reports on the following categories: National Historic Landmarks, National Monuments, National Natural Landmarks, National Recreation Trails, National Wild and Scenic Rivers, and Wilderness Areas.

Service heritage assets (collectible and non-collectible), such as those noted as National Historic Landmarks, are important assets to the Service because their protection and preservation is required through various laws including the National Historic Preservation Act and the Archaeological Resources Protection Act, as well as Executive Order 13287, *Preserve America*. For the Service, these assets represent integral components of the habitat that many Refuges and Hatcheries are charged with preserving. The Wildlife Refuge System Improvement Act of 1997 draws special attention to the importance of cultural resource and heritage asset data in the formulation of Comprehensive Conservation plans for refuges.

Heritage assets also form an important part of education and/or interpretation programs conducted on refuges. In addition, the NWRS Volunteer and Community Partnerships Act of 1998 encourages the use of heritage assets for partnering purposes. Heritage assets are of great interest to many partnerships and community involvement groups for their historical value. In addition, many refuges have close ties with Native Americans who place considerable importance on heritage and the preservation of the physical manifestations of history.

4. Internal Use Software

Internal Use Software is capitalized 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, *Operating Leases*, provides additional information on the Service's operating leases.

K. 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, *Seized and Forfeited Property*, provides additional information on seized and forfeited property.

L. Liabilities and Contingencies

A liability is a probable and measurable outflow or other sacrifice of resources resulting from 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. Note 1.C., *Sport Fish Restoration and Boating Trust Fund* provides further discussion.

The Service's component of liabilities of the SFRBTF 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. Note 8, *Liabilities Analysis*, discusses further.

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.

M. 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 the Wildlife Restoration Fund.

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 U.S. Department of the Treasury. Within the 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. Note 10, *Imputed Financing Sources*, provides additional information.

4. Deferred Revenue

Unearned revenue is recorded as deferred revenue until earned.

N. 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

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 the 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 is the estimated liability for future benefit payments resulting from the outcome 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 two major 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 (TSP) and matches employee contributions up to an additional 4% of basic pay. Effective with the pay period beginning December 10, 2006, and through the pay period ending December 22, 2007, both FERS and CSRS employees' maximum contributions to their employee saving plans fall under the Internal Revenue Service limits of an annual maximum contribution of $15,500. Additionally, all employees 50 and over may contribute an additional $5,000 under the 50-Catch-Up Provision. Previously the IRS limit for an annual maximum contribution was $15,000. 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 in its financial statements. Note 10, *Imputed Financing Sources,* provides additional information.

O. 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.

P. Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)

Per its authority under SFFAS Number 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, OMB Circular A-136, revised June 29, 2007, removed the former Statement of Financing as a principal financial statement and made this information a required note disclosure. See Note 14, *Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)*, for more information.

Note 2 - Assets Analysis

The assets reported in the FY 2007 financial statements include entity unrestricted and restricted assets and non-entity restricted assets. The current year asset analysis reflects an accounts receivable in its restricted non-entity accounts. The receivable from the U.S. Coast Guard, which began reporting SFRBTF in its entirety in FY 2007 as discussed at Note 1.C, *Sport Fish Restoration and Boating Trust Fund* represents funds due to the Service for its portion of the SFRBTF and funds which the Service will transfer to the other two component units of SFRBTF. The portion of the receivable which the Service will receive from the U.S. Coast Guard for the Service's portion of the SFRA is considered an entity unrestricted asset.

There are no restricted non-entity assets for FY 2006. Prior to FY 2006, restricted non-entity assets were held by either the Service or ARTF with no authority for use by the Service, to be transferred to other agencies at a future date.

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. Note 1.C, *Sport Fish Restoration and Boating Trust Fund* and Note 5, *Accounts and Interest Receivable, Net* provides further discussion.

The following chart summarizes the Service's unrestricted entity, restricted entity, and restricted non-entity assets.

Assets Analysis
as of September 30, 2007 and 2006
(dollars in thousands)

	Entity Unrestricted	Entity Restricted	Non Entity Restricted	TOTAL 2007
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,565,645	$ -	$ -	$ 1,565,645
Investments, Net	258,249	321,562	-	579,811
Accounts and Interest Receivable	19,282	-	-	19,282
Sport Fish Restoration and Boating Trust Fund Amounts Due from U.S. Coast Guard	573,094	-	528,035	1,101,129
Other				
Advances and Prepayments	1,212	-	-	1,212
Total Intragovernmental Assets	**2,417,482**	**321,562**	**528,035**	**3,267,079**
Cash	34	-	-	34
Accounts and Interest Receivable, Net	10,506	-	-	10,506
General Property, Plant and Equipment, Net	999,797	-	-	999,797
Other				
Advances and Prepayments	199	-	-	199
Subtotal	**199**	**-**	**-**	**199**
TOTAL ASSETS	**$ 3,428,018**	**$ 321,562**	**$ 528,035**	**$ 4,277,615**
Stewardship Assets				

	Entity Unrestricted	Entity Restricted	Non Entity Restricted	TOTAL 2006
Intragovernmental Assets:				
Fund Balance with Treasury	$ 1,616,581	$ 21,791	$ -	$ 1,638,372
Investments, Net	709,992	745,765	-	1,455,757
Accounts and Interest Receivable	23,179	12,489	-	35,668
Sport Fish Restoration and Boating Trust Fund Amounts Due from U.S. Coast Guard	-	-	-	-
Other				
Advances and Prepayments	697	-	-	697
Total Intragovernmental Assets	2,350,449	780,045	-	3,130,494
Cash	37	-	-	37
Accounts and Interest Receivable, Net	16,142	-	-	16,142
General Property, Plant and Equipment, Net	974,702	-	-	974,702
Other				
Advances and Prepayments	282	-	-	282
Subtotal	**282**	**-**	**-**	**282**
TOTAL ASSETS	**$ 3,341,612**	**$ 780,045**	**$ -**	**$ 4,121,657**
Stewardship Assets				

Note 3 - Fund Balance with Treasury and Cash

The Service's Fund Balance with the U.S. Department of the Treasury is as follows:

Fund Balance with Treasury
as of September 30, 2007 and 2006
(dollars in thousands)

Fund Balance with Treasury by Fund Type	**2007**	**2006**
General Funds	$ 576,175	$ 650,614
Special Funds	973,410	949,778
Trust Funds	13,502	35,594
Other Fund Types	2,558	2,386
Total Fund Balance with Treasury by Fund Type	**$ 1,565,645**	**$ 1,638,372**

Status of Fund Balance with Treasury	**2007**	**2006**
Unobligated		
Available	$ 185,845	$ 369,350
Unavailable	4,679	2,398
Obligated Not Yet Disbursed	1,188,802	1,110,870
Subtotal	1,379,326	1,482,618
Fund Balance with Treasury Not Covered by Budgetary Resources		
Unavailable Receipt Accounts	183,761	153,368
Deposit Funds, Clearing, and Suspense Accounts	2,558	2,386
Subtotal	186,319	155,754
Total Status of Fund Balance with Treasury	**$ 1,565,645**	**$ 1,638,372**

Service imprest cash as of September 30, 2007 and September 30, 2006 is approximately $34,000 and $37,000, respectively. Imprest cash is used for overdrawn grants discovered through audit findings on behalf of the grantees. Subsequently, the cash must be repaid.

Service Cash
as of September 30, 2007 and 2006
(dollars in thousands)

	2007	2006
Imprest Cash	$ 34	$ 37
Total Service Cash	$ 34	$ 37

Note 4 - Investments, Net

The Federal government does not set aside assets to pay future benefits or other expenses associated with earmarked funds. The cash generated from earmarked funds is used by the U.S. Treasury for general government purposes. Treasury securities are issued to the Service as evidence of earmarked receipts. These securities are an asset to the earmarked fund and are presented as Investments in the following tables. Treasury securities are a liability of the U.S. Treasury and are eliminated in the consolidation of the U.S. Government-wide financial statements. Treasury will finance any future redemption of the securities by an earmarked fund in the same manner that all other government expenditures are financed.

Treasury securities provide the Service with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Service requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the government finances all other expenditures.

Investments in non-marketable market-based Treasury securities consist of various bills purchased through the Federal Investment Branch of the Bureau of Public Debt. Invested funds consist of excise tax receipts from the Federal Aid in Wildlife Restoration Fund (Treasury Symbol 14X5029), the unexpended funds in the Multinational Species Conservation Fund (Treasury Symbol 14X1652) and the Service's component of the SFRBTF (Treasury Symbol 20X8147). Historically, the month end disbursements for the Multinational Species Conservation Fund have widely fluctuated. To ensure that funds are available to meet those disbursements, the Service invests unexpended funds from the Multinational Species Conservation Fund in short-term securities only.

Since the Service's financial statements no longer reflect investment data for SFRBTF, there are no non-entity investments reported by the Service. Note 1.C. *Sport Fish Restoration and Boating Trust Fund* and Note 1.G, *Investments in Treasury Securities*, provide further discussion.

The Service's outstanding investments in Treasury securities are as follows:

Investments, Net
as of September 30, 2007 and 2006
(dollars in thousands)

	Investment Type	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value 2007
U.S. Treasury Securities					
14X5029	Non-Marketable, market-based	$ 573,667	$ (179)	**$ 573,488**	$ 575,290
SFRBTF 20X8147 (the Service's component)	Non-Marketable, market-based	-	-	-	-
Total U.S. Treasury Securities		573,667	(179)	**573,488**	575,290
Accrued Interest		6,323	-	**6,323**	-
Total Investments		**$ 579,990**	**$ (179)**	**$ 579,811**	**$ 575,290**

	Investment Type	Cost	Net Amortized (Premium)/ Discount	Investments, Net	Market Value 2006
U.S. Treasury Securities					
14X5029	Non-Marketable, market-based	$ 493,190	$ 2,163	**$ 495,353**	$ 490,325
SFRBTF 20X8147 (the Service's component)	Non-Marketable, market-based	952,738	1,804	**954,542**	950,635
Total U.S. Treasury Securities		1,445,928	3,967	**1,449,895**	1,440,960
Accrued Interest		5,862	-	**5,862**	-
Total Investments		**$ 1,451,790**	**$ 3,967**	**$ 1,455,757**	**$ 1,440,960**

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. Interest receivable consists of monies earned but not yet received and primarily derives from investments disclosed in Note 4, *Investments, Net*.

As discussed in Note 1.C, *Sport Fish Restoration and Boating Trust Fund,* and Note 1.E.2, *Changes in Accounting Principles,* the current year accounts and interest receivable, net includes the accounts receivable from the USCG.

Note 2, *Assets Analysis,* provides further discussion

Net accounts and interest receivable consist of the following:

Accounts and Interest Receivable, Net
as of September 30, 2007 and 2006
(dollars in thousands)

Accounts and Interest Receivable from Federal Agencies	**2007**	**2006**
Sport Fish Restoration and Boating Trust Fund Amounts Due from U.S. Coast Guard	$ 1,101,129	$ -
Billed	14,656	25,528
Unbilled	4,626	10,140
Total Accounts and Interest Receivable - Federal	**$ 1,120,411**	**$ 35,668**

Accounts and Interest Receivable from the Public	**2007**	**2006**
Current	$ 10,199	$ 16,018
1 - 180 Days Past Due	41	165
181 - 365 Days Past Due	22	34
1 to 2 Years Past Due	114	20
Over 2 Years Past Due	-	-
Total Billed Accounts and Interest Receivable - Public	10,376	16,237
Unbilled Accounts and Interest Receivable	248	54
Total Accounts and Interest Receivable - Public	10,624	16,291
Allowance for Doubtful Accounts - Public	(118)	(149)
Total Accounts and Interest Receivable - Public Net of Allowance	**$ 10,506**	**$ 16,142**

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

Construction in Progress in Abeyance denotes construction in progress that has been halted due to lack of funding, or other reasons, and continues to be maintained. Construction in Progress in Abeyance for the Service represents costs for two projects, a visitor center and a dam waiting for construction funding for both FY 2007 and 2006.

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

General Property, Plant and Equipment (PP&E), Net
as of September 30, 2007 and 2006
(dollars in thousands)

	Acquisition Cost	Accumulated Depreciation	Net Book Value 2007
Land and Land Improvements	$ 15,337	$ -	$ 15,337
Buildings	689,951	193,405	496,546
Structures and Facilities	535,791	271,086	264,705
Leasehold Improvements	2,879	985	1,894
Construction in Progress			
Construction in Progress - General	79,360	-	79,360
Construction in Progress in Abeyance	827	-	827
Equipment, Vehicles, and Aircraft	340,073	199,333	140,740
Internal Use Software:			
In Use	1,454	1,066	388
Total Property, Plant and Equipment	**$ 1,665,672**	**$ 665,875**	**$ 999,797**

	Acquisition Cost	Accumulated Depreciation	Net Book Value 2006
Land and Land Improvements	$ 14,361	$ -	$ 14,361
Buildings	648,979	179,165	469,814
Structures and Facilities	527,221	251,750	275,471
Leasehold Improvements	2,585	726	1,859
Construction in Progress			
Construction in Progress - General	69,497	-	69,497
Construction in Progress in Abeyance	827	-	827
Equipment, Vehicles, and Aircraft	329,445	187,250	142,195
Internal Use Software:			
In Use	1,454	776	678
Total Property, Plant and Equipment	**$ 1,594,369**	**$ 619,667**	**$ 974,702**

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 reported in the financial statements as the property held by the Service cannot be legally sold.

Seized and forfeited property cases and estimated values, including additions and dispositions, are as follows:

Seized and Forfeited Property
for the Years Ended September 30, 2007 and 2006
(dollars in thousands)

	Balance 10/1/06		Additions		Dispositions		Balance 9/30/07	
	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value
Seized Property								
Wildlife	1,092	$ 1,764	2,109	$ 1,073	2,080	$ 1,125	1,121	$ 1,712
Non-Wildlife	188	226	174	296	155	150	207	372
Forfeited Property								
Wildlife	1,073	1,743	1,478	856	1,440	951	1,111	1,648
Non-Wildlife	186	226	77	154	57	38	206	342

	Balance 10/1/05		Additions		Dispositions		Balance 9/30/06	
	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value	# Cases	Market Value
Seized Property								
Wildlife	1,082	$ 3,148	3,501	$ 3,372	3,491	$ 4,756	1,092	$ 1,764
Non-Wildlife	188	47	223	334	223	155	188	226
Forfeited Property								
Wildlife	1,068	3,136	2,167	3,855	2,162	5,248	1,073	1,743
Non-Wildlife	187	47	105	229	106	50	186	226

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. Note 1.C., *Sport Fish Restoration and Boating Trust Fund*, provides further discussion of the SFRBTF payable due to others.

Service liabilities are detailed on the following page:

Liabilities Analysis
as of September 30, 2007 and 2006
(dollars in thousands)

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	Non-Current	Current	Non-Current	2007
Intragovernmental Liabilities:					
Accounts Payable	$ 3,733	$ -	$ -	$ -	$ 3,733
Sport Fish Restoration and Boating Trust Fund Amounts Due to Others	-	-	-	528,035	528,035
Other					
Advances and Deferred Revenue	361	-	35	-	396
Other Liabilities					
Accrued Employee Benefits	5,087	-	5,452	11,372	21,911
Judgment Fund	-	-	-	105	105
Total Other Liabilities	5,087	-	5,452	11,477	22,016
Total Other Intragovernmental Liabilities	5,448	-	5,487	11,477	22,412
Total Intragovernmental Liabilities	**9,181**	**-**	**5,487**	**539,512**	**554,180**
Public Liabilities:					
Accounts Payable	79,210	-	-	-	79,210
FECA Actuarial Liability	-	-	-	63,489	63,489
Environmental and Disposal Liabilities	-	-	-	21,536	21,536
Other					
Contingent Liabilities	-	-	-	60	60
Advances and Deferred Revenue	12,865	-	-	-	12,865
Other Liabilities					
Accrued Payroll and Benefits	20,348	-	-	-	20,348
Unfunded Annual Leave	-	-	2,641	44,525	47,166
Deposit Funds	-	-	-	2,523	2,523
Storm Damage	38,328	71,181	-	-	109,509
Other Miscellaneous Liabilities	-		56	-	56
Total Other Liabilities	58,676	71,181	2,697	47,048	179,602
Total Other Public Liabilities	71,541	71,181	2,697	47,108	192,527
Total Public Liabilities	**150,751**	**71,181**	**2,697**	**132,133**	**356,762**
Total Liabilities	**$ 159,932**	**$ 71,181**	**$ 8,184**	**$ 671,645**	**$ 910,942**

	Covered by Budgetary Resources		Not Covered by Budgetary Resources		
	Current	Non-Current	Current	Non-Current	2006
Intragovernmental Liabilities:					
Accounts Payable	$ 5,236	$ -	$ -	$ -	$ 5,236
Sport Fish Restoration and Boating Trust Fund Amounts Due to Others	-	-	-	-	-
Other					
Advances and Deferred Revenue	-	-	1,094	-	1,094
Other Liabilities					
Accrued Employee Benefits	5,451	-	5,308	10,985	21,744
Total Other Liabilities	5,451	-	5,308	10,985	21,744
Total Other Intragovernmental Liabilities	5,451	-	6,402	10,985	22,838
Total Intragovernmental Liabilities	**10,687**	**-**	**6,402**	**10,985**	**28,074**
Public Liabilities:					
Accounts Payable	78,348	-	-	-	78,348
FECA Actuarial Liability	-	-	-	62,810	62,810
Environmental and Disposal Liabilities	-	-	-	22,113	22,113
Other					
Contingent Liabilities	-	-	-	242	242
Advances and Deferred Revenue	9,554	-	-	-	9,554
Other Liabilities					
Accrued Payroll and Benefits	22,099	-	-	-	22,099
Unfunded Annual Leave	-	-	-	49,657	49,657
Deposit Funds	-	-	-	1,293	1,293
Storm Damage	56,018	101,495	-	-	157,513
Other Miscellaneous Liabilities	-	-	18	-	18
Total Other Liabilities	78,117	101,495	18	50,950	230,580
Total Other Public Liabilities	87,671	101,495	18	51,192	240,376
Total Public Liabilities	**166,019**	**101,495**	**18**	**136,115**	**403,647**
Total Liabilities	**$ 176,706**	**$ 101,495**	**$ 6,420**	**$ 147,100**	**$ 431,721**

Environmental and Disposal 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 and disposal liabilities for the Service are associated with the costs of remediating hazardous waste and landfills existing within units of the NWRS and the NFHS and for which the government is legally liable. In accordance with GAAP, the Service has recorded in its financial statements a liability for remediating contamination on Service land of approximately $22 million as of September 30, 2007 and September 30, 2006. The Service believes that a reasonable estimate of potential liabilities for remediation efforts ranges between approximately $26 million and $122 million as of September 30, 2007. The estimated range of potential liabilities as of September 30, 2006 was between $27 million and $120 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, cost estimates are included for conducting site investigations and for conducting monitoring actions needed 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. Cost estimates for the sites identified before FY 2006 also include an increase due to inflation. Cost estimates for September 30, 2007 reflect an inflation factor of 2.935%. For FY 2006 the Service used 3.03% as an inflation factor. No material changes in total estimated cleanup costs are due to changes in law and technology.

The following tables present the accrued and estimated range of loss for potential liabilities related to estimated cleanup costs and contingent liabilities:

Contingent Liabilities and Environmental and Disposal Liabilities
as of September 30, 2007 and 2006
(dollars in thousands)

		Estimated Range of Loss	
2007	**Accrued Liabilities**	**Lower End of Range**	**Upper End of Range**
Contingent Liabilities			
Probable	$ 60	$ 60	$ 12,010
Reasonably Possible		54,760	56,030
Environmental and Disposal Liability			
Probable	21,536	21,536	112,852
Reasonably Possible		4,738	8,855

		Estimated Range of Loss	
2006	**Accrued Liabilities**	**Lower End of Range**	**Upper End of Range**
Contingent Liabilities			
Probable	$ 242	$ 242	$ 13,342
Reasonably Possible		-	300
Environmental and Disposal Liability			
Probable	22,113	22,113	111,305
Reasonably Possible		4,603	8,603

Contingent Liabilities

Several claims are pending administrative action against the Service for which payments are deemed probable. In accordance with GAAP, the Service has recorded in its financial statements contingent liabilities of $60,000 as of September 30, 2007 and $242,000 as of September 30, 2006. As depicted in the preceding chart, the Service believes that a reasonable estimate of potential liabilities for contingencies ranges between approximately $55 million and $68 million as of September 30, 2007. The estimated range of potential contingent liabilities as of September 30, 2006 was between zero and $14 million.

Change in Unfunded Liabilities

Note 14, *Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)* includes a section depicting the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in the liabilities analysis footnote. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities which are reported in Note 14, *Reconciliation of Net Cost of Operations (Proprietary) to the Budget (Formerly the Statement of Financing).* These requirements are dependent upon whether the change in liabilities results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in the Reconciliation of Net Cost of Operations (Proprietary) to Budget.

The total FY 2007 Non-Federal Other Liabilities reflects a remaining balance of approximately $56,000 for unfunded interest and penalties. For FY 2006 the unfunded liability for penalties and interest was $18,000. Non-Federal Other Liabilities reflect the combined total amounts for both funded storm damage resulting from Hurricane Katrina and unfunded liabilities for interest and penalties. Primarily representing funded liabilities for storm damage, Non-Federal Other Liabilities total approximately $110 million and $158 million as of September 30, 2007 and September 30, 2006, respectively.

There are no unfunded liabilities relating to storm damage for FY 2007 or FY 2006. Non-Federal Other Liabilities on the Consolidated Balance Sheet reflect funded amounts for storm damage resulting from Hurricane Katrina, as well as storm damages from various tropical storms the previous hurricane season.

The difference in presentation in the Liabilities Analysis schedule for unfunded annual leave reflects the Service's FY 2007 categorization of approximately 5.6%, or $2.6 million, of unfunded leave as current.

Note 9 - Operating Leases

Most of the Service's leased facilities are rented through the General Services Administration (GSA) via an Occupancy Agreement. GSA charges rent that is intended to approximate commercial rental rates. The Service includes the estimated rental payments to GSA in the following table. The Service pays a 2% premium GSA fee on non-Federally owned buildings to allow it to vacate; therefore, future operating lease payments are presented only for the next five years. The Service can vacate these properties after giving 120 days notice of intent to vacate and paying the unamortized balance of tenant improvements; however, the Service normally occupies these properties for an extended time period with little variation from year to year. In compliance with departmental guidance, estimates for real and personal property leases are based on an annual inflation factor of 2.4% for FY 2008 and 2.5% thereafter.

The estimates for personal property represent the cost of leasing GSA and a few commercial vehicles. The terms for GSA leases frequently exceed one year, although a definite lease period is usually not specified except for special-order vehicles. For purposes of disclosing future operating payments, GSA personal property leases are included from 2008 through 2012. The current lease costs are based on the vehicles leased by the Service from GSA as of September 2007.

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		
Fiscal Year	**Federal**	**Public**	**Federal**	**Public**	**Total**
2008	$ 45,428	$ 606	$ 2,488	$ 89	**$ 48,611**
2009	38,634	619	2,550	77	**41,880**
2010	35,314	600	2,614	50	**38,578**
2011	30,743	601	2,679	-	**34,023**
2012	27,358	190	2,746	-	**30,294**
Total Future Operating Lease Payments	**$ 177,477**	**$ 2,616**	**$ 13,077**	**$ 216**	**$ 193,386**

Note 10 - Imputed Financing Sources

Imputed financing sources primarily represent costs that have been funded and incurred by another entity on behalf of the Service but budgeted by another entity. The Statements of Changes in Net Position reflect a total imputed financing from costs absorbed by others in the amount of approximately $58 million for the year ended September 30, 2007 and approximately $62 million for the year ended September 30, 2006. This total represents several components, one inter-entity with the DOI Office of the Solicitor and two intra-entities with the OPM and the U.S. Department of the Treasury.

In accordance with SFFAS Number 30, *Inter-Entity Cost Implementation,* the Service has begun to incorporate the full cost of services received from other entities within the DOI. The departmental threshold for the recognition of inter-entity imputed cost is $300,000. Accordingly, the Service has recognized imputed costs associated with services received from the Solicitor's Office of approximately $6.4 million through the period of September 30, 2007 and approximately $6 million for the year ended September 30, 2006.

The imputed cost reflects the recorded costs (e.g., employee benefit costs) that were financed by budgetary resources of the OPM. For the year ended September 30, 2007, imputed financing sources from OPM totaled approximately $49 million for the year ended September 30, 2007 and approximately $53 million for the year ended September 30, 2006. The Service recognizes the actuarial present value of pensions and other retirement benefits for its employees during their active years of service.

Recognizing its inter-entity imputed costs with the U.S. Department of the Treasury, the Service recognized approximately $2.3 million in FY 2007 and approximately $3 million in FY 2006 associated with services received from the Alcohol and Tobacco Tax and Trade Bureau for its administration of the Firearms and Ammunition Excise Tax (FAET) program. FY 2007 reflects the program costs for 10 audits of FAET taxpayers while 17 taxpayers underwent audit during FY 2006.

Imputed costs also include services received by the Service at less than full cost.

Note 11 - Earmarked Funds

Earmarked funds are specifically identified revenues and other financing sources required by statute to be used for designated activities, benefits or purposes that must be accounted for separately from the Government's general revenues.

The Federal Aid in Wildlife Restoration Fund (the Pittman-Robertson Wildlife Restoration Act). Federal Aid in Wildlife Restoration received 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 Cooperative Endangered Species Fund received funding from both LWCF as well as from the Cooperative Endangered Species, Unavailable Receipt Account. Law allows replenishment of the Unavailable Receipt Account by requesting warrant from Treasury General Fund. Five percent of Sport Fish receipts represent the amount of the warrant. It provides grant funding to States and territories for species and habitat conservation actions on non-federal lands, including habitat acquisition, conservation planning, habitat restoration, status surveys, captive propagation, and reintroduction, research and education.

The State and Tribal Wildlife Fund received funding from Congressional appropriation. By virtue of its appropriation being derived from LWCF, the State and Tribal Wildlife Grant program is identified as an earmarked fund. The State Wildlife Grant Program has the long-term goal to stabilize, restore, enhance and protect species and their habitat that are of concern. The grant program provides Federal funds for distribution to States, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, the Northern Mariana Islands, American Samoa, and federally recognized Indian tribes. The grant program provides funds for: 1) planning and development of State, Tribal, and territorial programs that address species in greatest conservation need, and 2) the implementation of programs that benefit wildlife and their habitat. Funds derived from the LWCF remain available until expended.

The Sport Fish Restoration and Boating Trust Fund (SFRBTF). The Service's component of the SFRBTF (previously referred to as ARTF) receives funding from excise tax receipts collected from manufacturers of equipment used in fishing, hunting, and sport shooting, and on motorboat fuels. SFRBTF provides funding to three components: the Service's Sport Fish Restoration Account (SFRA), the U.S. Coast Guard's Boat Safety Program and the U.S. Army Corps of Engineers' Coastal Wetlands Program. SFRBTF encompasses the programs of these three components.

The SFRA is authorized to use received excise tax revenue 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 U.S. Coast Guard and U.S. Army Corps of Engineers are immediately transferred out to those entities.

The *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (P.L. 109-059) provided four significant changes for the Service, effective October 1, 2005. The Act eliminated the Aquatic Resources Trust Fund and the SFRA and established a new Sport Fish Restoration and Boating Trust Fund. It authorized the spend-down of balances of approximately $94 million from the old Boat Safety account in fiscal years 2006 through 2010. Additionally, legislation amended Section 16 USC 777c of the Dingell-Johnson Sport Fish Restoration Act and changed the distribution of Sport Fish receipts from, primarily, amounts specified in law to a percentage-based distribution. The new law provided 18.5% of the funds collected in the Sport Fish Restoration and Boating Trust Fund, after distributions of administrative expenses and for other purposes, through FY 2009. Finally, legislation also redirected 4.8 cents per gallon of certain fuels from the General Fund of the Treasury to the SFRBTF.

The distribution of funds relating to these earmarked funds represents an inflow of revenue as a result of Intragovernmental transfers. The presentation for FY 2006 *Earmarked Funds* follows the format of OMB Circular A-136, revised July 24, 2006.

The FY 2007 SFRBTF total in the table represents the entity unrestricted and the non-entity restricted components of the SFRBTF receivable due from the USCG. As mandated by OMB Circular A-136, the Earmarked Funds presentation for FY 2006 has not been restated.

Note 1.C., *Sport Fish Restoration and Boating Trust Fund,* and Note 1.E.2, *Changes in Accounting Principles,* provide further discussion.

The following tables present detailed data for the Service's Earmarked Funds:

Earmarked Funds
as of September 30, 2007
(dollars in thousands)

	Federal Aid in Wildlife Restoration Fund	Cooperative Endangered Species Fund	State and Tribal Wildlife Fund	Sport Fish Restoration and Boating Trust Fund (the Service's Component)	Sport Fish Restoration Account	Other Earmarked Funds	2007
ASSETS							
Fund Balance with Treasury	$ 48,765	$ 266,164	$ 187,809	$ -	$ 8,175	$ 476,562	**$ 987,475**
Investments, Net	579,811	-	-	-	-	-	**579,811**
Accounts Receivable, Net	-	-	-	-	1	1,403	**1,404**
Sport Fish Restoration and Boating Trust Fund Amounts Due from the U.S. Coast Guard	-	-	-	-	1,101,129	-	**1,101,129**
General Property, Plant and Equipment, Net	-	-	-	-	-	196	**196**
Other Assets	34	-	-	-	-	914	**948**
TOTAL ASSETS	**$ 628,610**	**$ 266,164**	**$ 187,809**	**$ -**	**$ 1,109,305**	**$ 479,075**	**$ 2,670,963**
LIABILITIES							
Accounts Payable	15,866	1,348	3,610	-	22,356	6,032	**49,212**
Sport Fish Restoration and Boating Trust Fund Amounts Due to Others	-	-	-	-	528,035	-	**528,035**
Other Liabilities	505	280	208	-	707	2,151	**3,851**
TOTAL LIABILITIES	**16,371**	**1,628**	**3,818**	**-**	**551,098**	**8,183**	**581,098**
NET POSITION							
Unexpended Appropriations	-	-	-	-	-	87,454	**87,454**
Cumulative Results of Operations	612,239	264,536	183,991	-	558,207	383,438	**2,002,411**
TOTAL NET POSITION	**612,239**	**264,536**	**183,991**	**-**	**558,207**	**470,892**	**2,089,865**
TOTAL LIABILITIES AND NET POSITION	**$ 628,610**	**$ 266,164**	**$ 187,809**	**$ -**	**$ 1,109,305**	**$ 479,075**	**$ 2,670,963**
COST/REVENUE							
Gross Costs	$ 267,145	$ 73,189	$ 66,298	$ -	$ 371,783	$ 158,211	**$ 936,626**
Earned Revenue	-	-	-	-	-	(42,053)	**(42,053)**
NET COST OF OPERATIONS	**$ 267,145**	**$ 73,189**	**$ 66,298**	**$ -**	**$ 371,783**	**$ 116,158**	**$ 894,573**
NET POSITION							
Net Position, Beginning Balance	$ 531,801	$ 245,176	$ 182,680	$ 475,911	$ 498,392	$ 470,067	**$ 2,404,027**
Changes in Accounting Principles	-	-	-	(475,911)	-	(17,533)	**(493,444)**
Net Position, Beginning Balance as Adjusted	$ 531,801	$ 245,176	$ 182,680	$ -	$ 498,392	$ 452,534	**$ 1,910,583**
Appropriations Received/Transferred	-	46,199	-	-	-	39,412	**85,611**
Royalties Retained	-	-	-	-	-	1,785	**1,785**
Non-Exchange Revenue	345,922	-	-	-	-	27,977	**373,899**
Other Financing sources							
Transfers In/(Out) without Reimbursement	(966)	46,196	67,492	-	431,183	64,025	**607,930**
Imputed Financing from Costs Absorbed by Others	2,627	154	117	-	415	1,317	**4,630**
Net Cost of Operations	(267,145)	(73,189)	(66,298)	-	(371,783)	(116,158)	**(894,573)**
Change in Net Position	80,438	19,360	1,311	-	59,815	18,358	**179,282**
NET POSITION, ENDING BALANCE	**$ 612,239**	**$ 264,536**	**$ 183,991**	**$ -**	**$ 558,207**	**$ 470,892**	**$ 2,089,865**

Earmarked Funds
as of September 30, 2006
(dollars in thousands)

	Federal Aid in Wildlife Restoration Fund	Cooperative Endangered Species Fund	State and Tribal Wildlife Fund	Sport Fish Restoration and Boating Trust Fund (the Service's Component)	Sport Fish Restoration Account	Other Earmarked Funds	2006
ASSETS							
Fund Balance with Treasury	$ 46,405	$ 246,938	$ 186,867	$ 21,792	$ 8,026	$ 475,915	**$ 985,943**
Investments, Net	501,215	-	-	954,542	-	-	**1,455,757**
Accounts Receivable, Net	-	-	-	12,489	512,910	2,984	**528,383**
Sport Fish Restoration and Boating Trust Fund Amounts Due from the U.S. Coast Guard	-	-	-	-	-	-	**-**
General Property, Plant and Equipment, Net	-	-	-	-	-	171	**171**
Other Assets	37	-	-	-	-	-	**37**
TOTAL ASSETS	**$ 547,657**	**$ 246,938**	**$ 186,867**	**$ 988,823**	**$ 520,936**	**$ 479,070**	**$ 2,970,291**
LIABILITIES							
Accounts Payable	14,885	1,346	3,902	512,912	21,377	3,839	**558,261**
Sport Fish Restoration and Boating Trust Fund Amounts Due to Others	-	-	-	-	-	-	-
Other Liabilities	971	416	285	-	1,167	5,164	**8,003**
TOTAL LIABILITIES	**15,856**	**1,762**	**4,187**	**512,912**	**22,544**	**9,003**	**566,264**
NET POSITION							
Unexpended Appropriations	-	-	-	-	-	80,977	**80,977**
Cumulative Results of Operations	531,801	245,176	182,680	475,911	498,392	389,090	**2,323,050**
TOTAL NET POSITION	**531,801**	**245,176**	**182,680**	**475,911**	**498,392**	**470,067**	**2,404,027**
TOTAL LIABILITIES AND NET POSITION	**$ 547,657**	**$ 246,938**	**$ 186,867**	**$ 988,823**	**$ 520,936**	**$ 479,070**	**$ 2,970,291**
COST/REVENUE							
Gross Costs	$ 267,217	$ 65,714	$ 76,096	$ -	$ 377,339	$ 130,390	**$ 916,756**
Earned Revenue	-	-	-	-	-	(44,473)	**(44,473)**
NET COST OF OPERATIONS	**$ 267,217**	**$ 65,714**	**$ 76,096**	**$ -**	**$ 377,339**	**$ 85,917**	**$ 872,283**
NET POSITION							
Net Position, Beginning Balance	$ 498,419	$ 232,178	$ 191,176	$ 606,431	$ 511,346	$ 438,601	**$ 2,478,151**
Changes in Accounting Principles	-	-	-	(192,763)	-	(14,578)	**(207,341)**
Net Position, Beginning Balance as Adjusted	$ 498,419	$ 232,178	$ 191,176	$ 413,668	$ 511,346	$ 424,023	**$ 2,270,810**
Appropriations Received/Transferred	-	39,302	-	-	-	34,977	**74,279**
Royalties Retained	-	-	-	-	-	1,608	**1,608**
Non-Exchange Revenue	297,928	-	-	426,216	-	20,188	**744,332**
Other Financing sources							
Transfers In/(Out) without Reimbursement	(347)	39,302	67,492	(363,973)	363,983	73,636	**180,093**
Imputed Financing from Costs Absorbed by Others	3,018	108	108	-	402	1,552	**5,188**
Net Cost of Operations	(267,217)	(65,714)	(76,096)	-	(377,339)	(85,917)	**(872,283)**
Change in Net Position	33,382	12,998	(8,496)	62,243	(12,954)	46,044	**133,217**
NET POSITION, ENDING BALANCE	**$ 531,801**	**$ 245,176**	**$ 182,680**	**$ 475,911**	**$ 498,392**	**$ 470,067**	**$ 2,404,027**

Note 12 - Combined Statement of Budgetary Resources

The SBR provides information about how budgetary resources were made available as well as their status at the end of the accounting period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules incorporated into GAAP for Federal government. Effective FY 2006, OMB provided a new format for its SF-133, *Report on Budget Execution and Budgetary Resources*. Because the format of the SBR is based on that of the SF-133, the Department revised its DOI presentation.

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

- Direct and Reimbursable Obligations Incurred
- Amounts Apportioned and Exempt from Apportionment
- Obligations by Apportionment Category

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

Obligations by Apportionment Category
as of September 30, 2007 and 2006
(dollars in thousands)

2007	**Apportioned Category B**	**Exempt from Apportionment**	**2007 Total**
Obligations Incurred:			
Direct	$ 2,386,730	$ -	**$ 2,386,730**
Reimbursable	134,337	-	**134,337**
Total Obligations Incurred	**$ 2,521,067**	**$ -**	**$ 2,521,067**

2006	**Apportioned Category B**	**Exempt from Apportionment**	**2006 Total**
Obligations Incurred:			
Direct	$ 2,274,042	$ -	**$ 2,274,042**
Reimbursable	128,754	-	**128,754**
Total Obligations Incurred	**$ 2,402,796**	**$ -**	**$ 2,402,796**

A. Permanent Indefinite Appropriations

As of September 30, 2007, the Service has 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 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 2007 total budgetary resources for the 12 permanent indefinite funds were approximately $1,137 million which consisted of approximately $850 million in obligations incurred and an available balance of approximately $287 million. Comparatively, at the end of FY 2006 total budgetary resources for the 12 permanent indefinite funds were approximately $963 million which consisted of approximately $716 million in obligations incurred and an available balance of approximately $247 million.

B. Legal Arrangements Affecting Use of Unobligated Balances

The Service's FY 2007 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 fund accounts, 6 represent allocation transfer accounts for which the Service would be considered as a child. (See Note 1.P, *Reconciliation of Net Cost of Operations (Proprietary) to Budget*)

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 multi-year appropriation, whose budget authority is available for two years. The FY 2006/2007 Resource Management appropriation will expire at the end of FY 2007. 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. Undelivered Orders

Undelivered orders for FY 2007 totaled $1.4 billion while FY 2006 totaled approximately $1.2 billion, excluding prepaid or advanced undelivered orders. For FY 2007 prepaid or advanced orders totaled approximately $1.4 million while FY 2006 totaled approximately $0.6 million.

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

The SBR has been prepared to coincide with the amounts shown in the FY 2008 President's Budget (Budget of the U.S. Government). The President's Budget including the actual amounts for FY 2007 will be released in February 2008. Note the President's Budget on the OMB Web site: http://www.whitehouse.gov/omb

Budgetary resources and the status of those resources presented in the Combined SBR for the year ended September 30, 2006 differ from the amounts presented as 2006 actuals in the President's FY 2007 Budget. A portion of the differences is due to expired accounts being included in the SBR, but not in the President's Budget.

Treasury Financial Manual Bulletin 2006-05 informs agencies of a change in the budgetary presentation affecting the redistribution of receipt data in clearing accounts and certain miscellaneous receipt accounts from the U.S. Department of the Treasury to respective departments. This change in reporting represented an immaterial amount for the Service of approximately $218,000. For FY 2007, offsetting receipts totaled $87 million; the total presented for FY 2006 was $76 million. The increased offsetting receipts represents increased collections for gas and oil permits, increased net receipts and increased interest rates.

The source of the data designated as Total President's Budget in the table below is from the FY 2006 actual amounts as published in the Appendix to the Budget of the U.S. Government, FY 2007.

Differences are presented in the following table:

Comparison of President's Budget to the
Statement of Budgetary Resources
for the year ended September 30, 2006
(dollars in millions)

SBR Line Description	Total President's Budget	Total SBR	Total Difference	Explanation Code *
Budgetary Resources:				
Unobligated Balance:				
Beginning of Fiscal Year	$ 666	$ 669	$ (3)	A
Recoveries of Prior Year Unpaid Obligations	58	66	(8)	B
Budget Authority:				
Appropriations Received	2,393	1,791	602	C
Spending Authority From Offsetting Collections:	158	149	9	D
Nonexpenditure Transfers, net	(162)	441	603	C
Total Budgetary Resources	3,098	3,093	5	
Status of Budgetary Resources:				
Unobligated Balance - Available/Not Available	686	690	(4)	A
Total Status of Budgetary Resources	3,098	3,093	5	
Change in Obligated Balance:				
Obligated Balance, Net, Beginning of Fiscal Year	1,286	1,287	(1)	E
Less: Recoveries of Prior Year Unpaid Obligations	(58)	(66)	8	B
Net Outlays:				
Less: Offsetting Collections	(160)	(216)	56	F

***** Explanation Codes:

A. The President's Budget eliminates the unobligated balances that expired after the period of availability and presents only balances available for new obligations.
B. The crosswalk to the SBR includes expired upward and downward adjustments to obligations. These adjustments are not a budgetary resource.
C. As a result of the change in accounting principle, the Sport Fish Restoration Account ($604 million) was adjusted in the Appropriations Realized and transfer line items of the SBR. The adjustment does not affect the President's Budget.
D. The President's Budget eliminates the expired spending authority from offsetting collections (cash) and presents only current year budgetary resources. Expired balances are not considered a budgetary resource.
E. Difference due to rounding.
F. Offsetting collections in the President's Budget $216M. Of that amount, $56M in Resource Management funds has been credited to expired accounts. The sum of collections credited to unexpired accounts, $160M and collections of $56M credited to expired accounts, total $216M.

Note 13 - 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 2007. The mission goals in the current Strategic Plan remain unchanged from the previous plan; however, the current Strategic Plan does reflect a difference in the composition of the programs and costs associated with the individual mission goals.

The applicable mission goals are Resource Protection, Resource Use, Recreation, and Serving Communities. Management Excellence costs, which are immaterial, remain part of mission area goal costs. Although mission goals in the current strategic plan remain unchanged, the end outcome performance measures within the mission goals changed. As a result of the changes in composition and end outcomes, the FY 2007 Statement of Net Cost is not comparable to the FY 2006 Statement of Net Cost. In accordance with the GPRA requirements, the Service has presented earned revenue and gross costs by mission goals.

Intragovernmental exchange revenue or exchange transactions between the Service and other reporting entities within the Federal government have been separately listed from those transactions of 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 that were approximately $25,000 for the year ended September 30, 2007 and $24,000 for the year ended September 30, 2006. The costs associated with acquiring and improving stewardship lands were approximately $64 million for the year ended September 30, 2007 and approximately $54 million for the year ended September 30, 2006.

The supporting statements on the following pages present earned revenue, net cost of operations by mission goal, costs to the Service for work rendered, and end outcome for September 30, 2007 and September 30, 2006.

Consolidating Statement of Net Cost
for the Year Ended September 30, 2007
(dollars in thousands)

	Total 2007	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	Elimination of Intra-Bureau Activity
Resource Protection										
Intragovernmental Costs	**$ 274,556**	$ 44,768	$ 59,363	$ 69,098	$ 2,278	$ 20,083	$ 11,047	$ 60,768	$ 7,186	$ (35)
Public Costs	**1,403,918**	234,961	223,972	208,238	14,889	43,193	67,543	226,423	384,699	-
Total Costs	**1,678,474**	279,729	283,335	277,336	17,167	63,276	78,590	287,191	391,885	(35)
Intragovernmental Earned Revenue	**80,829**	7,337	48,684	10,109	-	163	67	13,441	1,063	(35)
Public Earned Revenue	**73,780**	3,419	23,744	(4,691)	478	9,953	950	39,922	5	-
Total Earned Revenue	**154,609**	10,756	72,428	5,418	478	10,116	1,017	53,363	1,068	(35)
Net Costs	**1,523,865**	**268,973**	**210,907**	**271,918**	**16,689**	**53,160**	**77,573**	**233,828**	**390,817**	**-**
Resource Use										
Intragovernmental Costs	**2,536**	1,878	658	-	-	-	-	-	-	-
Public Costs	**6,433**	4,387	2,048	-	-	(2)	-	-	-	-
Total Costs	**8,969**	6,265	2,706	-	-	(2)	-	-	-	-
Intragovernmental Earned Revenue	**154**	154	-	-	-	-	-	-	-	-
Public Earned Revenue	**25**	25	-	-	-	-	-	-	-	-
Total Earned Revenue	**179**	179	-	-	-	-	-	-	-	-
Net Costs	**8,790**	**6,086**	**2,706**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**
Recreation										
Intragovernmental Costs	**38,521**	-	4,560	7,308	-	-	3,395	19,093	4,168	(3)
Public Costs	**437,522**	-	18,415	21,155	-	22	18,529	71,890	307,511	-
Total Costs	**476,043**	-	22,975	28,463	-	22	21,924	90,983	311,679	(3)
Intragovernmental Earned Revenue	**9,674**	-	7,513	997	-	-	26	1,141	-	(3)
Public Earned Revenue	**3,771**	-	2,108	(464)	-	-	35	2,092	-	-
Total Earned Revenue	**13,445**	-	9,621	533	-	-	61	3,233	-	(3)
Net Costs	**462,598**	**-**	**13,354**	**27,930**	**-**	**22**	**21,863**	**87,750**	**311,679**	**-**
Serving Communities										
Intragovernmental Costs	**24,660**	499	1,474	10,221	-	1,058	84	11,260	69	(5)
Public Costs	**81,595**	1,124	5,966	23,881	-	2,332	2,383	45,632	277	-
Total Costs	**106,255**	1,623	7,440	34,102	-	3,390	2,467	56,892	346	(5)
Intragovernmental Earned Revenue	**4,550**	15	1,293	1,372	-	9	-	1,831	35	(5)
Public Earned Revenue	**3,324**	6	352	(638)	-	524	-	3,080	-	-
Total Earned Revenue	**7,874**	21	1,645	734	-	533	-	4,911	35	(5)
Net Costs	**98,381**	**1,602**	**5,795**	**33,368**	**-**	**2,857**	**2,467**	**51,981**	**311**	**-**
Total										
Intragovernmental Costs	**340,273**	47,145	66,055	86,627	2,278	21,141	14,526	91,121	11,423	(43)
Public Costs	**1,929,468**	240,472	250,401	253,274	14,889	45,545	88,455	343,945	692,487	-
Total Costs	**2,269,741**	287,617	316,456	339,901	17,167	66,686	102,981	435,066	703,910	(43)
Intragovernmental Earned Revenue	**95,207**	7,506	57,490	12,478	-	172	93	16,413	1,098	(43)
Public Earned Revenue	**80,900**	3,450	26,204	(5,793)	478	10,477	985	45,094	5	-
Total Earned Revenue	**176,107**	10,956	83,694	6,685	478	10,649	1,078	61,507	1,103	(43)
Net Cost of Operations	**$ 2,093,634**	**$ 276,661**	**$ 232,762**	**$ 333,216**	**$ 16,689**	**$ 56,037**	**$ 101,903**	**$ 373,559**	**$ 702,807**	**$ -**

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Consolidating Statement of Net Cost
for the Year Ended September 30, 2006
(dollars in thousands)

	Total 2006	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	Elimination of Intra-Bureau Activity
Resource Protection										
Intragovernmental Costs	**$ 283,669**	$ 39,340	$ 66,970	$ 64,967	$ 2,351	$ 21,079	$ 13,306	$ 69,657	$ 7,783	$ (1,784)
Public Costs	**1,432,900**	191,918	289,278	190,692	12,844	47,617	81,243	271,279	348,029	-
Total Costs	**1,716,569**	231,258	356,248	255,659	15,195	68,696	94,549	340,936	355,812	(1,784)
Intragovernmental Earned Revenue	**79,980**	7,773	49,451	2,147	-	616	209	21,568	-	(1,784)
Public Earned Revenue	**111,502**	3,011	61,179	2,602	471	10,104	982	28,981	4,172	-
Total Earned Revenue	**191,482**	10,784	110,630	4,749	471	10,720	1,191	50,549	4,172	(1,784)
Net Costs	**1,525,087**	**220,474**	**245,618**	**250,910**	**14,724**	**57,976**	**93,358**	**290,387**	**351,640**	**-**
Resource Use										
Intragovernmental Costs	**2,784**	1,910	874	-	-	-	-	-	-	-
Public Costs	**6,785**	4,281	2,504	-	-	-	-	-	-	-
Total Costs	**9,569**	6,191	3,378	-	-	-	-	-	-	-
Intragovernmental Earned Revenue	**46**	46	-	-	-	-	-	-	-	-
Public Earned Revenue	**31**	31	-	-	-	-	-	-	-	-
Total Earned Revenue	**77**	77	-	-	-	-	-	-	-	-
Net Costs	**9,492**	**6,114**	**3,378**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recreation										
Intragovernmental Costs	**40,567**	-	4,994	6,706	-	-	1,802	20,516	5,710	839
Public Costs	**476,503**	-	19,930	19,953	-	-	13,993	72,737	349,890	-
Total Costs	**517,070**	-	24,924	26,659	-	-	15,795	93,253	355,600	839
Intragovernmental Earned Revenue	**10,415**	-	7,741	213	-	-	-	1,622	-	839
Public Earned Revenue	**4,516**	-	1,854	261	-	-	-	2,401	-	-
Total Earned Revenue	**14,931**	-	9,595	474	-	-	-	4,023	-	839
Net Costs	**502,139**	**-**	**15,329**	**26,185**	**-**	**-**	**15,795**	**89,230**	**355,600**	**-**
Serving Communities										
Intragovernmental Costs	**35,688**	-	1,585	11,220	-	1	75	21,949	134	724
Public Costs	**185,659**	-	7,486	74,927	-	8	2,835	99,968	435	-
Total Costs	**221,347**	-	9,071	86,147	-	9	2,910	121,917	569	724
Intragovernmental Earned Revenue	**7,281**	-	2,444	320	-	-	-	3,793	-	724
Public Earned Revenue	**5,810**	-	585	390	-	-	-	4,603	232	-
Total Earned Revenue	**13,091**	-	3,029	710	-	-	-	8,396	232	724
Net Costs	**208,256**	**-**	**6,042**	**85,437**	**-**	**9**	**2,910**	**113,521**	**337**	**-**
Total										
Intragovernmental Costs	**362,708**	**41,250**	**74,423**	**82,893**	**2,351**	**21,080**	**15,183**	**112,122**	**13,627**	**(221)**
Public Costs	**2,101,847**	**196,199**	**319,198**	**285,572**	**12,844**	**47,625**	**98,071**	**443,984**	**698,354**	**-**
Total Costs	**2,464,555**	**237,449**	**393,621**	**368,465**	**15,195**	**68,705**	**113,254**	**556,106**	**711,981**	**(221)**
Intragovernmental Earned Revenue	**97,722**	**7,819**	**59,636**	**2,680**	**-**	**616**	**209**	**26,983**	**-**	**(221)**
Public Earned Revenue	**121,859**	**3,042**	**63,618**	**3,253**	**471**	**10,104**	**982**	**35,985**	**4,404**	**-**
Total Earned Revenue	**219,581**	**10,861**	**123,254**	**5,933**	**471**	**10,720**	**1,191**	**62,968**	**4,404**	**(221)**
Net Cost of Operations	**$ 2,244,974**	**$ 226,588**	**$ 270,367**	**$ 362,532**	**$ 14,724**	**$ 57,985**	**$ 112,063**	**$ 493,138**	**$ 707,577**	**$ -**

Note 14 – Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)

Effective FY 2007, OMB re-designated the Statement of Financing as a display note rather than a basic financial statement. Federal agencies are now required to disclose the reconciliation of net cost of operations to budgetary accounts in a note to the financial statements**.** Note 1.P, *Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing)* provides further discussion.

A. Increase (Decrease) in Unfilled Customer Orders

The decrease in Unfilled Customer Orders primarily reflects the impact of Bolsa Chica Lowlands Project with the California State Lands Commission. The majority of work was completed during calendar year 2005 and the first half of 2006. There will be ongoing, but decreasing construction through the completion of construction in 2008 creating a trend of decreasing payments made to the prime contractor.

B. Offsetting Receipts Not Part of the Net Cost of Operations

The portion of Offsetting Receipts related to non-exchange revenue is disclosed as a reconciling item that is excluded from the net cost of operations.

C. Change in Unfunded Liabilities

The section, "Components Requiring or Generating Resources in Future Periods,"` depicts the change in certain unfunded liabilities. The amounts in this section do not necessarily correlate to the change in Liabilities Not Covered by Budgetary resources as shown in Note 8, *Liabilities Analysis*. Differences are primarily the result of certain Treasury requirements related to changes in various liabilities. These requirements are dependent upon whether the change resulted in an increase or decrease to the liability account. Additionally, this note excludes some of the Liabilities Not Covered by Budgetary Resources.

The Reconciliation of Net Cost of Operations (Proprietary) to Budget (Formerly the Statement of Financing) for the Service follows:

Reconciliation of Net Cost of Operations (Proprietary) to Budget
(formerly the Statement of Financing)
for the Years Ended September 30, 2007 and 2006
(dollars in thousands)

	2007	2006
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	$ 2,521,067	$ 2,402,796
Less: Spending Authority From Offsetting Collection/Recoveries	(246,296)	(214,968)
Obligations Net of Offsetting Collections and Recoveries	2,274,771	2,187,828
Less: Offsetting Receipts	(86,813)	(75,625)
Net Obligations	2,187,958	2,112,203
Other Resources:		
Transfers In/Out Without Reimbursement	(7,859)	6,483
Imputed Financing from Costs Absorbed by Others	57,712	61,554
Net Other Resources Used to Finance Activities	49,853	68,037
Total Resources Used to Finance Activities	2,237,811	2,180,240
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	(187,610)	81,529
Increase/(Decrease) in Unfilled Customer Orders	(3,552)	(63,662)
Resources That Fund Expenses Recognized in Prior Periods	(2,999)	(74,382)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	47,568	38,111
Resources That Finance the Acquisition of Assets	(104,108)	(112,661)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	27,413	24,045
Total Resourcees Used to Finance Items Not Part of the Net Cost of Operations	(223,288)	(107,020)
Total Resources Used to Finance the Net Cost of Operations	2,014,523	2,073,220
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 in Annual Leave Liability	-	613
Increase in Environmental and Disposal Liability	-	8,080
Increase in Exchange Revenue Receivable from the Public	(126)	-
Other	1,133	-
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	1,007	8,693
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	67,808	52,152
Revaluation of Assets or Liabilities	2,258	3,358
Allocation Transfers Reconciling Items	8,070	107,517
Other	(32)	34
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	78,104	163,061
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	79,111	171,754
Net Cost of Operations	$ 2,093,634	$ 2,244,974

C. Required Supplementary Information

Required Supplementary Information (RSI) covers:

1. Combining Statement of Budgetary Resources, Net Outlays
2. Facilities Management
3. Stewardship Lands
4. Heritage Assets

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 Ending September 30, 2007
(dollars in thousands)

	Total Budgetary Accounts	Resource Management	Grants: Sport Fish Restoration	Grants: Federal Aid in Wildlife Restoration	Grants: Other Grants	Grants: Total Grants	Other Budgetary Accounts
Budgetary Resources:							
Unobligated Balance, Beginning of Fiscal Year:	$ 689,970	$ 76,009	$ 147,354	$ 70,327	$ 202,030	$ 419,711	$ 194,250
Recoveries of Prior Year Unpaid Obligations	93,554	24,030	30,664	16,809	16,522	63,995	5,529
Budget Authority							
Appropriation	2,860,906	1,021,367	1,113,707	296,245	275,875	1,685,827	153,712
Spending Authority from Offsetting Collections							
Earned							
Collected	165,841	162,590	-	-	75	75	3,176
Change in Receivables from Federal Sources	(9,546)	(8,186)	-	-	-	-	(1,360)
Change in Unfilled Customer Orders							
Advance Received	3,672	3,675	-	-	-	-	(3)
Without Advance from Federal Sources	(7,224)	(7,404)	-	-	-	-	180
Total Budget Authority	3,013,649	1,172,042	1,113,707	296,245	275,950	1,685,902	155,705
Nonexpenditure Transfers, Net, Anticipated and Actual	(679,298)	-	(681,525)	-	-	(681,525)	2,227
Permanently Not Available	(602)	(602)	-	-	-	-	-
Total Budgetary Resources	$ 3,117,273	$ 1,271,479	$ 610,200	$ 383,381	$ 494,502	$ 1,488,083	$ 357,711
Status of Budgetary Resources:							
Obligations Incurred:							
Direct	$ 2,386,730	$ 1,049,975	$ 443,835	$ 292,422	$ 363,601	$ 1,099,858	$ 236,897
Reimbursable	134,337	132,345	-	-	-	-	1,992
Total Obligations Incurred	2,521,067	1,182,320	443,835	292,422	363,601	1,099,858	238,889
Unobligated Balance Available:							
Apportioned	591,493	84,446	166,365	90,959	130,901	388,225	118,822
Unobligated Balance Not Available	4,713	4,713	-	-	-	-	-
Total Status of Budgetary Resources	$ 3,117,273	$ 1,271,479	$ 610,200	$ 383,381	$ 494,502	$ 1,488,083	$ 357,711
Obligated Balance:							
Obligated Balance, Net							
Unpaid Obligations, Brought Forward, Beginning of Fiscal Year	$ 1,519,748	$ 339,747	$ 373,584	$ 188,855	$ 468,309	$ 1,030,748	$ 149,253
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, Beginning of Fiscal Year	(77,929)	(74,857)	-	-	-	-	(3,072)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	1,441,819	264,890	373,584	188,855	468,309	1,030,748	146,181
Obligations Incurred, Net	2,521,067	1,182,320	443,835	292,422	363,601	1,099,858	238,889
Less: Gross Outlays	(2,288,194)	(1,150,585)	(371,850)	(264,968)	(262,879)	(899,697)	(237,912)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(93,554)	(24,030)	(30,664)	(16,809)	(16,522)	(63,995)	(5,529)
Change in Uncollected Customer Payments from Federal Sources	16,770	15,590	-	-	-	-	1,180
Total Unpaid Obligated Balance, Net, End of Period	$ 1,597,908	$ 288,185	$ 414,905	$ 199,500	$ 552,509	$ 1,166,914	$ 142,809
Obligated Balance, Net, End of Period - By Component:							
Unpaid Obligations	$ 1,659,066	$ 347,451	$ 414,905	$ 199,500	$ 552,509	$ 1,166,914	$ 144,701
Less: Uncollected Customer Payments from Federal Sources,	(61,158)	(59,266)	-	-	-	-	(1,892)
Total Unpaid Obligated Balance, Net, End of Period	$ 1,597,908	$ 288,185	$ 414,905	$ 199,500	$ 552,509	$ 1,166,914	$ 142,809
Net Outlays:							
Net Outlays							
Gross Outlays	$ 2,288,194	$ 1,150,585	$ 371,850	$ 264,968	$ 262,879	$ 899,697	$ 237,912
Less: Offsetting Collections	(169,513)	(166,266)	-	-	(75)	(75)	(3,172)
Less: Distributed Offsetting Receipts	(86,813)	-	-	(18,001)	(46,199)	(64,200)	(22,613)
Net Outlays(Receipts)	$ 2,031,868	$ 984,319	$ 371,850	$ 246,967	$ 216,605	$ 835,422	$ 212,127

U.S. Department of the Interior
U.S. Fish and Wildlife Service
Combining Statement of Budgetary Resources
for the Year Ended September 30, 2006
(dollars in thousands)

			Grants				
	Total Budgetary Accounts	Resource Management	Sport Fish Restoration	Federal Aid in Wildlife Restoration	Other Grants	Total Grants	Other Budgetary Accounts
Budgetary Resources:							
Unobligated Balance, Beginning of Fiscal Year:	$ 668,676	$ 70,377	$ 161,948	$ 47,273	$ 241,216	$ 450,437	$ 147,862
Recoveries of Prior Year Unpaid Obligations	65,846	17,399	23,953	11,647	8,675	44,275	4,172
Budget Authority							
Appropriation	1,791,245	1,016,279	(75,957)	265,299	272,687	462,029	312,937
Spending Authority from Offsetting Collections							
Earned							
Collected	214,103	203,249	-	-	103	103	10,751
Change in Receivables from Federal Sources	(1,319)	(3,955)	-	-	-	-	2,636
Change in Unfilled Customer Orders							
Advance Received	2,087	2,090	-	-	-	-	(3)
Without Advance from Federal Sources	(65,749)	(54,418)	-	-	-	-	(11,331)
Total Budget Authority	1,940,367	1,163,245	(75,957)	265,299	272,790	462,132	314,990
Nonexpenditure Transfers, Net, Anticipated and Actual	440,520	10,590	439,930	-	-	439,930	(10,000)
Temporarily Not Available Pursuant to Public Law	(6,067)	-	-	-	(5,649)	(5,649)	(418)
Permanently Not Available	(16,576)	(14,946)	-	-	(743)	(743)	(887)
Total Budgetary Resources	$ 3,092,766	$ 1,246,665	$ 549,874	$ 324,219	$ 516,289	$ 1,390,382	$ 455,719
Status of Budgetary Resources:							
Obligations Incurred:							
Direct	$ 2,274,042	$ 1,044,070	$ 402,520	$ 253,892	$ 314,259	$ 970,671	$ 259,301
Reimbursable	128,754	126,586	-	-	-	-	2,168
Total Obligations Incurred	2,402,796	1,170,656	402,520	253,892	314,259	970,671	261,469
Unobligated Balance Available:							
Apportioned	688,333	74,372	147,354	70,327	202,030	419,711	194,250
Unobligated Balance Not Available	1,637	1,637	-	-	-	-	-
Total Status of Budgetary Resources	$ 3,092,766	$ 1,246,665	$ 549,874	$ 324,219	$ 516,289	$ 1,390,382	$ 455,719
Obligated Balance:							
Obligated Balance, Net							
Unpaid Obligations, Brought Forward, Beginning of Fiscal Year	$ 1,431,938	$ 386,568	$ 360,177	$ 203,633	$ 386,285	$ 950,095	$ 95,275
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, Beginning of Fiscal Year	(144,996)	(133,230)	-	-	-	-	(11,766)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	1,286,942	253,338	360,177	203,633	386,285	950,095	83,509
Obligations Incurred, Net	2,402,796	1,170,656	402,520	253,892	314,259	970,671	261,469
Less: Gross Outlays	(2,249,141)	(1,200,078)	(365,160)	(257,023)	(223,560)	(845,743)	(203,320)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(65,846)	(17,399)	(23,953)	(11,647)	(8,675)	(44,275)	(4,172)
Change in Uncollected Customer Payments from Federal Sources	67,068	58,373	-	-	-	-	8,695
Total Unpaid Obligated Balance, Net, End of Period	$ 1,441,819	$ 264,890	$ 373,584	$ 188,855	$ 468,309	$ 1,030,748	$ 146,181
Obligated Balance, Net, End of Period - By Component:							
Unpaid Obligations	$ 1,519,748	$ 339,747	$ 373,584	$ 188,855	$ 468,309	$ 1,030,748	$ 149,253
Less: Uncollected Customer Payments from Federal Sources,	(77,929)	(74,857)	-	-	-	-	(3,072)
Total Unpaid Obligated Balance, Net, End of Period	$ 1,441,819	$ 264,890	$ 373,584	$ 188,855	$ 468,309	$ 1,030,748	$ 146,181
Net Outlays:							
Net Outlays							
Gross Outlays	$ 2,249,141	$ 1,200,078	$ 365,160	$ 257,023	$ 223,560	$ 845,743	$ 203,320
Less: Offsetting Collections	(216,190)	(205,339)	-	-	(103)	(103)	(10,748)
Less: Distributed Offsetting Receipts	(75,625)	-	-	(14,176)	(39,302)	(53,478)	(22,147)
Net Outlays(Receipts)	$ 1,957,326	$ 994,739	$ 365,160	$ 242,847	$ 184,155	$ 792,162	$ 170,425

Facilities Management

Deferred Maintenance

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 because of budget constraints. Deferring maintenance of facilities leads to accelerated deterioration that can adversely affect 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. More accurate accountability of deferred maintenance needs have been identified since the Service has converted to the Service Asset and Maintenance Management System (SAMMS). Condition assessments of the Service's administrative and public road systems, levees, and dikes have resulted in upward revisions of the deferred maintenance estimates. This increased accuracy, along with more detailed condition assessments, has resulted in the increase of our deferred maintenance backlog.

Deferred maintenance for Service facilities is estimated at approximately $2.64 billion, plus or minus 15%, placing the range between approximately $2.24 billion and $3.03 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, 2007
(dollars in thousands)

Type of Deferred Maintenance	General PP&E		Stewardship PP&E		Total	
	Low	High	Low	High	Low	High
Financial Statement Estimated Deferred Maintenance						
Roads Bridges and Trails	$744,986	$1,007,923	$625,431	$846,171	$1,370,417	$1,854,094
Irrigation, Dams, and Other Water Structures	52,624	71,197	225,358	304,897	$277,982	$376,094
Buildings (e.g. Administration, Education, Housing, Historic Buildings)	312,109	422,266	3,586	4,851	$315,695	$427,117
Other Structures (e.g. Recreation sites, Hatcheries, etc.)	275,574	372,834	806	1,090	$276,380	$373,924
Total FWS	**$1,385,293**	**$1,874,220**	**$855,181**	**$1,157,009**	**$2,240,474**	**$3,031,229**

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.

Stewardship Lands

Land is defined as the solid part of the surface of the earth and excludes natural resources (i.e., exhaustible resources and renewable resources) related to the land. Based on this definition, stewardship land is considered to be in acceptable condition unless an environmental contamination or liability is identified and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that affect the condition of Stewardship Land are located in Note 8, *Liabilities Analysis*.

The Service has land units within the NWRS that includes 548 refuge units and 37 wetland management districts. The 87 land units and facilities within the NFHS are comprised of 70 National Fish Hatcheries, 7 Fish Technology Centers, 9 Fish Health Centers, and 1 Historical National Fish Hatchery. Wetland Management Districts (WMD) are units of the NWRS. The Typical National Wildlife Refuge (NWR) is usually one larger block of land that is established as one named NWR. WMDs contain smaller parcels of land scattered over a broader geographic area. Individual parcels are normally from about 40 to 1,000 acres in size and will be either Waterfowl Production Areas which are owned in fee title or perpetual easements for conservation purposes.

Uses of Stewardship Lands

Lands managed within the NWRS are used by statute 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. The Service participates in managing all units within the NFHS system, although it does not own all the lands and facilities. 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.

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 benefit over both the short and long term. Lands placed in the NWRS are protected in 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, wildlife, and plant resources. The Service safeguards the stewardship values of the lands it administers through management actions taken on Service land; however, such actions are taken in consideration of the needs and purposes of the entire NWRS.

Net Change in Stewardship Land from 2007 to 2006

The Service reported 548 NWRs for FY 2007. The size of some units changed during the year, resulting in a net increase in Service stewardship land. The Service defines a unit of stewardship land as a Natural Wildlife Refuge, a National Fish Hatchery, and lands under special designations within these systems. These lands provide permanent protection for valuable wetland, riparian, coastal, and upland habitat for fish, wildlife, and plant species, including threatened and endangered species.

Land Reporting and Heritage Assets

FWS	10-1-06 Count			Additions			Withdrawals			9-30-07 Count			Condition of Land Units Expressed in Number of Units per Category			Condition of Structurally Based Units Expressed in Number of Units per Category			
Land	Land Units		Total	Land Units		Total	Land Units		Total	Land Units		Total	Acceptable	Needs Intervention	Total	Acceptable	Unacceptable	Unknown	Total
Primary Land Management Categories																			
FWS-National Wildlife Refuges	547		547	1		1	-		-	548		548	544	4	548				
FWS-National Fish Hatcheries	86		86	1		1	-		-	87		87	87	-	87				
FWS - Wetland Management Districts	37		37	-		-	-		-	37		37	37	-	37				
													Land Based Units			**Structurally Based Units**			
Primary Non Collectible Heritage Asset Categories (With Presidential (p), Congressional (c) or Secretarial (s) designation)	Land Based	Structural	Total	Land Based	Structural	Total	Land Based	Structural	Total	Land Based	Structural	Total	Acceptable	Needs Intervention	Total	Acceptable	Unacceptable	Unknown	Total
National Historic Landmarks (NHL)	-	9	9	-	-	-	-	-	-	-	9	9	-	-	-	-	-	9	9
National Monuments	2	-	2	-	-	-	-	-	-	2	-	2	2	-	2	-	-	-	-
National Natural Landmarks (NNL)	42	-	42	1	-	1	-	-	-	43	-	43	43	-	43	-	-	-	-
National Recreation Trails	-	44	44	-	14	14	-	2	2	-	56	56	-	-	-	56	-	-	56
National Wild and Scenic Rivers	8	-	8	-	-	-	-	-	-	8	-	8	8	-	8	-	-	-	-
National Wildlife Refuges	547	-	547	1	-	1	-	-	-	548	-	548	544	4	548	-	-	-	-
Wilderness Areas	75	-	75	1	-	1	-	-	-	76	-	76	76	-	76	-	-	-	-
Total	**674**	**53**	**727**	**3**	**14**	**17**	**-**	**2**	**2**	**677**	**65**	**742**	**673**	**4**	**677**	**56**	**-**	**9**	**65**
Interior Museum Collections	Museum Units												Condition of Facilities Housing Collections						
Units	10-1-06 Count			Additions			Withdrawals			9-30-07 Count			Good	Fair	Poor	Unknown	Total		
Held at Interior Bureau Facilities	137			34			2			169			-	-	7	162	169		
Held at Non-Interior Bureau Facilities	217			1			1			217			43	70	2	102	217		
Total	354			35			3			386			43	70	9	264	386		

Note 1: Some Presidentially, Congressionally or Secretarially designated areas may overlap with either land designations or other designations where there is more than one use/priority for the land.

Heritage Assets

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 facilities management 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.

Collectible and Non-Collectible

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. 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 FY 2007, the Service documented over 18,223 cultural resources (prehistoric and historic sites and historic structures) on a small percentage of its lands (less than 1%) and estimates that it is responsible for tens of thousands of additional sites yet to be identified.

The Service manages two National Monuments, nine National Historic Landmarks, and 43 National Natural Landmarks designated by the President and Secretary of the Interior, respectively, to protect and recognize sites of exceptional importance.

Inventories and records of historic sites are maintained by each Service Regional Office for field stations under its jurisdiction.

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 11,409 river miles in 165 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. Twelve designated river segments totaling 1,086 river miles flow through national wildlife refuges. Seven of these river segments (1,049 river miles) are in Alaska.

Wilderness

Designations ensure that lands in the National Wilderness Preservation System are preserved and protected in their natural state. Wilderness is "where the earth and its community of life are untrammeled by man and where man himself is a visitor who does not remain." Of the approximately 107 million acres in the National Wilderness Preservation System, the Service manages 76 wilderness units encompassing over 20 million acres in 26 States. This total represents approximately 20% of the National Wilderness Preservation System. The Service protects and manages these undeveloped areas to preserve their wilderness character, and administers them for the use and enjoyment of the American people. Although the majority of the Refuge System wilderness acres are located in Alaska, the majority of wilderness areas are 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.

Museum Collections

Based on the most current assessment, the Service museum collections consist of millions of objects, documents, and specimens maintained in 169 offices or on loan to 217 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 maintaining the history and traditions of the Service programs and employees.

The Service continues to accession 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 adequate to good. Over 71% 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 and updated in FY 2007.

FY 2007 saw the completion of a project contracted through the U.S. Army Corps of Engineers. The project examined 7 FWS field offices that hold museum property and assessed their storage facilities as well as the collections. Recommendations were made to the field stations for care and maintenance of the materials. A similar project is scheduled to begin next FY.

D. Required Supplementary Stewardship Information

Required Supplementary Stewardship Information (RSSI) covers:

1. Investment in Human Capital
2. Investment in Non-Federal Physical Property

Investment 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 used operating funds by the U.S. Department of Labor for its participation in the program, and operated 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. Effective July 2006, operation of the Treasure Lake Job Corps Center was transferred from the Service to the Bureau of Reclamation.

Information on the funds provided by the U.S. Department of Labor is included in the table below:

Investment in Human Capital
(dollars in millions)

	2003	2004	2005 *	2006 **	2007	Total
Total Job Corps Program	$12.30	$11.90	$7.60	$4.73	0	$36.53

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

** The 2006 amount reflects the transfer of operation of the Treasure Lake Job Corps Center to the Bureau of Reclamation.

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 2006, the Treasure Lake Center’s statistics are as follows for the number of students served, graduates, and placements:

- 390 Students Serviced
- 122 Graduates
- 104 Placements

Investment in Non-Federal Physical Property

Stewardship investment in non-Federal physical property refers to expenses incurred by the Federal government for the purchase, construction, or the 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 2007, the Service provided $205.3 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	2003	2004	2005	2006	2007*	Total
Dams and Other Water Structures	$62.0	$37.6	$33.0	$73.8	$21.2	$227.6
Land	52.0	84.6	64.0	43.6	120.5	$364.7
Road and Bridges **			13.0	10.7	14.6	$38.3
Schools and Public Buildings **			11.0	22.2	19.9	$53.1
Ranges***					27.8	$27.8
Not Classified				3.1	1.3	$4.4
Total	**$114.0**	**$122.2**	**$121.0**	**$153.4**	**$205.3**	**$715.9**

* 2007 is based on estimates due to a change in data collection methods. Effective January 2007, States are no longer required to report amounts in annual performance reports.
** Roads and Bridges and Schools and Public Buildings categories were not used prior to 2005
*** New category in FY 2007 for development of firearm and archery ranges

IV. Independent Auditors' Report

The Independent Auditors' Report covers:

- Memorandum: Independent Auditors' Report on the Service's Financial Statements for Fiscal Years 2007 and 2006
- Attachment 1: KPMG LLP Independent Auditors' Report
- Attachment 2: Memorandum – Independent Auditors' Report on the Service's Financial Statements for Fiscal Years 2007 and 2006
- Attachment 3: Status of Audit Report Recommendations

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, DC 20240

Memorandum JAN 18 2008

To: Director, U.S. Fish and Wildlife Service

From: for Kimberly Elmore
Acting Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the U.S. Fish and Wildlife Service Financial Statements for Fiscal Years 2007 and 2006 (Report No. X-IN-FWS-0018-2007)

INTRODUCTION

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the U.S. Fish and Wildlife Service (Service) financial statements for fiscal years (FYs) 2007 and 2006. The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the Inspector General or an independent auditor, as determined by the Inspector General, to audit the Department of the Interior (DOI) financial statements.

Under a contract issued by DOI and monitored by the Office of Inspector General (OIG), KPMG, an independent public accounting firm, performed an audit of the Service FY2007 and FY2006 financial statements. The contract required that the audit be performed in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States and Office of Management and Budget Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements."

RESULTS OF INDEPENDENT AUDIT

In its audit report dated November 20, 2007 (Attachment 1), KPMG issued an unqualified opinion on the Service financial statements. However, KPMG identified four significant deficiencies in internal controls over financial reporting, which were not considered to be material weaknesses. In addition, KPMG identified one instance where the Service did not comply with laws and regulations. KPMG made nine recommendations that, if implemented, should resolve the findings.

STATUS OF RECOMMENDATIONS

In its December 12, 2007 response (Attachment 2) to the draft report, the Service agreed with two findings, partially agreed with two findings, and disagreed with one finding. The Service also addressed each recommendation, stating that it was in the process of implementing five recommendations and disagreed with four recommendations. We will refer the four unresolved recommendations to the Assistant Secretary for Policy, Management and Budget for resolution and the remaining five unimplemented recommendations for tracking of implementation (see Attachment 3, "Status of Audit Report Recommendations").

EVALUATION OF KPMG AUDIT PERFORMANCE

To ensure the quality of the audit work performed, the OIG:

- reviewed KPMG's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings with Service management to discuss audit progress, findings, and recommendations;
- reviewed and accepted KPMG's audit report; and
- performed other procedures we deemed necessary.

KPMG is responsible for the attached auditors' report dated November 20, 2007, and the conclusions expressed in it. We do not express an opinion on the Service financial statements or on KPMG's conclusions regarding 1) effectiveness of internal controls, 2) compliance with laws and regulations, or 3) substantial compliance of Service financial management systems with the Federal Financial Management Improvement Act of 1996.

REPORT DISTRIBUTION

The legislation, as amended, creating the OIG 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, we will include the information in the attachment in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the cooperation and assistance of Service personnel during the audit. If you have any questions regarding the report, please contact Jeff Carlson at 202-208-5724.

Attachments

cc: Assistant Secretary, Fish and Wildlife and Parks
Audit Liaison Officer, Fish and Wildlife and Parks
Chief Financial Officer, U.S. Fish and Wildlife Service
Audit Liaison Officer, U.S. Fish and Wildlife Service
Audit Liaison Officer, Office of Financial Management

ATTACHMENT 1

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 U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the U.S. Fish and Wildlife Service (Service) as of September 30, 2007 and 2006, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2007 audit, we also considered the Service's internal controls over financial reporting and performance measures 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 consolidated financial statements.

SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that the Service's consolidated financial statements as of and for the years ended September 30, 2007 and 2006, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, in fiscal year 2007, the Service changed its method of accounting for and reporting of the reconciliation of net cost to budget, allocation transfers, and the Sport Fish Restoration and Boating Trust Fund (SFRBTF) to adopt changes in accounting standards and new Office of Management and Budget (OMB) requirements. Also, as discussed in our opinion, the Service revised its method of allocating certain costs and revenues between programs on the statement of net cost in fiscal year 2007.

Our consideration of internal control over financial reporting resulted in the following conditions being identified as significant deficiencies. However, none of the significant deficiencies are believed to be material weaknesses.

A. Application and General Controls over Financial Management Systems

B. Controls over Input of Capital Equipment Transactions into the Financial Management System

C. Segregation of Duties over Journal Entries

D. Grant Compliance and Controls

We noted no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instance of noncompliance that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

E. Single Audit Act Amendments of 1996 (Single Audit Act)

The following sections discuss our opinion on the Service's consolidated financial statements; our consideration of the Service's internal controls over financial reporting and performance measures; 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 U.S. Fish and Wildlife Service as of September 30, 2007 and 2006, and the related consolidated statements of net cost, changes in net position, and the combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Fish and Wildlife Service as of September 30, 2007 and 2006, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 14 to the consolidated financial statements, the Service changed its method of reporting the reconciliation of net cost to budget in fiscal year 2007 to adopt the new OMB requirements. As discussed in Note 1 to the consolidated financial statements, the Service changed its method of accounting for and reporting allocation transfers in fiscal year 2007 to adopt the new OMB requirements. As discussed in Note 1 to the consolidated financial statements, the Service changed its method of accounting for and reporting the SFRBTF in fiscal year 2007 to adopt the new OMB requirements. Also, as discussed in Note 13 to the consolidated financial statements, the Service's fiscal year 2007 consolidated statement of net cost is not comparable to its fiscal year 2006 consolidated statement of net cost because, in fiscal year 2007, the Service revised the presentation of costs and revenues to match the Government Performance and Results Act strategic plan applicable to fiscal year 2007, which is different than the plan applicable to fiscal year 2006.

The information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Service's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Service's consolidated financial statements that is more than inconsequential will not be prevented or detected by the Service's internal control over financial reporting. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by the Service's internal control.

In our fiscal year 2007 audit, we consider the deficiencies, described below, to be significant deficiencies in internal control over financial reporting. However, we believe that none of the significant deficiencies described below are material weaknesses. Exhibit I presents the status of prior year reportable conditions.

A. Application and General Controls over Financial Management Systems

The Service has made recent improvements in security and other controls over its information systems; however, controls still need to be improved in the area described below, as required by OMB Circular A-130, *Management of Federal Information Resources*. This condition could affect the Service's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, ensure that data and system integrity is achieved, and protect its information resources.

The Service does not have a process and related internal controls in place to accurately track the population of contractors with access to the Service's information technology (IT) systems. As a result, Service management was unable to provide us with a list of IT contractors, preventing Service management and us from:

1. [Exemption 2]
2. Determining whether contractors are signing nondisclosure agreements, as required by Service policy.
3. [Exemption 2]
4. Determining whether contractors are taking their Department of the Interior (Interior) security awareness training.

Recommendation

We recommend that Service management develop and implement a formal action plan to improve the control environment over its financial management systems in order to ensure adequate security and protection of the Service's financial management systems.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit the Service's response and, accordingly, we express no opinion on it.

B. Controls over Input of Capital Equipment Transactions into the Financial Management System

The Service has made recent improvements in internal controls over the timeliness and accuracy of recording capital equipment additions and deletions; however, controls still need to be improved in the areas described below. These conditions could affect the Service's ability to prevent and detect misstatements in their consolidated financial statements as the result of capital equipment additions

Redactions have been made to page 3 pursuant to 5 U.S.C. § 552(b)(2) of the Freedom of Information Act.

and deletions not being recorded in the financial management system in a timely manner. Our test work over fiscal year 2007 capital equipment additions and deletions noted that certain regions did not enter new assets into or delete disposed assets from the financial management system in a timely manner. Per the Service's Property, Plant, and Equipment Financial Management Guidance Handbook, field stations should submit paperwork to the regional office within 15 work days of receipt and regional offices must input transactions within 15 work days of receipt of that paperwork. Specifically, we noted 113 exceptions out of a sample of 187 additions and deletions related primarily to the untimely processing of transactions into the financial management system, resulting in approximately $6 million, net, in capital equipment not being recorded timely during the period October 1, 2006 through September 30, 2007. In addition, we noted an unreconciled variance of approximately $2.4 million between the capital equipment sub ledger and the primary financial management system as of June 30, 2007. There was an immaterial unreconciled variance as of September 30, 2007.

Recommendations

We recommend that:

1. Regions implement a corrective action plan to ensure capital equipment assets are entered into the financial management system in an accurate and timely manner in accordance with Service policy including a communications plan to ensure that all respective employees are aware of the policies and procedures surrounding capital equipment additions and deletions.

2. The Service develop and implement policies and procedures and related internal controls surrounding capital equipment additions and deletions that occur near the fiscal year-end to ensure that the assets are properly accounted for in the correct fiscal year.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations. We did not audit the Service's response and, accordingly, we express no opinion on it.

C. Segregation of Duties over Journal Entries

Segregation of responsibilities is the practice of dividing the steps in a critical function among different individuals to prevent and detect errors and to prevent a single individual from circumventing a critical process. Management has manual controls in place to ensure that journal vouchers and entries are approved; however, management does not properly segregate responsibilities over journal vouchers and entries because certain individuals have the authority to both enter and approve journal vouchers and entries in a financial system without a secondary review.

Recommendations

We recommend that:

1. Management segregates the responsibilities of entering journal vouchers and entries into the financial system from approving journal vouchers and entries in the financial systems.

2. The Service require an individual who does not have access to enter or approve journal vouchers and entries to compare the journal voucher and entries recorded in the financial systems to the approved journal vouchers and entries and document evidence that the comparison was made.

This will ensure that all journal vouchers and entries have been approved and were properly entered into the financial systems.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management partially agreed with our findings and recommendations. Management agreed in general that a single individual should not have the ability to both create and approve journal vouchers in the financial system. Accordingly, it changed the security profiles for three individuals in FFS to address this weakness. However, management does not believe it is feasible to correct this control weakness in Hyperion due to design limitations in the system. Management believes that its mitigating controls in place make the likelihood of an unapproved journal voucher or entry minimal and within an acceptable level of risk. Management does not believe our recommendation number 2 above is cost effective. However, management will add an additional mitigating control by limiting the Hyperion access of the Chief, BOFS to read only and will consider establishing a periodic process to review a sample of journal vouchers/entries.

Auditors' Response to Management's Response

During the audit process we validated our findings with Service personnel and believe based on the information provided by the Service during our audit that the findings are accurate as evidenced by management's intention to implement additional mitigating controls. We understand management's need to implement cost effective controls to mitigate the control weaknesses identified.

D. Grant Compliance and Controls

The Service is not properly monitoring grant awards in accordance with the requirements of the *Single Audit Act* and the related OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (A-133). Our test work over grant compliance indicated that the Service did not receive two Financial Status Reports within the allowed timeframe for a sample of 32 recipients. In addition, the Service was unable to provide a complete list of grantees receiving A-133 audits in the current fiscal year, resulting in the inability of management and us to determine whether all grantee A-133 reports are being timely obtained and reviewed and management decisions issued.

Our test work over the internal controls surrounding the grant process indicated the Service processed a payment for one grant 13 months subsequent to the grant end date; 3 of 45 financial status reports were not submitted within 90 days of the grant end date; 2 overdue financial status reports were not followed up on in a timely manner; and although monthly grant system reconciliations were reviewed at a summary level by the Division of Federal Assistance, there was no documented evidence of review by regional personnel for the two monthly reconciliations selected for testing during our audit.

Recommendations

We recommend that the Service:

1. Implement policies and procedures to ensure proper monitoring of grants, including that all financial reports are timely received and reviewed for all required information, that follow up is occurring as necessary, and payments for grant expenses are made within the appropriate period.

2. Develop and implement a policy to ensure that the Service is in receipt of all issued A-133 audit reports for grantees and that the Service tracks and monitors any findings resulting from the audits. Additionally, the Service should work with Interior management to ensure that it is aware of all Service grantees so that the related A-133 reports received by Interior for Service grantees are provided to the Service for review.

3. Develop and implement a policy to ensure that regional monthly reconciliation reviews are completed and documented.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with one of our findings and its comments were responsive to one of our recommendations. Management did not agree with our finding related to financial status report monitoring requirements. Management indicated that two of the three financial status reports identified in our audit work as having been received late were received timely but returned to the grantee for correction. Management also did not agree with our finding on OMB Circular A-133 report monitoring requirements and responded that the responsibility to ensure completion and submission of the A-133 audit report is that of the grantee and that Interior management is responsible for forwarding all audit reports to FWS.

Auditors' Response to Management's Response

During the audit process we validated our findings with Service personnel and believe based on the information provided by the Service during the audit that the findings are accurate regarding financial status and A-133 report monitoring requirements. Documentation to support timely receipt and subsequent return to the grantee of the two financial status reports was not provided to us during the audit. OMB Circular A-133 requires that grant awarding agencies monitor all grantees and review issued A-133 reports. In order to ensure that management is in receipt of grantee A-133 reports they should provide a listing of all grantees to Interior management to ensure that Interior management can appropriately forward A-133 reports received and proactively monitor issued reports of their grantees through review of the Federal Clearinghouse, as opposed to relying entirely upon Interior management to ensure timely receipt and review of A-133 reports.

INTERNAL CONTROL OVER PERFORMANCE MEASURES

Our tests of internal control over performance measures, as described in the Responsibilities section of this report, disclosed no deficiencies involving the design of the internal control over the existence and completeness assertions related to key performance measures.

COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, 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 herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, other than the instance described below.

E. *Single Audit Act Amendments of 1996 (Single Audit Act)*

As discussed in the Internal Control over Financial Reporting section of this report, condition D, the Service did not perform adequate monitoring of grantees in accordance with the *Single Audit Act* and the related OMB Circular A-133. The Service needs to ensure that it obtains Single Audit, Financial Status, Grant Performance, and Annual Reports and issues management decisions on audit findings in a timely manner.

Recommendation

We recommend that in fiscal year 2008, the Service obtain Single Audit, Financial Status, Grant Performance, and Annual Reports and issue management decisions on audit findings in accordance with the requirements of the *Single Audit Act* and the related A-133.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management did not agree with our recommendation to ensure adequate monitoring of grantees. As discussed in the section of our report entitled Internal Control Over Financial Reporting, management did not agree with our recommendations to implement policies and procedures to ensure adequate monitoring of grantee financial status and A-133 reports.

Auditors' Response to Management's Response

As discussed in the section of our report entitled Internal Control Over Financial Reporting, the *Single Audit Act* and related OMB Circular A-133 require grant awarding agencies to monitor grantees for compliance with grant award requirements.

The results of our tests of FFMIA disclosed no instances in which the Service's financial management systems did not substantially comply with the three requirements discussed in the Responsibilities section of this report.

We noted certain additional matters that we have reported to management of the Service in a separate letter dated November 20, 2007.

* * * * * * *

RESPONSIBILITIES

Management's Responsibilities. The United States Code Title 31 Section 3515 and 9106 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 (Interior) meet these reporting requirements, the Service prepares and submits financial statements.

Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles;
- Preparing the Management's Discussion and Analysis (including the performance measures), Required Supplementary Information, and Required Supplementary Stewardship Information;
- Establishing and maintaining effective internal control; and
- Complying with laws, regulations, contracts, and grant agreements applicable to the Service, 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.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2007 and 2006 consolidated 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*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

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

In planning and performing our fiscal year 2007 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated 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. 07-04. 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 express an opinion on the effectiveness of the Service's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Service's internal control over financial reporting.

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 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 internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures in accordance with OMB Bulletin 07-04. However, our procedures were not designed to provide an opinion 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 2007 consolidated 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 the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, 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. 07-04 and FFMIA, we are required to report whether financial management systems for executive departments and agencies subject to the Chief Financial Officers Act of 1990 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. Although the Service is not required to report on FFMIA, the service has elected to report on FFMIA. Therefore, we performed tests of compliance with FFMIA Section 803(a) requirements.

This report is intended solely for the information and use of the Service's and Interior's management, Interior's Office of Inspector General, the U.S. Government Accountability Office, OMB, 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 20, 2007

Exhibit I

UNITED STATES FISH AND WILDLIFE SERVICE

Status of Prior Year Findings

September 30, 2007

Ref	Condition	Status
2006-A	Controls over the Reporting of the Sport Fish Restoration and Boating Trust Fund (SFRBTF)	This condition has been corrected.
2006-B	Application and General Controls over Financial Management Systems	This condition has not been entirely corrected and is repeated as a significant deficiency in fiscal year 2007. See finding A.
2006-C	Processes and Controls over Reporting the Condition of Museum Collections	This condition has been corrected.
2006-D	Federal Financial Management Improvement Act of 1996	This condition has been corrected.

ATTACHMENT 2

United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

In Reply Refer To:
FWS/DFM 034135

DEC 12 2007

Memorandum

To: Kimberly Elmore
Acting Assistant Inspector General for Audits
U.S. Department of the Interior
Office of Inspector General

Jeffrey Norris
c/o KPMG LLP
2001 M St., NW
Washington, DC 20036

From: Acting Director Kenneth Stansell

Subject: Draft Independent Auditors' Report on the U.S. Fish and Wildlife Service's Financial Statements for Fiscal Years 2007 and 2006

The U.S. Fish and Wildlife Service (Service) has reviewed the subject draft audit report, in which KPMG, LLP issued an unqualified opinion on the Service's financial statements for Fiscal Years (FY) 2007 and 2006. The Service agrees that internal control deficiencies found in application and general controls over financial management systems, and controls over input of capital equipment transactions into the financial management systems represents significant deficiencies. The Service does not agree with the recommendations relating to segregation of duties over journal entries. Additionally, the Service does not agree with recommendations one and two of the grant compliance and controls finding, calling for policies and procedures to ensure the timely receipt of financial reports, and audit reports required under OMB Circular A-133 and the Single Audit Act. Subsequently, the Service also does not concur with the recommendation regarding the Single Audit Act Amendments of 1996 since we believe we are already in compliance with the act and with OMB Circular A-133.

The Service is committed to taking all necessary corrective actions to resolve the identified significant deficiencies.

Attached are the Service's comments on each of the findings, including, as appropriate, planned corrective actions, target dates, and responsible officials.

If you have any questions, please contact George Keller in the Division of Financial Management at 703-358-2022.

Attachment

TAKE PRIDE IN AMERICA

A. Application and General Controls Over Financial Management Systems

The Service concurs with the finding and recommendations. The Service has developed a workgroup of all stakeholders to develop an appropriate course of action to appropriately track the status of contractors and mitigate the potential risks. Additionally the Service has acquired the services of a firm to assist in developing a system for tracking contractors.

Target Completion Date: June 30, 2008
Responsible Officials:
Assistant Director, Business Management and Operations, Paul Henne, (703) 358-1822.
Assistant Director, Budget and Human Resources, Denise Sheehan, (703) 358-2333
Assistant Director, Information Resources and Technology Management, Hope Mentor-Smith, (703) 358-1787

B. Controls over Input of Capital Equipment Transactions into the Financial Management System.

The Service concurs with the finding and recommendations. The Service intends to implement the following actions to help ensure that capital equipment transactions are entered timely into the financial management system, including:

1. Monitoring Regional turnaround reports on a monthly basis to identify those activities that are not meeting the required timeframes and communicating findings with the Regional Contracting and General Services Chief.
2. Placing greater emphasis on the regional property management officers to review their field activities for compliance during their required 25% annual property management reviews.
3. Ensuring corrective action plans are developed and implemented for those activities that are not meeting required timeframes.
4. Providing additional training during Contracting and Facilities Management Regional property management reviews.
5. Developing automated and mandatory training for Accountable Officers, Property Custodians and Receiving Officers.
6. Reviewing policies and procedures surrounding additions and disposals which occur near the fiscal year-end.

Target Completion Date: June 30, 2008
Responsible Officials:
Assistant Director, Business Management and Operations, Paul Henne, (703) 358-1822.
All Regional Directors

C. Segregation of Duties over Journal Entries.

The Service partially concurs with the findings and recommendations.

The Service agrees that in general a single individual should not have the ability both to create and approve journal vouchers in financial system. Accordingly, we have changed the security profiles for three individuals who previously had the authority to post and approve journal vouchers in FFS to allow approval only.

However, the Hyperion application used for preparing consolidated Department of Interior financial statements has design limitations that do not allow for a separation of duties between the creation and approval of adjusting journal entries. The Hyperion application only allows users either full or read only access. In order to have a separation of duties for Hyperion adjusting journal entries, the approving official would have to be prohibited from creating journal entries in Hyperion. This limitation of function is not possible with the Department's Hyperion application. Accordingly, we do not believe the recommendation for a segregation of duties between creating and approving journal entries in Hyperion is feasible to implement in the Service.

In our view, the mitigating controls in place as listed in the Condition section of the NFR taken together make the likelihood of an unapproved journal entry being posted to the system very small, and minimize the risk of financial statements being misstated to an acceptable level of risk. The Service will add an additional mitigating control by limiting the Hyperion access of the Chief, BOFS to read only. She will have the authority to approve journal entries outside the Hyperion application only.

We do not believe that the recommendation to require an individual who does not have access to FFS and Hyperion to compare journal voucher/entries entries in FFS and Hyperion with hard copy vouchers/entries on a monthly basis is cost effective. Instead, we will consider establishing a periodic process to review a sample of these transactions. We will also continue to review the journal voucher/entry process as part of our annual OMB Circular A-123 reviews of internal control over financial reporting.

Target Completion Date: June 30, 2008
Responsible Official:
Assistant Director, Business Management and Operations, Paul Henne, (703) 358-1822.

D. Grant Compliance and Controls.

Recommendation #1 – The Service does not concur with the finding. The Service has policies in place to notify Grantees of the SF269 filing requirement and what information must be supplied by the Grantee. In the three instances noted in the original report only one SF269 was late. Two of late SF269s were actually received on time but returned to the Auditee for correction. Service policies and procedures are up to date and reflect current DOI guidance. The Service polices can be found in 522 FW 1.23. Additionally, policies were updated in a Director's letter issued February 2, 2007 that rescinded outdated guidance from 2002. The Service strives to ensure that policies and procedures are followed.

Recommendation # 2 – The Service does not concur with this recommendation. The Service is following OMB Circular A-133 and DOI guidance. The requirement for ensuring the audit is conducted and submitted when due lies with the Grantee, not the USFWS. The audit is then submitted to the Federal Clearinghouse in accordance with OMB Circular A-133, Subpart C section §___.320 Report submission, paragraph (d). Subpart C, section §___.320 Report submission paragraph (h) then states that "the Clearinghouse shall distribute the reporting packages received in accordance with paragraph (d)(2) of this section and §___.235(c)(3) to applicable Federal awarding agencies, maintain a data base of completed audits, provide appropriate information to Federal agencies, and follow up with known auditees which have not submitted the required data collection forms and reporting packages." The report package is sent to the Department of Interior OIG who in turn send a copy of the report to DOI/PFM. PFM forwards all audit packages to the Bureau/Office that have funds awarded to the entity that is the subject of the audit. The Bureau audit liaison officer then works with the program offices to track implementation of the corrective actions and collect any monies due.

#3 – The Service concurs with this finding. The Service will establish a policy and procedures to ensure that that regional FAIMS/FFS/HHS monthly reconciliation reviews are documented.

Target Completion Date: June 30, 2008
Responsible Officials:
Assistant Director, Wildlife and Sport Fish Restoration Programs, Rowan Gould, 202-208-1050
Assistant Director, Migratory Birds, Paul Schmidt, 202-208-1050
All Regional Directors

E. Single Audit Act Amendments of 1996 (Single Audit Act)

The Service does not concur with this recommendation. The Service is in compliance with current guidance from the Department of Interior and is following the procedures in accordance with OMB Circular A-133.

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.

ATTACHMENT 3

STATUS OF AUDIT REPORT RECOMMENDATIONS

Recommendation	Status	Action Required
C.2, D.1, D.2, and E	Unresolved	Recommendations will be referred to the Assistant Secretary, Policy, Management and Budget for resolution.
B.1, B.2, C.1, and D.3	Resolved; not implemented	Recommendations will be referred to the Assistant Secretary, Policy, Management and Budget for tracking of implementation.
A	Repeated, resolved; not implemented	No action required. Continue tracking this repeat recommendation that was previously referred as recommendation B. in Report No. X-IN-FWS-0020-2006.

United States Department of the Interior
U.S. Fish & Wildlife Service
http://www.fws.gov

November 2007