



Annual Report

Fiscal Year 2003





Convertible canvas-topped tour buses carry visitors down Glacier National Park's Going-to-the-Sun Road in the 1930s. NPS PHOTO

Cover: Vintage red tour buses have returned to Glacier National Park after a three-year retirement induced by age, safety, and engine emission control concerns. Refurbished by Ford Motor Company through a partnership with the National Park Foundation, the quieter, clean-running buses now operate on a bi-fuel system of gasoline and propane. NPS PHOTO

Annual Report

Fiscal Year 2003

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U.S. Department of the Interior
National Park Service
Washington, DC

Mission Statement

The National Park Service preserves unimpaired the natural and cultural resources and intrinsic values of the National Park System for the enjoyment, education, and inspiration of this and future generations. The National Park Service cooperates with partners to extend the benefits of natural and cultural resource conservation, and outdoor recreation throughout this country and the world.

Morning rainbows provide a colorful backdrop to the livestock barn at Hubbell Trading Post National Historic Site. Hubbell is one of the oldest continuously operated posts on the Navajo Reservation, where it has served as a valuable link between cultures since 1878. PHOTO BY DIANE LIGGETT

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Lower Yellowstone Falls is a principal element of Yellowstone National Park, which forms the core of one of the largest intact temperate zone ecosystems on earth. PHOTO © RUSS FINLEY/FINLEY-HOLIDAY FILMS

A Message From the Director

“It may be that no Federal agency is as closely connected to America and Americans. The places and programs entrusted to the National Park Service protect grand vistas and promote scientific inquiry; they provide spaces for respite and recreation, places to reflect our human heritage.”



Fran P. Mainella, Director of the National Park Service

NPS PHOTO

I am pleased to give you the National Park Service Annual Report for Fiscal Year 2003. It highlights many recent accomplishments and points out the direction we are taking into the new year. This overview details the variety and complexity of the Service's responsibilities and accomplishments.

Last year, President George W. Bush promised: “The National Parks Legacy Project will enhance the National Parks' ecosystems, improve outdoor opportunities, address infrastructure needs, and establish accountability through performance goals.”

This report is a clear assessment of our progress. We are pleased to make it available to all the corporate and private citizens and organizations who support, encourage, and benefit from our work.

It may be that no Federal agency is as closely connected to America and Americans. The places and programs entrusted to the National Park Service protect grand vistas and promote scientific inquiry; they provide spaces for respite and recreation, places to reflect our human heritage. In their diversity and nuance, they preserve the treasures of our past and the legacy for our future.

The places we manage display elements of our natural and human history. They are linked pieces of a puzzle that assemble to reveal the grand scope of our great nation's heritage. Our support programs help a wide range of state, local and private agencies and facilities encourage Americans everywhere

to find and enjoy recreational, scientific, and educational values in parks, historic places and open spaces.

This year we have made great strides in several areas. We continue to reduce the backlog of maintenance deficiencies in the parks. Through our Natural Resource Challenge, we have developed a growing range of scientific inventories and evaluations to help park managers prioritize weaknesses and their solutions.

Most of all, we have refocused our attention on the value of partnerships to achieve greater goals than we could reach in isolation. We have found sponsors, recruited volunteers, trained students and embraced neighbors to assure that every possible visitor is welcomed and encouraged to take an active role in advancing the programs and resources we treasure.

The successful audit of the NPS financial records reflects our Servicewide commitment to transparent management accountability, open to public review and scrutiny. It is a proud and important accomplishment. It invites active participation and close observation of every park and program we manage.

I believe everyone should read this report for a better understanding of both the goals and accomplishments of the National Park Service in the last fiscal year.

A handwritten signature in dark ink that reads "Fran P. Mainella". The signature is written in a cursive, flowing style.

Fran P. Mainella, Director
National Park Service



Research studies have been conducted during the past decade in Rocky Mountain National Park to examine the question of the possible overabundance of elk in the park. PHOTO © RUSS FINLEY/FINLEY-HOLIDAY FILMS

Management Discussion and Analysis: NPS Mission and Organizational Structure

“The National Park Service preserves unimpaired the natural and cultural resources and intrinsic values of the National Park System for the enjoyment, education, and inspiration of this and future generations.”

—NATIONAL PARK SERVICE ORGANIC ACT, 1916

MISSION AND HISTORY

On August 25, 1916, President Woodrow Wilson signed the act creating the National Park Service, a federal bureau in the Department of the Interior. The Organic Act of the National Park Service states *“the Service thus established shall promote and regulate the use of Federal areas known as national parks, monuments and reservations . . . by such means and measures as conform to the fundamental purpose of the said parks, monuments and reservations, which purpose is to conserve the scenery and the natural and historic objects and the wild life therein and to provide for the enjoyment of the same in such manner and by such means as will leave them unimpaired for the enjoyment of future generations.”*

The National Park Service continues to strive to meet those original goals while filling many roles: guardian of our diverse cultural and recreational resources, environmental advocate, world leader in the parks and preservation community, and pioneer in the drive to protect America’s open space.

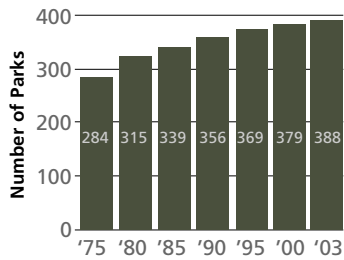
SIZE AND COMPOSITION

Additions to the National Park System generally are made through acts of Congress, and national parks can be created only through such acts. The President has authority, under the Antiquities Act of 1906, to proclaim national monuments on lands already under federal jurisdiction.

National Park Service Mission Guiding Principles

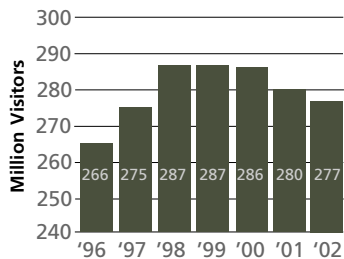
Excellent Service	Providing the best possible service to park visitors and partners.
Productive Partnerships	Collaborating with federal, state, tribal, and local governments, private organizations, and businesses to work toward common goals.
Citizen Involvement	Providing opportunities for citizens to participate in the decisions and actions of the National Park Service.
Heritage Education	Educating park visitors and the general public about their history and common heritage.
Outstanding Employees	Empowering a diverse work force committed to excellence, integrity, and quality work.
Employee Development	Providing developmental opportunities and training so employees have the “tools to do the job” safely and efficiently.
Wise Decisions	Integrating social, economic, environmental, and ethical considerations into the decision-making process.
Effective Management	Instilling a performance management philosophy that fosters creativity, focuses on results, and requires accountability at all levels.
Research and Technology	Incorporating research findings and new technologies to improve work practices, products, and services.
Shared Capabilities	Sharing technical information and expertise with public and private land managers.

National Park System Growth



Nine new units have been added to the NPS since FY 2000.

Recreational Visits Per Year



Visitation at national parks has declined in recent years due to the events of September 11, 2001, and adverse economic conditions.

In 2003 the National Park System consisted of 388 units encompassing more than 84 million acres of land in every state except Delaware. Park units are also located in the District of Columbia, American Samoa, Guam, Puerto Rico, and the Virgin Islands.

National Park System units presently bear some 20 designations which include *national park*, *national monument*, *national historic site*, *national recreation area*, *national river*, *national battlefield*, and *national scenic trail*. These designations are rooted in the National Park System's legislative and administrative history. Different designations provide protection appropriate to the resource by varying limits to use or access. The National Park Service also works with affiliated areas including *national heritage areas*. See the Required Supplementary Stewardship Information section of this report for further information about the composition of the National Park System.

VISITATION

Visitation to the National Park System in calendar year 2002, the latest year for which data is available, declined by 0.9 percent from 2001 due to the adverse economic conditions affecting visitation patterns. The events of September 11, 2001, have also created lingering adverse effects on

visitation patterns. Visitation in 2002 totaled approximately 277 million, 2.6 million less than in 2001.

VISITOR SERVICES

National parks are established to encourage and service visitation. A customer satisfaction survey at all National Park System units indicates a customer satisfaction rating of 95 percent, meeting the goal established by the NPS in its strategic plan.

ORGANIZATIONAL STRUCTURE

The National Park Service is a bureau within the Department of the Interior. The National Park Service is administered by a Director (a position which requires Senate confirmation) who reports to the Secretary of the Interior.

Servicewide programs and grant programs for entities outside of the National Park Service are administered through Associate Directors. In FY 2002 the National Park Service undertook a comprehensive realignment of "portfolio" responsibilities among Associate Directors and established reporting requirements through the Deputy Directors. The purpose of the realignment was to improve effectiveness in carrying out the broad mission responsibilities of the National Park Service by balancing

Volunteers comprise an integral component of the work force at Prince William Forest Park. NPS PHOTO





responsibilities among top managers and consolidating similar functions under common leadership. The reorganization became effective at the beginning of FY 2003 and included the addition of a new Associate Director for Partnerships, Interpretation and Education, Volunteers, and Outdoor Recreation.

The National Park System is organized into seven regions: Alaska, Intermountain, Midwest, National Capital, Northeast, Pacific West, and Southeast. A Regional Director, who provides line supervision for all park superintendents within the region, heads each. There are also 10 support offices distributed among the regions.

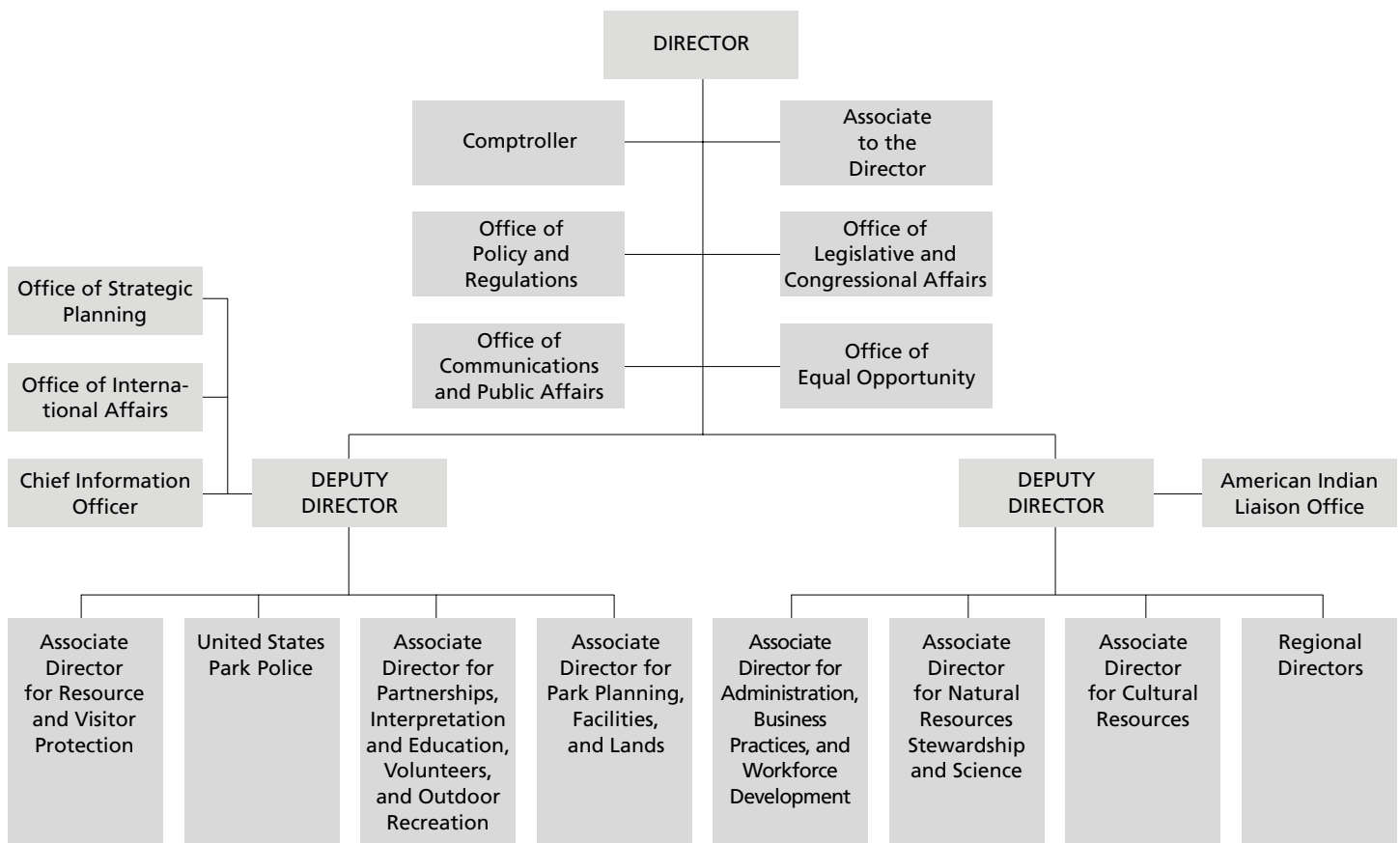
The National Leadership Council (NLC), composed of the Director, Deputy Directors, Associate to the Director, Associate Directors, Comptroller, Chief of the U.S. Park Police, and the seven Regional Directors, sets policy and the overall direction for the National Park Service.

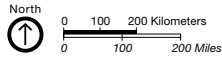
STAFFING

In FY 2002 the National Park Service used 20,505 full-time equivalents (FTE). The FTE count equates to an on-board strength of about 25,000 employees during the summer months when visitation is at its peak. Fiscal Year 2003 FTE usage is estimated at 20,369.

The Volunteers in Parks Program continues to prove a major force in accomplishing the National Park Service mission. During Fiscal Year 2002, 125,000 volunteers contributed 4.5 million hours of service to the NPS through 350 VIP programs across the country. Valued at the private sector rate of \$16.05 an hour, this equates to more than \$72 million in value provided to the National Park Service. The expected VIP contribution for FY 2003 is 131,250 volunteers working approximately 4.7 million hours, or a 5 percent increase over 2002 levels. At a projected rate of \$16.75 an hour, this equates to approximately \$79 million in volunteer work.

FY 2003 Organization of the National Park Service

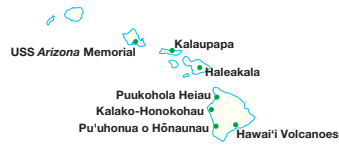




● Yosemite National Park Service unit
● OregonTrail Associated sites



HAWAII

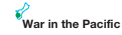


United States Territories

AMERICAN SAMOA



GUAM



PUERTO RICO VIRGIN ISLANDS



The National Park System



National Park System Units by Region

ALASKA REGION

1. Alagnak Wild River	7. Denali NPres	13. Katmai NPres	19. Noatak NPres
2. Aniakchak NM	8. Gates of the Arctic NP	14. Kenai Fjords NP	20. Sitka NHP
3. Aniakchak NPres	9. Gates of the Arctic NPres	15. Klondike Gold Rush NHP	21. Wrangell-Saint Elias NP
4. Bering Land Bridge NPres	10. Glacier Bay NP	16. Kobuk Valley NP	22. Wrangell-Saint Elias NPres
5. Cape Krusenstern NM	11. Glacier Bay NPres	17. Lake Clark NP	23. Yukon-Charley Rivers NPres
6. Denali NP	12. Katmai NP	18. Lake Clark NPres	

INTERMOUNTAIN REGION

24. Alibates Flint Quarries NM	44. Chickasaw NRA	65. Grant-Kohrs Ranch NHS	85. Petrified Forest NP
25. Amistad NRA	45. Chiricahua NM	66. Great Sand Dunes NP	86. Petroglyph NM
26. Arches NP	46. Colorado NM	67. Great Sand Dunes NPres	87. Pipe Spring NM
27. Aztec Ruins NM	47. Coronado NMem	68. Guadalupe Mountains NP	88. Rainbow Bridge NM
28. Bandelier NM	48. Curecanti NRA	69. Hohokam Pima NM	89. Rio Grande Wild & Scenic River
29. Bent's Old Fort NHS	49. Devils Tower NM	70. Hovenweep NM	90. Rocky Mountain NP
30. Big Bend NP	50. Dinosaur NM	71. Hubbell Trading Post NHS	91. Saguaro NP
31. Big Thicket NPres	51. El Malpais NM	72. John D Rockefeller Jr. Memorial Parkway	92. Salinas Pueblo Missions NM
32. Bighorn Canyon NRA	52. El Morro NM	73. Lake Meredith NRA	93. San Antonio Missions NHP
33. Black Canyon of the Gunnison NP	53. Florissant Fossil Beds NM	74. Little Bighorn NM	94. Sunset Crater NM
34. Bryce Canyon NP	54. Fort Bowie NHS	75. Lyndon B Johnson NHP	95. Timpanogos Cave NM
35. Canyon de Chelly NM	55. Fort Davis NHS	76. Mesa Verde NP	96. Tonto NM
36. Canyonlands NP	56. Fort Laramie NHS	77. Montezuma Castle NM	97. Tumacacori NHP
37. Capitol Reef NP	57. Fort Union NM	78. Natural Bridges NM	98. Tuzigoot NM
38. Capulin Volcano NM	58. Fossil Butte NM	79. Navajo NM	99. Walnut Canyon NM
39. Carlsbad Caverns NP	59. Gila Cliff Dwellings NM	80. Oklahoma City NMem	100. Washita Battlefield NHS
40. Casa Grande Ruins NM	60. Glacier NP	81. Organ Pipe Cactus NM	101. White Sands NM
41. Cedar Breaks NM	61. Glen Canyon NRA	82. Padre Island NS	102. Wupatki NM
42. Chaco Culture NHP	62. Golden Spike NHS	83. Palo Alto Battlefield NHS	103. Yellowstone NP
43. Chamizal NMem	63. Grand Canyon NP	84. Pecos NHP	104. Yucca House NM
	64. Grand Teton NP		105. Zion NP

MIDWEST REGION

106. Agate Fossil Beds NM	121. George Washington Carver NM	134. Knife River Indian Village NHS	145. Pea Ridge NMP
107. Apostle Islands NL	122. Grand Portage NM	135. Lincoln Boyhood NMem	146. Perry's Victory & International Peace Memorial
108. Arkansas Post NMem	123. Harry S Truman NHS	136. Lincoln Home NHS	147. Pictured Rocks NL
109. Badlands NP	124. Herbert Hoover NHS	137. Little Rock Central High School NHS	148. Pipestone NM
110. Brown v. Board of Education NHS	125. Homestead National Monument of America	138. Minuteman Missile NHS	149. Saint Croix NSR
111. Buffalo NR	126. Hopewell Culture NHP	139. Mississippi National River & Rec Area	150. Scotts Bluff NM
112. Cuyahoga Valley NP	127. Hot Springs NP	140. Missouri National Rec River	151. Sleeping Bear Dunes NL
113. Dayton Aviation NHP	128. Indiana Dunes NL	141. Mount Rushmore NMem	152. Tallgrass Prairie NPres
114. Effigy Mounds NM	129. Isle Royale NP	142. Nicodemus NHS	153. Theodore Roosevelt NP
115. First Ladies NHS	130. James A Garfield NHS	143. Niobrara National Scenic Riverway	154. Ulysses S Grant NHS
116. Fort Larned NHS	131. Jefferson National Expansion Memorial	144. Ozark National Scenic Riverways	155. Voyageurs NP
117. Fort Scott NHS	132. Jewel Cave NM		156. William Howard Taft NHS
118. Fort Smith NHS	133. Keweenaw NHP		157. Wilson's Creek NB
119. Fort Union Trading Post NHS			158. Wind Cave NP
120. George Rogers Clark NHP			

NATIONAL CAPITAL REGION

159. Antietam NB	168. Frederick Douglass NHS	176. Mary McLeod Bethune Council House NHS	185. Theodore Roosevelt Island
160. Arlington House	169. George Washington Memorial Parkway	177. Monocacy NB	186. Thomas Jefferson Memorial
161. Catoctin Mountain Park	170. Greenbelt Park	178. National Capital Parks (Central & East)	187. Vietnam Veterans Memorial
162. Chesapeake & Ohio Canal NHP	171. Harpers Ferry NHP	179. National Mall	188. Washington Monument
163. Clara Barton NHS	172. Korean War Veterans Memorial	180. Pennsylvania Avenue NHS	189. White House
164. Constitution Gardens	173. Lyndon B. Johnson Memorial Grove on the Potomac	181. Piscataway Park	190. Wolf Trap National Park for the Performing Arts
165. Ford's Theatre NHS	174. Lincoln Memorial	182. Potomac Heritage NST	
166. Fort Washington Park	175. Manassas NBP	183. Prince William Forest Park	
167. Franklin D. Roosevelt Memorial		184. Rock Creek Park	

(See next page for NPS site designation abbreviations)

National Park System Units by Region

NORTHEAST REGION

191. Acadia NP	211. Federal Hall NMem	228. Hampton NHS	248. Saint Paul's Church NHS
192. Adams NHP	212. Fire Island NS	229. Home of FD Roosevelt NHS	249. Saint-Gaudens NHS
193. Allegheny Portage RR NHS	213. Flight 93 NMem	230. Hopewell Furnace NHS	250. Salem Maritime NHS
194. Appomattox Court House NHP	214. Fort McHenry NM & Historic Shrine	231. Independence NHP	251. Saratoga NHP
195. Assateague Island NS	215. Fort Necessity NB	232. John F Kennedy NHS	252. Saugus Iron Works NHS
196. Bluestone NSR	216. Fort Stanwix NM	233. Johnstown Flood NMem	253. Shenandoah NP
197. Booker T Washington NM	217. Frederick Law Olmsted NHS	234. Longfellow NHS	254. Springfield Armory NHS
198. Boston African American NHS	218. Fredericksburg/Spotsylvania Battlefield Mem	235. Lowell NHP	255. Statue of Liberty NM
199. Boston NHP	219. Friendship Hill NHS	236. Maggie L Walker NHS	256. Steamtown NHS
200. Boston Harbor Islands NRA	220. Gateway NRA	237. Marsh-Billings-Rockefeller NHP	257. Thaddeus Kosciuszko NMem
201. Cape Cod NS	221. Gauley River NRA	238. Martin Van Buren NHS	258. Theodore Roosevelt Birthplace NHS
202. Castle Clinton NM	222. General Grant NMem	239. Minute Man NHP	259. Theodore Roosevelt Inaugural NHS
203. Cedar Creek and Belle Grove NHP	223. George Washington Birthplace NM	240. Morristown NHP	260. Thomas Stone NHS
204. Colonial NHP	224. Gettysburg NMP	241. New Bedford Whaling NHP	261. Upper Delaware Scenic & Recreational River
205. Delaware NSR	225. Governor's Island NM	242. New River Gorge NR	262. Valley Forge NHP
206. Delaware Water Gap NRA	226. Great Egg Harbor Scenic and Recreational River	243. Petersburg NB	263. Vanderbilt Mansion NHS
207. Edgar Allan Poe NHS	227. Hamilton Grange NMem	244. Richmond NBP	264. Weir Farm NHS
208. Edison NHS		245. Roger Williams NMem	265. Women's Rights NHP
209. Eisenhower NHS		246. Sagamore Hill NHS	
210. Eleanor Roosevelt NHS		247. Saint Croix Island IHS	

PACIFIC WEST REGION

266. Big Hole NB	281. Great Basin NP	296. Manzanar NHS	310. Redwood NP
267. Cabrillo NM	282. Hagerman Fossil Beds NM	297. Minidoka Internment NM	311. Rosie the Riveter/ WWII Home Front NHP
268. Channel Islands NP	283. Haleakala NP	298. Mojave NPres	312. Ross Lake NRA
269. City of Rocks National Reserve	284. Hawaii Volcanoes NP	299. Mount Rainier NP	313. San Francisco Maritime NHP
270. Crater Lake NP	285. John Day Fossil Beds NM	300. Muir Woods NM	314. San Juan Island NHP
271. Craters of the Moon NM	286. John Muir NHS	301. National Park of American Samoa	315. Santa Monica Mountains NRA
272. Craters of the Moon NPres	287. Joshua Tree NP	302. Nez Perce NHP	316. Sequoia NP
273. Death Valley NP	288. Kalaupapa NHP	303. North Cascades NP	317. U.S.S. Arizona Memorial
274. Devils Postpile NM	289. Kaloko-Honokohau NHP	304. Olympic NP	318. War in the Pacific NHP
275. Ebeys Landing NH Reserve	290. Kings Canyon NP	305. Oregon Caves NM	319. Whiskeytown-Shasta-Trinity NRA
276. Eugene O'Neill NHS	291. Lake Chelan NRA	306. Pinnacles NM	320. Whitman Mission NHS
277. Fort Clatsop NMem	292. Lake Mead NRA	307. Point Reyes NS	321. Yosemite NP
278. Fort Point NHS	293. Lake Roosevelt NRA	308. Pu'uhonua o Honaunau NHP	
279. Fort Vancouver NHS	294. Lassen Volcanic NP	309. Puukohola Heiau NHS	
280. Golden Gate NRA	295. Lava Beds NM		

SOUTHEAST REGION

322. Abraham Lincoln Birthplace NHS	338. Chattahoochee River NRA	355. Great Smoky Mountains NP	372. Obed Wild & Scenic River
323. Andersonville NHS	339. Chickamauga and Chattanooga NMP	356. Guilford Courthouse NMP	373. Ocmulgee NM
324. Andrew Johnson NHS	340. Christiansted NHS	357. Gulf Islands NS	374. Poverty Point NM
325. Big Cypress NPres	341. Congaree Swamp NM	358. Horseshoe Bend NMP	375. Russell Cave NM
326. Big South Fork National River & Rec Area	342. Cowpens NB	359. Jean Lafitte NHP & Pres	376. Salt River Bay NHP & Ecological Preserve
327. Biscayne NP	343. Cumberland Gap NHP	360. Jimmy Carter NHS	377. San Juan NHS
328. Blue Ridge Parkway	344. Cumberland Island NS	361. Kennesaw Mountain NBP	378. Shiloh NMP
329. Brices Crossroads NBS	345. De Soto NMem	362. Kings Mountain NMP	379. Stones River NB
330. Buck Island Reef NM	346. Dry Tortugas NP	363. Little River Canyon National Preserve	380. Timucuan Ecological & Historic Preserve
331. Canaveral NS	347. Everglades NP	364. Mammoth Cave NP	381. Tupelo NB
332. Cane River Creole NHP	348. Fort Caroline NMem	365. Martin Luther King, Jr. NHS	382. Tuskegee Airmen NHS
333. Cape Hatteras NS	349. Fort Donelson NB	366. Moores Creek NB	383. Tuskegee Institute NHS
334. Cape Lookout NS	350. Fort Frederica NM	367. Natchez NHP	384. Vicksburg NMP
335. Carl Sandburg Home NHS	351. Fort Matanzas NM	368. Natchez Trace NST	385. Virgin Islands Coral Reef NM
336. Castillo de San Marcos NM	352. Fort Pulaski NM	369. Natchez Trace Pkwy	386. Virgin Islands NP
337. Charles Pickney NHS	353. Fort Raleigh NHS	370. New Orleans Jazz NHP	387. Wright Brothers NM
	354. Fort Sumter NM	371. Ninety Six NHS	

WASHINGTON OFFICE

388. Appalachian NST	IHS	International Historic Site	NL	National Lakeshore	NRA	National Recreational Area
	NB	National Battlefield	NM	National Monument	NS	National Seashore
	NBP	National Battlefield Park	NMem	National Memorial	NSR	National Scenic River
	NBS	National Battlefield Site	NMP	National Military Park	NST	National Scenic Trail
	NHP	National Historical Park	NP	National Park	NW&SR	National Wild and Scenic River
	NHS	National Historic Site	NPres	National Preserve		
	NHT	National Historic Trail	NR	National River		



Navajo legends include the story of a young boy who escaped his enemy by climbing a magic silken cord hanging from Spider Rock in Canyon de Chelly National Monument. PHOTO BY DIANE LIGGETT

Management Discussion and Analysis: NPS Performance Goals and Results

STRATEGIC GOALS AND RESULTS

The Government Performance and Results Act (GPRA)¹ requires the National Park Service to have a strategic plan that includes a comprehensive statement of mission, as well as outcome-related goals and objectives to fulfill that mission. In Fiscal Year 2000 the NPS updated the Strategic Plan to cover the years 2001-2005. National Park Service annual goals are published in the Annual Performance Plan (part of the NPS Budget). Agency accomplishments are published in the DOI Annual Report on Performance and Accountability and in the NPS Budget. *(Refer to the DOI Annual Report on Performance and Accountability for a comprehensive accounting of NPS performance against goals in FY 2003.)*

In FY 2003 and FY 2004 the NPS will be updating its Strategic Plan again as required by GPRA. During this time, the NPS will be linking its strategic goals more closely with the Strategic Plan goals of the U.S. Department of the Interior. This process will require that the NPS adopt additional

goals and modify some existing goals to more closely link with DOI strategic goals whenever practical.

The mission goals of the NPS fall into three mission-related categories: (I.) Preserve Park Resources, (II.) Provide for the Public Enjoyment and Visitor Experience of Parks, and (III.) Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed By Partners. Each of these mission goals relate to a strategic goal of the Department of the Interior.

The NPS Strategic Plan is written in terms of long-term and annual goals. The Strategic Plan for FY 2001-FY 2005 establishes the long-term goal as of the end of Fiscal Year 2005. Annual goals are as of the end of the fiscal year for the reporting year. The NPS states its Servicewide goals as measurable outcomes (results), embedding the performance measure into each long-term goal and stating its annual goals in the same way, to show clear and direct relationships between long-term

Relation of National Park Service Mission Goals to U.S. Department of the Interior Strategic Plan

NPS Mission Goal	Relevance to U.S. Department of the Interior Strategic Plan	
	DOI Strategic Mission Goal	DOI Outcome Goal
1. Preserve Park Resources	1. Resource Protection	<ul style="list-style-type: none"> ■ Improve Health of Watersheds and Landscapes ■ Sustain Biological Communities ■ Protect Cultural and Heritage Resources
2. Provide for Public Enjoyment and Visitor Experience of Parks	2. Recreation	<ul style="list-style-type: none"> ■ Improve Access to Recreation ■ Ensure Quality of Recreation ■ Receive and Provide Fair Value in Recreation
	3. Serving Communities	<ul style="list-style-type: none"> ■ Protect Lives, Resources, and Property
3. Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed By Partners	2. Recreation	<ul style="list-style-type: none"> ■ Improve Access to Recreation ■ Ensure Quality of Recreation ■ Receive and Provide Fair Value in Recreation
	3. Serving Communities	<ul style="list-style-type: none"> ■ Protect Lives, Resources, and Property

¹ GPRA was passed in 1993 to improve operational efficiency and effectiveness by requiring agencies to define their mission goals and identify long- and short-term program goals through strategic planning, and to measure and evaluate program accomplishments through annual performance reports to the American people.

goals and annual goals. Within the three mission-related categories, four annual performance goals were selected to highlight the NPS accomplishments for Fiscal Year 2003.

I. Preserve Park Resources

This goal category reflects the National Park Service commitment to preserve, restore, and maintain natural and cultural resources and associated values in good condition, as well as to manage such resources within their broader ecosystem and cultural context. Long-term goals include the preservation, restoration, or maintenance of ecosystems, rare plant and animal populations, archeological and ethnographic resources, world heritage sites, historic structures and objects, research collections, cultural traditions, and subsistence activities relevant to the purpose and/or significance of the site.

In addition to the goals that directly address preserving the resource, this goal category also includes goals supporting National Park Service contributions to scholarly and scientific research. The National Park Service has fundamental information requirements to support sound decisions about managing natural and cultural resources within the National Park System. Two performance goals were selected to highlight the accomplishments in preserving natural and cultural resources.

Ia1. Disturbed Lands/Exotic Plant

Species: This goal addresses resource conditions in parks and includes restoration of lands impacted by former uses and containment of invasive plant species. While part of the same goal, performance measures are different for disturbed lands and exotic vegetation. The

long-term goal for FY 2005 for disturbed lands is restore to 10.1 percent of targeted acres of parkland disturbed by development or agriculture as of 1999, or 22,500 of 222,300 acres. The long-term goal for FY 2005 for exotic vegetation is to contain exotic vegetation on 6.3 percent of targeted acres of parkland, or 167,500 of 2,656,700 acres.

The National Park Service projected that, by the end of FY 2003, it would restore 5.2 percent of the 222,300 acres of lands disturbed from earlier development, or 11,500 acres. Actual accomplishment is estimated to be 11,612 acres of disturbed lands restored, or 5.2 percent of the lands disturbed from earlier development, based on estimated data. Final data will not be available until the end of the first quarter of FY 2004. The NPS will evaluate park data to verify and validate the information. The NPS expects to meet the FY 2003 target when all data are available and validated. The NPS also projected that it would restore 4.6 percent of nearly 2.7 million acres of lands impacted by exotic plant species. Actual accomplishment is estimated to be 127,672 acres of impacted lands restored, or 4.8 percent of the projection, based on estimated data. Final data will not be available until the end of the first quarter of FY 2004. The NPS will evaluate park data to verify and validate the information. The NPS expects to meet the FY 2003 target when all data are available and validated.

The National Park Service can report only estimated data at this time and has high confidence in the accuracy of those estimates. The National Park Service estimated performance based on past performance trends and funding levels for FY 2003.

Goal Ia1. Restore Parklands Impacted by Former Uses and That Contain Invasive Plants

Target	Measure	Base: Targeted Acres in FY 1999	Estimated Performance			
			FY 2003 Goal		Actual FY 2003	
			Number	% of Base	Number	% of Base
Disturbed Parklands	Acres Restored	222,300	11,500	5.2%	11,612	5.2%
Exotic Vegetation	Acres Restored	2,656,700	122,600	4.6%	127,672	4.8%

la5. Historic Structures: The objective of this goal is to increase the number of structures contained on the List of Classified Structures (LCS) that are in “good” condition. Park historic and prehistoric structures are key park resources, the basis for 220 park units, and integral to the health of many other parks. Maintaining these structures in good condition supports the National Historic Preservation Act and the cultural resource integrity of the National Park System.

The LCS is the primary database containing condition information on park historic structures. Structures on the LCS are on, or are eligible for, the National Register of Historic Places, or are otherwise treated as cultural resources. The condition of historic structures is listed as good, fair, and poor. Good condition indicates that the structure and its significant features need only routine repairs or cyclic maintenance. The long-term goal for FY 2005 is to have 48 percent of the historic structures on the current List of Classified Structures in good condition.

The National Park Service did not meet the goal for condition of historic structures in Fiscal Year 2003. The number of structures on the LCS in good condition was 11,753 or 44 percent. At the end of FY 2002 the NPS reported 11,946 of a total of 26,859 (44.5 percent) historic structures were in good

condition. During FY 2003 a total of 429 historic structures were added to the LCS list, and 787 were removed from the LCS, resulting in a net loss of 358 historic structures. The majority of structures removed from the LCS were the 517 historic structures in Golden Gate National Recreation Area (GOGA) that are managed by Presidio Trust. The removal of these structures from the LCS was an adjustment made by the park and the region to bring LCS and GPRA data into agreement. Approximately 76 percent of the removed structures were in good condition, and had a negative impact on the overall percentage of the remaining structures in good condition.

II. Provide for the Public Enjoyment and Visitor Experience of Parks

The objectives in this goal category are inclusive of the mandate in the NPS Organic Act (1916) “ . . . to provide for the enjoyment of the (resources) in such manner and by such means as will leave them unimpaired for the enjoyment of future generations.” The goal category includes all National Park Service goals for visitor satisfaction, enjoyment, safety, appreciation, and understanding.

These goals include the broad range of visitor experiences in the parks. The NPS estimates it will have 283.7 million visitors in 2003. Enjoyment of the parks and their

Goal Ia5. Increase Number of Historic Structures on LCS That Are in Good Condition						
Target	Measure	Base: Number of LCS Structures	FY 2003 Goal		Estimated FY 2003 Performance	
			Number in Good Condition	% of Base	Number in Good Condition	% of Base
Structures On the Current Year List of Classified Structures	Structures in Good Condition	26,501	12,355	46%	11,753	44%

Goal IIa1. Park Visitors Are Satisfied With Their National Park Experience			
Target	Measure	FY 2003 Goal	Estimated FY 2003 Performance
Visitor Satisfaction	Percent of Visitors Surveyed Who Rank Park Facilities, Service, and Recreational Facilities as “Very Good” or “Good”	95%	95%



The National Park Service provides access for visitors to Point Bonita Lighthouse, which is maintained by the U.S. Coast Guard and part of Golden Gate National Recreation Area . PHOTO BY JOY PIETSCHMANN

resources is a fundamental part of the visitor experience. Visitor enjoyment and safety are affected by the quality of park programs, facilities, and services, whether provided by the National Park Service, a concessioner, or a contractor.

Visitors' park experiences grow from enjoying the park and its resources to understanding why the park exists and the significance of those resources. Satisfactory visitor experiences build public support for preserving this country's heritage and help develop a better understanding of the diversity of experiences and people that built a nation.

Serving visitors requires that the NPS maintain a physical inventory containing approximately 16,000 permanent structures (buildings), 1,115 campgrounds, 5,460 lane miles, 5,000 housing units, 2,700 water and wastewater systems, and 277 dams. These and all other NPS facilities must be maintained at an operational level that ensures safe use by the visitor and continued protection, preservation, and

serviceability of the facilities. (Data are current as of June, 2003. The Federal Lands Highway Program will be integrating the inventory in early 2004, at which time, inventory of road miles, bridges, and tunnels will become available.)

Ila1. Visitor Satisfaction: While many factors affect visitor use and enjoyment, this goal focuses on providing the facilities, services, and recreational opportunities for visitor use, comfort, and enjoyment. Servicewide baseline and performance information is derived from the Visitor Services Project annual surveys. Facilities, services, and recreational opportunities identified by visitors as "good" and "very good" define "satisfied." The long-term goal for FY 2005 is to maintain 95 percent level of park visitor satisfaction with appropriate park facilities, services, and recreational opportunities. The NPS met its projected FY 2003 results for annual surveys of visitor satisfaction for a 95 percent satisfaction rate Servicewide based on a statistical evaluation of existing data and past performance.

III. Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed by Partners

This goal category focuses on the many partnership programs legislated under the National Historic Preservation Act, the Historic Sites Act, the Land and Water Conservation Fund Act, the Wild and Scenic Rivers Act, and others. Natural and cultural resources include properties listed on the National Register of Historic Places, wild and scenic rivers, national trails, national landmarks, and heritage and recreation areas.

These goals address the results of a broad range of programs that assist others to preserve our natural and cultural, and recreational resources. These programs encompass formal partnership programs with more than 60 other federal agencies, 59 states and territories, more than 1,000 local governments, more than 300 Indian tribes, foreign governments, private organizations, friends groups, academic institutions, and the general public. These goals include increasing the number of significant historic, archeological, and natural properties protected and improving customer satisfaction with NPS technical assistance.

Some goals relate only to recreational opportunities external to the National Park System through the provision of conservation assistance for adding miles of trails and rivers, and acres of parks and open space, to meet America’s outdoor recreation needs, and through improving community satisfaction with NPS partnership assistance.

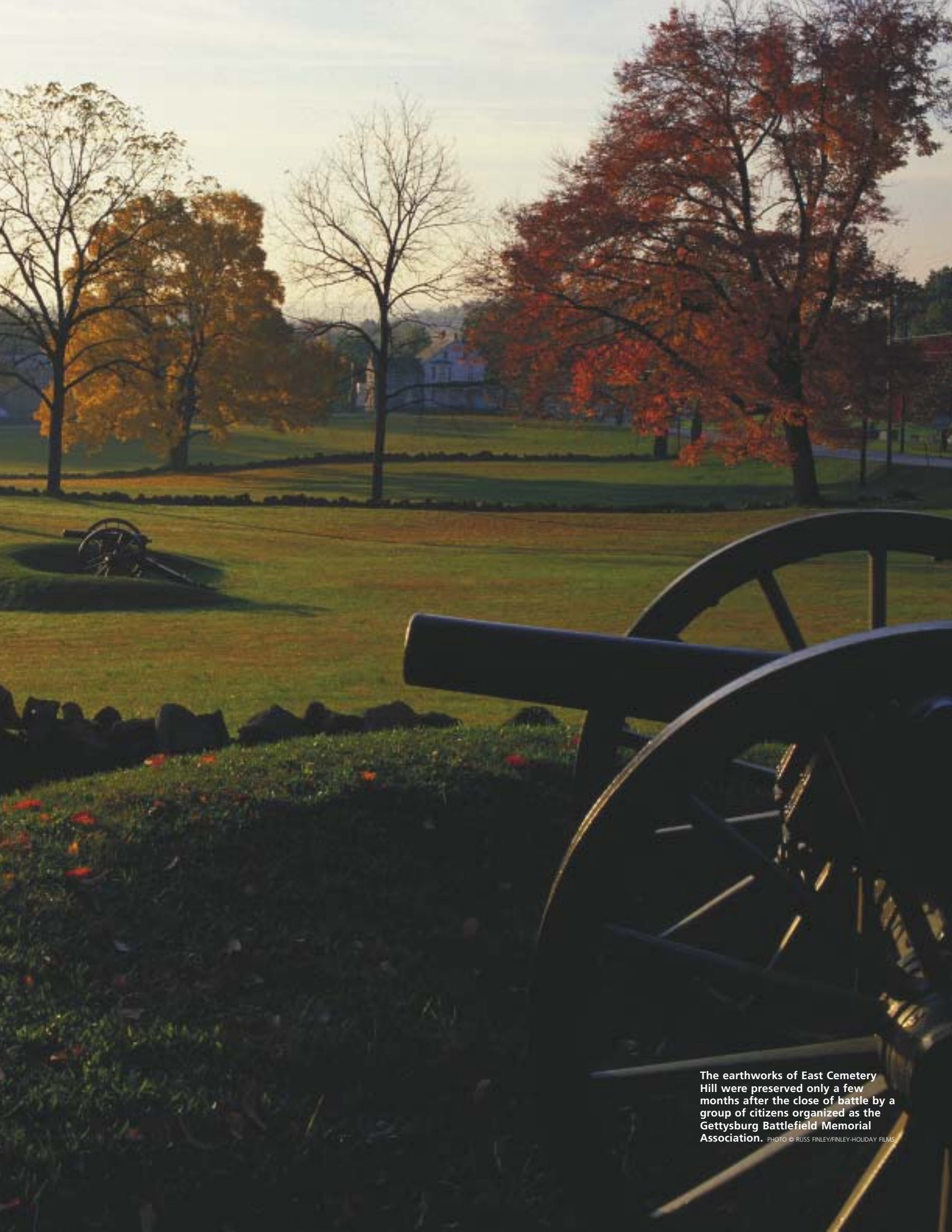
In addition to assisting others develop recreational resources, the NPS also ensures that transferred federal lands or land purchased by federal dollars for recreational purposes continue to serve their role for improving the recreational opportunities available. One performance goal was selected to represent the accomplishments in this goal category.

IIIb1. Conservation Assistance: This goal tracks results of NPS technical assistance to states, communities, and nonprofit organizations to protect additional resources and to provide increased local recreational opportunities through financial and technical assistance, as well as coordination of federal assistance.

By supporting more resources such as trails, rivers, and open spaces for the American people, the NPS and its partners enhance the visitor experience and ensure that resource integrity remains intact. The long-term goal for FY 2005, working from baselines established in 1997, is to conserve an additional 8,400 miles of trails, 6,600 miles of protected river corridors, and 1,113,300 acres of parks and open space with NPS partnership assistance.

The National Park Service expects to exceed this goal in FY 2003 based on preliminary performance reporting. Based on preliminary information provided by state and local partners, the NPS expects to report nearly 9,140 miles of trails will be added (108 percent of the projection), 5,050 miles of river corridor will be added (110 percent of the projection), and 846,282 acres of parks and open space will be added (100 percent of the projection).

Goal IIIb1. Protect Conservation Areas and Provide Recreational Opportunities Through Assistance to State and Local Government and Nonprofit Groups			
Target	Measure	FY 2003 Goal	FY 2003 Performance
National Recreation and Preservation Areas	Added to NPS Since 1997:		
	Miles of Trail	8,450	9,140
	Miles of River Corridor	4,600	5,050
	Acres of Park and Open Space	846,200	846,282



The earthworks of East Cemetery Hill were preserved only a few months after the close of battle by a group of citizens organized as the Gettysburg Battlefield Memorial Association. PHOTO © RUSS FINLEY/FINLEY-HOLIDAY FILMS

Management Discussion and Analysis: Analysis of Financial Statements

LIMITATIONS OF FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with National Park Service management. The financial statements and supplemental schedules included in this report reflect the financial position and results of operation of the NPS pursuant to the requirements of 31 U.S.C. 3515(b).

While these statements have been prepared from the books and records of the NPS in accordance with guidance provided by the Office of Management and Budget and the Federal Accounting Standards Advisory Board, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The financial statements should be read with the realization that the NPS is an agency of the executive branch of the United States government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation and ongoing operations are subjected to enactment of appropriations.

EXPENSES

As shown on the Consolidated Statement of Net Cost, the total FY 2003 cost of NPS operations was \$2,786,738 thousand, an increase of \$137,062 thousand (5%) over the FY 2002 total of \$2,649,676 thousand. Salaries and benefits and grants expenditures accounted for a sizeable increase in NPS FY 2003 expenses, amounting to an increase of nearly \$45,610 thousand over FY 2002 levels. The remaining balance of the change can be primarily attributed to an increase in the overall budget program level. During Fiscal Year 2003 the NPS experienced a decrease in the costs for the GPRA goal "Provide for the Public Enjoyment and Visitor Experience of Parks" of approximately \$102,690 thousand (6%). This decrease can be associated with a redirecting of program resources for the needs and requirements

related to fire suppression and other natural disasters that occurred during the fiscal year.

REVENUES

In general, National Park Service strategic goals are intended to be funded by general government funds derived from tax receipts and other sources. However, entrance fees and other collections are supporting an increasing number of NPS activities. Approximately \$261,406 thousand was collected in revenues derived from the public during FY 2003. This represents an increase of \$28,899 thousand (12%) from FY 2002 revenues of \$232,507 thousand, and is primarily due to an increase in visitation resulting in a growth of entrance and campground fee revenue. The majority of these revenues were retained by the NPS to further its mission, with the remainder being returned to the General Fund of the Treasury to offset the taxpayer's investment in the NPS.

ASSETS

The Consolidated Balance Sheet shows FY 2003 assets totaling \$19,022,694 thousand, an increase of \$589,295 thousand (3%) over the prior year's assets total of \$18,433,399 thousand. Fund Balance with Treasury of \$18,095,406 thousand and General Property, Plant and Equipment, net, of \$880,327 thousand comprise 99.0% of total NPS assets. A significant portion of the Fund Balance with Treasury amounting to \$15,821,391 thousand is attributed to the restricted Land and Water and Historic Preservation Funds. An increase in the Land and Water and Historic Preservation Funds accounts for the bulk of the growth in the NPS Fund Balance with Treasury, which is attributable to increases in Outer Continental Shelf royalty receipts.

The National Park Service reports values for General Property, Plant, and Equipment exclusive of stewardship land and heritage buildings and structures. These stewardship and heritage assets are priceless; therefore, no identifiable financial value can be adequately represented on a numerically

Crater Lake National Park, in cooperation with the U.S.G.S., has just completed a mapping of the 1,932-foot lake bottom using high-technology sonar. NPS PHOTO



based balance sheet. Given this, no financial value is incorporated in the General Property, Plant and Equipment figure for them. An in-depth discussion of these assets is presented in the Required Supplementary Stewardship Information section of this report.

LIABILITIES AND NET POSITION

Total liabilities of \$636,872 thousand are shown on the NPS Consolidated Balance Sheet, representing an decrease of approximately two percent over liabilities of \$649,300 thousand from the prior year. Federal agencies by law cannot make any payments unless Congress has appropriated funds. National Park Service “Funded Liabilities” are paid out of funds currently available to the agency.

National Park Service unfunded liabilities consist primarily of unfunded annual leave, Federal Employee Compensation Act liability, and legal and environmental contingent liabilities; which will be paid out of funds made available to the agency in future years. However, under accounting concepts, these are considered expenses in the current period.

Contingent liabilities reflect NPS potential responsibility for cleanup of contaminated sites and legal claims brought against the agency. National Park Service liability for financial statement purposes for environmental cleanup is limited to those sites where it may be held liable for remediation of the hazard (i.e., underground fuel tanks). There are also numerous sites, including abandoned mines and illegal waste dumps, where parties have caused contamination on lands managed by the NPS. Although such hazards do not constitute liabilities under federal accounting rules, the NPS will often, in its stewardship capacity, correct the environmental hazard. Wherever feasible the NPS will continue to initiate collection efforts against the responsible parties. The NPS has recognized \$5,332 thousand for potential environmental cleanup liabilities and \$8,755 thousand related to other claims and litigation.

The National Park Service net position at the end of FY 2003 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$18,385,822 thousand, a \$601,723 thousand (3%) increase from the prior year. The Net

Position of the NPS consists of two components: (1) Unexpended Appropriations of \$983,029 thousand and (2) Cumulative Results of Operations of \$17,402,793 thousand.

CHANGES IN NET POSITION

The Consolidated Statement of Changes in Net Position provides the accounting data that resulted in the change to the net position section of the Consolidated Balance Sheet since the beginning of the year. One of the most notable items presented during FY 2002 is the “Effect of Change in Allocation Transfer Accounting” amounting to a consolidated total of \$56,270 thousand. As of October 1, 2002, the NPS changed its method of accounting for allocation transfers in accordance with OMB Bulletin No. 01-09, “Form and Content of Agency Financial Statements.” In accordance with these reporting requirements, the NPS reports the budgetary activity, but not the proprietary activity when the NPS is the transferor of the appropriation (i.e., parent), and reports the proprietary activity, but not the budgetary activity, when the NPS is the recipient of the transfer (i.e., child).

Also important is that Appropriations Transferred In increased by nearly \$69,590 over FY 2002 levels. The majority of the increase in Appropriations Transferred In consists of an increase in Wildland Fire Program transfers from the Bureau of Land Management (BLM) as a result of an increase in fire suppression activity during

FY 2003. Transfers Out Without Reimbursement decreased by \$183.6 million. This primarily relates to a decrease in transfers to the BLM for costs of fire suppression.

BUDGETARY RESOURCES

The NPS receives most of its funding from general government funds administered by the Treasury Department and appropriated for NPS use by Congress. Since budgetary accounting rules and financial accounting rules may recognize certain transactions and events at different points in time, appropriations used in any given period as reported on the Consolidated Statement of Changes in Net Position will not exactly match expenses for that period.

The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to the NPS for the year and the status of those resources at the end of the fiscal year. Obligations of \$2,765,707 thousand were incurred in FY 2003 on total budgetary resources of \$3,827,625 thousand. One of the more significant changes as depicted on the Combined Statement of Budgetary Resources relates to Net Transfers, Unobligated Balance, Actual. During FY 2002, the NPS transferred \$156,000 thousand as required by the Department of the Interior to assist the BLM fund costs of fire suppression. That transfer was not mandated for FY 2003, thereby resulting in the significant change between fiscal years.



The peaceful setting of Lexington Green at Minute Man National Historical Park belies its history as the place where British and colonist troops fought at the start of the American Revolution in 1775. NPS PHOTO

Management Discussion and Analysis: Systems, Controls, and Legal Compliances and Future Effects

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCES

The National Park Service has completed an assessment of its systems of management, administrative, and financial controls in accordance with the standards, objectives, and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget. The objectives of this assessment are to ensure that:

- programs achieve their intended results.
- resources are used consistent with agency 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.

In performing this assessment, the NPS relied on the knowledge and experience that management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as management control assessments, OIG and GAO audits, program evaluations/studies, audits of financial statements, and performance plans and reports. The scope of this assessment was broad enough to support the following conclusions.

The following management control assessments were conducted by the bureau, and relied upon to support the conclusions expressed herein:

Assessment	Date Completed	Results (Material Weakness Identified)
Department-wide Functional Reviews:		
Property Management	August 2003	None
Acquisition Management	September 2003	None
Information Resources Management	July 2003	None
Erroneous Payments	August 2003	None

Based on the results of the FY 2003 assessment, the NPS Director concluded that the NPS systems of management, administrative, and financial controls provide reasonable assurance that the objectives in the FMFIA have been achieved. A material weakness has been identified in the Oil/Hazmat Spill Response Program (identified in FY 2002), and the Structural Fire Program (an existing material weakness carried over from FY 2001). The corrective action plans for these material weaknesses follow.

These plans identify the nature of the weakness, its cause and effect, appropriate milestones in the corrective action plan, and progress to date. The NPS is also a component of a Department material weakness in the Wireless Communications Program. The corrective action plan for this weakness is under the direction of the Department's Office of Information Resources Management. The existence of these material weaknesses does not prevent the NPS from providing reasonable assurance on the effectiveness of its management controls taken as a whole.

Based on the results of the independent audit of NPS financial statements conducted by KPMG LLP, the NPS Director concluded that due to a reportable condition in information system security controls throughout the Department, the NPS does not substantially comply with federal financial management systems requirements specified in OMB's Circular A-130, "Management of Federal Information Resources." Therefore, the NPS does not fully comply with or meet the objectives of Section 4 of the FMFIA and OMB Circular A-127, "Financial Systems." The National Park Service, in conjunction with the Department, implemented a remediation plan to resolve the information system security controls material weaknesses during FY 2002 and should complete corrective actions in FY 2004.

Status of Structural Fire Response to Identified Material Weakness Statement

The material weakness statement of October 2002 identified five steps to be taken to address the Structural Fire Problem in the National Park Service.

1. **Establish minimum structural fire safety requirements throughout the park system.** Director's Order 58 fulfilled this requirement in January 2000, setting the National Fire Protection Codes (NFPA) as the Servicewide minimum structural fire standard. The Director also issued direction to regional directors to help them develop strategies, implement six steps to increase structural fire safety, and assess progress. Reference Manual 58 (RM-58), providing field guidance in implementing uniform structural standards, has been completed in draft and is scheduled for internal review beginning in September 2003 and issuance by December 22, 2003. Regional Structural Fire Management Officers have been hired, and a core work plan for these officers has been developed. A meeting of the Structural Fire Advisory Group (formerly the Structural Fire Steering Committee) that will assist with program and budget strategy, development, direction, and oversight is scheduled to meet in October 2003.
2. **Provide for a fire safety risk assessment at each unit of the park.** A five year comprehensive Structural Fire Condition Assessment (FPCA) Process and annual fire inspection forms have been developed. 3,000 buildings were assessed. These assessments were concentrated on identified high-risk occupancies as determined by the parks. Facility Management Software System (FMSS) building data will be examined and those buildings requiring an FPCA will be identified. Baseline Five-Year Comprehensive Inspections are scheduled for completion by July 31, 2006.

Structural fire condition assessments are an integral part of the ongoing development of the FMSS. The comprehensive condition inspections and annual reviews conducted on all

NPS assets, as a part of this system's maintenance, will include a structural fire component. In 2003, a joint FMSS and FPCA inspection was completed at one park and \$60,000 was allocated for FPCA data needs development within FMSS. Fire Protection Condition Assessments of concessions facilities were included as part of the national concessions contract renewal process. Further implementation and rollout is planned for early 2004.

3. **Develop and implement a plan for correcting the identified needs and deficiencies in a timely manner.** Structural fire deficiencies will be a part of FMSS project identification for funding requests to correct any identified deficiencies for assets in the system. Findings from the concessions inspections are included in the concessions contract renewal process as specific contract items with timelines for corrections. Other scheduled components of FMSS development include the creation of specific reports within FMSS for tracking fire protection improvements and accomplishments and to highlight identified fire deficiencies that have not been programmed for correction.
4. **Establish a process for ensuring that all new construction and major rehabilitation projects are reviewed for compliance with generally accepted fire codes by personnel qualified to do so.** A memo from the Director to the Denver Service Center and the Regional Directors requiring that a proper fire safety review of all new construction and major rehabilitation projects is conducted by qualified persons, and that any new fire alarm or sprinkler system receives a fully NFPA code compliant acceptance test prior to its acceptance by NPS is in draft, scheduled for release in September 2003.
5. **Provide the employee training needed to accomplish the four preceding tasks.** Several 80-hour beginning fire fighter brigade training sessions were held at Glen Canyon and Lake Mead, and a course on the inspection testing and maintenance of sprinkler systems has been developed. One of these



courses has been completed; the second is scheduled for November 2003. An initial course for manager training on responsibilities and liabilities relating to structural fire prevention and suppression is scheduled for late 2004. Driver operator training will be provided to parks receiving new engines within six months of delivery and is scheduled to begin in November 2003.

Material Weakness in the National Park Service Oil and Hazardous Materials Response Program

Several actions have been identified as necessary to address oil and hazardous materials response in the National Park Service.

1. Formally designate the Response Program lead through a properly executed written full delegation of authority to establish and implement a bureau-wide hazardous materials/ weapons of mass destruction response program consistent with existing and prevailing law on 9/30/04.
2. Take immediate on-site corrective actions where such actions can be implemented at little or no cost during the oil and HAZMAT system survey (e.g., placarding and labeling in accordance with applicable regulations).

3. Where corrective actions require significant expenditures (e.g., replacement of antiquated oil and HAZMAT distribution systems), EMP shall prioritize the funding of these requests by 1/30/04.
4. Take necessary steps so that the retrofitting of single-hulled to double-hulled bulk oil and HAZMAT transport barges occurs prior to the deadline specified by the 2015 Oil Pollution Act of 1990 by 9/30/04.
5. Ensure that routine environmental audits at all NPS units have comprehensive oil and HAZMAT operations provisions incorporated into the audit protocols so that each park has appropriate management mechanisms in place to ensure that all aspects of its oil and HAZMAT operations are in compliance with all U.S. Environmental Protection Agency and U.S. Coast Guard regulations by 9/30/04.

FUTURE EFFECTS OF EXISTING, CURRENTLY KNOWN DEMANDS, RISKS, UNCERTAINTIES, EVENTS, CONDITIONS, AND TRENDS

For several years the National Park Service has been prioritizing its financial resources to assess the condition of its facilities and roads, to reduce the deferred maintenance backlog of its infrastructure, and to inven-



tory, monitor, and manage its vast natural resources. Progress continued during FY 2003 through implementation of a Facilities Management Software System that tracks the entire asset inventory of the NPS, and the development of Facility Condition Indexes. Funding dedicated to deferred maintenance work by the National Park Service in FY 2003 totaled \$895 million, about the same as in FY 2002. As any funding increases in the current economic and budgetary environment are likely to be incremental at best, NPS will continue to manage these efforts within the context of greater demands being placed upon existing resources by growing security issues, uncontrollable cost increases, and external requirements. At the same time, preventing the deterioration of critical infrastructure assets is hindered by the constraints upon NPS staff in terms of time, work load, training, and funding.

The National Park Service has participated in the nation's efforts to improve homeland security since September 11, 2001, at significant cost. The NPS construction appropriation as well as operational funding will continue to be impacted by the need to improve security. While supplemental funding was requested in FY 2002 to cover extra pay and equipment costs to guard potential terrorist targets, extraordinary FY 2003 security-related funding increase

requests often displaced other unmet needs in the base funding increase request. The National Park Service was forced to use almost \$8 million in fee receipts for the increased security requirements demanded by three Code Orange periods in FY 2003. This displacement of lower-priority needs is likely to continue in future years and will adversely affect already-strained park budgets, which have been absorbing unfunded increases in operational costs over the past several years. Significant security enhancement projects are likely to begin in the near future at the Statue of Liberty and Independence Hall. Existing projects will continue at the Washington Monument and other NPS units. Security risks at parks along our international borders present another critical area of weakness. The National Park Service continues to attempt to augment its law enforcement ranger and U.S. Park Police staff in order to accommodate the increased security needs; however, finding, recruiting, and training personnel with the necessary skills is a challenge that will continue as other federal agencies compete with the NPS for a limited number of skilled personnel.

Computer and telecommunication security issues will also continue to impact future financial and budgetary performance. This is a requirement of the Clinger-Cohen Act

and has continued to receive attention due to the U.S. Federal Court decision against the Department of the Interior for its lax security (Cobel v. Norton). Since the most effective way to protect information and systems is to incorporate security into the architecture of each, the NPS must revise the architecture of nearly all of its systems to meet security requirements and the criteria for accreditation and certification. This approach ensures that security supports NPS business operations and that plans to fund and manage security are built into life-cycle budgets for information systems. These efforts require security training for program managers and employees that plan, develop, implement, and maintain the IT systems; improved IT security issues; improving the management, maintenance, and monitoring of the system; improving IT security equipment and adopting specialized software tools to prevent unauthorized access and enhance security testing.

In addition to the requirements of homeland security and IT security certification and accreditation, other requirements from outside the National Park Service will continue to place significant burdens on financial and human resources. Departmental and Administration initiatives such as the competitive sourcing effort, the move toward performance budgeting and activity-based costing, increasingly stringent financial reporting and accountability requirements, e-Government initiatives and Departmental financial systems implementation are currently and will in future years continue to significantly increase the work load experienced by most NPS employees, both in terms of quantity and complexity of work.

At a time when much of National Park Service work force is approaching retirement and funding constraints prevent significant increases in FTEs, the strain placed on the work force in present and future years indicates that successful human capital management is critical to the ongoing effectiveness of the NPS organization. Increases in the cost of operating the National Park System (i.e., increases in rental rates for NPS buildings, increases in utilities costs, and federal employee pay raises) all in large part absorbed by parks rather than directly funded, will continue to

place strain upon the financial resources, and therefore, the effectiveness of the NPS organization.

Managing both staff and funding issues related to these external requirements, while making progress in the areas of NPS infrastructure repair and natural resource management deficiencies, will present monumental challenges for NPS leadership.

FINANCIAL MANAGEMENT CONTROLS AND ASSERTION

Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to provide annually a statement of assurance regarding management controls and financial systems. Agency financial management controls and systems, taken as a whole, provide reasonable assurance that its accounting systems comply with appropriate federal requirements. This conclusion is based on the review and consideration of a wide variety of evaluations, internal analyses, reconciliations, reports, and other information, including quality assurance evaluations, General Accounting Office and Office of Inspector General audits, and an independent public accountant's opinion on our financial statements and reports on our internal control structure and compliance with laws and regulations.

FMFIA Assurance Statement Fiscal Year 2003

On the basis of the National Park Service's comprehensive management control program, I am pleased to certify, with reasonable assurance, that the NPS's systems of accounting and internal controls are in compliance with the internal control objectives in OMB Circular A-123, Management Accountability and Control. I also believe these same systems of accounting and internal controls provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.



C. Bruce Sheaffer
Comptroller, Assistant Director



Water quality monitoring and a variety of demonstration projects are underway at Mammoth Cave National Park as part of the Mammoth Cave/Karst Area Water Quality Project. Potential pollution sources such as agriculture and industrial wastewater threaten to affect the quality of water flowing through the cave system. NPS PHOTO

Financial Statements

Department of the Interior, National Park Service Consolidated Balance Sheet as of September 30, 2003 and 2002 (dollars in thousands)

ASSETS (Note 2)	2003	2002
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	\$ 18,095,406	\$ 17,606,266
Investments	65	65
Accounts Receivable, Net (Note 4)	14,240	13,255
Other		
Advances and Prepayments (Note 5)	6,469	5,437
Total Intragovernmental Assets:	18,116,180	17,625,023
Cash	384	388
Accounts and Interest Receivable, Net (Note 4)	6,691	5,077
Loan Receivable, Net (Note 6)	4,317	4,677
General Property, Plant, and Equipment, Net (Note 7)	880,327	788,610
Other		
Advances and Prepayments (Note 5)	14,795	9,624
TOTAL ASSETS	\$ 19,022,694	\$ 18,433,399
LIABILITIES (Note 8)		
Intragovernmental Liabilities:		
Accounts Payable (Note 9)	\$ 25,093	\$ 18,991
Other		
Accrued Payroll and Benefits	57,044	60,058
Advances and Deferred Revenue (Note 10)	5,690	36,322
Deferred Credits (Note 10)	3,846	3,852
Judgment Fund	2,007	2,007
Other Liabilities	5,765	2,934
Total Intragovernmental Liabilities	99,445	124,164
Public Liabilities:		
Accounts Payable (Note 9)	121,716	116,032
Federal Employees Compensation Act Liabilities (Note 11)	256,635	238,313
Environmental Clean-up Costs (Note 12)	5,332	4,730
Other		
Accrued Payroll and Benefits	107,413	143,558
Advances and Deferred Revenue (Note 10)	9,119	9,268
Deferred Credits (Note 10)	1,138	4,328
Contingent Liabilities (Note 12)	8,755	8,907
Other Liabilities	27,319	-
Total Public Liabilities	\$ 537,427	\$ 525,136
TOTAL LIABILITIES	\$ 636,872	\$ 649,300
Commitments and Contingencies (Notes 12 and 14)		
NET POSITION		
Unexpended Appropriations	\$ 983,029	\$ 961,876
Cumulative Results of Operations	17,402,793	16,822,223
TOTAL NET POSITION	18,385,822	17,784,099
TOTAL LIABILITIES AND NET POSITION	\$ 19,022,694	\$ 18,433,399

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

**Department of the Interior, National Park Service
Consolidated Statement of Net Cost
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)**

	2003	2002
Strengthen and Preserve Natural and Cultural Resources and Enhance Recreational Opportunities Managed by Partners		
Cost - Services Provided	\$ 352,293	\$ 287,677
Revenue Earned	(13,981)	(10,563)
Net Cost of Operations	338,312	277,114
Preserve Park Resources		
Cost - Services Provided	937,028	761,892
Revenue Earned	(148,106)	125,470
Net Cost of Operations	788,922	636,422
Provide for the Public Enjoyment and Visitor Experience of Parks		
Cost - Services Provided	1,497,417	1,600,107
Revenue Earned	(173,325)	(158,945)
Net Cost of Operations	1,324,092	1,441,162
TOTAL		
Cost - Services Provided	2,786,738	2,649,676
Revenue Earned	(335,412)	(294,978)
Net Cost of Operations (Note 13)	\$ 2,451,326	\$ 2,354,698

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

**Department of the Interior, National Park Service
Consolidated Statement of Changes in Net Position
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)**

	2003	2002
UNEXPENDED APPROPRIATIONS		
Beginning Balances, As Adjusted	\$ 961,876	\$ 896,024
Cumulative Effect of Change in Accounting (Note 22)	-	(53,576)
Beginning Balances, As Adjusted	961,876	842,448
Budgetary Financing Sources:		
Appropriations Received, General Funds	2,043,311	2,105,957
Appropriations Transferred - In	126,429	56,839
Appropriations - Used	(2,121,646)	(2,032,544)
Other Adjustments	(26,941)	(10,824)
Total Budgetary Financing Sources	21,153	119,428
Ending Balance - Unexpended Appropriations	<u>\$ 983,029</u>	<u>\$ 961,876</u>
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances, As Adjusted	\$ 16,822,223	\$ 16,423,824
Cumulative Effect of Change in Accounting (Note 22)	-	(2,694)
Beginning Balances, As Adjusted	16,822,223	16,421,130
Budgetary Financing Sources:		
Appropriations - Used	2,121,646	2,032,544
Royalties Retained (Note 1.C.)	1,049,817	1,050,179
Transfers - Out Without Reimbursement (Note 15)	(279,994)	(463,571)
Non-exchange Revenue:		
Donations and Forfeitures of Cash and Cash Equivalents	30,387	15,249
Other Budgetary Financing Sources (Note 16)	5,403	20,568
Other Financing Sources:		
Imputed Financing from Financing Absorbed from Others	87,966	83,141
Transfers - In Without Reimbursement	8,431	17,681
Donations and Forfeitures of Property	8,240	-
TOTAL FINANCING SOURCES	\$ 3,031,896	\$ 2,755,791
NET COST OF OPERATIONS	(2,451,326)	(2,354,698)
ENDING BALANCE - CUMULATIVE RESULTS OF OPERATIONS	<u>\$ 17,402,793</u>	<u>\$ 16,822,223</u>

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

**Department of the Interior, National Park Service
 Combined Statement of Budgetary Resources
 For the Years Ended September 30, 2003 and 2002
 (dollars in thousands)**

	2003	2002
BUDGETARY RESOURCES		
Budget Authority:		
Appropriations Received	\$ 2,507,935	\$ 2,650,901
Net Transfers, Current Year Authority	41,412	1,184
Unobligated Balance:		
Beginning of Fiscal Year	1,154,050	1,147,421
Net Transfers, Unobligated Balance, Actual	-	(156,000)
Spending Authority From Offsetting Collections:		
Earned		
Collected	143,495	131,849
Receivable From Federal Sources	2,254	1,787
Change in Unfilled Customer Orders		
Advance Received	(30,781)	(8,893)
Without Advance From Federal Sources	9,308	(1,011)
Recoveries of Prior Year Obligations	24,480	62,394
Permanently Not Available	(24,528)	(11,406)
TOTAL BUDGETARY RESOURCES	\$ 3,827,625	\$ 3,818,226
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred (Note 17):		
Direct	\$ 2,624,187	\$ 2,541,803
Reimbursable	141,520	122,373
Total Obligations Incurred	2,765,707	2,664,176
Unobligated Balance:		
Apportioned	1,034,643	1,097,704
Unobligated Balance Not Available	27,275	56,346
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 3,827,625	\$ 3,818,226
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS		
Obligations Incurred	\$ 2,765,707	\$ 2,664,176
Obligated Balance, Net, Beginning of Fiscal Year	1,045,885	889,140
Obligated Balance, Net, End of Fiscal Year:		
Accounts Receivable	19,637	17,383
Unfilled Customer Orders From Federal Sources	69,815	60,507
Undelivered Orders	(1,085,152)	(913,994)
Accounts Payable	(176,873)	(209,781)
Less: Spending Authority Adjustments	(36,041)	(63,170)
OUTLAYS:		
Disbursements	2,602,978	2,444,261
Collections	(112,714)	(122,957)
Subtotal	2,490,264	2,321,304
Less: Offsetting Receipts (Note 18)	(189,910)	(180,414)
NET OUTLAYS	\$ 2,300,354	\$ 2,140,890

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

**Department of the Interior, National Park Service
Consolidated Statement of Financing
For the Years Ended September 30, 2003 and 2002
(dollars in thousands)**

	2003	2002
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 2,765,707	\$ 2,664,176
Less: Spending Authority From Offsetting Collections/Adjustments	(148,756)	(186,126)
Obligations Net of Offsetting Collections and Adjustments	2,616,951	2,478,050
Less: Offsetting Receipts	(189,910)	(180,414)
Net Obligations	2,427,041	2,297,636
Other Resources:		
Donations and Forfeitures of Property	8,240	-
Transfers - In/Out Without Reimbursement	8,431	17,681
Imputed Financing From Costs Absorbed by Others	87,966	83,141
Net Other Resources Used to Finance Activities	104,637	100,822
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	\$ 2,531,678	\$ 2,398,458
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided	(198,206)	(172,031)
Resources That Fund Expenses Recognized in Prior Periods	(4,489)	-
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	37	
Resources That Finance the Acquisition of Assets	(167,933)	(119,837)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Cost of Operations	5,403	20,568
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(365,188)	(271,300)
TOTAL RESOURCES USED TO FINANCE NET COST OF OPERATIONS	\$ 2,166,490	\$ 2,127,158
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	2,800	1,543
Increase (Decrease) in Environmental and Disposal Liability	602	(2,078)
Increase in Exchange Revenue Receivable From the Public	-	5,548
Other	46,414	11,591
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	49,816	16,604
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	76,216	65,797
Revaluation of Assets or Liabilities	-	13,356
Components of Net Cost of Operations Related to Transfer Accounts Where Budget or Proprietary Amounts are Reported by Other Federal Entities (Note 19)	158,783	133,858
Other	21	(2,075)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	235,020	210,936
TOTAL COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD	284,836	227,540
NET COST OF OPERATIONS	\$ 2,451,326	\$ 2,354,698

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



Recent restoration of the Washington Monument was accomplished through a partnership with the National Park Foundation. Work included cleaning 59,000 square feet of interior wall surfaces, pointing 64,000 linear feet of exterior joints, and preserving and restoring 192 interior commemorative stones.

PHOTO © RUSS FINLEY/FINLEY-HOLIDAY FILMS

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2003 and 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity. The National Park Service (NPS) is a bureau of the U.S. Department of the Interior (DOI), and is responsible for promoting and regulating designated areas within the National Park System. The NPS is also responsible for conserving the scenery, historic objects, and wildlife so that they may be enjoyed by future generations.

The Director of the National Park Service is responsible for administrative oversight and policy of the NPS, including authority over money and/or other budget authority made available to it.

In fulfilling its mission, the National Park Service administers a variety of funds:

■ **Land and Water Conservation and Historic Preservation Funds** - The Land and Water Conservation Fund (L&WCF) was enacted in 1964 (Public Law 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The (L&WCF) Act established a funding source for both federal acquisition of authorized national park, conservation, and recreation areas as well as grants to state and local governments to help them acquire, develop, and improve outdoor recreation areas. The Historic Preservation Fund (HPF), which was enacted in 1966 (Public Law 89-665), provides matching grants to encourage private and non-federal investment in historic preservation efforts nationwide, and assists state and local governments and American Indian tribes in expanding and accelerating their historic preservation activities nationwide. Historic Preservation Fund grants serve as a catalyst and “seed money” for preserving and protecting our nation’s irreplaceable heritage for this and future generations. Annually \$900 million for the

Land and Water Conservation Fund and \$150 million for the Historic Preservation Fund are transferred from the DOI’s Minerals Management Services to the NPS, the majority of which is royalties from Outer Continental Shelf oil deposits. The U.S. Congress also appropriated from the HPF receipt account to the respective expenditure accounts approximately \$70.8 million and \$74.5 million for FY 2003 and FY 2002. Each year amounts from the Land and Water Conservation and Historic Preservation Funds are warranted to some of the bureaus within the Department of the Interior and the rest to the U.S. Department of Agriculture’s Forest Service Agency.

- **General Appropriated Funds** - These funds include: (1) receipt accounts used to account for collections not dedicated to specific purposes, and (2) expenditure accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. The National Park Service’s principal general funds are:
- Operation of the NPS
 - National Recreation and Preservation
 - Construction
- **Trust Funds** - These funds are established to account for receipts held in trust for use in carrying out specific purposes and programs in accordance with an agreement or statute. The National Park Service’s principal trust funds are:
- Cash Donations
 - Boyhood Home of Abraham Lincoln
 - Trust Fund Construction
 - Highway Maintenance and Construction
- **Deposit Funds** - These funds are established to account for receipts awaiting proper classification, or receipts held in escrow until ownership is established, when proper distribution can be made.

- **Special Funds** - These funds arise from receipts deposited into accounts established by the U.S. Department of Treasury (Treasury) that are earmarked by law for a specific purpose. They include both special receipt and special expenditure accounts. Funding for the first three of the receipt funds below must be appropriated by the United States Congress (Congress). Funding is immediately available upon receipt into the Treasury accounts for the two remaining special funds. The National Park Service's principal receipt funds are:

Special Funds

- Grants
- Land Acquisition and State Assistance
- Historic Preservation

Available Receipt Funds

- Recreational Fee Demonstration Program
- Operation and Maintenance of Quarters
- Park Concessions Franchise Fees

- **Special Account Funds** - As of September 30, 2003 and 2002 respectively, the NPS had 76 and 85 concession agreements which contain provisions that provide for the establishment of escrow-type accounts to be used to develop, improve, and maintain visitor facilities. These "Special Account" funds are maintained in separate interest-bearing bank accounts of the concessioners. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. While the funds may be disbursed only by approval of the concessioner and the park superintendent, they are normally intended, according to the contractual arrangements, to be used to improve or maintain the facilities used by the concessioner to provide services to visitors.

There are differing interpretations as to the extent of the National Park Service's jurisdiction over these funds, and the related receipts and expenditures. Specifically, the Office of Management and Budget (OMB) and Treasury have required that these accounts be included in Federal Government budgetary reporting. However, it is the opinion of

the Solicitor of the Department of the Interior that:

"The funds contained in Concession Improvement Accounts . . . are owned by the concessioner and are not receipts of the United States. Expenditure of such funds by the concessioner are private expenditures, not governmental expenditures."

Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not reflected in the consolidated financial statements of the NPS. The concessioners reported that these Special Accounts balances totaled approximately \$52.5 million and \$57.7 million (unaudited), as of September 30, 2003 and 2002, respectively.

B. Basis of Accounting and Presentation.

These financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations of the NPS as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The consolidated financial statements have been prepared from the books and records of the NPS in accordance with accounting principles generally accepted in the United States of America, the OMB, and NPS accounting policies, which are summarized in this note. These consolidated financial statements include all funds and accounts under the control of the NPS and allocations from other federal agency appropriations transferred to the NPS under specific legislative authority.

Intragovernmental assets and liabilities arise from transactions with other federal agencies. All significant intra-NPS transactions and balances have been eliminated from NPS consolidated balance sheets, statements of net cost, and statements of changes in net position. As provided by OMB Bulletin No. 01-09, as amended, the statements of budgetary resources were prepared on the combined basis; therefore, intra-NPS balances have not been eliminated from this statement.

These financial statements are different from the financial reports also prepared by the NPS pursuant to OMB directives, used

to monitor and control NPS use of budgetary resources. The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

The accounting structure of Federal Government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds.

C. Revenues and Financing Sources.

The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been made available by congressional appropriation. Thus, the existence of all financing sources is dependent upon congressional appropriation.

Financing Sources

Appropriations. The National Park Service receives the majority of its required funding to support its programs through appropriations authorized by Congress. The National Park Service receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. The NPS also receives transfers of appropriated and trust funds from other agencies to support various ongoing program requirements. The receipt and expenditure of such funding is reported on the Consolidated Statement of Changes in Net Position.

Imputed Financing Sources. In certain instances, operating costs of the NPS are paid out of funds appropriated to other

federal agencies. For example, the Office of Personnel Management, by law, pays certain costs of retirement programs, and certain legal judgments against the NPS are paid from the Judgment Fund maintained by Treasury. When costs that are identifiable to the NPS and directly attributable to its operations are paid by other agencies, the NPS recognizes these amounts as operating expenses. In addition, the NPS recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position to indicate the funding of NPS operations by other federal agencies.

Revenues

Exchange Revenue. The National Park Service classifies revenues as either exchange revenue or non-exchange revenue. Exchange revenues are those that derive from transactions in which both the government and the other party receive value, including park entrance fees and reimbursements for services performed for other federal agencies and the public. These revenues are presented on the NPS Consolidated Statement of Net Cost and serve to reduce the reported cost of operations borne by the taxpayer. Reporting entities that provide goods and services to the public or another government entity should disclose specific information related to their pricing policies. We do not anticipate any losses under goods or services to occur.

Donated funds, reimbursements and grantor's requests, consistent with legislative authority, are available to the NPS when received. The National Park Service has legislative authority to collect revenues through user charges for a variety of activities that may or may not recover the full cost of the service. However, prices based on full cost in some activities would likely reduce the quantity of services sold, therefore, any difference between revenue currently earned, and projected revenue based on a full cost pricing model, would not provide an accurate indication of lost revenue.

Through special legislation, the NPS is authorized to establish/increase recreation use fees, which are not intended to recover the full cost of the service. The laws

mandate the use of a portion of these fees collected from park visitors for the following:

- **Public Law 104-134** as amended gives the NPS authority through Fiscal Year 2004 to allow all fee-collecting park sites to experiment with new or increased recreation fees. Parks participating in the demonstration program have until FY 2007 to spend at least 80 percent of the revenues collected at the site to help address unmet needs for visitor services, repairs and maintenance, and resource management. The remaining 20 percent can be spent at the discretion of the NPS. Recreation fees totaling \$125 million during FY 2003 and \$127 million during FY 2002 were transferred to an available receipt account and allocated to the participating parks in accordance with authorizing legislation.
- **Public Law 105-391** gives the NPS permanent authority to spend 100 percent of revenues collected for Concession Franchise Fees. Parks collecting these revenues are authorized to use 80 percent of the collected revenues for concession-related expenditures. The remaining 20 percent can be spent at the discretion of the NPS. During FY 2003 and FY 2002, revenues collected for Concession Franchise Fees totaled \$25.5 million and \$15.9 million, respectively. Unlike the concession improvement accounts discussed in Note 1A, these franchise fees are reflected in the accompanying consolidated financial statements.

Non-Exchange Revenue. Non-exchange Revenues result from donations to the government and from the government's sovereign right to demand payment, including fines for violation of environmental laws. These revenues are not considered to reduce the cost of Interior's operations and are reported on the Consolidated Statement of Changes in Net Position.

Royalties Retained. Royalties Retained include minerals receipts transferred to the Department of the Interior, which include transfers to the National Park Service for the Land and Water Conservation Fund. These amounts are exchange revenue, but are presented on the Statement of Changes

in Net Position in accordance with federal accounting standards.

D. Fund Balance with Treasury and Cash. National Park Service receipts and disbursements are processed by Treasury. Fund Balance with Treasury represents the unexpended balances of appropriation accounts, transfer accounts, deposit funds, and trust funds in NPS accounts which are available to pay current liabilities and to pay outstanding obligations as well as funds restricted until future appropriations are received. Cash balances held outside of Treasury are imprest funds or petty cash, held by cashiers at NPS field units throughout the country. No cash is held in commercial bank accounts.

E. Accounts Receivable. Accounts receivable consist of amounts owed to the NPS by other federal agencies and the public. Accounts receivable typically arise from services provided on a reimbursable basis by the NPS to other government or non-government entities, or as a result of agreements with the NPS for remittance of fees from park concessioners. There are billed and unbilled accounts receivable amounts. Unbilled accounts receivable represent expenditures incurred by the NPS as a result of reimbursable agreements made with other entities that have yet to be notified of their indebtedness. Unbilled receivables are typically converted to billed receivables during the future operating period. Billed amounts represent those reimbursable NPS expenditures for which the benefiting entities have been notified of their indebtedness. Amounts due from the public are stated net of an allowance amount for uncollectible accounts that is based on an analysis of outstanding receivable balances and past collection experiences. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other federal agencies.

F. General Property, Plant, and Equipment. The National Park Service is authorized to purchase structures and equipment under a number of appropriations to facilitate the administration of the NPS, and to preserve natural and cultural resources. The NPS capitalizes real property (e.g., buildings, structures, and facilities), equipment, and

internal use software with (1) an acquisition cost of at least \$500 thousand for real property, \$15 thousand for equipment, and \$100 thousand for internal use software; (2) an estimated useful life of two years or more; (3) no intention to be sold in the ordinary course of operation; and (4) the intention of being used.

In accordance with the implementation guidance for Statement of Federal Financial Accounting Standard No. 6, the NPS recorded real property acquired on or before September 30, 1995, at estimated historical cost based on available historic supporting documents, current replacement cost deflated to date of acquisition, and the cost of similar assets at the time of acquisition. The NPS capitalizes general property, plant, and equipment acquired after September 30, 1995, at acquisition cost. Assets transferred in from other federal entities are recorded at the gross cost less accumulated depreciation recorded by the transferring agency as of the date of transfer. Donated assets are recorded at the appraised value on date of donation.

All real property assets in service prior to FY 1996 are depreciated using the straight-line method over a useful life of 20 years. Assets placed in service during FY 1996 and thereafter are depreciated using the straight-line method where the useful life is based on four distinct asset classes. Fifteen-year property includes items such as roadside and trailside exhibits and markers, furnishings for historic structures, audiovisual installations, telephone distribution plants, and comparable assets used for two-way communication. Twenty-year property includes utility systems, sewage treatment facilities, non-permanent quarters, and other such assets. Residential property is buildings in which 80 percent or more is comprised of dwelling units (e.g., permanent quarters). These assets are depreciated over 27 years. Nonresidential property such as visitor centers, maintenance facilities, concessioner buildings, bridges, etc. is depreciated over 40 years.

Equipment is depreciated using the straight-line method. The useful life of equipment ranges from 5 to 25 years based on the Federal Supply Code. Software is

depreciated over five years using the straight-line method. The National Park Service leases office space from the General Services Administration (GSA). The lease costs are comparable to commercial lease rates for similar properties.

The National Park Service has stewardship assets, such as land and nonmulti-use heritage assets (i.e., national monuments and cultural sites), that are not included on NPS financial statements in accordance with the accounting standards. For additional discussion of these stewardship assets, see the Required Supplementary Stewardship Section of this report.

G. Liabilities. Liabilities represent the amount of monies or other resources that are likely to be paid by the NPS as the result of a transaction or event that has already occurred. However, no liability can be paid by the NPS unless Congress and the President of the United States authorize payment through an appropriation. These statements include liabilities for which an appropriation has not been enacted, and thus are presented as liabilities not covered by budgetary resources, for there is no certainty that an appropriation will be enacted. Contingent liabilities are recorded in the accounting records when an event potentially leading to the recognition of a liability is probable, and the scope of the potential liability can be estimated. Management estimated accounts payable balances based on past history and current cost trends.

H. Environmental Clean-up Costs and Contingent Liabilities. The National Park Service is subject to loss contingencies pursuant to environmental laws and regulations that currently, and in the future, will require the NPS to take action to correct or ameliorate the effects on human health and the environment from releases of contaminants by the NPS or other parties. Contingencies may exist for various types of sites, including, but not limited to: (1) hazardous substance contaminated sites governed by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); (2) waste storage, treatment and disposal facilities governed by Subtitle-C of the Resource Conservation and Recovery Act (RCRA);

(3) leaking underground storage tanks governed by Subtitle-I of RCRA; (4) proper closure and clean up of solid waste landfills governed by Subtitle-D of RCRA; and (5) abandoned mining lands. When the government is not legally liable, but chooses to accept financial responsibility, the event is considered to be "Government-Acknowledged." Government-acknowledged events are events that are of financial consequence to the federal government because it chooses to respond to the event. When the government accepts financial responsibility for clean-up, has an appropriation, and has begun incurring clean-up costs, then any unpaid amounts for work performed are included in accounts payable.

The amount of future clean-up cost to the NPS is subject to change due to such factors as: (1) the unknown nature and extent of potential contamination; (2) the unknown timing and extent of the clean-up that may be required; (3) the determination of allocation of NPS liability vis-à-vis other responsible parties; (4) the extent to which such costs will be borne by or recovered from third parties; (5) inflation/deflation; (6) changes in clean up technology; and (7) changes in applicable laws and regulations. While the NPS has provided for environmental obligations that are probable and reasonably estimatable, the amount of future costs is dependent on the results of activities in the period for which they are recognized. The NPS does not expect these costs to have a material effect on its consolidated financial position.

I. Personnel Compensation and Benefits. Accrued payroll and benefits represent salaries, wages, and benefits earned by employees, but not disbursed as of the last day of the fiscal year.

■ **Annual and Sick Leave Program.** Annual leave is accrued as it is earned by employees. The year-end annual leave is based on the amount of unused employee vacation time and current pay rates. Annual leave is disclosed as a liability not covered by budgetary resources because financing will be obtained from the then-current appropriations when used. The NPS expenses sick and other types of leave when used, but does not accrue the related costs because it is not earned and does not vest.

■ **Federal Employees Group Life Insurance (FEGLI) Program.** Most NPS employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds and NPS paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. The Office of Personnel Management (OPM) administers this program and is responsible for the reporting of the basic life coverage. Because NPS contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the NPS has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

■ **Retirement Programs.** National Park Service employees participate in one of three retirement systems. National Park Service employees hired prior to January 1, 1984, participate in the Civil Service Retirement System (CSRS) to which the NPS makes matching contributions equal to seven percent of basic pay. The Federal Employee Retirement System (FERS) went into effect on January 1, 1987, pursuant to Public Law 99-335. Employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired before January 1, 1984, could have elected to either join FERS or remain in CSRS. A primary feature of FERS is that it offers a savings plan, to which the NPS automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. FERS employees can contribute up to 13 percent of their gross earnings to the plan. The National Park Service makes no matching contributions to the Thrift Savings Plan for CSRS employees. CSRS employees can contribute up to eight percent of their gross earnings to the plan. For employees hired since December 31, 1983, the NPS also contributes the employer's matching share for social security.

National Park Service police officers hired on or before December 31, 1983,

participate in the District of Columbia Police and Fireman's Retirement System (D.C. Plan) that is administered by the District of Columbia. This includes approximately 100 active and 500 retired NPS police officers. In accordance with the appropriation laws, the U.S. Department of the Treasury is responsible for funding this plan and for reporting any related plan assets and liabilities. The National Park Service has not recognized an imputing financing cost or financing source related to this plan, as the amounts are considered insignificant.

The Office of Personnel Management is responsible for reporting the assets, accumulated plan benefits, and unfunded liabilities, if any, for the FERS and CSRS plans. The National Park Service recognized the full cost of providing future pension and other retirement benefits (ORB) for current employees on the Statements of Net Cost as required by Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*. Full cost includes pension and ORB contributions paid out of NPS appropriations and costs financed by the OPM. The amount financed by OPM is recognized as an Imputed Financing Source on the Statement of Changes in Net Position. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

J. Income Taxes. As an entity of the U.S. Government, the National Park Service is exempt from all income taxes imposed by any governing body, whether it is a federal, state, local, or foreign government, or a Commonwealth of the United States.

K. Use of Estimates. The preparation of consolidated financial statements requires management to make estimates and reasonable assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

L. Reclassifications. Certain reclassifications have been made to the FY 2002 balances to conform to the FY 2003 presentation.

NOTE 2. ASSETS

Assets of the National Park Service are designated in the following categories: entity, restricted, and non-entity. Entity assets are those currently available for use by the NPS. Restricted assets cannot be used until appropriated by Congress and primarily consist of the Land and Water Conservation Fund and Historic Preservation Fund. Non-entity

**National Park Service Assets, FY 2003
(dollars in thousands)**

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2003
Intragovernmental Assets				
Fund Balance with Treasury	\$ 2,268,467	\$ 15,821,391	\$ 5,548	\$ 18,095,406
Investments, Net	65	-	-	65
Accounts				
Receivable, Net	14,240	-	-	14,240
Advances and Prepayments	6,469	-	-	6,469
Total Intragovernmental Assets	\$ 2,289,241	\$ 15,821,391	\$ 5,548	\$ 18,116,180
Cash	384	-	-	384
Accounts and Interest				
Receivable, Net	6,457	-	234	6,691
Loan receivable, Net	4,317	-	-	4,317
General Property, Plant, and				
Equipment, Net	880,327	-	-	880,327
Advances and Prepayments	14,795	-	-	14,795
TOTAL ASSETS	\$ 3,195,521	\$ 15,821,391	\$ 5,782	\$ 19,022,694

assets are those assets held by the National Park Service, but not available to the NPS, and are assets that have been received or will be collected by the NPS, and that have been or will be subsequently transferred to Treasury. These amounts consist of certain recreation, entrance, and user fees collected at many of the parks. These fees are to be returned to Treasury following the end of each fiscal year, and therefore, are also reflected as a non-entity liability. All non-entity accounts receivable, when collected, are returned to Treasury and are stated net of allowances.

**National Park Service Assets, FY 2002
(dollars in thousands)**

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2002
Intragovernmental Assets				
Fund Balance with Treasury	\$ 2,231,603	\$ 15,371,790	\$ 2,873	\$ 17,606,266
Investments, Net	65	-	-	65
Accounts Receivable, Net	13,255	-	-	13,255
Advances and Prepayments	5,437	-	-	5,437
Total Intragovernmental Assets	\$ 2,250,360	\$ 15,371,790	\$ 2,873	\$ 17,625,023
Cash	388	-	-	388
Accounts and Interest Receivable, Net	4,862	-	215	5,077
Loan receivable, Net	4,677	-	-	4,677
General Property, Plant, and Equipment, Net	788,610	-	-	788,610
Advances and Prepayments	9,624	-	-	9,624
TOTAL ASSETS	\$ 3,058,521	\$ 15,371,790	\$ 3,088	\$ 18,433,399

NOTE 3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30 by major category is as follows:

**Fund Balance with Treasury
(dollars in thousands)**

FUND BALANCES BY TYPE	FY 2003	FY 2002
Land and Water Conservation and Historic Preservation Special Fund	\$ 15,821,391	\$ 15,371,790
General/Appropriated Funds	1,173,890	1,235,026
Special Funds	1,018,468	947,154
Trust Funds	73,622	45,776
Revolving Funds	1,390	0
Other Fund Types	6,645	6,520
TOTAL	\$ 18,095,406	\$ 17,606,266
STATUS OF FUND BALANCES	FY 2003	FY 2002
Unobligated Balance:		
Unavailable	\$ 15,856,346	\$ 15,436,315
Available	987,571	1,069,872
Obligated Balance Not Yet Disbursed	1,251,489	1,100,079
TOTAL	\$ 18,095,406	\$ 17,606,266

Land and Water Conservation and Historic Preservation Fund balances are unavailable receipt accounts. General appropriated funds include funds for the operation of the National Park Service, construction, historic preservation, fire emergency, etc. Special funds are amounts appropriated from the Land and Water Conservation and Historic Preservation Funds for NPS use. Other fund types consist of Fee Demonstration, Maintenance of Quarters, Concession Franchise Funds, etc. Trust funds consist of Cash Donations, Boyhood Home of Abraham Lincoln, Trust Fund Construction, and Highway Maintenance and Construction.

The obligated and unobligated balances reported in the status of Fund Balance with Treasury table do not agree with the balances reported on the Combined Statement of Budgetary Resources due to the existence of various special and miscellaneous receipt funds that do not have budgetary authority over their fund balances.

NOTE 4. ACCOUNTS AND INTEREST RECEIVABLE, NET

Accounts Receivable as of September 30 consists of monies owed to the NPS from other federal agencies and the public, as follows:

**Accounts and Interest Receivable, Net
(dollars in thousands)**

ACCOUNTS RECEIVABLE FROM FEDERAL AGENCIES	FY 2003	FY 2002
Current	\$ 3,396	\$ 143
1-180 Days Past Due	226	-
181-365 Days Past Due	113	-
More Than One Year Past Due	38	-
Total Billed Accounts Receivable - Federal	\$ 3,773	\$ 143
Unbilled Accounts Receivable	10,467	13,112
TOTAL ACCOUNTS RECEIVABLE, FEDERAL	<u>\$ 14,240</u>	<u>\$ 13,255</u>

**Accounts and Interest Receivable, Net
(dollars in thousands)**

ACCOUNTS RECEIVABLE FROM THE PUBLIC	FY 2003	FY 2002
Current	\$ 5,818	\$ 2,468
1-180 Days Past Due	382	406
181-365 Days Past Due	191	1011
More Than One Year Past Due	64	882
Total Billed Accounts Receivable - Public	\$ 6,455	\$ 4,767
Unbilled Accounts Receivable	952	1,114
Unbilled Interest Receivable	1	-
Total Accounts Receivable - Public	7,408	5,881
Allowance for Doubtful Accounts	(717)	(804)
TOTAL ACCOUNTS RECEIVABLE - PUBLIC, NET OF ALLOWANCE	<u>\$ 6,691</u>	<u>\$ 5,077</u>
Change in Allowance for Doubtful Accounts - Public		
Allowance for Doubtful Accounts, Beginning	804	804
Deletions	(87)	-
ALLOWANCE FOR DOUBTFUL ACCOUNTS - PUBLIC	<u>\$ 717</u>	<u>\$ 804</u>

NOTE 5. ADVANCES AND PREPAYMENTS

Advances to Others as of September 30, 2003 and 2002, respectively, was comprised of amounts provided to the Department of the Interior components of \$3,957 thousand and \$4,533 thousand and other federal agencies of \$2,512 thousand and \$904 thousand, respectively. Advances to non-federal entities as of September 30, 2003 and 2002, respectively, were \$14,795 thousand and \$9,624 thousand, respectively.

Advances to non-federal entities as of September 30 were comprised of the following:

Advances to Others (dollars in thousands)		
TYPE OF ADVANCE	FY 2003	FY 2002
Travel Advances	\$ 168	\$ 271
Grant Advances	14,627	9,353
TOTAL	\$ 14,795	\$ 9,624

The NPS policy is to disburse grants to states, territories, and Indian tribes to facilitate the accomplishment of its overall mission. The state grantee entities typically disburse funds to subrecipients to conduct specified activities.

NOTE 6. LOAN RECEIVABLE, NET

Pursuant to the Wolf Trap Farm Park Act (16 U.S.C. 284c(b)), the Wolf Trap Foundation for the Performing Arts (the Foundation) and the NPS amended their Cooperative Agreement to set up a repayment schedule of loan principal (the loan is non-interest bearing) to the Foundation totaling \$8,560 thousand authorized by the Act of November 28, 1990 (P.L. 101-636: 104 Stat. 4586). The loan principal is to be repaid to the NPS within 25 years from June 1, 1991, the date of the Amendment. The loan principal is repaid in equal annual installments of approximately \$360 thousand, except for the first three annual payments of \$215 thousand per year. Repayment of the loan principal may include a credit of up to \$60 thousand, annually, for public service tickets given to entities exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986. In FY 2003 and 2002, the NPS granted the full \$60 thousand credit to Wolf Trap. The monies that the NPS receives for repayment of this loan may be retained by the NPS until expended, in consultation with the Foundation, for the maintenance of structures, facilities, and equipment of the park. The remaining balance of this loan receivable is \$4,317 thousand and \$4,677 thousand as of September 30, 2003 and 2002, respectively.

NOTE 7. GENERAL PROPERTY, PLANT, & EQUIPMENT, NET

The National Park Service's general property, plant, and equipment categories as of September 30, 2003 and 2002, respectively, with corresponding accumulated depreciation, are shown as follows:

FY 2003 General Property, Plant, and Equipment, Net (dollars in thousands)			
Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 512,107	\$ (195,050)	\$ 317,057
Structures/Facilities	577,318	(247,475)	329,843
Equipment	341,226	(201,052)	140,174
Construction-in-Progress	86,106	-	86,106
Internal Use Software - In Use	8,415	(1,268)	7,147
TOTAL	\$ 1,525,172	\$ (644,845)	\$ 880,327

**FY 2002 General Property, Plant, and Equipment, Net
(dollars in thousands)**

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 463,750	\$ (175,825)	\$ 287,925
Structures/Facilities	556,630	(220,046)	336,584
Equipment	309,120	(182,000)	127,120
Construction-in-Progress	33,302	-	33,302
Internal Use Software - In Use	3,808	(129)	3,679
TOTAL	<u>\$ 1,366,610</u>	<u>\$ (578,000)</u>	<u>\$ 788,610</u>

NOTE 8. LIABILITIES

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined and presented together in the Balance Sheet. Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent unfunded liabilities for which congressional action is needed before budgetary resources are provided to fund these liabilities. The NPS anticipates that the liabilities not covered by budgetary resources will be funded from future budgetary resources when required. The NPS receives budgetary resources for unfunded payroll costs (billed portion of the Federal Employees Compensation Act), judgment fund, environmental clean-up costs, contingent liabilities, actuarial portion of the Federal Employees Compensation Act Liability, deferred credits, and other liabilities when they are needed for disbursement. The NPS receives budgetary resources for accrued annual leave when it is taken by employees. These categories as of September 30, 2003, and 2002, are detailed in the following tables:

**FY 2003 Liabilities
(dollars in thousands)**

LIABILITY	COVERED BY BUDGETARY RESOURCES	NOT COVERED BY BUDGETARY RESOURCES		FY 2003
	CURRENT	CURRENT	NON-CURRENT	
Intragovernmental Liabilities:				
Other				
Accounts Payable	\$ 25,093	\$ -	\$ -	\$ 25,093
Accrued Payroll and Benefits	11,305	18,296	27,443	57,044
Advances and Deferred Revenue	5,690	-	-	5,690
Deferred Credits	-	3,846	-	3,846
Judgment Fund	-	-	2,007	2,007
Other Liabilities	-	5,765	-	5,765
Total Intragovernmental Liabilities	\$ 42,088	\$ 27,907	\$ 29,450	\$ 99,445
Public Liabilities:				
Accounts Payable	\$ 121,716	\$ -	\$ -	\$ 121,716
Federal Employees Compensation Act Liability	-	-	256,635	256,635
Other				
Environmental Clean-up Costs	-	-	5,332	5,332
Accrued Payroll and Benefits	27,741	-	79,672	107,413
Advances and Deferred Revenue	9,119	-	-	9,119
Deferred Credits	-	1,138	-	1,138
Contingent Liabilities	-	-	8,755	8,755
Other	644	-	26,675	27,319
Total Public Liabilities	159,220	1,138	377,069	537,427
TOTAL LIABILITIES	<u>\$ 201,308</u>	<u>\$ 29,045</u>	<u>\$ 406,519</u>	<u>\$ 636,872</u>

FY 2002 Liabilities
(dollars in thousands)

LIABILITY	COVERED BY BUDGETARY RESOURCES	NOT COVERED BY BUDGETARY RESOURCES		FY 2002
	CURRENT	CURRENT	NON-CURRENT	
Intragovernmental Liabilities:				
Other				
Accounts Payable	\$ 18,991	\$ -	\$ -	\$ 18,991
Accrued Payroll and Benefits	15,262	17,174	27,622	60,058
Advances and Deferred Revenue	36,322	-	-	36,322
Deferred Credits	-	3,852	-	3,852
Judgment Fund	-	-	2,007	2,007
Other Liabilities	-	2,934	-	2,934
Total Intragovernmental Liabilities	\$ 70,575	\$ 23,960	\$ 29,629	\$ 124,164
Public Liabilities:				
Accounts Payable	\$ 116,032	\$ -	\$ -	\$ 116,032
Federal Employees Compensation Act Liability	-	-	238,313	238,313
Other				
Environmental Clean-up Costs	-	-	4,730	4,730
Accrued Payroll and Benefits	66,686	-	76,872	143,558
Advances and Deferred Revenue	9,268	-	-	9,268
Deferred Credits	-	4,328	-	4,328
Contingent Liabilities	-	-	8,907	8,907
Total Public Liabilities	191,986	4,328	328,822	525,136
TOTAL LIABILITIES	\$ 262,561	\$ 28,288	\$ 358,451	\$ 649,300

NOTE 9. ACCOUNTS PAYABLE

The reported amounts for accounts payable include liabilities to other federal agencies and to the public. Amounts owed for goods and services received by the NPS total \$146,809 thousand and \$135,023 thousand, which include contract holdbacks of \$596 thousand and \$912 thousand at September 30, 2003 and 2002, respectively.

NOTE 10. ADVANCES, DEFERRED REVENUE, AND DEFERRED CREDITS

The reported amounts include advances to the NPS from other federal agencies and from the public for a total of \$19,793 thousand and \$53,770 thousand at September 30, 2003 and 2002, respectively. These advances are for the purchase of land with Title V monies, and reimbursable agreements for state-federal-academic partnerships in research and graduate education for the management of natural resources, and other programs.

NOTE 11. FEDERAL EMPLOYEES COMPENSATION ACT LIABILITIES

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees insured on the job; employees who have incurred a work-related occupational disease; and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and unpaid billings, and subsequently seeks reimbursement from the NPS for the paid claims. Federal Employees Compensation Act liabilities include two portions, the first is the intragovernmental portion, amounting to \$45,739 thousand and \$44,796 thousand representing claims paid by DOL and billed to NPS that remain unpaid at September 30, 2003 and 2002, respectively. This is based on actual claims paid by Labor but not yet reimbursed by Interior. Interior reimburses Labor for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two- or three-year time

period between payment by Labor and reimbursement by Interior. As a result, Interior recognizes a liability for the actual claims paid by Labor and to be reimbursed by Interior.

The second portion, the non-intragovernmental portion (actuarial FECA liability), amounted to \$256,635 thousand and \$238,313 thousand at September 30, 2003 and 2002, respectively. This portion represents the estimated liability for future workers' compensation benefits, including the expected liability for future workers' compensation benefits, including the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined by the DOL annually, as of September 30, using a method that utilizes historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year. The interest rate assumptions utilized for discounting were 3.84 percent in year one and 4.35 percent thereafter.

Labor also evaluated the estimated projections to ensure that the estimated future benefit payments are appropriate. The analysis included three tests: (1) a comparison of the current-year projections to the prior-year projections; (2) a comparison of the prior-year projected payments to the current-year actual payments, excluding any new case payments that had arisen during the current year; and (3) a comparison of the current-year actual payment data to the prior-year actual payment data. Based on the outcome of this analysis, adjustments may be made to the estimated future benefit payments.

The Department of Labor calculated the estimated future benefit payments based on several assumptions. The interest rate assumptions utilized to discount the estimated future benefit payments to present value are 3.84 percent in year one and 4.35 percent thereafter. The wage inflation factors (Cost of Living Adjustments) and medical inflation factors (Consumer Price Index Medical Adjustments) used in the calculation are as follows:

Federal Employee Compensation Act (FECA) Wage Inflation Factors

Fiscal Year	Cost of Living Adjustments	Consumer Price Index Medical Adjustments
2004	2.30%	3.21%
2005	2.00%	3.54%
2006	1.83%	3.64%
2007	1.97%	3.80%
2008	2.17%	3.92%

NOTE 12. ENVIRONMENTAL CLEAN-UP COSTS AND CONTINGENT LIABILITIES

Environmental Clean-up Costs

The National Park Service has exercised due care to identify the presence or likely presence of environmental contamination. As a result of this due care process, the NPS has identified 197 sites within 80 park units potentially impacted by petroleum or other hazardous substance releases. At present, 87 of these sites are governed by the Resource Conservation and Recovery Act (RCRA), 102 are governed by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and 8 sites involve both RCRA and CERCLA. The NPS response activities to these identified sites include site characterization and sampling; risk assessment; removal of the contaminant source; treatment and/or containment of contaminated water and soil; and ongoing monitoring.

The NPS analyzed these environmental sites and determined its accrued and potential environmental clean-up costs. These accrued and potential liabilities are based on a current analysis of verifiable NPS data and are subject to ongoing changes in the estimates.

Contingent Liabilities

The National Park Service is a defendant in a number of lawsuits related to injuries, breach of contract, employee discrimination, and environmental suits where the plaintiff is seeking monetary damages. The National Park Service accrued for contingent liabilities that in the opinion of NPS management and legal counsel are probable of an adverse outcome. The NPS disclosed potential liabilities for contingent liabilities that, in the opinion of NPS management and legal counsel, have more than a remote likelihood of unfavorable outcome, but do not meet the criteria for liability recognition. In addition, there are a number of cases that have more than a remote likelihood of an unfavorable outcome where the potential liability cannot be estimated.

The following tables summarize the accrued and potential environmental clean-up costs and contingent liabilities.

Environmental and Contingent Liabilities Accrued (dollars in thousands)

LIABILITY	FY 2003		FY 2002	
Estimated Clean-up Cost	\$	5,332	\$	4,730
Contingent Liabilities		8,755		8,907
TOTAL LIABILITIES ACCRUED	\$	14,087	\$	13,637

Additional Potential Liabilities (dollars in thousands)

LIABILITY	FY 2003		FY 2002	
	LOWER END OF RANGE	UPPER END OF RANGE	LOWER END OF RANGE	UPPER END OF RANGE
Estimated Clean-up Cost	\$ 12,664	\$ 198,007	\$ 13,724	\$ 111,329
Contingent Liabilities	6,554	20,813	3,500	7,400
TOTAL POTENTIAL LIABILITIES	\$ 19,218	\$ 218,820	\$ 17,224	\$ 118,729

NOTE 13. STATEMENT OF NET COST

Intragovernmental costs represent the costs incurred to generate the related intragovernmental revenue. The National Park Service estimated intragovernmental costs as intragovernmental revenue plus an allocated portion of the retirement costs paid by OPM on behalf of the NPS that the National Park Service did not bill to intragovernmental customers.

The costs associated with acquiring, constructing, and renovating heritage assets were \$78,004 thousand and \$78,430 thousand for the years ended September 30, 2003 and 2002, respectively. The costs associated with acquiring and improving stewardship lands were \$98,204 thousand and \$111,738 thousand for the years ended September 30, 2003 and 2002, respectively. (*Statements of Net Cost are included in landscape format on the following pages.*)

**Department of the Interior, National Park Service
Public/Governmental Net Cost Disclosure
For the Year Ended September 30, 2003
(dollars in thousands)**

	MID-ATLANTIC REGION	SOUTH-EAST REGION	MID-WEST REGION	ROCKY MOUNTAIN REGION	WESTERN REGION	ALASKA REGION	NATIONAL CAPITAL REGION	OTHER REGIONS	GRANTS PROGRAMS	TOTAL PROGRAMS
Strengthen and Preserve Natural and Cultural Resources and Enhance Recreational Opportunities Managed by Partners										
Cost - Services Provided to the Public	\$ 34,272	\$ 22,088	\$ 25,278	\$ 37,881	\$ 37,369	\$ 6,226	\$ 10,325	\$ 20,543	\$ 150,514	\$ 344,496
Revenue Earned from the Public	(853)	(1,584)	(323)	(1,253)	(1,799)	(126)	(445)	(27)	-	(6,410)
Net Cost of Services to the Public	33,419	20,504	24,955	36,628	35,570	6,100	9,880	20,516	150,514	338,086
Cost - Services Provided to Federal Agencies	539	529	265	737	1,687	2,453	1,180	407	-	7,797
Revenue Earned from Federal Agencies	(523)	(512)	(258)	(716)	(1,638)	(2,382)	(1,146)	(396)	-	(7,571)
Net Cost of Services Provided to Federal Agencies	16	17	7	21	49	71	34	11	-	226
Net Cost of Operations	33,435	20,521	24,962	36,649	35,619	6,171	9,914	20,527	150,514	338,312
Preserve Park Resources										
Cost - Services Provided to the Public	142,785	120,609	88,131	215,516	198,899	52,455	69,332	14,977	-	902,704
Revenue Earned from the Public	(12,732)	(14,031)	(6,123)	(43,075)	(34,309)	(2,501)	(1,963)	(229)	-	(114,963)
Net Cost of Services to the Public	130,053	106,578	82,008	172,441	164,590	49,954	67,369	14,748	-	787,741
Cost - Services Provided to Federal Agencies	2,286	2,841	1,406	3,528	5,587	11,133	5,695	1,848	-	34,324
Revenue Earned from Federal Agencies	(2,208)	(2,744)	(1,358)	(3,407)	(5,394)	(10,750)	(5,498)	(1,784)	-	(33,143)
Net Cost of Services Provided to Federal Agencies	78	97	48	121	193	383	197	64	-	1,181
Net Cost of Operations	130,131	106,675	82,056	172,562	164,783	50,337	67,566	14,812	-	788,922
Provide for the Public Enjoyment and Visitor Experience of Parks										
Cost - Services Provided to the Public	251,008	191,961	137,122	282,250	276,544	46,514	238,062	39,831	-	1,463,292
Revenue Earned from the Public	(19,390)	(15,304)	(6,572)	(51,761)	(38,420)	(4,387)	(3,972)	(227)	-	(140,033)
Net Cost of Services to the Public	231,618	176,657	130,550	230,489	238,124	42,127	234,090	39,604	-	1,323,259
Cost - Services Provided to Federal Agencies	2,292	2,818	1,391	3,498	5,569	11,015	5,714	1,828	-	34,125
Revenue Earned from Federal Agencies	(2,236)	(2,749)	(1,357)	(3,413)	(5,433)	(10,746)	(5,574)	(1,784)	-	(33,292)
Net Cost of Services Provided to Federal Agencies	56	69	34	85	136	269	140	44	-	833
Net Cost of Operations	231,674	176,726	130,584	230,574	238,260	42,396	234,230	39,648	-	1,324,092
TOTAL										
Cost - Services Provided to the Public	428,065	334,658	250,531	535,647	512,812	105,195	317,719	75,351	150,514	2,710,492
Revenue Earned from the Public	(32,975)	(30,919)	(13,018)	(96,089)	(74,528)	(7,014)	(6,380)	(483)	-	(261,406)
Net Cost of Services to the Public	395,090	303,739	237,513	439,558	438,284	98,181	311,339	74,868	150,514	2,449,086
Cost - Services Provided to Federal Agencies	5,117	6,188	3,062	7,763	12,843	24,601	12,589	4,083	-	76,246
Revenue Earned from Federal Agencies	(4,967)	(6,005)	(2,973)	(7,536)	(12,465)	(23,878)	(12,218)	(3,964)	-	(74,006)
Net Cost of Services Provided to Federal Agencies	150	183	89	227	378	723	371	119	-	2,240
Net Cost of Operations	\$ 395,240	\$ 303,922	\$ 237,602	\$ 439,785	\$ 438,662	\$ 98,904	\$ 311,710	\$ 74,987	\$ 150,514	\$ 2,451,326

**Department of the Interior, National Park Service
Public/Governmental Net Cost Disclosure
For the Year Ended September 30, 2002
(dollars in thousands)**

	MID-ATLANTIC REGION	SOUTH-EAST REGION	MID-WEST REGION	ROCKY MOUNTAIN REGION	WESTERN REGION	ALASKA REGION	NATIONAL CAPITAL REGION	OTHER REGIONS	GRANTS PROGRAMS	TOTAL PROGRAMS
Strengthen and Preserve Natural and Cultural Resources and Enhance Recreational Opportunities Managed by Partners										
Cost - Services Provided to the Public	\$ 33,316	\$ 16,877	\$ 24,129	\$ 39,700	\$ 28,618	\$ 10,410	\$ 2,812	\$ 19,414	\$ 109,863	\$ 285,139
Revenue Earned from the Public	(310)	(153)	(79)	(53)	(239)	(34)	(132)	(93)	-	(1,093)
Net Cost of Services to the Public	33,006	16,724	24,050	39,647	28,379	10,376	2,680	19,321	109,863	284,046
Cost - Services Provided to Federal Agencies	643	125	-	249	245	-	1,213	63	-	2,538
Revenue Earned from Federal Agencies	(625)	(121)	-	(242)	(238)	-	(1,180)	(61)	(7,003)	(9,470)
Net Cost of Services Provided to Federal Agencies	18	4	-	7	7	-	33	2	(7,003)	(6,932)
Net Cost of Operations	33,024	16,728	24,050	39,654	28,386	10,376	2,713	19,323	102,860	277,114
Preserve Park Resources										
Cost - Services Provided to the Public	116,558	116,964	69,947	183,340	156,954	50,716	33,905	9,484	-	737,868
Revenue Earned from the Public	(9,652)	(8,906)	(5,526)	(43,415)	(30,711)	(2,347)	(1,532)	(17)	-	(102,106)
Net Cost of Services to the Public	106,906	108,058	64,421	139,925	126,243	48,369	32,373	9,467	-	635,762
Cost - Services Provided to Federal Agencies	2,734	1,244	1,777	4,343	5,321	910	5,447	2,248	-	24,024
Revenue Earned from Federal Agencies	(2,658)	(1,210)	(1,728)	(4,224)	(5,175)	(885)	(5,297)	(2,187)	-	(23,364)
Net Cost of Services Provided to Federal Agencies	76	34	49	119	146	25	150	61	-	660
Net Cost of Operations	106,982	108,092	64,470	140,044	126,389	48,394	32,523	9,528	-	636,422
Provide for the Public Enjoyment and Visitor Experience of Parks										
Cost - Services Provided to the Public	267,739	211,655	141,712	295,503	287,030	47,726	269,894	48,375	-	1,569,634
Revenue Earned from the Public	(14,554)	(10,586)	(6,349)	(52,191)	(37,978)	(4,251)	(3,382)	(17)	-	(129,308)
Net Cost of Services to the Public	253,185	201,069	135,363	243,312	249,052	43,475	266,512	48,358	-	1,440,326
Cost - Services Provided to Federal Agencies	3,794	4,325	2,150	4,349	5,885	910	6,653	2,407	-	30,473
Revenue Earned from Federal Agencies	(3,690)	(4,206)	(2,091)	(4,230)	(5,724)	(885)	(6,470)	(2,341)	-	(29,637)
Net Cost of Services Provided to Federal Agencies	104	119	59	119	161	25	183	66	-	836
Net Cost of Operations	253,289	201,188	135,422	243,431	249,213	43,500	266,695	48,424	-	1,441,162
TOTAL										
Cost - Services Provided to the Public	417,613	345,496	235,788	518,543	472,602	108,852	306,611	77,273	109,863	2,592,641
Revenue Earned from the Public	(24,516)	(19,645)	(11,954)	(95,659)	(68,928)	(6,632)	(5,046)	(127)	-	(232,507)
Net Cost of Services to the Public	393,097	325,851	223,834	422,884	403,674	102,220	301,565	77,146	109,863	2,360,134
Cost - Services Provided to Federal Agencies	7,171	5,694	3,927	8,941	11,451	1,820	13,313	4,718	-	57,035
Revenue Earned from Federal Agencies	(6,973)	(5,537)	(3,819)	(8,696)	(11,137)	(1,770)	(12,947)	(4,589)	(7,003)	(62,471)
Net Cost of Services Provided to Federal Agencies	198	157	108	245	314	50	366	129	(7,003)	(5,436)
Net Cost of Operations	\$ 393,295	\$ 326,008	\$ 223,942	\$ 423,129	\$ 403,988	\$ 102,270	\$ 301,931	\$ 77,275	\$ 102,860	\$ 2,354,698

NOTE 14. LEASES

Entity as Lessee

Capital Leases (dollars in thousands)

CAPITAL LEASES	FY 2003
Summary of Capital Lease:	
Land and Building	\$ 28,000
Less: Accumulated Amortization	700
LAND AND BUILDING, NET:	<u>\$ 27,300</u>

Capital Lease Liabilities

The National Park Service has recognized a capital lease liability in the amount of \$27,300 thousand. It contains a 20-year term with approximately 50,000 rentable square feet of office, storage, special purpose, and related space for the Western Archeological and Conservation Center in Tucson, Arizona. The NPS shall pay the lessor base annual rent of \$1,997 thousand commencing on April 1, 2003, payable at the rate of \$166 thousand per month in arrears. The base annual rent shall be adjusted annually throughout the term in accordance with the terms agreed upon. In addition, the NPS shall pay directly for any utilities consumed during the term, and shall reimburse the lessor for any and all real estate taxes levied against the premises during the term. The base annual rent includes no tenant improvement allowance.

Capital Lease Liabilities - Future Payments Due (dollars in thousands)

Fiscal Year	Amount
2004	\$ 1,997
2005	1,997
2006	1,997
2007	1,997
2008	2,084
After 5 Years	33,971
Total Future Lease Payments	44,043
Less: Imputed Interest	(16,743)
Net Capital Lease Liability	<u>\$ 27,300</u>
Lease Liabilities Covered by Budgetary Resources	\$ 644
Lease Liabilities Not Covered by Budgetary Resources	<u>\$ 26,656</u>

The Capital Lease Liability is included in the Other Liabilities of \$27,319 on the Consolidated Balance Sheet.

GSA Real Property Operating Leases

The National Park Service leases various buildings from GSA. The terms of NPS rental agreements with GSA will vary according to whether the underlying assets are owned by GSA (or another federal agency) or rented by GSA from the private sector. For federally owned property, the NPS generally does not execute an agreement with GSA, nor is there a formal lease expiration date.

In urban areas or areas with a high concentration of federal requirements, GSA will generally add a provision to their Occupancy Agreement allowing the agency to vacate the space, whether government-owned or leased, with 180 days notice. For this they charge an annual eight percent of the rental payments for the life of the lease or assignment. GSA may, at its convenience and discretion, take the space off the agency bill in less than 180 days, but this would usually be if they had another requirement waiting to backfill the space.

Leases in less active areas, such as rural or towns with a low Federal contingent, do not have this provision included in the Occupancy Agreement (thus reducing the GSA charge to six percent) and, should the mission or program end before the expiration of the lease the agency is responsible for paying the lease costs until the end of the lease or until the lease is either bought out (at agency expense); or the agency or GSA succeeds in backfilling the space.

For purposes of disclosing future operating lease payments in the table below, federally owned GSA real property leases are included in years 2004 through 2008. For all other real property, the future operating lease payments in the table below are based on the lease terms. The future operating lease payments for all GSA leases are also based on an escalation in accordance with GSA budget estimates, normally three percent but ranging up to 14 percent for selected locations for 2004 and an escalation of three percent per year for all periods after 2004.

Other Real Property Operating Leases

The National Park Service leases various buildings from the public. The future operating lease payments in the table below are based on the lease terms.

Personal Property Operating Leases

The National Park Service leases personal property from other entities, including vehicles from GSA. For purposes of disclosing future operating personal property lease payments in the table below, personal property leases are included in years 2004 through 2008. The estimated future operating lease payments for GSA personal property leases are based on a three percent increase over the 2003 actual personal property rental expense for 2004 and an escalation of three percent per year for all periods after 2004.

Future Operating Lease Payments for FY 2004-2008 and Future Years (dollars in thousands)

FISCAL YEAR	GSA REAL PROPERTY	OTHER REAL PROPERTY	OTHER PERSONAL PROPERTY	TOTAL
2004	\$ 47,415	\$ 1,190	\$ 4,940	\$ 53,545
2005	48,837	1,105	5,090	55,032
2006	50,302	1,025	5,243	56,570
2007	51,811	776	5,400	57,987
2008	53,365	745	5,561	59,671
Thereafter	54,967	5,353	5,728	66,048
TOTAL FUTURE LEASE PAYMENTS	\$ 306,697	\$ 10,194	\$ 31,962	\$ 348,853

NOTE 15. TRANSFERS IN/OUT WITHOUT REIMBURSEMENT

Monies controlled by the Department of the Interior are transferred to the National Park Service for the purchase of land, grants to state and local government, and clean-up of hazardous material and other purposes as deemed appropriate. The NPS also transfers out certain monies to other Department of Interior agencies and other federal entities for similar purposes. The amount transferred to the NPS, and from other agencies, for the years ended September 30, 2003 and 2002, is as follows:

**Transfers In/Out Without Reimbursement
(dollars in thousands)**

TRANSFERS - IN	FY 2003	FY 2002
Bureau of Land Management	\$ 49,254	\$ 6
DOT, Federal Lands Highway	47,789	25,734
Fish and Wildlife Service	51,480	25,200
Other Agencies	2,689	1,061
SUBTOTAL TRANSFERS - IN	\$ 151,212	\$ 52,001
TRANSFERS - OUT		
Department of Agriculture, Forest Service (LWCF)	\$ (133,815)	\$ (149,517)
Bureau of Land Management (LWCF)	(54,550)	(110,920)
Fish and Wildlife Service (LWCF)	(239,841)	(234,135)
Other Agencies	(3,000)	(21,000)
SUBTOTAL TRANSFERS - OUT	\$ (431,206)	\$ (515,572)
NET TRANSFERS IN/OUT WITHOUT REIMBURSEMENT	\$ (279,994)	\$ (463,571)

NOTE 16. OTHER BUDGETARY FINANCING SOURCES

Other financing sources consist of Title V and Title VI monies provided by the Department of the Interior, Office of the Secretary, of which \$5,403 thousand and \$20,568 thousand was used for the purchase of land, construction, and maintenance for the years ended September 30, 2003 and September 30, 2002, respectively.

NOTE 17. STATEMENT OF BUDGETARY RESOURCES

The National Park Service has eleven "Permanent Indefinite" Appropriations. They are as follows:

- 14X5057 Fee Collection Support
- 14X5262 National Park Passport Program
- 14X5049 Operation and Maintenance of Quarters
- 14X5431 Park Concessions Franchises Fees
- 14X5164 Transportation Systems Fund
- 14_5412 Glacier Bay National Park Resource Protection
- 14X5663 Educational Expenses, Children of Employees,
Yellowstone National Park
- 14X5666 Payment In Lieu of Taxes, Grand Teton National Park
- 14X5076 Delaware Water Gap NRA, Route 209 Operations
- 14X5244 National Maritime Heritage Grants
- 14X5110 Fee Demonstration Program

Each of these appropriations was established under different and specific Public Laws. For example, the authorizing legalization for the Recreation Fee Demonstration Program is P.L. 104-134, as amended; the National Park Passport Program is P.L. 105-391; the Operation and Maintenance of Quarters is P.L. 98-473, and so on. In all cases, the unobligated funds at the end of any given fiscal year remain available until expended and are to be obligated for the purposes as described in their authorizing legislation.

National Park Service obligations incurred by apportionment category are as follows:

Obligations Incurred by Apportionment Category (dollars in thousands)		
CATEGORY B	FY 2003	FY 2002
Obligations Incurred:		
Direct	\$ 2,624,187	\$ 2,541,803
Reimbursable	141,520	122,373
Total Obligations Incurred	\$ 2,765,707	\$ 2,664,176

NOTE 18. OFFSETTING RECEIPTS

The NPS has offsetting receipts of \$189,910 and \$180,414 for the fiscal years ended September 30, 2003 and 2002, respectively. Offsetting Receipts are cash collections, resulting from business-type activities that are credited to the offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Per the Treasury Annual Report, the receipts types included for the NPS are intrabudgetary receipts, and proprietary receipts from the public.

NOTE 19. STATEMENT OF FINANCING

The intent of the Statement of Financing is to facilitate the reconciliation of the financial net cost of operations with obligations of budget authority. Because the accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources, this reconciliation is useful in understanding the differences.

The Statement of Financing considers four types of activity: (1) resources used to fund activities, (2) resources used to fund items not part of the net cost of operations, (3) components of net cost of operations that do not require or generate resources during the reporting period, and (4) components of net cost that require future funding.

The Statement of Financing includes a section depicting the change in certain unfunded liabilities not covered by budgetary resources. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in Note 9, "Liabilities Analysis." Differences are primarily the result of certain Treasury requirements related to where changes in various liabilities are reported on the Statement of Financing. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in the Statement of Financing.

OMB Circular A-II, "Preparation, Submission, and Execution of the Budget," requires the transferor (i.e. parent) to report the allocation transfers as part of the Statement of Budgetary Resources, while the recipient of allocation transfers (i.e. child) reports the proprietary activity on its Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. This process creates a reconciling difference on the Statement of Financing.

The following table summarizes the transfer appropriations where the National Park Service is the recipient (i.e., child):

Transfer of Appropriations Where the National Park Service Is the Recipient (Child)
(dollars in thousands)

APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2003 RECONCILING DIFFERENCE	FY 2002 RECONCILING DIFFERENCE
14-14-X-1618-010	Department of the Interior - Office of the Secretary	Funds to conduct natural resource damage assessment activities necessary to carry out the provisions of the Comprehensive Environmental Response, Compensation, and Liability Act and the Oil Pollution Act of 1990.	\$ 441	\$ 810
14-14-X-1121-010	Department of the Interior - Bureau of Land Management	For necessary expenses for the remedial action, including associated activities, of hazardous waste substances, pollutants, or contaminants pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act.	\$ 1,473	\$ 1,621
14-14-X-1125-010	Department of the Interior - Bureau of Land Management	For necessary expenses related to fire preparedness, suppression operations, fire science and research, emergency rehabilitation, hazardous fuel reduction and rural fire assistance. An amount shall be available for the renovation or construction of fire facilities.	\$ 114,437	\$ 125,631
14-14-X-5198-010	Department of the Interior - Office of the Secretary	Funds to conduct natural resource damage assessment activities necessary to carry out the provisions of the Comprehensive Environmental Response, Compensation, and Liability Act and the Oil Pollution Act of 1990.	\$ 920	\$ 851
14-12-X-1105-010	U.S. Department of Agriculture - Forest Service	For necessary expenses related to cooperating with and providing technical and financial assistance for forest health management, cooperative forestry, and education and land conservation activities.	\$ 226	\$ 340
14-69-X-8083-010	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design and construction support for forest highways, parkways, and park roads as well as repairing the highway infrastructure.	\$ 31,657	\$ 31,142
14-69-X-8058-010	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design and construction support for forest highways, parkways, and park roads as well as repairing the highway infrastructure.	\$ 137	\$ 38
14-16- 0174-010	U.S. Department of Labor	For necessary expenses related to a comprehensive residential, education and job training program for at-risk youths.	\$ 17,165	\$ 14,732

The following table summarizes the transfer appropriations where the National Park Service is the transferor (i.e., parent):

Transfer of Appropriations Where the National Park Service Is the Transferor (Parent)
(dollars in thousands)

APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2003 RECONCILING DIFFERENCE	FY 2002 RECONCILING DIFFERENCE
96-14-X-1039-000	U.S. Army Corps of Engineers	Funds transferred to the Corps of Engineers related to the modified water deliveries project to establish surface water inundation patterns within Everglades for the purposes of restoring the ecological resources of the park to those conditions prior to the drainage of South Florida.	\$ (3,224)	\$ (30,405)
69-14-X-1039-000	U.S.Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design and construction support for forest highways, parkways, and park roads as well as repairing the highway infrastructure.	\$ (903)	\$ (2,709)
96-14-X-5035-000	U.S. Army Corps of Engineers	Funds transferred to the Corps of Engineers to cover necessary expenses related to the Everglades restoration effort.	\$ (3,185)	\$ (8,597)
69-14-X-8215-000	U.S.Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design and construction support for forest highways, parkways, and park roads as well as repairing the highway infrastructure.	\$ (19)	\$ 385
69-14- 1036-000	U.S.Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design and construction support for forest highways, parkways, and park roads as well as repairing the highway infrastructure.	\$ (323)	\$ (298)
69-14-X-5481-000	U.S.Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design and construction support for forest highways, parkways, and park roads as well as repairing the highway infrastructure.	\$ (19)	\$ 317
TOTAL RECONCILING DIFFERENCES			\$ 158,783	\$ 133,858

NOTE 20. DEDICATED COLLECTIONS

The Land and Water Conservation Fund

In 1964 Congress established the Land and Water Conservation Fund (LWCF) (Public Law 88-578) to provide for the acquisition of public lands to meet the needs of all Americans for outdoor recreation and open space. Each year \$900 million is deposited in the fund, primarily from Outer Continental Shelf (OCS) oil and gas leasing, which are considered inflows of resources to the government. The LWCF Act directed Congress to allocate the money, through the annual appropriation process, for the purchase of land, waters, and wetlands in our national parks, forests, wildlife refuges, and other resource lands, and to provide matching grant assistance for state and community open space and recreation projects. The funds are accounted for by the information provided by the Interiors' Minerals Management Service (MMS) and are reported as a restricted asset.

The Historic Preservation Fund (HPF) provides matching grants to encourage private and non-federal investment in historic preservation efforts nationwide, and assists state, local governments, and Indian tribes with expanding and accelerating their historic preservation activities nationwide. Historic Preservation Fund grants serve as a catalyst and "seed money" for preserving and protecting our nation's irreplaceable heritage for this and future generations. Funds are transferred from MMS to the National Park Service, the majority of which is from royalties from Outer Continental Shelf oil deposits. These funds are considered inflows of resources to the government. The funds are accounted for by the information provided by MMS and are reported as a restricted asset.

In addition to the LWCF and HPF, the NPS also considers the following appropriations as dedicated collections: Cash Donations, Boyhood Home of Abraham Lincoln, Trust Fund Construction, Highway Maintenance and Construction.

The purpose of the Cash Donations Fund is to establish a mechanism for the public to make unsolicited donations to the NPS. The source of the funding is exclusively from public donations. The authority to use such funds, as collected, is in accordance with 16 U.S.C. 6. The donations are considered inflows of resources to the government and the donated revenue is considered a financing source as reported on the Consolidated Statement of Changes in Net Position. The purpose of the Boyhood Home of Abraham Lincoln is to maintain the birthplace of the 16th President of the United States of America. The source of the funding is exclusively from interest income on a U.S. Treasury Security. The authority to use the funds as earned and collected is 16 U.S.C. 212 and is considered an intragovernmental flow. The purpose of the Trust Fund Construction is to account for NPS trust fund construction. The source of the funding is an allocation transfer from the U.S. Department of Transportation-Federal Highways. The National Park Service maintains the authority to obligate the funds in advance of actual fund transfers, in accordance with P.L. 106-113. The allocation transfers are considered intragovernmental flows.

The following table contains summarized data for the years ended September 30, 2003 and the 2002, respectively (in thousands):

Department of the Interior, National Park Service
Dedicated Collections as of September 30, 2003
(dollars in thousands)

	LAND AND WATER CONSERVA- TION FUND	HISTORIC PRESERVA- TION FUND	CASH DONATIONS	BOYHOOD HOME OF ABRAHAM LINCOLN	TRUST FUND CONSTRUC- TION	FY 2003 TOTAL
ASSETS						
Fund Balance with Treasury	\$ 13,443,816	\$ 2,377,575	\$ 50,293	\$ 85	\$ 4,310	\$ 15,876,079
Investments, Net	-	-	-	65	-	65
Accounts Receivable	-	-	4	-	-	4
Other Assets	-	-	4,534	-	37	4,571
TOTAL ASSETS	\$ 13,443,816	\$ 2,377,575	\$ 54,831	\$ 150	\$ 4,347	\$ 15,880,719
LIABILITIES						
Accounts Payable	-	-	324	-	2	326
Other Liabilities	-	-	275	-	3	278
TOTAL LIABILITIES	-	-	599	-	5	604
Total Net Position	13,443,816	2,377,575	54,232	150	4,342	15,880,115
TOTAL LIABILITIES AND NET POSITION	\$ 13,443,816	\$ 2,377,575	\$ 54,831	\$ 150	\$ 4,347	\$ 15,880,719
CHANGE IN NET POSITION						
Net Position, Beginning of Fiscal Year	\$ 13,073,662	\$ 2,298,127	\$ 41,089	\$ 149	\$ 4,473	\$ 15,417,500
Change in Net Position:						
Non-exchange Revenue, Investment Interest, and Other	899,021	150,000	28,974	-	-	1,077,995
Transfers - In/Out Without Reimbursement	(528,867)	(70,552)	70	-	-	(599,349)
Exchange Revenue - Services Provided, and Other	-	-	-	8	-	8
Program Expenses	-	-	(15,901)	(7)	(131)	(16,039)
NET POSITION, END OF FISCAL YEAR	\$ 13,443,816	\$ 2,377,575	\$ 54,232	\$ 150	\$ 4,342	\$ 15,880,115

Department of the Interior, National Park Service
Dedicated Collections as of September 30, 2002
(dollars in thousands)

	LAND AND WATER CONSERVA- TION FUND	HISTORIC PRESERVA- TION FUND	CASH DONATIONS	BOYHOOD HOME OF ABRAHAM LINCOLN	TRUST FUND CONSTRUC- TION	FY 2002 TOTAL
ASSETS						
Fund Balance with Treasury	\$ 13,073,662	\$ 2,298,127	\$ 37,792	\$ 84	\$ 4,433	\$ 15,414,098
Investments, Net	-	-	-	65	-	65
Accounts Receivable	-	-	13	-	-	13
Other Assets	-	-	4,221	-	45	4,266
TOTAL ASSETS	\$ 13,073,662	\$ 2,298,127	\$ 42,026	\$ 149	\$ 4,478	\$ 15,418,442
LIABILITIES						
Accounts Payable	-	-	533	-	-	533
Other Liabilities	-	-	404	-	5	409
TOTAL LIABILITIES	-	-	937	-	5	942
Total Net Position	13,073,662	2,298,127	41,089	149	4,473	15,417,500
TOTAL LIABILITIES AND NET POSITION	\$ 13,073,662	\$ 2,298,127	\$ 42,026	\$ 149	\$ 4,478	\$ 15,418,442
CHANGE IN NET POSITION						
Net Position, Beginning of Fiscal Year	\$ 12,856,416	\$ 2,222,437	\$ 41,637	\$ 147	\$ 4,688	\$ 15,125,325
Change in Net Position:						
Non-exchange Revenue, Investment Interest, and Other	899,479	150,000	15,239	-	-	1,064,718
Transfers - In/Out Without Reimbursement	(682,233)	(74,310)	122	-	-	(756,421)
Exchange Revenue - Services Provided, and Other	-	-	-	8	-	8
Program Expenses	-	-	(15,909)	(6)	(215)	(16,130)
NET POSITION, END OF FISCAL YEAR	\$ 13,073,662	\$ 2,298,127	\$ 41,089	\$ 149	\$ 4,473	\$ 15,417,500

NOTE 21. DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT (PRESIDENT'S BUDGET)

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget. The FY 2005 President's Budget was not available at the time the financial statements were prepared. The following summarizes the difference between the actual amounts in the FY 2004 President's Budget and the actual amounts in the FY 2002 Statement of Budgetary Resources by line item. The negative amounts indicate that the Combined Statement of Budgetary Resources is greater than the Budget of the United States Government.

The reasons for these differences are as follows: (1) The Concession Improvement Account is reported on the President's Budget and is not reported on the Combined Statement of Budgetary Resources because there are differing interpretations as to the extent of the National Park Service's jurisdiction over these funds, and the related receipts and expenditures. It is the opinion of the Solicitor of the Department of the Interior that the funds contained in Concession Improvement Accounts are owned by the concessioner and are not receipts of the United States. Expenditures of such funds by the concessioner are private expenditures, not governmental expenditures; (2) The Statement of Budgetary Resources includes expired amounts which are excluded from the President's Budget, resulting in differences in the amounts reported as Unobligated - Beginning and Ending, Recoveries of Prior Year Obligations, and Obligations Incurred; (3) There are differences caused by adjustments made to the Combined Statement of Budgetary Resources after the President's Budget had been transmitted; (4) There are further differences of \$30,000 thousand on Contract Authority and Permanently Not Available. This is an annual amount of contract authority in the yearly appropriation act that is always rescinded in the same act before it is passed. Accordingly, it was not appropriated to the NPS or apportioned by the NPS. It will, however, show in the Program and Financing because it is a part of the appropriation act itself.

**Department of the Interior, National Park Service
Differences Between FY 2002 Combined Statement of Budgetary Resources
and Budget of the United States Government (President's Budget)
(dollars in millions)**

LINE ITEM	AMOUNT
BUDGETARY RESOURCES	
Budget Authority:	
Contract Authority	\$ 30
Unobligated Balance:	
Brought Forward, October 1	21
Spending Authority From Offsetting Collections:	
Collected	(8)
Change in Unfilled Customer Orders:	
Advance Received	9
Without Advance From Federal Sources	1
Recoveries of Prior Year Obligations:	
Actual	(3)
Permanently Not Available	(27)
STATUS OF BUDGETARY RESOURCES	
Total Obligations Incurred	21
Unobligated Balance	
Apportioned	66
Unobligated Balance Not Available	(56)
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS	
Obligated Balance, Net, End of Period	(7)
NET OUTLAYS	\$ 23

NOTE 22. ALLOCATION TRANSFER BEGINNING BALANCE ADJUSTMENTS

As of October 1, 2002, the NPS changed its method of accounting for allocation transfers in accordance with OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. In accordance with these reporting requirements, the NPS reports the budgetary activity, but not the proprietary activity when the NPS is the transferor of the appropriation (i.e., parent), and reports the proprietary activity, but not the budgetary activity, when the NPS is the recipient of the transfer (i.e., child). As a result of this change, the NPS adjusted its net position as of October 1, 2001, by recording an adjustment for cumulative effect of a change in accounting principle in the amount of \$56,270 thousand. This adjustment consists of the following:

**Beginning Balance Unexpended Appropriation Reconciling Amounts
(dollars in thousands)**

APPROPRIATION	AMOUNT
69-14- 1036-000	\$ (1,595)
96-14-X-1039-000	(43,269)
69-14-X-1039-000	(8,712)
TOTAL	\$ (53,576)

**Beginning Balance Cumulative Results of Operation Reconciling Amounts
(dollars in thousands)**

APPROPRIATION	AMOUNT
69-14-X -5481-000	\$ (537)
96-14-X-8215-000	(2,157)
TOTAL	\$ (2,694)



Visitors at Tumacacori National Historical Park enter the historic Spanish Catholic mission building that remains near the site first visited by Jesuit Father Eusebio Kino in 1691. PHOTO BY DIANE LIGGETT

Required Supplementary Stewardship Information

(Unaudited - See Accompanying Independent Auditors' Report)

STEWARDSHIP AND HERITAGE ASSETS

Forests, deserts, riparian areas, seashores, wilderness areas, archeological sites, museum collections, cultural landscapes, and historic buildings are among the many stewardship and heritage assets which the National Park Service has the responsibility to preserve and protect.

National Park Service collection-type heritage assets consist of objects gathered and maintained in museum collections for research, interpretation, education, and exhibition purposes. Non-collection heritage assets include historic and prehistoric structures and landmarks as well as parks, memorials, and monuments.

The deferred maintenance section contains information regarding facility deficiencies for park assets including roads, trails, camping and recreational structures, buildings and houses, utility systems, marine and dock structures, signs and information structures, and special features assets such as monuments, statues, memorials, fortifications, and viewing structures.

NATIONAL PARK SERVICE STEWARDSHIP LAND

The objective of acquiring land and interests in land is to preserve and protect, for public use and enjoyment, the historic, scenic, natural, and recreational values of congressionally authorized areas within the National Park System. Acquisition of land helps to meet the increasingly heavy visitor demand for federal recreation areas, conserves outstanding resources for public recreational use before they are converted to incompatible uses, and preserves the nation's natural and historic heritage. The National Park Service categorizes land both as stewardship land and as a non-collectible heritage asset.

Subsets of lands within the authorized boundaries of the National Park System can have additional stewardship asset designations such as *wilderness area*, *wild*

and scenic river, and *trail*. Stewardship areas such as wilderness areas may encompass lands owned by entities other than the National Park Service. Changes in NPS boundaries occur only when authorized by Presidential proclamations or by acts of Congress. While individual units of stewardship land can be improved, the condition of National Park System stewardship land as a whole is generally sufficient to support the NPS mission and is considered to be in acceptable condition.

The 388 units of the National Park System contain a total of 84,244,963.59 acres within their boundaries. Of that total, 78,590,028.88 acres are owned by the United States in fee simple title, and 252,795.02 acres in less-than-fee title (i.e., scenic easements). Non-federal land within the NPS is either privately owned (4,221,396.01 acres) or owned by state and local governments (1,180,743.68 acres).

Subject to the availability of funds, privately owned land will be acquired when opportunities for acquisition arise, or when an owner uses or threatens to use his property in a manner not compatible with park purposes. Through acquisitions, status changes, withdrawals, and error corrections, the National Park Service added 418,591 acres and withdrew 618,014 acres. The accompanying table summarizes ownership of acreage within park boundaries by type of park unit.

Examples of stewardship land additions include the following:

- During FY 03 Public Law 107-373 (December 19, 2002) established the Cedar Creek and Belle Grove National Historical Park consisting of approximately 3,567 acres in the Shenandoah Valley of Virginia.
- In March 2003 the National Park Service, as part of a joint land protection project between the NPS and the Shenandoah Valley Battlefields Foundation, acquired a nationally significant 8-acre tract of land at the park. The National Park Service

and The Foundation jointly protected a 142-acre historic farm along Cedar Creek within the new park. The Foundation will own 134 acres of the farm and the NPS will own 8 acres, including the antebellum farmhouse and outbuildings. The purchase represents the first land acquisition by either entity within the new park and advances long-standing preservation efforts for the Cedar Creek battlefield and Belle Grove Plantation area.

- The National Memorial for Flight 93 was authorized on September 24, 2002.
- On June 11, 2003, the National Park Service accepted an offer from The Trust for Public Land to purchase the 97.8-acre Rock-Tenn tract. This acreage is now part of the Chickamauga and Chattanooga National Military Park.
- In October 2002 the National Park Service accepted an offer to acquire the 97-acre Murphy Farm, known as the Chambers Farm during the Civil War. These 97.04 acres have been added to Harpers Ferry National Historical Park. A residential development to contain 203 single-family homes had been proposed for the Murphy Farm. Such development, which was precluded by federal acquisition, would have resulted in the

loss of the historic battlefield setting.

- Black Canyon of the Gunnison National Park expanded by 198.5 acres when the NPS accepted an offer in April 2003 to acquire a 198.5-acre undeveloped tract in the southeastern corner of the park in the vicinity of Red Rock Canyon. Federal acquisition will preserve the agricultural character of the land and enable development of the proposed Red Rock Trailhead.

Land withdrawals or status changes occurred at several parks in FY 2003.

- Joshua Tree National Park reduced 201,645 acres as the records included old tracts that are no longer part of the park.
- Colonial National Historical Park's acres were reduced by 786 acres as these acres are outside the park boundary.

Stewardship lands are used and managed in accordance with the statutes authorizing their acquisition or directing their use and management. The National Park Service conducts various activities to preserve and protect land resources, and to mitigate the effects of activities conducted previously on or near parks that adversely affect the natural state of the land.

National Park System Stewardship Lands - Units and Acreage

Unit Type	Number Units	Beginning Acres	Additions	Withdrawals	Ending Acres	Total Non-Federal Acres	Combined Total Acres
International Historic Sites	1	28	-	-	28	16	44
National Battlefields	11	12,242	49	-	12,291	1,114	13,405
National Battlefield Parks	4	8,714	-	-	8,714	1,750	10,464
National Battlefield Sites	-	-	-	-	-	-	-
National Historic Sites	78	21,034	644	-	21,678	15,932	37,610
National Historical Parks	41	118,593	719	(786)	118,526	48,591	167,117
National Lakeshores	4	145,642	46	-	145,688	83,179	228,867
National Memorials	29	8,081	1	-	8,082	461	8,543
National Military Parks	9	36,327	151	-	36,478	4,226	40,704
National Monuments	75	2,567,522	2	(415,583)	2,151,941	183,002	2,334,943
National Parks	56	49,872,241	1,312	(201,645)	49,671,908	2,066,980	51,738,888
National Parkways	4	164,383	594	-	164,977	10,629	175,606
National Preserves	17	21,616,782	413,505	-	22,030,287	2,122,958	24,153,245
National Recreation Areas	18	3,389,522	669	-	3,390,191	302,249	3,692,440
National Reserves	2	11,413	166	-	11,579	22,252	33,831
National Rivers	5	312,103	286	-	312,389	112,011	424,400
National Scenic Trails	3	166,745	376	-	167,121	69,122	236,243
National Seashores	10	479,054	2	-	479,056	115,798	594,854
National Wild & Scenic Rivers	10	73,824	63	-	73,887	240,261	314,148
Other Stewardship Land	11	37,997	6	-	38,003	1,608	39,611
Total	388	79,042,247	418,591	(618,014)	78,842,824	5,402,139	84,244,963

Note: Additions include 1,393 acres from FY 2002 not previously reported.

National Park Service System Units	
Unit	Description
International Historic Site	These are relevant to the respective countries' histories. The lone International Historic Site, Saint Croix International Historic Sites, is relevant to both U.S. and Canadian history.
National Battlefield	This general title includes national battlefield, national battlefield park, national battlefield site, and national military park. In 1958, an NPS committee recommended national battlefield as the single title for all such park lands.
National Historic Site	Usually, a national historic site contains a single historical feature directly associated with its subject. Derived from the Historic Sites Act of 1935, some historic sites were established by secretaries of the Interior; most have been authorized by acts of Congress.
National Historical Park	This designation generally applies to historic parks that extend beyond single properties or buildings.
National Lakeshore	National lakeshores, all on the Great Lakes, closely parallel the seashores in character and use.
National Memorial	A national memorial is commemorative of a historic person or episode; it need not occupy a site historically connected with its subject.
National Military Park	<i>See National Battlefield.</i>
National Monument	The Antiquities Act of 1906 authorized the President to declare by public proclamation landmarks, structures, and other objects of historic or scientific interest situated on lands owned or controlled by the government to be national monuments.
National Park	Generally, national parks are large natural places that encompass a wide variety of attributes, sometimes including significant historic assets. Hunting, mining and consumptive activities are not authorized.
National Parkway	The title parkway refers to a roadway and the parkland paralleling the roadway. All were intended for scenic motoring along a protected corridor and often connect cultural sites.
National Preserve	National preserves are areas having characteristics associated with national parks, but in which Congress has permitted continued public hunting, trapping, oil/gas exploration and extraction.
National Recreation Area	These are generally centered on large reservoirs and emphasize water-based recreation. Some are located near major population centers. Such urban parks combine scarce open spaces with the preservation of significant historic resources and important natural areas in locations that can provide outdoor recreation for large numbers of people.
National Reserve	National reserves are similar to national preserves. Management may be transferred to local or state authorities. The first reserve, City of Rocks, was established in 1988.
National River	There are several variations to this category: national river and recreation area, national scenic river, wild river, etc. The first was authorized in 1964, and others were established following passage of the Wild and Scenic Rivers Act of 1968.
National Trail	National scenic trails and national historic trails are the titles given to these linear parklands authorized under the National Trails System Act of 1968.
National Seashore	These have been established on the Atlantic, Gulf, and Pacific coasts; some are developed and some relatively primitive. Hunting is allowed at many of these sites.
Other Stewardship Land	Other stewardship land refers to units that cannot be readily included in any of the standard categories. Examples include: Catoctin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks located in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap Farm Park.

Distinct ecological subsections are evident in this image of the Nulato Hills in Wrangell-St. Elias National Park and Preserve. PHOTO BY BLAIN ANDERSON



WILDERNESS AREAS

Wilderness areas are federal lands that have been designated by Congress, with support from the citizens of the districts and states involved, and are devoted to the public purposes of recreational, scenic, scientific, educational, conservation, and historical use. These areas, which are generally greater than 5,000 acres, appear to have been affected primarily by the forces of nature, with human development substantially unnoticeable. Wilderness areas are generally thought of as providing outstanding opportunities for solitude and/or primitive and unconfined types of recreation. The National Park Service categorizes wilderness areas as both stewardship land and as non-collectible heritage assets.

Legislation is the only mechanism to increase or decrease wilderness acreage. Minor fluctuations in acreage may also occur as the parks have the ability to more accurately map the land using improved technology. In the United States, there are more than 100 million acres of federal land designated wilderness by legislation under the management of the National Park Service, the U.S. Forest Service, the U.S. Fish and Wildlife Service, and the Bureau of Land Management.

Because of the abundance of NPS wilderness acreage in Alaska, the National Park Service manages the greatest proportion of wilderness areas, more than 40 percent of the entire National Wilderness Preservation System. This includes about 44 million acres within 46 different National Park Service areas. At the end of Fiscal Year 2002, wilderness areas accounted for 43,287,523 acres. As of September 30, 2003, an additional 329,134 acres have been added, and another 13,944 acres were withdrawn due to improved technology that increases the accuracy of recording the acreage, bringing the net total of acres to 43,602,713.

Examples of additions and withdrawals in the wilderness areas include the following:

- In Fiscal Year 2003 Lake Mead National Recreation Area became the forty-sixth park area and the first national recreation area with designated wilderness when the Clark County Conservation of Public Lands and Natural Resources Act of 2002 designated approximately 184,439 acres of the national recreation area as wilderness.
- The Big Sur Wilderness and Conservation Act of 2002 added several thousand acres to the existing wilderness at Pinnacles National Monument.
- The Alaska Region of the National Park Service is using more accurate mapping

techniques based on Geographic Information Systems (GIS) that resulted in an approximate one percent increase in reported acreage for Denali National Park and Preserve, which was identified when updating the map components for agency planning.

- Gates of the Arctic National Park and Preserve also benefited from the results of GIS mapping that identified an approximate one percent increase in park acreage.

- In 2000 Congress removed 78,408 acres of the Sangre De Cristo Wilderness from U.S. Forest Service jurisdiction and incorporated it into Great Sand Dunes National Park under the management of the National Park Service. This information should have been reported in 2001, but was overlooked.

Additional information on NPS wilderness may be found at www.wilderness.net and at www.wilderness.nps.gov.

National Park System Wilderness Areas

State	Wilderness Area	Park Unit	Acreage
Alaska	Denali	Denali National Park	2,146,580
	Gates of the Arctic	Gates of the Arctic National Park	7,245,600
	Glacier Bay	Glacier Bay National Park and Preserve	2,664,876
	Katmai	Katmai National Park and Preserve	3,384,358
	Kobuk Valley	Kobuk Valley National Park	174,545
	Lake Clark	Lake Clark National Park	2,619,550
	Noatak	Noatak National Preserve	5,765,427
Arkansas	Wrangell-St. Elias	Wrangell-St. Elias National Park and Preserve	9,078,675
	Buffalo National River	Buffalo National River	34,933
Arizona	Chiricahua	Chiricahua National Monument	10,680
	Organ Pipe Cactus	Organ Pipe Cactus National Monument	312,600
	Petrified Forest	Petrified Forest National Park	50,260
	Saguaro	Saguaro National Park	70,905
California	Ansel Adams	Devils Postpile National Monument	747
	Death Valley	Death Valley National Park	3,128,028
	Joshua Tree	Joshua Tree National Park	557,802
	Lassen Volcanic	Lassen Volcanic National Park	78,982
	Lava Beds	Lava Beds National Monument	28,460
	Mojave	Mojave National Preserve	695,200
	Philip Burton	Point Reyes National Seashore	25,952
	Pinnacles	Pinnacles National Monument	15,985
	Sequoia-Kings Canyon	Sequoia-Kings Canyon National Park	723,036
	Yosemite	Yosemite National Park	704,624
Colorado	Black Canyon of the Gunnison	Black Canyon of the Gunnison National Park	15,599
	Great Sand Dunes	Great Sand Dunes National Park	75,225
	Indian Peaks	Rocky Mountain National Park	2,917
	Mesa Verde	Mesa Verde National Park	8,500
Florida	Marjory Stoneman Douglas	Everglades National Park	1,296,500
Georgia	Cumberland Island	Cumberland Island National Seashore	8,840
Hawaii	Haleakala	Haleakala National Park	24,719
	Hawaii Volcanoes	Hawaii Volcanoes National Park	130,790
Idaho	Craters of the Moon	Craters of the Moon National Monument	43,243
Michigan	Isle Royale	Isle Royale National Park	132,018
Mississippi	Gulf Islands	Gulf Islands National Seashore	4,080
Nevada	Death Valley	Death Valley National Park	125,000
	Lake Mead	Lake Mead National Recreation Area	184,439
New Mexico	Bandelier	Bandelier National Monument	23,267
	Carlsbad Caverns	Carlsbad Caverns National Park	33,125
New York	Fire Island	Fire Island National Seashore	1,380
North Dakota	Theodore Roosevelt	Theodore Roosevelt National Park	29,920
South Carolina	Congaree Swamp	Congaree Swamp National Monument	15,010
South Dakota	Badlands	Badlands National Park	64,144
Texas	Guadalupe Mountains	Guadalupe Mountains National Park	46,850
Virginia	Shenandoah	Shenandoah National Park	79,579
Washington	Mount Rainier	Mount Rainier National Park	228,480
	Olympic	Olympic National Park	876,669
	Stephen Mather	North Cascades National Park	634,614
Total Acreage			43,602,713



NATIONAL WILD AND SCENIC RIVERS SYSTEM

Rivers must meet eligibility and suitability criteria before addition to the National Wild and Scenic Rivers System. For a river to be eligible, it must exist in a free-flowing condition and possess one or more of the following values to a remarkable degree: scenic, recreation, geologic, fish and wildlife, historic, cultural, or other similar values. Suitability is based on the extent of public lands in the immediate environment of the river; funds required for acquisition, development, and management; and local or state interest in acting to protect and manage the river.

Studies to determine eligibility and suitability may be the responsibility of either the Department of the Interior, Department of Agriculture, or the shared responsibility of both agencies. Wild and Scenic studies are presented to Congress with a Presidential recommendation. Congress then decides whether or not to add the river to the National Wild and Scenic Rivers System. An act of Congress is required for a river to be removed from the system.

A second path to designation, under Section 2(a)(ii) of the Wild and Scenic Act (1968), is for a governor to request federal designation of a state-designated, state-administered Wild and Scenic River, and

for the Secretary of the Interior, after study, to designate that river. Seventeen rivers have entered the National Wild and Scenic Rivers System in this way.

There are 163 rivers in the entire National Wild and Scenic Rivers System. The National Park Service categorizes wild and scenic rivers as both stewardship land and as non-collectible heritage assets. Only 10 have been established as units of the National Park System: Alagnak Wild River, Bluestone National Scenic River, Delaware National Scenic River, Great Egg Harbor Scenic and Recreational River, Saint Croix/Lower Saint Croix National Scenic Riverway, Missouri National Recreational River, Niobrara National Scenic Riverway, Obed Wild and Scenic River, Rio Grande Wild and Scenic River, and Upper Delaware Scenic and Recreational River.

Each river mile is classified as wild, scenic, or recreational. There are four agencies that administer the federally-administered components of the system: Bureau of Land Management (2,050 miles), U.S. Fish and Wildlife Service (1,051 miles), U.S. Forest Service (4,346 miles), and the National Park Service (2,826 miles). State and local agencies administer the balance (1,030 miles). The 41 rivers listed in the table are the rivers for which NPS has some management responsibility—in the majority of cases sole responsibility. The river miles

in the table include some such as the Flathead where responsibility is shared. For example, on the North Fork of the Flathead, the NPS manages one side of the river, and the U.S. Forest Service manages the other side. The total river miles are included for each river. There were no new designations for National Park Service administration of national wild and scenic rivers this year.

NATIONAL TRAILS SYSTEM

The National Trails System, created by law in 1968, is made up of four types of trails: *national scenic trails* (NST), *national historic trails* (NHT), *national recreation trails* (NRT), and *connecting and side trails*.

Only three components of the National Trails System are officially considered NPS units: the Appalachian, Potomac Heritage, and Natchez Trace NSTs. The National Park Service categorizes the National Trails System as both stewardship land and as non-collectible heritage assets.

National recreation trails and connecting and side trails are recognition programs and do not require trail-wide federal administration. The assets associated with NSTs and NHTs exist under the jurisdiction of many different parties, including federal and state agencies, local governments, tribal councils, and private landowners.

National Wild and Scenic Rivers System Managed by the NPS (either solely or in conjunction with other agencies)

Year (est.)	River	Wild	Scenic	Recreational	Total Miles
1968	St. Croix, MN & WI	-	181.0	19.0	200.0
1968	Wolf, WI	-	24.0	-	24.0
1972	St. Croix (lower), MN & WI	-	12.0	15.0	27.0
1976	St. Croix (lower), MN & WI	-	-	25.0	25.0
1976	Obed, TN	44.3	-	1.0	45.3
1976	Flathead, MT	97.9	40.7	80.4	219.0
1978	Rio Grande, TX	95.2	96.0	-	191.2
1978	Missouri, NE & SD	-	-	59.0	59.0
1978	Delaware (upper), NY & PA	-	25.1	50.3	75.4
1978	Delaware (middle), NJ & PA	-	35.0	-	35.0
1980	Alagnak, AK	67.0	-	-	67.0
1980	Alatna, AK	83.0	-	-	83.0
1980	Aniakchak, AK	63.0	-	-	63.0
1980	Charley, AK	208.0	-	-	208.0
1980	Chilikadrotna, AK	11.0	-	-	11.0
1980	John, AK	52.0	-	-	52.0
1980	Kobuk, AK	110.0	-	-	110.0
1980	Mulchatna, AK	24.0	-	-	24.0
1980	Koyukuk (North Fork), AK	102.0	-	-	102.0
1980	Noatak, AK	330.0	-	-	330.0
1980	Salmon, AK	70.0	-	-	70.0
1980	Tinayguk, AK	44.0	-	-	44.0
1980	Tliikakila, AK	51.0	-	-	51.0
1981	Klamath, CA	-	-	1.0	1.0
1984	Tuolumne, CA	37.0	17.0	-	54.0
1986	Cache La Poudre, CO	12.0	-	-	12.0
1987	Merced, CA	53.0	14.0	14.0	81.0
1987	Kings, CA	49.0	-	6.5	55.5
1987	Kern, CA	27.0	-	-	27.0
1988	Bluestone, WV	-	10.0	-	10.0
1991	Missouri, NE & SD	-	-	39.0	39.0
1991	Niobrara, NE	-	76.0	28.0	104.0
1992	Great Egg Harbor, NJ	-	30.6	98.4	129.0
1993	Maurice, NJ	-	28.9	6.5	35.4
1994	Farmington (West Branch), CT	-	-	14.0	14.0
1996	Lamprey, NH	-	-	11.5	11.5
1999	Sudbury, Assabet, Concord, MA	-	14.9	14.1	29.0
2000	Lamprey, NH	-	-	12.0	12.0
2000	Wekiva, FL	31.4	2.1	8.1	41.6
2000	White Clay Creek, DE & PA	-	24.0	166.0	190.0
2000	Delaware (lower), NJ & PA	-	25.4	41.9	67.3
Total Miles		1,661.8	656.7	710.7	3,029.2

National scenic trails are continuous trails, more than 100 miles in length, that provide “maximum (non-motorized) outdoor recreation potential.” They also become corridors of conservation for the significant resources associated with the trail. National historic trails recognize past routes of exploration, migration, and military action. They need not be continuous. The route and its historic remnants—whether continuous or disjunct—shall be protected for public use and enjoyment.

There are presently 15 national historic trails, eight national scenic trails, almost 900 national recreation trails, and two connecting and side trails. Together, these 23 trail corridors measure more than 40,000 miles in combined lengths, and cross 56 national park areas and 96 national forests. In addition, hundreds of miles of trails cross lands under the care of the Bureau of Land Management (BLM).

The National Park Service currently administers 16 of 23 scenic and historic trails in the National Trails System, and administers two others jointly with BLM. In FY 2003 trail operations totaled \$6.6 million. This funded all trail field offices, with some funds reserved for national program activities. An additional \$662,000 was available through the NPS Challenge Cost-Share Program for partnership projects, augmented by \$5 million from the program specifically for Lewis and Clark

National Historic Trail projects. Volunteers serving these trails provided nearly 662,000 hours of labor valued at \$6.8 million.

On December 4, 2002, Congress created the Old Spanish Historic Trail (Public Law 107-325), which is jointly administered by the National Park Service and the Bureau of Land Management. The Old Spanish Historic Trail includes an estimated 2,500 miles and represents the only change in the NPS National Trail System for Fiscal Year 2003.

Another factor important in managing and administering the components of the National Trails System is Geographic Information Systems (GIS)—a sophisticated, multi-layered method for inventorying and evaluating resource and geographic issues. Some trails have invested much in this technology, and some have not yet started.

National scenic and historic trails are established under authority of the National Trails System Act, 16 USC 1241-51. This Act includes a variety of land protection tools, including acquisition, exchange, and donation. The federal acquisition of all assets associated with the National Trails System occurs using standard land acquisition practice. Within the NPS, most of this activity occurred only for the Appalachian NST. Recently, a few NPS land protection actions have also occurred along

National Trails System

Year (est.)	Trail	Length (Miles)	States Crossed
1968	Appalachian NST	2,150	ME, NH, VT, MA, CT, NY, NJ, PA, MD, WV, VA, NC, TN, GA
1978	Oregon Trail	2,170	MO, KS, NE, WY, ID, OR
1978	Mormon Pioneer NHT	1,300	IL, IA, NE, WY, UT
1978	Lewis and Clark NHT	3,700	IL, MO, KS, NE, IA, SD, ND, MT, ID, WA, OR
1980	North Country NST	3,200	NY, PA, OH, MI, WI, MN, ND
1980	Overmountain Victory NHT	300	VA, TN, NC, SC
1980	Ice Age NST	1,000	WI
1983	Potomac Heritage NST	700	VA, MD, PA
1983	Natchez Trace NST	690	TN, AL, MS
1987	Santa Fe NHT	1,200	MO, KS, OK, CO, NM
1987	Trail of Tears NHT	1,800	TN, AL, MS, KY, IL, MO, AR, OK
1990	Juan Bautista de Anza NHT	1,200	AZ, CA
1990	California NHT	5,660	MO, KS, NE, WY, ID, UT, NV, CA, OR
1992	Pony Express NHT	1,970	MO, KS, NE, CO, WY, UT, NV, CA
1996	Selma to Montgomery NHT	54	AL
2000	Ala Kahakai NHT	175	HA
2000	El Camino Real		
	de Tierra Adentro NHT (with BLM)	404	NM, TX
2002	Old Spanish NHT (with BLM)	2,500	AZ, CA, CO, NM, NV, UT

the North Country and Ice Age NSTs. To date no National Trails System assets or resources have been withdrawn.

The only national trail undergoing an assessment of asset condition is the Appalachian NST (integrated with the Department of Interior's MAXIMO data system). Insufficient data has been entered into the system to accurately report on present asset condition or deferred maintenance needs. By September 2004 all asset information for the Appalachian NST will be entered as required.

NATIONAL NATURAL LANDMARKS (NNL)

National Natural Landmarks (NNL) are management areas having national significance because they represent one of the best-known examples of a natural region's characteristic biotic or geologic features. These areas must be located within the boundaries of the United States or on the Continental Shelf and are designated by the Secretary of the Interior.

To qualify as a NNL, an area must contain an outstanding representative example(s) of the nation's natural heritage, including terrestrial communities, aquatic communities, land forms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth. There are a total of 587 designated NNLs, 18 of which were partially or completely managed by the National Park Service during Fiscal Year 2002. No additions or withdrawals of NPS-managed lands were made to the NNL registry of designated sites in FY 2003.

Procedures for designation and removal of designation status are defined in the "National Natural Landmarks Program; Final Rule" (36 CFR Part 62, May 12, 1999). A potential NNL site is identified by the NPS and the process of designation includes landowner notification, site evaluation, peer review of the site evaluation, and consultation with the NPS Advisory Board. Regulations do not permit designation of lands against the landowner's wishes.

If the NPS concludes that a site merits designation, a recommendation is made to the Secretary of the Interior. The Secretary

of the Interior reviews the recommendation and materials submitted by the NPS and makes a decision on NNL designation. Criteria for NNL removal include error in professional judgment such that a site did not meet criteria for national significance at the time of designation, loss of values which originally qualified it for designation, and prejudicial failure to follow applicable designation procedures. Owners of properties within NNL sites designated prior to the release of "National Natural Landmarks Program; Final Rule" (36 CFR Part 62, May 12, 1999) were offered an opportunity to withdraw their property from the NNL program, because before the 1999 rule, property could be designated against an owner's wishes. As in the case of designation, recommendation for removal of designation is made by NPS, and the Secretary of the Interior makes the final decision.

Asset condition is determined by measuring the integrity of the resources for which the NNL was designated. Sixteen of the 18 NNLs containing NPS-managed lands are presently in good condition. However, one is in damaged and threatened condition, and one is threatened with damage: Point of Arches (Washington) is threatened with proposed mining. Salt River and Sugar Bay (U.S. Virgin Islands) is damaged by exotic species invasion and commercial and recreational take fishing, and is threatened by proposed commercial development, proposed dredging, and proposed channelization.

The National Park Service categorizes NNLs as non-collectible heritage assets.

NATIONAL HERITAGE AREAS

The heritage area concept offers an innovative method for citizens, in partnership with federal, state, and local governments, and nonprofit and private sector interests, to develop a plan and an implementation strategy focused on conserving the special qualities of the local cultural landscape.

A national heritage area is a place designated by Congress where natural, cultural, historic, and recreational resources combined to form a cohesive, nationally distinctive landscape arising from patterns of human activity shaped by

geography. Through the conservation of these lived-in landscapes, the NPS seeks to preserve, in partnership with local residents, a portion of the patchwork of cultural landscapes that help define our nationally significant American identity. Congress has designated 23 of these areas in 17 states. Together these areas comprise 5 percent of the landscape and include almost 16 percent of the population. The fact that 20 percent of all historic landmarks are located in national heritage areas is one indicator of the significance of these regions. All this is accomplished with no federal ownership of land or property.

ARCHEOLOGICAL SITES

Archeological sites are the material remains, or physical evidence, of past human life or activities from prehistoric and historic periods. The significance of archeological sites is based upon their identity, age, location, and context in conjunction with their capacity to contain information for study using archeological methods and techniques.

Nearly every unit of the National Park System contains archeological sites. Examples include the prehistoric structures and roadways at Chaco Culture National Historical Park in New Mexico; the ancient earthen mounds and villages at Hopewell

Culture National Historical Park in Ohio and Ocmulgee National Monument in Georgia; the early historic European sites in Virginia, such as Jamestown National Historic Site, or the early African-American sites in Massachusetts such as parts of Boston National Historical Park; and later historic period sites such as those at Independence National Historical Park in Pennsylvania.

The National Park Service estimates that as many as 1.5 million archeological sites may exist within units of the National Park System. A Servicewide archeological site estimation project is presently underway to verify this figure. About 64,000 of these sites have been identified, and approximately 57,752 are recorded in a national archeological database—the Archeological Sites Management Information System (ASMIS). The need for park inventories of archeological sites has been emphasized by the NPS since 1992. Approximately 1,000 to 2,000 new sites are discovered on park lands annually through inventory projects, compliance work, research, or inadvertent discovery by park staff, research professionals, or the public. Sites may be withdrawn from the national inventory each year when they are found to be destroyed either by natural or human forces.

National Heritage Areas

National Heritage Area	State
America's Agricultural Heritage Partnership (Silos and Smokestacks)	IA
Augusta Canal National Heritage Area	CA
Automobile National Heritage Area	MI
Cache La Poudre River Corridor	CO
Cane River National Heritage Area	LA
Delaware and Lehigh National Heritage Corridor	PA
Erie Canalway National Corridor	NY
Essex National Heritage Area	MA
Hudson River Valley National Heritage Area	NY
Illinois and Michigan Canal National Heritage Corridor	IL
John H. Chafee Blackstone River Valley National Heritage Corridor	MA/RI
Lackawanna Valley National Heritage Area	PA
National Coal Heritage	PA
Ohio and Erie Canal National Heritage Corridor	OH
Quinebaug and Shetucket Rivers Valley National Heritage Corridor	CT/MA
Rivers of Steel National Heritage Area	PA
Schuykill River Valley National Heritage Area	PA
Shenandoah Valley Battlefields National Historic District	VA
South Carolina National Heritage Corridor	SC
Southwestern Pennsylvania Heritage Preservation Commission	PA
Tennessee Civil War Heritage Area	TN
Wheeling National Heritage Area	WV
Yuma Crossing National Heritage Area	AZ

In Fiscal Year 2003 the NPS added 3,795 site records to ASMIS. This includes some backlog records from sites discovered in previous years. Also in Fiscal Year 2003 the NPS reclassified 1,834 archeological site records in ASMIS due to site destruction, discovery that the sites were not on NPS lands, or other reasons. In summary, the total number of reportable archeological sites increased by 1,961 in FY03. In Fiscal Year 2003 ten archeological sites were found to be destroyed based upon the date on which the site condition was reassessed.

Standardized management information is collected for all sites and recorded in the ASMIS database. However, information regarding site condition is only available for approximately 43 percent of the recorded sites. Efforts are underway to verify and validate existing condition information for archeological sites, and to assess known sites for which condition information presently is unavailable. These efforts are limited, however, by the remoteness of many sites, the lack of staff to visit the sites, and the large number of sites to visit. Of the 57,752 sites, 11,891 (20.6%) were in good condition; 9,519 (16.5%) were in fair condition; 3,485 (6.0%) were in poor condition; and 32,857 (56.9%) were of unknown condition.

Most archeological sites on NPS land are managed by preserving them in place unless there is a need to excavate or otherwise disturb them. Scientific research, including survey and excavation, also may occur at archeological sites after a permit has been approved. Sites typically are excavated when they will be damaged or destroyed by planned management actions, such as unavoidable construction. Excavations may be warranted when important scientific or historical information is needed, an excavation will provide important

interpretative information, or when sites are threatened by modern development, operations, or uncontrollable natural or human causes, such as erosion or looting, and they cannot be stabilized or otherwise protected. The data, artifacts, records, and other materials recovered from archeological sites are preserved and managed as part of the NPS museum collections. These items are considered to be collectible heritage assets.

Condition information for archeological sites is defined as follows:

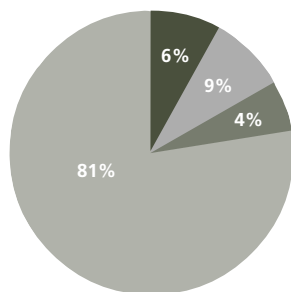
- (a) A site in good condition shows no clear evidence of negative disturbance or noticeable deterioration by natural forces and/or human activities. The site is considered currently stable and its present archeological values are not threatened. No adjustments to the currently prescribed site treatment actions are required in the near future to maintain the site's present condition.
- (b) A site in fair condition shows clear evidence of negative disturbance or deterioration by natural forces and/or human activities. An approved corrective action is planned or being taken to remove the potential threats and to stabilize the site to prevent further harm to its archeological values. The identified threats, left to continue without the appropriate corrective action, will result in the site being degraded to a poor condition assignment.
- (c) A site in poor condition shows clear evidence of negative disturbance or deterioration by natural forces and/or human activities, and no corrective actions have been taken to protect and preserve the remaining archeological values from their current threats. If left to continue without the appropriate corrective action, the site is likely to

Condition of National Park Service Archeological Sites

FISCAL YEAR	NUMBER OF SITES	SITES IN GOOD CONDITION	SITES IN FAIR CONDITION	SITES IN POOR CONDITION	SITES IN UNKNOWN CONDITION
2000	54,356	8,129	7,102	2,698	36,427
2001	55,733	9,504	7,823	2,774	35,632
2002	55,791	10,144	8,175	2,983	34,489
2003	57,752	11,891	9,519	3,485	32,857

**National Park Service
Cultural Landscape Condition**

- Good Condition
- Fair Condition
- Poor Condition
- Unknown Condition



Condition information is available for 2,830 cultural landscapes.

undergo further degradation and the loss of the site's remaining data potential/scientific research value.

CULTURAL LANDSCAPES

Cultural landscapes are geographic areas that include both natural and cultural resources. Such areas are associated with historic events, activities, people, or traditions. Cultural landscapes are complex resources that range in size from large rural tracts of several thousand acres to small formal gardens. The Department of the Interior recognizes four categories of cultural landscapes: historic designed landscapes, historic vernacular landscapes, historic sites, and ethnographic landscapes. These landscapes individually meet National Register of Historic Places criteria, are contributing elements of sites or districts that meet National Register criteria, or have value to associated communities. The National Park Service categorizes cultural landscapes as non-collectible heritage assets.

The Cultural Landscape Inventory (CLI) is an evaluated list of significant historic designed and historic vernacular landscapes, and historic sites in the National Park System in which the National Park Service has, or plans to have, any enforceable legal interest. Ethnographic landscapes are listed in the Ethnographic Resources Inventory (ERI).

Landscapes are acquired through park legislated boundary expansions, either by donation or purchase, or through the establishment of new parks. Acquired landscapes may be recognized as cultural landscapes and added to the CLI only after sufficient research and evaluation is conducted to determine their eligibility for listing in the National Register of Historic Places. Existing or previously acquired landscapes may be added to the CLI by gaining significance over time or by their association with newly recognized events, activities, or people. Such cultural landscapes are added to the CLI upon evaluation using the National Register criteria and after consultation with the State Historic Preservation Officer for concurrence. Cultural landscapes are removed from the CLI if the landscape has lost its integrity; if further research indicates that National Register criteria are

no longer met; if the National Park Service no longer maintains an enforceable legal interest; or if the landscape has been destroyed by natural or other causes.

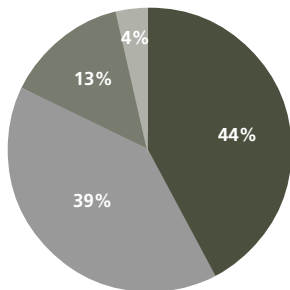
The Cultural Landscapes Automated Inventory System (CLAIMS) is a computerized database of landscapes which contains both those potentially eligible and those determined eligible for the National Register. At the end of FY 2002 CLAIMS contained 2,930 landscapes. Since then, 49 landscapes have been added, and 149 have been removed from CLAIMS, resulting in a net decrease of 100 landscapes. As of September 30, 2003, there were 2,830 landscapes in CLAIMS. Of these landscapes, 174 (6.1%) were in good condition; 261 (9.2%) were in fair condition; 114 (4.0%) were in poor condition; and 2,281 (80.6%) were of unknown condition.

Although only 232 of the 2,830 landscapes on CLAIMS have been determined to be eligible for the National Register and hence are on the CLI, all landscapes on CLAIMS have been professionally evaluated to be potentially eligible for the National Register. Consequently the NPS recommends that all parks manage them as if they were cultural landscapes in order to ensure that their integrity is not lost through neglect. If subsequent research confirms that a particular landscape is not eligible for the National Register, that landscape is removed from CLAIMS, and the management of that landscape may be revised.

Good condition indicates that the cultural landscape shows no clear evidence of major negative disturbance or deterioration by natural and/or human forces; that the cultural and natural values of the landscape are as well preserved as can be expected under the given environmental conditions; and that no immediate corrective action is required to maintain its current condition. Fair condition indicates that the cultural landscape shows clear evidence of minor disturbances and deterioration by natural and/or human forces, and some degree of corrective action is needed within three to five years to prevent further harm to its cultural and/or natural values. Poor condition indicates that the cultural landscape shows clear evidence of major disturbances and rapid deterioration by

**National Park Service
Historic and Prehistoric
Structure Condition**

- Good Condition
- Fair Condition
- Poor Condition
- Unknown Condition



Condition information is available for 26,501 historic structures.

natural and/or human forces and immediate corrective action is required to protect and preserve the remaining historic and natural values.

The Park Facility Management Program is responsible for and is currently conducting a multi-year effort to estimate deferred maintenance for these park heritage assets. National Park Service ability to provide such information on cultural landscapes is contingent on successful completion of this effort by the Park Facility Management Program.

HISTORIC AND PREHISTORIC STRUCTURES

Historic Structures are constructed works consciously created to serve some human activity or purpose. Structures are historic because they individually meet the criteria of the National Register of Historic Places or are contributing elements of sites or districts that meet National Register criteria. As such, historic structures are significant at the national, state, or local level and are associated with the important people and history of this nation. Structures that do not meet National Register criteria may be considered historic because of management responsibilities established by legislation or through management planning processes. Such structures include moved, reconstructed, or commemorative structures, as well as structures that have achieved significance within the last 50 years. The National Park Service categorizes historic and prehistoric structures as non-collectible heritage assets.

The List of Classified Structures (LCS) is an evaluated inventory of all historic and prehistoric structures in the National Park System in which the National Park Service has or plans to acquire any enforceable legal interest. Structures are acquired through legislated boundary expansions of parks, through donations and purchases, and/or through the establishment of new parks. Acquired structures may be recognized as historic structures only after sufficient research is conducted, and results indicate that the structure meets the National Register of Historic Places criteria. Existing or previously acquired non-historic structures may become historic because new significance of the people or events associated with the structure has been

established through research, or because the structure has become a surviving best example of its type over time. Such structures are added to the LCS after research and documentation of National Register eligibility, and after consultation with the appropriate State Historic Preservation Officer for concurrence. Historic structures are removed from the LCS if the structure has lost its integrity, if further research indicates that National Register criteria are no longer met, if the National Park Service no longer maintains an enforceable legal interest, or if the structure has been destroyed by natural or other causes.

In the FY 2002 Accountability Report, the NPS incorrectly reported that there were 26,896 inventoried historic structures in the National Park System as of the end of FY 2002. This number included 37 structures that are located in American Memorial Park in Saipan and the Grand Canyon-Parashant National Monument in northern Arizona. Although the NPS has some management responsibility for these entities, they are not units of the National Park System; therefore, these structures should not have been included. The correct number should have been 26,859. Since then, 429 historic structures have been added to the LCS, and 787 structures have been removed from the LCS, resulting in a net loss of 358 historic structures. The majority of the 787 structures removed from the LCS are 517 structures in Golden Gate National Recreation Area that are now managed by the Presidio Trust. As of September 30, 2003, there were 26,501 historic structures on the LCS. Of these structures, 11,753 (44.3%) were in good condition; 10,278 (38.8%) were in fair condition; 3,353 (12.7%) were in poor condition; and 1,117 (4.2%) were of unknown condition.

A structure is in good condition if the structure and its significant features are intact, structurally sound, and performing their intended purpose. The structure and its significant features need no repair or rehabilitation, but only routine or preventive maintenance. A structure is in fair condition if either (a) there are early signs of wear, failure, or deterioration though the structure, and its features are generally sound and performing their intended purpose; or (b) there is failure of a

significant feature. A structure is in poor condition if either (a) the significant features are no longer performing their intended purpose; (b) significant features are missing; (c) deterioration or damage affects more than 25 percent of the structure; or (d) the structure or significant features show signs of imminent failure or breakdown.

The Park Facility Management Program is responsible for and is currently conducting a multi-year effort to estimate deferred maintenance for these park heritage assets. Ability to provide that information is contingent on the successful completion of this effort by the Park Facility Management Program.

PALEONTOLOGICAL SITES

There are 14 National Park Service units in which paleontological resources are specifically mentioned in their organic legislation. Because only 14 parks have enabling legislation that specifically identifies fossils as a park resource, the documentation of fossils as a park asset is often secondary and occurs after the establishment of the park. At the end of FY02, paleontological resources had been identified in a total of 150 parks.

Recognition of fossil resources as a park asset often is the result of the ongoing inventory of paleontological resources in parks. Ongoing inventory of paleontological resources in all parks during 2003 documented the presence of significant fossil resources in 10 additional parks. As a consequence of this ongoing inventory, one park was removed from the list, Fire Island National Seashore, when bones of a whale originally described as fossil were found to be historical. As a result, the number of NPS units with fossils increased from 150 to 159. The documentation of fossils in parks is based on reviews of scientific papers written on fossils in parks, the discovery of new fossils through the inventory process, or field work by researchers, or in the case of Castillo de San Marcos and Fort Frederica National Monuments, the recognition that stone used in the construction of the fort and buildings is composed of *coquina*, a rock composed mostly of fossil shells.

The identification of parks requiring more in-depth assessments of the nature and distribution of their paleontological resources through the inventory process is made following the preliminary determination that the park has fossils based on these sources. The follow-up evaluation of the paleontological resources in the park may result in the determination that the initial identification of the materials as fossils was incorrect or erroneous, such as at Fire Island. If the preliminary determination of the presence of fossils in a park is determined to be incorrect, that park will be withdrawn from the list of parks with paleontological resources. All records of fossils in parks are subject to verification by the NPS or other professional paleontologists. The types of paleontological resources in the NPS are represented by a diversity of fossils including plants ranging from microscopic algae and pollen to fossil leaves and petrified logs, and animals ranging from marine shells to dinosaurs to Ice Age mammals, as well as trace fossils such as tracks, burrows, and coprolites. Many of the fossil resources protected and interpreted within NPS units are of international significance and are critical to the understanding of the history of life on earth.

To enhance the quality of protection of fossil resources within National Park System units, the Geologic Resources Division (GRD) established the position of program coordinator for paleontology. The goal of this position is to assist park managers in documenting their paleontological resources through inventories, to develop approaches to monitoring the paleontological resources, and to establish appropriate management objectives. Often this is accomplished by developing partnerships through cooperative agreements between parks and professional paleontologists from museums and universities to improve the park's understanding of the nature and types of their fossil resources. These projects are designed to facilitate each park's ability to meet the Servicewide performance goal for paleontological resources (1a9A). The goal standard is based on the assessment of the condition of paleontological localities.

A paleontology locality is a spatially defined area from which a fossil (or fossils) is found, or has been recovered, whose geologic context and attributes have been documented for the purpose of scientific study, management, and/or interpretation. Locality descriptions are unique to each locality, and attributes documented may include, but are not limited to: lithology, stratigraphic placement, topographic expression, types of fossils present, and any other attributes that aid in its recognition and may require management actions. The size of a locality is variable and determined by the nature of its fossils, their spatial distribution, and associated geologic context and attributes.

A paleontology locality may include fossils left *in situ*, a place where fossils are continuously exposed and have and may continue be collected and placed in museum collections, or the place where a fossil was found and removed and no other fossils are present. At the end of FY 2002 there were 4,167 localities. In 2003, 984 localities have been added, and two have been withdrawn, leaving a September 30, 2003, balance of 5,149 localities.

Condition information as of 2002 is the most current available. The goal standard states that by September 30, 2002, 25 percent of known paleontological localities in parks are in good condition. Based on the data submitted by 29 parks in 2002, the total number of localities reported from these 29 parks was 4,167. The performance target was 812 localities in good condition. Parks reported that 1,360 (32.6%) were in good condition. Because only 29 of the 150 parks with known fossil resources reported to this goal, in 2003 the total number of known paleontology localities will increase if more parks report information.

The criteria for an assessment of condition are: (1) disturbance - the present condition of the site is evaluated in terms of the degree of human disturbance or abuse that is threatening or destroying the integrity of the locality. Examples include greater than normal rates of erosion resulting from human activity, illegal removal of fossils from locality; (2) fragility - the locality is evaluated according to its ability to withstand damage. The vulnerability of a locality depends on the type of sediments

that contain the fossil and their resistance to erosion, local rates of natural processes that cause erosion (i.e., rainfall and wind and the degree of exposure of a locality to these natural processes); (3) abundance of fossils; and (4) access to the site.

Projects conducted during 2003 include a scoping session at Petrified Forest National park, a preliminary survey at Big South Fork National Recreation Area in conjunction with paleobotanists from the National Museum of Natural History, a survey of Oligocene deposits at Wind Cave National Park, documentation of tree molds in lava at Pu' Uhonua O Honaunau National Historic Park, field work to document Miocene fossils at Wrangell-St. Elias National Park and Preserve, completion of a paleontological survey at Grand Teton National Park, and continuation of a survey at Santa Monica Mountains National Recreation Area.

While there may be mitigation of threats to paleontological sites resulting from either natural or human-induced causes, maintenance is not usually a factor in the management of a paleontological site unless a physical structure such as a fence or some type of protective structure has been placed over *in situ* fossils. During FY 2003 no new parks were authorized primarily for their paleontological resources, and none were withdrawn.

NATIONAL HISTORIC LANDMARKS (NHL)

The Historic Sites Act of 1935 authorized the Secretary of the Interior to recognize historic places judged to have exceptional value to the nation. Such sites illustrate or interpret the heritage of the United States and are identified both by interested individuals and through studies that are conducted to examine places related to a single historical theme in order to determine which are most important in illustrating that subject. The studies also determine which places have the most integrity—the greatest authenticity and ability to tell the story. Such studies are often conducted by the National Park Service in partnership with federal, state, tribal, or local preservation officials; the academic community; independent scholars; and others knowledgeable about a particular subject.

The National Park Service's National Historic Landmarks Survey staff prepares nominations, advises others on the preparation of nominations, and evaluates potential national historic landmark nominations for their ability to meet specific criteria. The National Park System Advisory Board considers completed nominations, as well as proposals for withdrawal of designation, at meetings that are open to the public. Based upon recommendations of the Board, the Secretary of the Interior designates national historic landmarks. The National Park Service categorizes National Historic Landmarks as non-collectible heritage assets.

Before their establishment as units of the National Park System, the Secretary of the Interior had designated some National Park

Service properties as National Historic Landmarks. Other NPS-owned National Historic Landmarks were designated for their national significance in an area unrelated to the establishment of the National Park System unit. Thus, not every historical and cultural unit of the National Park System is a National Historic Landmark.

Some parks, such as Yosemite and Glacier, contain a number of separate National Historic Landmarks. Other National Park units exist within larger National Historic Landmarks. For instance, Maggie L. Walker National Historic Site is within the Jackson Ward Historic District National Historic Landmark, and Guilford Courthouse National Military Park is part of a much larger Guilford Court House Battlefield National Historic Landmark.

National Historic Landmarks

State	NPS Unit	Condition	Landmark	Problem
Alaska	KLGO	Threatened	Chilkoot Trail and Dyea Site	Erosion of Dyea Town Site by River
Arkansas	HOSP	Threatened	Bathhouse Row	Deterioration of Buildings
California	GOGA	Threatened	Wapama	Deterioration of Ship
Hawaii	KALE	Threatened	Kalaupapa Leprosy Settlement	Deterioration of Buildings
Indiana	INDU	Threatened	Joseph Bailly Homestead	Deterioration - Save America's Treasures Grant Will Address This
Massachusetts	LOWE	Threatened	Lowell Locks and Canals Historic District	Deterioration from Fire
Massachusetts	BOST	Threatened	Boston Naval Shipyard	Fire and Deterioration
Massachusetts	SPAR	Threatened	Springfield Armory	Deterioration of Buildings
Michigan	KEWE	Threatened	Calumet	Deterioration
Montana	GLAC	Threatened	Great Northern Railway Buildings	Deterioration
New Mexico	PECO	Threatened	Glorieta Pass (Pigeon Ranch Adobe)	New Construction and Vibration from Heavy Truck Traffic
New Mexico	SWSO	Threatened	Region III Headquarters	Deterioration
Ohio	MWRO	Threatened	Hopeton Earthworks	Deep Plowing on Land Leased to Farmers
Ohio	CUYA	Threatened	Ohio and Erie Canal	Erosion
Pennsylvania	FRHI	Threatened	Gallatin House	Deterioration and Subsidence

At the end of 2002 there were 2,341 NHLs. In FY 2003, 23 were newly designated and one was withdrawn. There are now a total of 2,363 historic places bearing this national distinction. At the end of FY 2002 the NPS reported owning an estimated 151 National Historic Landmarks of these 2,341 NHLs. During 2003 the NPS recorded the addition of the newly designated Fort Yellowstone NHL located in Yellowstone National Park and the addition of Guilford Courthouse Battlefield NHL, which had been previously designated, but was excluded in error from the NHL database. At the end of FY03 the total number of NPS-owned NHLs is 153.

The National Park Service monitors the condition of all national historic landmarks on a continuing basis with surveys of their owners and managers every other year. More than half of national historic landmarks are owned privately. The federal government owns 13 percent, with approximately half of those owned by the National Park Service. States and local jurisdictions combined own 22 percent, and Native Americans own fewer than one percent. The remainder exist in multiple ownership.

In 2003, 138 (90.2%) of the 153 NHLs owned by the NPS were in good condition. Twenty-six of these were placed on a watch list due to impending actions that might compromise the condition of the property.

In 2003, 15 (9.8%) NHLs owned at least partially by the National Park System were listed in threatened condition (*see accompanying table*).

MUSEUM COLLECTIONS

At the end of Fiscal Year 2002 (the most current information available), National Park Service museum collections totaled more than 100 million items, 37 million objects and specimens, and 63 million archival documents. These collections support the NPS mission to foster understanding, appreciation, and enjoyment of natural and cultural heritage—they are tangible and accessible evidence of the resources, significant events, and peoples associated with NPS lands. The collections include items ranging from historic furnishings in the home of John Adams, to flags that flew over Fort

Sumter, to Thomas Edison's handwritten notes on inventions, to the tools and furnishings of a working ranch in Montana, to botanical specimens from Yosemite, and archeological items from Mesa Verde. These museum collections, from 352 NPS units, are important not only individually, but also because of their direct association with the nationally significant sites within the National Park System.

The NPS acquires and documents collections that support the mission and scope of each park, and uses those collections to increase public enjoyment and understanding of our heritage, and its associated values. Parks use the documentation associated with collections to make informed decisions about interpreting and managing these and other park resources. The public has access to these collections through exhibits, interpretive programs, publications, World Wide Web sites, films, and videos. In addition, for research purposes, the public can directly access information in collections catalogs and other databases, as well as access the collections themselves.

In Fiscal Year 2002 parks responded to more than 64,000 public research requests, and park visitors viewed more than 408,000 objects on exhibit. The Internet site www.cr.nps.gov/museum annually logs an estimated 644,000 visitor sessions to view collections on-line.

In addition to collections stored at park units, six National Park Service cultural resource centers manage NPS museum collections. These facilities are the Southeast Archeological Center in Tallahassee, Florida; the Midwest Archeological Center in Lincoln, Nebraska; the Western Archeological and Conservation Center in Tucson, Arizona; the Museum Resource Center in Landover, Maryland; the Alaska Regional Curatorial Center in Anchorage; and the Northeast Cultural Resources Center in Lowell, Massachusetts. Additionally, one percent of the collections are on loan to 456 non-NPS institutions for management.

In FY 2001's report, NPS reported 96,181,308 items in its collections. In FY 2002, the NPS acquired nearly 1.6 million items through gifts, exchanges, purchases,

field collections, and transfers. Acquisitions were in the disciplines of archeology (431,659), ethnology (51), history (61,356), archives (1,021,132), biology (66,169), paleontology (6,725), and geology (3,712). The additions included adjustments of 2.3 million items resulting primarily from changes in estimated number of archeological and archival materials. Adjustments due to revised estimates were in the disciplines of archeology (315,500), ethnology (223), history (12,011), archives (1,726,776), biology (245,146), paleontology (36,592), and geology (247).

NPS deaccessioned 59,491 items through exchanges (2), transfers (345), conveyances (28,399), losses (129), thefts (16), repatriation under the Native American Graves Protection and Repatriation Act (4,765), voluntary (23,202) and involuntary (6) destruction, destructive analysis (349), return of loans (2,268), and return to rightful owner (10). Deaccessions were in the disciplines of archeology (30,407), ethnology (26), history (4,962), archives (23,461), biology (477), paleontology (6), and geology (152).

The number of conveyances is due primarily to 23,888 archeology objects that White Sands National Monument conveyed to the New Mexico State Parks and Recreation Division when the land from which they originated was conveyed to the State. In addition, Blue Ridge Parkway conveyed 4,286 objects that were part of a large collection lacking provenience to the Parkway. Most of the items went to the North Carolina State Museum. Klondike Gold Rush National Historical Park voluntarily destroyed 23,000 redundant documents that were accessioned in error.

Notable acquisitions in FY 2003 include a two-volume set of Ralph Waldo Emerson's prose works inscribed by Emerson to Henry Wadsworth Longfellow at Longfellow National Historic Site; a rare form of phytosaur at Petrified Forest National Park; Jimmy Carter political campaign buttons and other memorabilia at Jimmy Carter National Historic Site; the personal papers of a plant ecologist who did early Alpine research in Rocky Mountain National Park; 250 glass plate negatives depicting Nebraska homesteading at Homestead National Monument of America; fragments of the 1903 Wright Flyer, that also accompanied the first lunar landing, given by the Wright Family to Wright Brothers National Memorial; and a large collection of 18th and 19th century books from Arlington mansion, a National Historic Landmark in Natchez, donated to Natchez National Historical Park.

As of FY 2002, 46,191,935 items are cataloged, including 62 percent of the objects and specimens and 37 percent of the archives. At current cataloging rates and funding levels, the collection will be cataloged in 2029.

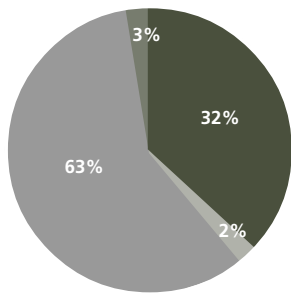
General information on the condition of individual items in park collections is assessed and recorded in the Automated National Catalog System (ANCS+) by the cataloger. Conservators (highly skilled professionals who assess condition) have evaluated and validated only a few of these assessments. Items in excellent condition have no damage or deterioration. Items in good condition have minor damage and no active deterioration. Items in fair condition have some damage and/or active

National Park Service Museum Collection Items in NPS and NON-NPS FACILITIES

DISCIPLINE	NUMBER IN NPS FACILITIES	NUMBER IN NON-NPS FACILITIES
Archeology	30,892,516	884,380
Ethnology	28,022	34
History (Including Art)	3,353,794	4,305
Archives	62,418,548	334,698
Biology (Including Botany, Zoology, Environmental Samples)	1,739,551	72,357
Geology (Including Environmental Samples)	60,998	6,024
Paleontology	195,466	58,423
TOTAL	98,688,895	1,360,221

**FY 2002 National Park Service
Museum Collection Objects**

- Archeology
- Biology, Paleontology, Geology, and Ethnology
- Archives
- History



In Fiscal Year 2002 NPS museum collections included 100,049,116 objects.

deterioration. Items in poor condition have significant damage and/or active deterioration.

Establishing and maintaining detailed and current condition assessments for over 100 million items is infeasible. The following data must be considered in light of this background information. The National Park Service has 39,250,279 cataloged items with condition data recorded, of which 25,296,581 items, or 64 percent, are in excellent or good condition; 11,255,623, or 29 percent, are in fair condition; and 2,698,075, or 7 percent, are in poor condition. Before 1984 condition was not a separate data field on the catalog record, so condition is less likely to be recorded on early records.

Using the standardized NPS Checklist for Preservation and Protection of Museum Collections, parks assess the conditions in facilities housing collections. The Checklist records the status of museum storage and exhibits relative to professional standards for environment, security, fire protection, housekeeping and planning.

Meeting these standards ensures the long-term preservation and protection of the collections. Only 68.6 percent of the conditions in park museum collections meet these professional standards as of September 30, 2003. A total of 807 deficiencies have been corrected in parks as of September 30, 2003. At current funding levels for correction of deficiencies, 95 percent of the standards will be met in 2033.

Facilities housing NPS collections include 312 NPS facilities and 456 facilities managed by partners. NPS facilities and 30 of the partner facilities have been evaluated against Department of the Interior standards for preservation and protection of museum collections (Departmental Manual 411DM 3.2-3.3). Of the NPS

facilities, 140 (45%) provide good conditions for the collections (meeting more than 70% of the standards); 104 (33%) provide fair conditions (meeting 50-70% of the standards); and 68 (22%) provide poor conditions (meeting less than 50% of the standards). Of the 30 evaluated partner facilities, 16 (53%) have good conditions; 12 (40%) have fair conditions; and 2 (7%) have poor conditions. The deferred maintenance costs for the 312 NPS facilities total \$304,096,000, including the cost of new or rehabilitated facilities (\$193,428,000) and supplies and equipment to furnish and maintain the facilities (\$110,668,000).

Other collections maintenance costs total an estimated \$64,009,000 including the cost of procedural operations (\$1,958,000), professional assistance and planning (\$16,051,000), and conservation surveys and treatments (estimated at over \$46,000,000). Costs for conservation surveys and treatments are based on extrapolated data from 118 park resource management plans and the 1997 survey of cellulose nitrate film in NPS collections. Deferred maintenance costs specific to the NPS collections in non-NPS partner facilities are not available.

Many parks modified their storage and exhibit conditions in FY 2003 to improve preservation of the collections. For example, Redwood National Park consolidated its collections in a new facility that includes a main storage area, a lab with separate storage for wet natural history specimens, work space, and a library; the Western Archeological and Conservation Center moved four million museum objects and archival collections into 50,000 square feet of new leased space that includes storage, work and research areas, and conservation laboratories; Carlsbad Caverns National Park expanded and improved its museum storage by moving to a new facility; Fort Davis National Historic Site installed ultraviolet-screening glass in

National Park Service Museum Collection Items Cataloged

TRANSACTION	ITEMS
Beginning Balance	96,181,308
Additions and Adjustments	3,927,299
Withdrawals (Deaccessions)	(59,491)
ENDING BALANCE	100,049,116

three historic buildings to protect exhibited furnishings; Vicksburg National Military Park installed a new canopy over the exhibit of the Civil War era ironclad, *USS Cairo*; and Kennesaw Mountain National Battlefield Park opened a new museum exhibition gallery using state-of-the-art interpretation and preservation technology.

Hurricane Isabel-related damage to museum collections and facilities in September 2003 was not fully assessed by September 30 and is excluded from this report.

RESEARCH AND DEVELOPMENT

Through appropriations for natural resource stewardship (encompassing natural resource research support and natural resource management, including the Natural Resource Preservation Program [NRPP]), and cultural resource stewardship (Cultural Resource Preservation Program [CRPP]), the NPS performs a wide range of mission-oriented research in support of its natural and cultural resource stewardship responsibilities. This work constitutes either basic or applied research focusing on park-based needs for scientific and scholarly information necessary for park management.

Natural resource stewardship addresses specific questions with immediate applications for natural resource management within the National Park System and, at present, primarily involves the conduct and acquisition of research related to physical science investigations. This program area also evaluates research needs and coordinates with the Biological Resources Division (BRD) of the U.S. Geological Survey (USGS) and others to obtain research needed by the NPS. The Natural Resource Preservation Program provides funding for park natural resource management-related projects that are beyond the funding capabilities of the parks themselves and has come to be relied on by parks to fund the highest priority individual projects, some of which may involve research.

The Cultural Resource Preservation Program provides funding for comparable cultural resource research and resource management projects in the fields of archeology, ethnography, history, museum

collections, and planning and specialized reports. Obligations and expenditures from both the NRPP and CRPP programs support park-based resource management, and when applicable, research needs. As a consequence, the obligations and expenditures levels for research from these two programs vary each year in response to the needs and priorities identified by the parks.

Research and Development funds support a variety of projects including a Study of Chronic Wasting Disease occurrence and transmission in deer at Wind Cave National Park, Hot Springs, South Dakota. The National Park Service has worked closely with experts from the USGS-Biological Resources Division and other federal and state wildlife disease experts in the design of this monitoring study. The project has been developed in coordination with the South Dakota Department of Game, Fish and Parks, which is also contributing in-kind support to the study. This is a multi-year study with results anticipated in 2005-2006.

Natural Resource Research and Development funds are also supporting the design and implementation of an air-toxics assessment program based on National Parks of the western United States. Research in the past two decades has revealed that a dozen very toxic and persistent organic pollutants (POPs) and mercury (Hg) are persistent in the environment and pose a threat to the health of park ecosystems. This multi-park project assesses the concentrations of contaminants in snow and lake water in seven national parks, assesses concentration levels in biota at various trophic levels (i.e., lichens, willows, fish, and moose in Alaska), and analyzes sediments to determine when and how rapidly these compounds are depositing in the environments at Olympic, Mount Rainier, Sequoia and Kings Canyon, Glacier, Rocky Mountain, Gates of the Arctic, and Denali National Parks, together with Noatak National Preserve. This is a multi-year study which began in 2002, with results anticipated in 2006.

For NPS natural resources, research and development obligation data are currently available for FY 1999 through FY 2002 with FY 2003 obligations reported as estimates.

Similar information for FY 2003 will not be available until the third quarter of FY 2004 in order to meet multiple statutory and administrative reporting requirements for this information. Guidance for these Fiscal Year 2003 reports is not available until late December 2003 or early January 2004, at which time parks are queried for their information. Measures initiated with FY 2001 data collection significantly improved the scope and accuracy of annual natural resource research and development obligation data collection. In addition, the NPS continues work on a new Servicewide natural and cultural resource management information system, which may automate reporting in FY 2006.

The Cultural Resources Applied Research program addresses specific park issues for which insufficient information is available to make informed management decisions concerning the preservation and protection of park cultural resources. Research conducted by this program consists of identification, evaluation, and assessments of cultural resources; cataloging museum collections; conducting history studies to establish significance of resources; and conducting lineal descents and cultural affiliation studies to meet Native American Graves Protection and Repatriation Act responsibilities.

The results of such research not only identifies, evaluates, documents and determines the significance of cultural resources, but also provides appropriate

methods and technologies to monitor, preserve, protect, and maintain cultural resources. Through cultural resources applied research appropriate treatments and interpretation of cultural resources are also documented.

Cultural resources applied research responsibilities include: (1) completing historic resource studies, park administrative histories and other historical studies; (2) providing for National Register of Historic Places documentation; (3) preparing historic structure reports to guide park management in treatment and use decisions; (4) preparing cultural landscape reports to determine appropriate treatment and use; (5) providing basic archeological identification, evaluation, and documentation of archeological resources; (6) completing museum collection management plans, collection storage plans, and collection condition surveys; (7) completing documentation (cataloging) for all museum objects; (8) completing basic ethnographic surveys and field studies in parks; and (9) completing ethnographic overviews and assessments to identify relationships with Native Americans and other ethnic groups associated with park resources.

For the Cultural Resources Applied Research Program, research and development expense data are currently available for FY 1999 through FY 2003 and are combined with Natural Resource obligations.

National Park Service Research and Development Expenses (dollars in millions)				
FISCAL YEAR	BASIC RESEARCH	APPLIED RESEARCH	DEVELOPMENT RESEARCH	TOTAL
1999	\$.6	\$ 35.2	0	\$ 35.8
2000	.5	37.6	0	38.1
2001	1.6	28.0	2.9	32.5
2002	5.0	30.2	8.6	43.8
2003	.3	29.7	0	30.0
TOTAL	\$ 8.0	\$ 160.7	\$ 11.5	\$ 180.2

Note: Figures for Natural Resources and Cultural Resources Research and Development are combined. Natural Resources figures represent "obligations." Cultural Resources figures represent "expenditures." Because of the change in reporting methodology, figures may differ from those previously reported.



The view from Coronado National Memorial's Montezuma Pass includes San Jose Peak in the distance, across the border in Mexico. An administrative history was written for Coronado National Memorial in FY 2003, documenting (for the first time) the site's change from an international memorial to a national memorial. PHOTO BY DIANE LIGGETT

Accomplishments and benefits of the cultural resources applied research program include the following examples:

- **Wrangell-Saint Elias National Park and Preserve.** An ethnohistory of the gold rush townsite of Chisana was completed. The 1914 Chisana gold rush was the last popular and international gold stampede in the United States. While the conventional histories document that primary players of the 1914 gold rush were not native Alaskans, three-quarters of the population of Chisana at the time were native, although none live there today. Oral histories were conducted with the few remaining Upper Tanana and Ahtna elders who addressed previously unanswered questions concerning the role of the Native community during the gold rush, the demographic dispersal patterns after the gold rush, and the identification of the predominate players.
- **Coronado National Memorial.** An administrative history of this park was written. Coronado has a unique history. It was initially authorized in 1941 as an international memorial with the Republic of Mexico. In 1952, because Mexico had not joined in the international effort, Coronado was redesignated and re-established. The reasons for the change and the consequences of the change are documented for the first time, assisting in the current and future management of the memorial.
- **Midwest Region.** The Midwest Region's List of Classified Structures was updated. Field surveys, data entry, and determinations of eligibility for the National Register of Historic Places were completed for Apostle Islands National Lakeshore, Little Rock Central High School National Historic Site, Cuyahoga Valley National Park, Keweenaw National Historical Park, Minuteman Missile National Historic Site,

Nicodemus National Historic Site, and Ozark National Scenic Riverways. Inventory data for Buffalo National River was updated.

- **George Washington Memorial Parkway.** A Cultural Landscape Report was completed for Arlington House. The Cultural Landscape Report allows the park to understand the significance of the site and its remaining property in a context that examines its historical extent, which includes Arlington National Cemetery. This information assists the park in management and interpretation of this significant historical site.
- **Edison National Historic Site.** More than 1,700 original sound recordings were cataloged. The recordings were made from original cylinder records and double-sided disks and represent some of the most fragile, endangered, and rare historic sound recordings in the Edison collection. These recordings are now available for the first time to the park and public and provide new information about the music, artists, technical innovation, recording techniques, and the marketing strategies of the Edison Record Company. The work was assisted in part by a grant from the National Academy of Recording Arts and Sciences.
- **Lake Mead National Recreation Area.** A condition assessment and survey is being conducted of a crashed B-29 bomber site. A B-29 bomber, known as the Beetle Bomb, crashed into Lake Mead in 1948 while conducting a secret military atmospheric testing mission. It carried one-of-a-kind test equipment developed by Johns Hopkins University. The bomber is eligible for inclusion on the National Register of Historic Places.
- **New Orleans Jazz National Historical Park.** A special resource study “Women in Jazz” is being conducted. Limited scholarship is available on this subject, making it virtually impossible to interpret the complete history of jazz. This study emphasizes the role of women in New Orleans jazz during the formative and classic periods of the music’s development. As such, it will provide a thematic

framework for the park’s future resource management, interpretative programs, and exhibits.

INVESTMENT IN HUMAN CAPITAL

Job Corps Civilian Conservation Centers are residential, educational, training, and employment programs created as part of Lyndon B. Johnson’s “War on Poverty,” through the Economic Opportunity Act of 1964. Current authorization is provided under the Title I-C of the Workforce Investment Act of 1998. Job Corps Civilian Conservation Centers are operated by the NPS through an interagency agreement with the Department of Labor. The Department of Labor provides all funding for center operations. As of September 30, 2003, \$17.2 million has been expended for this program in FY03.

The National Park Service operates three Job Corps Civilian Conservation Centers; two are located within the boundaries of national parks. Oconaluftee Job Corps Civilian Conservation Center is located within Great Smoky Mountain National Park in Cherokee, North Carolina. Great Onyx Job Corps Civilian Conservation Center is located within Mammoth Cave National Park in Mammoth Cave, Kentucky. Harpers Ferry Job Corps Civilian Conservation is located in Harpers Ferry, West Virginia. Student capacity is approximately 200 for each of the centers.

Student accomplishments include: (1) collecting chestnut seedlings from the park and planting seedlings in a center experimental plot in conjunction with the University of Tennessee. Students maintain the plot and monitor the seedlings progress on an ongoing basis; (2) participating in an exotic pest plant control project and removing garlic mustard at different park locations; and (3) assisting Mammoth Cave rangers and maintenance staff with reblazing backcountry trails and remarking the outside boundary of the park.

Investment (in millions of dollars)

	2000	2001	2002	2003
Job Corps	\$12.8	\$13.4	\$14.7	\$17.2

The New Mexico Hispanic Cultural Center showcases Hispanic arts, humanities, and achievements from the past 400 years. NMHCC PHOTO



NON-FEDERAL PHYSICAL PROPERTY

Non-federal physical property refers to the use of federal funds for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. As of September 30, 2003, the NPS provided approximately \$113.2 million in funding to states and local governments that will result in the purchase, construction, or major renovation of physical property.

Approximately \$7.4 million in FY03 was used to support the construction of an Abraham Lincoln Interpretive Center in downtown Springfield, Illinois. The planned two-part Abraham Lincoln Presidential Library and Interpretive Center

will consist of a museum portion and a library and archives.

In FY 03 another \$978 thousand was provided for the Hispanic Cultural Center, New Mexico. The Secretary of the Interior is authorized under Public Law 105-127 (the Hispanic Cultural Center Act of 1997) subsection 2c, to “award a grant to New Mexico to pay for the federal share of the costs of the design, construction, furnishing, and equipping of the Center for Performing Arts that will be located at a site to be determined by the Hispanic Cultural Division, within the complex known as the New Mexico Hispanic Cultural Center.” The National Underground Railroad, Ohio-Freedom Center received \$6 million by a written agreement to the Foundation for the facility.

Investment in Non-Federal Physical Property (dollars in millions)						
CATEGORY	1999	2000	2001	2002	2003	TOTAL
Dams and Other Structures	\$ 19.6	\$ 30.0	\$ 46.0	\$ 74.3	\$ 53.9	\$ 223.8
Land	6.7	4.0	14.6	29.7	44.0	99.0
Roads and Bridges	2.7	1.9	5.9	8.7	12.8	32.0
Schools and Public Buildings	0.5	1.1	1.5	1.7	2.5	7.3
TOTAL	\$ 29.5	\$ 37.0	\$ 68.0	\$ 114.4	\$ 113.2	\$ 362.1

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Skyline Drive, Shenandoah National Park. PHOTO © RUSS FINLEY/FINLEY-HOLIDAY FILMS

Required Supplementary Information

(Unaudited - See Accompanying Independent Auditors' Report)

... expanded responsibilities (such as law enforcement) have also added to operational costs, which affects funding available for maintenance activities.

DEFERRED MAINTENANCE REPORT, UNAUDITED, FISCAL YEAR 2003

The National Park Service owns, purchases, and constructs assets such as roads, trails, camping and recreational structures, buildings and houses, utility systems, marine and dock structures, signs and information structures, and special features assets such as monuments, statues, memorials, fortifications, and viewing structures. In every category of these assets, there are examples of both *general* and *stewardship* facilities.

Stewardship road, bridges and tunnels include these assets identified on the National Register of Historic Places: 55 road segments in locations such as Glacier, Badlands, and Shenandoah National Parks; 197 bridges in Gettysburg National Military Park, Colonial National Historic Park, and Acadia National Park; and 14 tunnels in Shenandoah, Glacier, and Zion National Parks. The National Park Service does not possess the mechanism to track the deferred maintenance backlog on these specific assets, but will work to provide this information for the FY 2004 update of this report.

While the National Park Service has acquired and maintained assets throughout its 87-year history, several factors have led to a backlog of maintenance tasks and a significant deterioration of facility conditions because of that backlog. One cause of this maintenance backlog stems from limited operational funding for facilities acquired through donation and transfer. Another cause is that aging facilities have created increased costs for day-to-day operation, limiting the funds available for maintenance. Additionally, increased visitation, addition of new park sites and facilities, and expanded responsibilities (such as law enforcement) have also added to operational costs, which affects funding available for maintenance activities.

The Park Facilities Management Division (PFMD) is currently conducting a multi-year effort to establish the condition of all park assets. Part of the effort is to gather the information necessary to provide a better estimate of deferred maintenance needs related to non-facility type assets. Non-facility type assets do not conform to industry standard deficiency, cost estimating programs, and data sets. Outdoor sculptures, monuments, ruins, fortifications, cultural landscapes, and other non-facility assets require the development of specific asset and feature maintenance standards and deficiency remedies, inspection guidance documents, and cost estimating assemblies. Through an agreement with WASO-PFMD, the Historic Preservation Training Center is preparing data sets to determine the deferred maintenance for lighthouses, fortifications, and ruins. Additional data sets are being prepared for cultural and maintained landscapes through the Park Historic Structures and Cultural Landscapes Program. Non-facility deferred maintenance data sets and costs will be available in FY 2004 and FY 2005. Once the project is completed in FY 2006, the National Park Service will determine the validity of reporting deferred maintenance needs at the lower level of individual Stewardship and Heritage Asset Programs.

The National Park Service defines "deferred maintenance" as maintenance that was not performed when scheduled or planned. This definition originates in the *U.S. Department of the Interior Facilities Maintenance Assessment and Recommendations, February 1998*. Continued deferral of maintenance items will result, over time, in facility deficiencies that must be corrected, often at a higher cost than the original maintenance cost.

Deferred maintenance information for the National Park Service is maintained in the

Project Management Information System (PMIS) database. Individual park units are responsible for compiling and entering deferred maintenance needs into PMIS. The needs are extracted and classified as General Property, Plant and Equipment, or Stewardship, and are also categorized into major asset types.

The accompanying estimates are for the correction of asset deficiencies that are the result of deferred maintenance decisions. The estimates were compiled from several sources. These include a search of the Project Management Information System (PMIS) database for all facility maintenance projects for which the National Park Service has identified a current need. It was determined that housing and dams deferred maintenance projects would be incorporated into the PMIS figure in the FY 2002 Required Supplemental Statement rather than be reported based on inventory estimates. The Project Management Information System contains detailed cost estimates based on condition determinations. These estimates can range from formalized cost assessments to professional judgment estimates. The National Park Service continues to refine the asset type information contained in PMIS to allow for better reporting.

Estimates for paved roads and bridges deferred maintenance projects were compiled from the 1998-2001 and 2001-2002 Federal Lands Highways Program Roads Inventory Program and Bridge Inventory Program, respectively.

The National Park Service is currently involved in implementing a centralized facility management work planning and execution program known as the Facility Management Software System (FMSS), linking all NPS regions and units, and performing a complete inventory, condition, and needs assessment, which will provide the necessary Servicewide information for determining what resources and activities are necessary to maintain facilities and infrastructure in good operating condition. The system has been deployed in all park units during FY 2003.

During FY 2003 the NPS completed an initial round of annual condition assessments in all park units (with the exception of 5 parks with significant inventory). This entailed developing an accurate inventory, determining the asset priority index (API) for a numerical indication of the relative importance of an asset when compared to other assets within the same park, inspecting all assets, identifying obvious deficiencies and developing verifiable deficiency cost estimates, and determining the facility condition index (FCI) for a simple measurement of a facility's relative condition at a particular point in time. The National Park Service will measure the performance of the Facility Operations and Maintenance program by linking programmatic activities to defined results and outcomes utilizing the FCI. The National Park Service will continue to perform comprehensive assessments with the first cycle scheduled for completion in FY 2006.

Condition Assessments Estimates (dollars in thousands)	
PROJECT	AMOUNT
PMIS Deferred Maintenance Projects (Includes Housing and Dams)	
Stewardship	\$ 476,041
General	\$ 1,178,979
SUBTOTAL	\$ 1,655,020
Paved Roads Deferred Maintenance Projects ¹	\$ 3,250,105
Bridge Deferred Maintenance Projects ²	\$ 155,972
SUBTOTAL	\$ 3,406,077
TOTAL DEFERRED MAINTENANCE	\$ 5,061,097

**Project Management Information System Deferred Maintenance Projects
(Includes Housing and Dams) by Primary Asset
(dollars in thousands)**

PROJECT	AMOUNT
Primary—Buildings	\$ 775,132
Primary—Grounds	\$ 121,509
Primary—Marine and Waterways	\$ 86,729
Primary—Roads and Bridges	\$ 77,779
Primary—Special Features	\$ 162,610
Primary—Trails and Walks	\$ 94,324
Primary—Utilities	\$ 193,114
Primary—Unassigned	\$ 143,823
TOTAL DEFERRED MAINTENANCE	\$ 1,655,020

While presented as separate items in this discussion, for reporting consistency with the Department of the Interior, the NPS combines the asset types into four standard categories. The National Park Service combines Roads, Bridges, Trails and Walks, and Paved Roads into the “Roads, Bridges, and Trails” category. Marine and Waterways are represented in the “Irrigation, Dams, and Water” category. Buildings are included in the “Buildings” category. The Grounds, Special Features, Utilities, and Unassigned estimates form the “Other Structures” category. In the accompanying table, an estimated range from low to high for the General Stewardship assets deferred maintenance expense is presented for the four primary categories. The ranges are calculated on the baseline amounts discussed in the previous section.

**Department of the Interior, National Park Service
Estimated Range of Deferred Maintenance Expense for General and Stewardship Fixed Assets
(dollars in thousands)**

CATEGORY	GENERAL LOW	GENERAL HIGH	STEWARDSHIP LOW	STEWARDSHIP HIGH	TOTAL LOW	TOTAL HIGH
Roads, Bridges, and Trails	\$ 2,473,790	\$ 5,300,978	\$ 30,936	\$ 66,291	\$ 2,504,726	\$ 5,367,269
Irrigation, Dams, and Water	37,431	80,210	23,280	49,885	60,711	130,095
Buildings	369,822	792,475	172,770	370,223	542,592	1,162,698
Other Structures	328,496	703,920	106,243	227,663	434,739	931,583
TOTAL	\$ 3,209,539	\$ 6,877,583	\$ 333,229	\$ 714,062	\$ 3,542,768	\$ 7,591,645

The National Park Service recognizes that these existing sources of information are based on current database collection systems. The actual cost of correcting deferred maintenance will not be known until all park units complete a comprehensive condition assessment, identifying all asset deficiencies and developing valid cost estimates. The condition assessments completed by most parks by the end of FY 2003 represent initial condition assessments. It is possible that further deficiencies could be identified when the comprehensive assessments are conducted between now and FY 2006. The National Park Service received \$11.3 million in FY 2003 to continue with condition assessments. In Fiscal Year 2004 the NPS anticipates receiving \$13.3 million to continue conducting condition assessments. The first cycle of comprehensive condition assessments is expected to be completed in FY 2006.

Snow removal machines at Crater Lake National Park keep roads accessible in winter despite seasonal snowfall of 45 feet. NPS PHOTO



The latest inventory data available show that the National Park Service manages approximately 11,900 miles of roads (including 5,455 miles of paved roads), nearly 17,000 miles of paved and unpaved trails, more than 1,100 campgrounds, more than 16,000 administrative and public use buildings, 4,246 housing units, 1,228 water systems, 1,459 wastewater systems, 362 electrical systems, and many other special features.

The National Park Service has submitted budget requests for FY 2004 to reduce deferred maintenance projects according to the accompanying table. In addition to the \$316 million requested in FY 2004, the Administration has proposed Fiscal Year 2004 Highway Trust Fund Reauthorization Legislation called the “Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003,” or SAFETEA, a funding level of \$300 million³ to the National Park Service for transportation projects for FY 2004.

**FY 2004 Deferred Maintenance Budget Requests
(dollars in thousands)**

PROJECT	AMOUNT
Repair and Rehabilitation Program (PMIS Projects)	\$ 98,480
Housing Projects (Part of Emergency, Unscheduled, and Housing Projects)	8,000
Dams Projects	2,700
Line Item Construction	\$ 207,231
TOTAL BUDGET REQUESTS	\$ 316,411

¹ Roads

The Federal Highway Administration (FHWA) engineers provide road inventory and assessment services to the National Park Service. Due to the National Park Service road system’s size and physical location, as well as challenges with seasonal weather changes, limited resources and technical complexities, a full assessments cycle of parks requires several years. In addition, the next update, Cycle III, experienced a major delay due to problems with the contractor over quality assurance and quality control matters. Issues have been resolved, and the FHWA’s estimated completion date is February 2004. Cycle III will include all paved road miles (including parking lots) in the National Park Service road system.

Accordingly, FY 2001 estimates for paved roads costs will be used again this year. The FHWA has completed Cycle II data collection and quality checks for 4,874.72 miles, or 90 percent of the known 5,455 paved roadway miles, within the NPS road system. The data from 4,874.72 miles of roads were collected from parks across the National Park System, and represent a sound, diverse sampling of the total network. The cost to upgrade the 4,874.72 miles of roads in parks with various roadway conditions to current road standards and good conditions would cost \$2,151,116,000. Roadway improvement cost multipliers were based on actual regional construction project awards over the past several years. To provide a total Systemwide estimate of deferred maintenance, FHWA extrapolated to the total system $[(\$2,151,116,000/4874.72 \text{ mile}) \times (5,455 \text{ total system paved miles} - 4874.72 \text{ surveyed paved miles}) = \$256,368,899]$. Accordingly, adding \$2,151,116,000 (90% of surveyed system deferred cost) + \$256,368,899 (10% unsurveyed extrapolated estimate) produces a total of \$2,407,484,899 for construction needs only.

Note: \$2,407,484,899 was increased to include an estimate for the design, construction supervision, and contingency costs, which based on FHWA historical information on FHWA projects, has run approximately 35 percent of net construction, bringing the total estimate to \$3,250,104,614. This number does not include paved parking lots. The \$3,250,104,614 deferred maintenance backlog number represents a planning number for articulating the magnitude of the roads deferred maintenance backlog. In actuality, the cost depends on the identification of an optimum level of service and condition that is supported both scientifically and economically while still providing an enjoyable and convenient ride to the traveling public.

The Transportation Equity Act for the 21st Century (TEA-21) authorizes the Park Roads and Parkways Program \$115 million in FY 1998 and \$165 million annually between FY 1999 through 2003, for three categories:

- a. Category I - road and bridge repair, rehabilitation and reconstruction.
- b. Category II - completion of parkways with congressional interest.
- c. Category III - alternative transportation systems.

² Bridges

On a two-year cycle, the FHWA inspects 1,803 structures that include walking, vehicular, and railroad structures of all types including culverts, tunnels, and trail bridges. In developing bridge cost estimates, the FHWA separates costs into maintenance, rehabilitation, and construction. After evaluation of historic contract award data, FHWA developed factors of two to three times the cost to more closely represent the true costs for maintenance, rehabilitation, and construction. For example, rehabilitation and construction costs are basically estimates for labor and materials only. These costs do not consider the size of project, construction award atmosphere, traffic control, approach work, and remoteness of site, which all can greatly influence the cost.

Note: \$115,534,826 was increased to include an estimate for the design, construction supervision, and contingency costs which run approximately 35 percent of net construction, bringing the total estimate to \$155,972,016. Due to the safety significance of bridges, the NPS and FHWA recommend a funding level of approximately \$25 million annually.

³ Park Legacy Project

In support of the President's Park Legacy Project, the Administration's proposed legislation called the "Safe, Accountable, Flexible and Efficient Transportation Equity Act of 2003," or SAFETEA recommends funding for the Park Roads and Parkways Program at a level of \$300 million in FY 2004; \$310 million in FY 2005; and \$320 million in FY 2006-09 for three categories:

- a. Category I (\$270-310 million/annually) - Restores the condition of the existing roads to "good" Systemwide. Bridges would continue to be kept in good and safe condition.
- b. Category II (\$3-10 million/annually) - Builds the next logical phase of Foothills Parkway, Great Smoky Mountain National Park, and multi-use trails around three urban areas along the Natchez Trace Parkway.
- c. Category III (\$20 million/annually) - Continues to plan and build alternative transportation systems.

The majority of these funds would be used for Category I to bring the paved road system to "good" condition Systemwide in order to address President Bush's Park Legacy Project.

Department of the Interior, National Park Service
 Required Supplementary Information
 Schedule of Budgetary Resources by Major Budget Account (Unaudited - See Accompanying Independent Auditors' Report)
 For the Year Ended September 30, 2003
 (dollars in thousands)

	OPERATION OF THE NPS	CONSTRUCTION	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER	TOTAL BUDGETARY ACCOUNTS
BUDGETARY RESOURCES						
Budget Authority:						
Appropriations Received	\$ 1,574,565	\$ 303,043	\$ 172,468	\$ 148,416	\$ 309,443	\$ 2,507,935
Net Transfers, Current Year Authority (+/-)	162	15,598	27,938	-	(2,286)	41,412
Unobligated Balance:						
Beginning of Fiscal Year	66,404	386,805	243,869	298,132	158,840	1,154,050
Spending Authority From Offsetting Collections:						
Earned						
Collected	16,425	122,008	3,872	-	1,190	143,495
Receivable From Federal Sources	50	2,927	(722)	-	(1)	2,254
Change in Unfilled Customer Orders:						
Advance Received	-	(30,781)	-	-	-	(30,781)
Without Advance From Federal Sources	-	14,100	(4,792)	-	-	9,308
Recoveries of Prior Year Obligations	9,302	2,834	5,096	1,917	5,358	24,480
Permanently Not Available	(18,059)	(2,117)	(1,122)	(861)	(2,369)	(24,528)
TOTAL BUDGETARY RESOURCES	\$ 1,648,849	\$ 814,417	\$ 446,580	\$ 447,604	\$ 470,175	\$ 3,827,625
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct	\$ 1,562,186	\$ 350,554	\$ 222,072	\$ 164,555	\$ 324,820	\$ 2,624,187
Reimbursable	17,635	122,690	813	-	382	141,520
Total Obligations Incurred	1,579,821	473,244	222,885	164,555	325,202	2,765,707
Unobligated Balance:						
Apportioned	47,474	341,173	223,695	283,049	139,252	1,034,643
Unobligated Balances Not Available	21,554	-	-	-	5,721	27,275
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 1,648,849	\$ 814,417	\$ 446,580	\$ 447,604	\$ 470,175	\$ 3,827,625
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS						
Obligations Incurred	\$ 1,579,821	\$ 473,244	\$ 222,885	\$ 164,555	\$ 325,202	\$ 2,765,707
Obligated Balance, Net,						
Beginning of Fiscal Year	318,407	303,091	167,704	50,202	206,481	1,045,885
Obligated Balance, Net, End of Fiscal Year:						
Accounts Receivable	478	18,239	919	-	1	19,637
Unfilled Customer Orders From Federal Sources	-	65,528	4,287	-	-	69,815
Undelivered Orders	(250,544)	(309,779)	(243,253)	(66,363)	(215,213)	(1,085,152)
Accounts Payable	(49,575)	(104,493)	(5,654)	(6,823)	(10,328)	(176,873)
Less: Spending Authority Adjustments	(9,351)	(19,860)	446	(1,918)	(5,358)	(36,041)
Outlays:						
Disbursements	1,589,236	425,970	147,334	139,653	300,785	2,602,978
Collections	(16,425)	(91,227)	(3,873)	-	(1,189)	(112,714)
Subtotal	1,572,811	334,743	143,461	139,653	299,596	2,490,264
Less: Offsetting Receipts	-	-	-	148,418	(41,492)	(189,910)
NET OUTLAYS	\$ 1,572,811	\$ 334,743	\$ 143,461	\$ (8,765)	\$ 258,104	\$ 2,300,354

Department of the Interior, National Park Service
Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Account (Unaudited - See Accompanying Independent Auditors' Report)
For the Year Ended September 30, 2002
(dollars in thousands)

	OPERATION OF THE NPS	CONSTRUCTION	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER	TOTAL BUDGETARY ACCOUNTS
BUDGETARY RESOURCES						
Budget Authority:						
Appropriations Received	\$ 1,487,075	\$ 410,168	\$ 274,117	\$ 148,334	\$ 331,207	\$ 2,650,901
Net Transfers, Current Year Authority (+/-)	184	1,000	-	-	-	1,184
Unobligated Balance:						
Beginning of Fiscal Year	46,564	453,676	227,914	266,205	153,062	1,147,421
Net Transfers, Unobligated Balance, Actual (+/-)	-	(91,204)	(64,796)	-	-	(156,000)
Spending Authority From Offsetting Collections:						
Earned						
Collected	18,340	103,648	8,729	-	1,132	131,849
Receivable From Federal Sources	(257)	2,518	(474)	-	-	1,787
Change in Unfilled Customer Orders:						
Advance Received	-	(8,893)	-	-	-	(8,893)
Without Advance From Federal Sources	-	7,273	(8,283)	-	(1)	(1,011)
Recoveries of Prior Year Obligations	26,663	23,564	3,247	3,699	5,221	62,394
Permanently Not Available	(9,837)	(250)	(250)	-	(1,069)	(11,406)
TOTAL BUDGETARY RESOURCES	\$ 1,568,732	\$ 901,500	\$ 440,204	\$ 418,238	\$ 489,552	\$ 3,818,226
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct	\$ 1,485,444	\$ 410,835	\$ 195,720	\$ 120,107	\$ 329,697	\$ 2,541,803
Reimbursable	16,882	103,859	615	-	1,017	122,373
Total Obligations Incurred	1,502,326	514,694	196,335	120,107	330,714	2,664,176
Unobligated Balance:						
Apportioned	38,881	364,307	243,869	298,131	152,516	1,097,704
Unobligated Balances Not Available	27,525	22,499	-	-	6,322	56,346
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 1,568,732	\$ 901,500	\$ 440,204	\$ 418,238	\$ 489,552	\$ 3,818,226
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS						
Obligations Incurred	\$ 1,502,326	\$ 514,694	\$ 196,335	\$ 120,107	\$ 330,714	\$ 2,664,176
Obligated Balance, Net,						
Beginning of Fiscal Year	312,313	230,962	132,558	53,749	159,558	889,140
Obligated Balance, Net, End of Fiscal Year:						
Accounts Receivable	428	15,312	1,641	-	2	17,383
Unfilled Customer Orders From Federal Sources	-	51,428	9,079	-	-	60,507
Undelivered Orders	(213,913)	(282,371)	(177,483)	(43,820)	(196,407)	(913,994)
Accounts Payable	(104,922)	(87,458)	(941)	(6,382)	(10,078)	(209,781)
Less: Spending Authority Adjustments	(26,406)	(33,355)	5,510	(3,699)	(5,220)	(63,170)
Outlays:						
Disbursements	1,469,826	409,212	166,699	119,955	278,569	2,444,261
Collections	(18,340)	(94,755)	(8,730)	-	(1,132)	(122,957)
Subtotal	1,451,486	314,457	157,969	119,955	277,437	2,321,304
Less: Offsetting Receipts	-	-	-	148,335	(32,079)	(180,414)
NET OUTLAYS	\$ 1,451,486	\$ 314,457	\$ 157,969	\$ 28,380	\$ 245,358	\$ 2,140,890

Independent Auditors' Report



Enduring Revolutionary War occupation by British soldiers, as well as extreme exposure to the elements, Sandy Hook Lighthouse is part of Gateway National Recreation Area. The oldest working lighthouse in the country, Sandy Hook was restored in during spring of 2000. PHOTO BY EILEEN CONNOLLY



United States Department of the Interior
Office of Inspector General
Washington, D.C. 20240

December 22, 2003

Memorandum

To: Director, National Park Service

From: Roger La Rouche 
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the National Park Service's Financial Statements for Fiscal Years 2003 and 2002 (No. E-IN-NPS-0067-2003)

We contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to audit the National Park Service's (NPS) financial statements as of September 30, 2003, and for the year then ended. The contract required that KPMG conduct its audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of America, Office of Management and Budget Bulletin 01-02, *Audit Requirements for Federal Financial Statements*, and the General Accounting Office/President's Council on Integrity and Efficiency, *Financial Audit Manual*.

In its Independent Auditor's Report dated November 14, 2003 (Attachment 1), KPMG issued an unqualified opinion on NPS's financial statements. KPMG identified two reportable conditions related to internal controls and financial operations: (1) security and general controls over financial management systems, and (2) financial reporting controls. KPMG considered none of these reportable conditions to be material weaknesses. In addition, KPMG identified two significant deficiencies in internal controls over Required Supplementary Information and Required Supplementary Stewardship Information: (3) deferred maintenance estimates, and (4) stewardship assets and investments. With regard to compliance with laws and regulations, KPMG found NPS to be noncompliant with the Single Audit Act Amendments of 1996 and portions of the Federal Financial Management Improvement Act of 1996 (FFMIA). Specifically, NPS's financial management systems did not substantially comply with Federal financial management systems requirements and Federal accounting standards.

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

NPS management, in its November 26, 2003 response to the draft report (Attachment 2), did not agree with the portion of finding A. related to Access Controls – Password Policy, and the portions of finding B. related to Monitoring Grants and Intradepartmental Eliminations. NPS generally concurred with the other findings and recommendations in the report. Based on management’s response, recommendation B.3 will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and the other recommendations will be referred for tracking of implementation.

The legislation, as amended, creating the Office of Inspector General, (5 U.S.C.A. App. 3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report.

We appreciate the cooperation and assistance of National Park Service’s personnel during the audit.

Attachments (2)



2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Director, National Park Service and Inspector General
U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the National Park Service (NPS) as of September 30, 2003 and 2002, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing, for the years then ended (hereinafter referred to as 'financial statements'). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered NPS's internal control over financial reporting and tested NPS's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that NPS's financial statements as of and for the years ended September 30, 2003 and 2002, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting identified the following reportable conditions:

- A. Security and General Controls over Financial Management Systems
- B. Financial Reporting Controls

However, we do not consider these reportable conditions to be material weaknesses.

We also noted the following significant deficiencies in internal control over Required Supplementary Information and Required Supplementary Stewardship Information that, in our judgment, could adversely affect NPS's ability to collect, process, record, and summarize this information.

- C. Deferred Maintenance Estimates
- D. Stewardship Assets and Investments

The results of our tests of compliance with certain provisions of laws and regulations disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*:

- E. *Single Audit Act Amendments of 1996*
- F. *Federal Financial Management Improvement Act of 1996*



KPMG LLP KPMG LLP a U.S. limited liability partnership is
a member of KPMG International, a Swiss association.



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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the National Park Service as of September 30, 2003 and 2002, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing, for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NPS as of September 30, 2003 and 2002, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it. As a result of such limited procedures, we believe that the Required Supplementary Information for deferred maintenance is not presented in conformity with accounting principles generally accepted in the United States of America because NPS has not assessed all of its assets for deferred maintenance and therefore the deferred maintenance amounts are understated.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2003 audit, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. However, we do not consider any of these reportable conditions to be material weaknesses as defined above.

A. Security and General Controls over Financial Management Systems

NPS does not have adequate information technology security and general controls to protect its financial information systems as required by OMB Circular A-130, *Management of Federal Information Resources*. This condition could affect NPS's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. Although NPS improved security and general controls during the year, NPS needs to continue improving its security and general controls, as discussed below.

1. *Entity-wide Security Program and Planning* – NPS needs to continue to improve its entity-wide security program. An effective security program includes security plans, system risk assessments and accreditations, background investigations, and incident response plans. Specifically, we noted the following:
 - a. *Security Plan* – NPS has developed a draft security plan for the IDEAS application, however, NPS has not *finalized* and approved the plan. In addition, NPS developed the draft security plan independent of a formal risk assessment. We noted that the draft security plan is consistent with best practices.
 - b. *Assessments and Accreditation* – NPS has not formally completed independent risk assessments for its major *applications* and general support systems. NPS has developed a schedule for risk assessment and accreditation, and plans to complete the risk assessment and accreditation process for all major applications and general support systems based on DOI guidelines and deadlines for completing the risk assessment process. In addition, NPS has not formally certified and accredited its major applications and general support systems. NPS is in the process of obtaining interim authorizations and scheduling certifications and accreditations for all major applications and general support systems.
 - c. *Background Investigations* – NPS has not completed the background investigations for all the employees hired during FY 2003 in accordance with Executive Order 10450, *Security Requirements for Government Employment*.
 - d. *Incident Response* – NPS has not fully documented its security incident response capability as NPS is waiting for the Incident Handling guidelines from the Department of the Interior.
2. *Access Controls* – NPS needs to improve its access controls. We identified certain access vulnerabilities relating to NPS systems. In addition, NPS needs to improve its resource classification and password controls to include the following:
 - a. *Resource Classification* - NPS has not classified all of its computer information resources according to their sensitivity and criticality. NPS will classify its computer information resources as NPS completes the independent risk assessments.
 - b. *Password Policy* – NPS has developed and provided a Rules of Behavior document to employees regarding the appropriate use of computer resources. However, this document does not include the following password policies:
 - a. Minimum and maximum password lengths;
 - b. Password aging standards and enforcement approach;
 - c. Restrictions on expired passwords;
 - d. Procedures for communicating forgotten passwords; and
 - e. Process for investigating the compromise of passwords.
3. *System Software* – NPS needs to update its guidelines that identify the standards for system software, desktop applications, file transfer, utilities, and e-mail.
4. *Segregation of Responsibilities* – NPS has developed and documented the primary and secondary roles, responsibilities, and duties for IT staff. However, the policies do not indicate the responsibilities that must be segregated or the compensating controls for responsibilities not segregated.

5. *Service Continuity* – The Accounting Operations Center has developed a draft Continuity of Operations Plan (COOP), however, NPS has not finalized, approved, or tested the plan. In addition, the National Information Systems Center has also developed a draft COOP that incorporates the IDEAS application, however, NPS has not finalized, approved or tested the plan. Furthermore, the draft IDEAS COOP did not include procedures to conduct a business impact analysis, develop recovery strategies, or develop an IT contingency plan.

Recommendation

We recommend that NPS develop and implement a formal action plan to improve the general and application controls over its financial management systems. This plan should address each of the areas discussed above, as well as other areas that might impact the information technology control environment, to ensure adequate security and protection of NPS's information systems.

B. Financial Reporting Controls

NPS needs to improve controls over the recording and reporting of financial transactions. During fiscal year 2003, we noted the following:

1. *Accruals* – NPS does not consistently reconcile its accrual calculations to the general ledger. Specifically, we noted that the year-end general ledger was \$13.5 million higher than the accounts payable calculation and the year-end general ledger was \$2.9 million lower than the payroll and benefit accrual calculation. As a result of our observations, NPS adjusted the general ledger to match the accrual calculations.
2. *Leases* – In accordance with Federal accounting standards, NPS is required to capitalize leases that meet certain criteria and disclose the future minimum annual lease payments. NPS has not fully established procedures to track and report capital and operating leases. Specifically we noted the following:
 - a. *Lease Assessment* – NPS does not consistently analyze leases to determine if leases should be capital or operating leases. Specifically, NPS did not properly record a capital lease related to a building valued at \$28 million. As a result of our observations, NPS analyzed its leases and recorded an asset and capital lease liability.
 - b. *Future Minimum Lease Payments* – NPS's schedule of future minimum lease payments for non-GSA real property included expired leases, duplicate leases, and capital leases, and did not consistently include future minimum lease payments for all the appropriate years. In addition, NPS estimated future minimum lease payments for GSA real property and personal property leases based on expenses and assumptions rather than the lease terms. As a result of our observations, NPS analyzed and adjusted its schedule of future minimum lease payments.
3. *Grants* – In accordance with *Single Audit Act Amendments of 1996*, NPS should monitor grantees to ensure grantees expend awards in accordance with the grant requirements and federal regulations. NPS has not fully developed controls to monitor its grantees to detect and prevent misuse of federal awards. Specifically, we noted NPS does not consistently perform the following:
 - a. *Reports* – Ensure that grantees complete single audits and submit reports within nine months of the grantees' year-end.
 - b. *Findings* – Issue management decisions on audit findings within six months after receipt of audit reports and ensure that grantees take appropriate and timely corrective action.

4. *Intradepartmental Eliminations* – NPS does not reconcile transactions and balances with other components of the Department of the Interior in a timely manner, in accordance with OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, and Department of the Treasury’s *Federal Intragovernmental Transactions Accounting and Policies Guide*. Specifically, NPS and the other Interior components did not start the reconciliation process until the third quarter of the fiscal year. In addition, NPS designated one trading partner for its intragovernmental accrual instead of allocating the accrual to multiple trading partners. Furthermore, NPS is dependent upon other Interior components to provide amounts and information and these components do not consistently respond to NPS. As a result, NPS expended a significant amount of time and resources completing the reconciliation.

Recommendations

We recommend that NPS perform the following, to improve the recording and reporting of financial transactions:

1. *Accruals* – NPS should reconcile the accrual calculations to the general ledger to ensure the accrual calculations are properly recorded in the general ledger. We also recommend that NPS require a supervisor to review and approve the reconciliation.
2. *Leases* – NPS should perform the following:
 - a. *Lease Assessment* – Establish a formal process to determine whether leases should be classified as capital or operating leases. These determinations should be documented and include supporting documentation for present value calculations and fair market value assessments.
 - b. *Future Minimum Lease Payments* – Develop and maintain a database of all real and personal property leases to assist in monitoring and reporting future minimum lease payments. This database should include lease number, type, term, payments, and other information.
3. *Monitoring Grants* – NPS should improve its monitoring efforts of grantees as follows:
 - a. *Reports* – Establish a monitoring and follow up process to verify that NPS receives single audits reports within nine months of the grantees’ year-end. NPS should utilize the Federal Clearinghouse website on an on-going basis to determine when an audit report has been submitted. If reports are not received, NPS should inquire of grantees and consider the need to limit future grant awards until reports are submitted.
 - b. *Findings* – Issue management decisions on audit findings within six months after receipt of single audit reports and *verify* that grantees take appropriate and timely corrective action.
4. *Intradepartmental Eliminations* – We understand that the Department of the Interior is developing an automated process to facilitate the reconciliation of intra-Departmental transactions. We recommend that the Department of the Interior complete and implement this automated process. Until the automated process is implemented, we recommend that NPS meet with the other Interior components to reconcile transactions and balances on at least a quarterly basis. In addition, we recommend that NPS allocate the intragovernmental accrual to the appropriate trading partners.

A summary of the status of prior year reportable conditions is included as Exhibit I. We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of NPS in a separate letter dated November 14, 2003.



INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY INFORMATION AND REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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

C. Deferred Maintenance Estimates

NPS has not fully implemented the requirements of Statement of Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, as amended by SFFAS No. 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS No. 6 and SFFAS No. 8*. SFFAS No. 6 requires NPS to estimate the deferred maintenance for its general and stewardship property, plant, and equipment using either the condition assessment survey or life cycle costing method. NPS has adopted the condition assessment survey method, which requires NPS to perform periodic inspections of assets to determine their current condition and estimate the cost to correct any deficiencies.

NPS has implemented procedures to measure deferred maintenance for all major park assets. However, NPS has not fully established controls over the condition assessments performed to determine deferred maintenance. In addition, NPS has larger parks that have target dates for completion of their condition assessments on 100% of their assets subsequent to fiscal year 2003. As a result, the required supplementary disclosure on the condition of major classes of assets for general property, plant, and equipment and stewardship assets is not complete and the related deferred maintenance amounts are understated.

Recommendation

We recommend that NPS secure funding to enable NPS to perform a comprehensive condition assessment of all park assets and estimate the related deferred maintenance for general property, plant, and equipment and stewardship assets. In addition, NPS should have supervisors review and approve condition assessments to ensure they are performed consistently and in accordance with NPS's policies. Furthermore, NPS should establish controls to ensure condition assessments are performed for all assets, including stewardship assets and general property, plant, and equipment.

D. Stewardship Assets and Investments

NPS does not consistently follow its established procedures and controls over recording Required Supplementary Stewardship Information. Specifically, NPS does not consistently maintain and approve source documents to support additions and deletions to stewardship assets and does not consistently perform annual inventories and verifications for stewardship assets. In addition, NPS does not consistently track investments in non-federal physical property or research and development.

Recommendations

We recommend that NPS strengthen internal controls over recording Required Supplementary Stewardship Information to:

1. *Stewardship Assets* – Record and report stewardship asset transactions at the time the event occurs, require supervisors to review and approve these transactions, maintain source documentation for these transactions, and perform periodic inventories of stewardship assets.
2. *Stewardship Investments* – Accumulate and report investments in non-federal physical property, and research and development.



COMPLIANCE WITH LAWS AND REGULATIONS

Our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act* (FFMIA), disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, and are described below.

E. Single Audit Act Amendments of 1996

As discussed in the Internal Control over Financial Reporting section of this report, NPS does not perform adequate monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996*. NPS needs to ensure that grantees complete single audits and submit single audit reports to NPS in a timely manner. In addition, NPS needs to issue management decisions on findings in a timely manner.

Recommendation

We recommend that in fiscal year 2004, NPS improve its grantee monitoring process to ensure grantee compliance with the reporting requirements of the *Single Audit Act Amendments of 1996*.

The results of our tests of compliance with other laws and regulations, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

F. Federal Financial Management Improvement Act of 1996

The results of our tests of FFMIA disclosed instances, described below, where NPS's financial management systems did not substantially comply with Federal financial management systems requirements or the Federal accounting standards. The results of our tests of FFMIA disclosed no instances in which NPS's financial management systems did not substantially comply with the United States Standard General Ledger at the transaction levels.

1. *Federal Financial Management Systems Requirements* – As discussed in the Internal Control over Financial Reporting section of this report, NPS has several weaknesses in its information technology general control environment that contribute to noncompliance with OMB Circular A-130, *Management of Federal Information Resources*. NPS needs to improve the entity-wide security program, strengthen access controls, update system software standards, indicate segregation of responsibilities, and approve and test continuity of operation plans.

Recommendation

We recommend that during fiscal year 2004, NPS improve the security and general controls over its financial management systems to meet the requirements set forth in OMB Circular A-130.

2. *Federal Accounting Standards* – As discussed in the Internal Control Over Required Supplementary Information section of this report, NPS needs to improve its policies and procedures for reporting deferred maintenance amounts in accordance with Federal accounting standards. Specifically, NPS needs to improve controls over the condition assessment process and complete the condition assessments at all parks in order to determine the deferred maintenance amounts. As a result of these conditions, NPS's deferred maintenance amounts are not complete and NPS does not substantially comply with Federal accounting standards.



Recommendation

We recommend that by the end of fiscal year 2006, NPS improve its controls over the condition assessment process, complete all of its condition assessments, and report the deferred maintenance estimates in accordance with the Federal accounting standards.

RESPONSIBILITIES

Management's Responsibilities

The *Government Management Reform Act of 1994* (GMRA) requires each federal agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To assist the Department of the Interior in meeting the GMRA reporting requirements, NPS prepares annual financial statements.

Management is responsible for:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal controls over financial reporting, and preparation of the Management Discussion and Analysis (including the performance measures), required supplementary information, and required supplementary stewardship information, and
- Complying with laws and regulations, including FFMIA.

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

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2003 and 2002 financial statements of NPS based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

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

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

In planning and performing our fiscal year 2003 audit, we considered NPS's internal control over financial reporting by obtaining an understanding of NPS's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of



our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

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

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

As part of obtaining reasonable assurance about whether NPS's fiscal year 2003 financial statements are free of material misstatement, we performed tests of NPS's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to NPS. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

DISTRIBUTION

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

KPMG LLP

November 14, 2003

**National Park Service
Summary of the Status of Prior Year Findings
September 30, 2003**

Ref	Condition	Status
A	Improve Security and General Controls over Financial Management Systems	This condition has not been corrected and is repeated in fiscal year 2003. See finding A.
B	Improve Controls to Reconcile Intra-governmental Transactions and Balances	This condition has not been corrected and is repeated in fiscal year 2003. See finding B.
C	Improve Controls over Financial Reporting	The conditions reported in the prior year have improved and are included in the 2003 management letter. We identified new conditions in 2003 that are reported as finding B.
D	Complete Deferred Maintenance Estimates	This condition has not been corrected and is repeated in fiscal year 2003. See finding C.
E	Compliance with the Federal Financial Management Systems Requirements	This condition has not been corrected and is repeated in fiscal year 2003. See finding F.
F	Compliance with Federal Accounting Standards	This condition has not been corrected and is repeated in fiscal year 2003. See finding F.
G	Compliance with the United States Standard General Ledger at the Transaction Level	This condition has been corrected in fiscal year 2003.



United States Department of the Interior

NATIONAL PARK SERVICE

1849 C Street, N.W.
Washington, D.C. 20240

IN REPLY REFER TO:

F4217(2625)

Memorandum

To: Roger La Rouche
Assistant Inspector General for Audits

From: Chief Financial Officer
National Park Service

Subject: Draft Independent Auditors' Report on the National Park Service Financial Statements for the Fiscal Years 2003 and 2002
(Assignment No. E-IN-NPS-0067-2003)

[Handwritten signature: RB/AM - 11/24/03]

This is in response to the recommendations contained in the subject report.

- A. Security and General Controls over Financial Management Systems, Recommendation. We recommend that NPS develop and implement a formal action plan to improve the general and application controls over its financial management systems. This plan should address each of the areas discussed above, as well as other areas that might impact the information technology control environment, to ensure adequate security and protection of NPS's information systems.

NPS agrees with all of the findings except for how to handle password policies under Access Controls. For Entity-wide Security Program and Planning, the NPS has developed a draft security plan and only needs to finalize the IDEAS security plan and risk assessment. This should be completed by June 2004.

For assessments and accreditation under Entity-wide Security Program and Planning, NPS plans on obtaining Interim Authority To Operate all systems by December 2003. In addition, NPS has developed a plan to complete Certification and Accreditation (C&A) requirements for each of the seven major application and general support systems based on DOI guidelines by December 2005.

Additionally, NPS will be working with OPM to ensure that background checks for all new employees will be completed. NPS also is working to complete documentation and implementation of its Incident Response capability based on the draft DOI guidelines by July 2004.

For Access Controls, NPS agrees only that improvements are needed for its resource classification according to their sensitivity and criticality. This will be completed during the asset valuation process by December 2003. However, NPS does not concur with the finding that password policies are not adequately addressed in the Rules of Behavior document to employees. The NPS believes there is sufficient detail in its password policy, and believes that too much detail will only detract from the documents effectiveness.

For System Software, NPS has re-mediated all of these items since they were first reported. This was accomplished through the development of an Enterprise Architecture, Servicewide, and Department contracts for operating systems, desktop applications, and hardware. We also updated the policy on the file transfer protocol. We consider this item completed.

For Segregation of Responsibilities, NPS will develop and implement the responsibilities list that must be segregated and the compensating controls for responsibilities not segregated by June 2004.

For Service Continuity, both the Accounting Operations Center and the National Information Systems Center will finalize and test the Continuity Of Operations Plans (COOP) by June 2004. The IDEAS COOP will be reviewed to include a business impact analysis, develop recovery strategies and develop an IT contingency plan by June 2004.

The responsible official for implementing these recommendations will be the NPS Chief Information Officer.

- B. Financial Reporting Controls, Recommendation. We recommend that NPS perform the following, to improve the recording and reporting of financial transactions; 1. Reconcile the accrual calculations to the general ledger to ensure the accrual calculations are properly recorded in the general ledger, and require a supervisor to review and approve the reconciliation, 2. Establish a formal process to determine whether leases should be classified as capital or operating leases, and document and support present value calculations and fair market value assessments. Also, develop and maintain a database, which should include lease number, type, term, payments and other information for all real and personal property leases to assist in monitoring and reporting future minimum lease payments, 3. Establish a process to verify that NPS receives single audits reports within nine months of the grantees' year-end, and if not received, consider the need to limit future grant awards until reports are submitted. Also, issue management decisions on audit findings within six months after receipt of the single audit reports and verify that the grantees take appropriate and timely corrective action, and 4. Meet with other Interior components to reconcile transactions and balances on at least a quarterly basis, and allocate intra-governmental accrual to the appropriate trading partners.

Recommendation 1. We concur and will be developing and implementing procedures for the reconciliation and the review of accruals prior to posting to the general ledger.

The responsible official for implementing this recommendation will be the Financial and Accounting Services Team Leader.

Recommendation 2 – We concur. NPS will develop and implement formal procedures Service-wide that will define how to classify leases as capital or operating leases by December 2003. During Fiscal Year 2004, we will update the Director's Order and Handbook No. 89 for Acquisition and Management of Leased Space to include the newly established capital/operating lease procedures. All future potential leases will include the present value calculations and fair market value assessments as part of the leasing process.

In addition, we will be combining several existing databases to capture minimum lease payments, such as lease number, type, term, payments and other pertinent information for all real property leases, which will assist in monitoring and reporting future payments.

The responsible official for implementing this recommendation will be the Property Management Program Manager.

Recommendation 3 – We do not concur with the finding as it relates to identifying NPS as the cognizant agency and responsibilities of the cognizant agency. As stated in Circular No A-133, Subpart D (Federal Agencies and Pass-Through Entities Responsibilities), par .400, "The designated cognizant agency for audit shall be the Federal awarding agency that provides the predominant amount of direct funding to a recipient unless OMB makes a specific cognizant agency for audit assignment." The paragraph outlines actions the cognizant agency for audit should perform, which includes; providing technical audit advice and liaison responsibilities, and coordinating a management decision for audit findings that affect the Federal Grant programs of more than one agency. Within DOI, the Office of Inspector General (OIG) has provided this oversight, and has been responsible for distributing the grantees audit reports to the appropriate bureau. NPS believes that the OIG is responsible for determining which bureau has awarded the majority of the Federal funds then coordinates management decisions for correcting any audit findings in a timely manner. Therefore, we believe we are in compliance with the Federal Financial Management Improvement Act and Federal Accounting Standards.

NPS concurs that there is a need for the bureau to work more closely with the OIG when an audit finding impacts the bureau's programs, and to identify and report grantees that do not submit reports in a timely manner. However, we believe it is ultimately the responsibility of the OIG to ensure grantees follow the Single Audit Act Amendments of 1996 requirements for submitting reports in a

timely manner. Although procedures and requirements include several existing controls to monitor grant performance and prevent misuse of federal awards, a process will be established requiring routine monitoring of the Federal Clearinghouse website to ensure receipt of the appropriate audits in a timely manner. Current procedures require that grant program managers consider audit exceptions as a high priority, and require immediate resolution when the OIG issues such audits. NPS program offices will institute a system of tracking with a target date of six months for successful resolution of findings.

The responsible official for implementing this recommendation along with the OIG will be the Chief, Recreation Programs Division.

Recommendation 4 – We do not concur with the finding as it relates to the untimely reconciliation of transactions and balances. We had developed procedures that improved and expedited our processes for reconciling transactions prior to the end of the third quarter and the Department's requirements. Although additional time was required when working with other components of DOI, by year-end we had minimal differences. Meetings to address these differences and new activity beginning in Fiscal Year 2004 have already begun and will continue throughout the remainder of the year.

We concur that only one trading partner was used for our intragovernmental accrual, but feel the material amount of the accrual was attributed to that trading partner. During FY 2004, we will identify and allocate the appropriate accrual to other trading partners, as needed.

The responsible officials for implementing this recommendation will be the Finance and Accounting Services Team Leader and the Fiscal Services Team Leader.

- C. Deferred Maintenance Estimates, Recommendation – That NPS secure funding to enable NPS to perform a comprehensive condition assessment of all park assets and estimate the related deferred maintenance for general property, plant, and equipment and stewardship assets. In addition, NPS should have supervisors review and approve condition assessments to ensure they are performed consistently and in accordance with NPS's policies. Furthermore, NPS should establish controls to ensure condition assessments are performed for all assets, including stewardship assets and general property, plant, and equipment.

NPS concurs and will continue the cycle of annual inventory and condition assessments for all units, except the Appalachian Trail, Gateway, Golden Gate, and Yellowstone. A comprehensive assessment for these remaining four units identified as having the largest asset inventory will be completed at the conclusion of FY 2004. All units of the NPS will be inventorying critical systems in high priority industry standard assets. The inventory of these critical systems will be accomplished utilizing a phased two-year approach, with balance of the industry

standard assets being accomplished in 2005. The information derived from this inventory will allow the Service to deploy a comprehensive program of preventive maintenance and component renewal. By 2006, NPS plans to complete the first cycle of comprehensive assessments, and fully implement the capital asset planning program Service-wide. This will allow the Service to report a comprehensive estimate of the annual deferred maintenance in FY 2007.

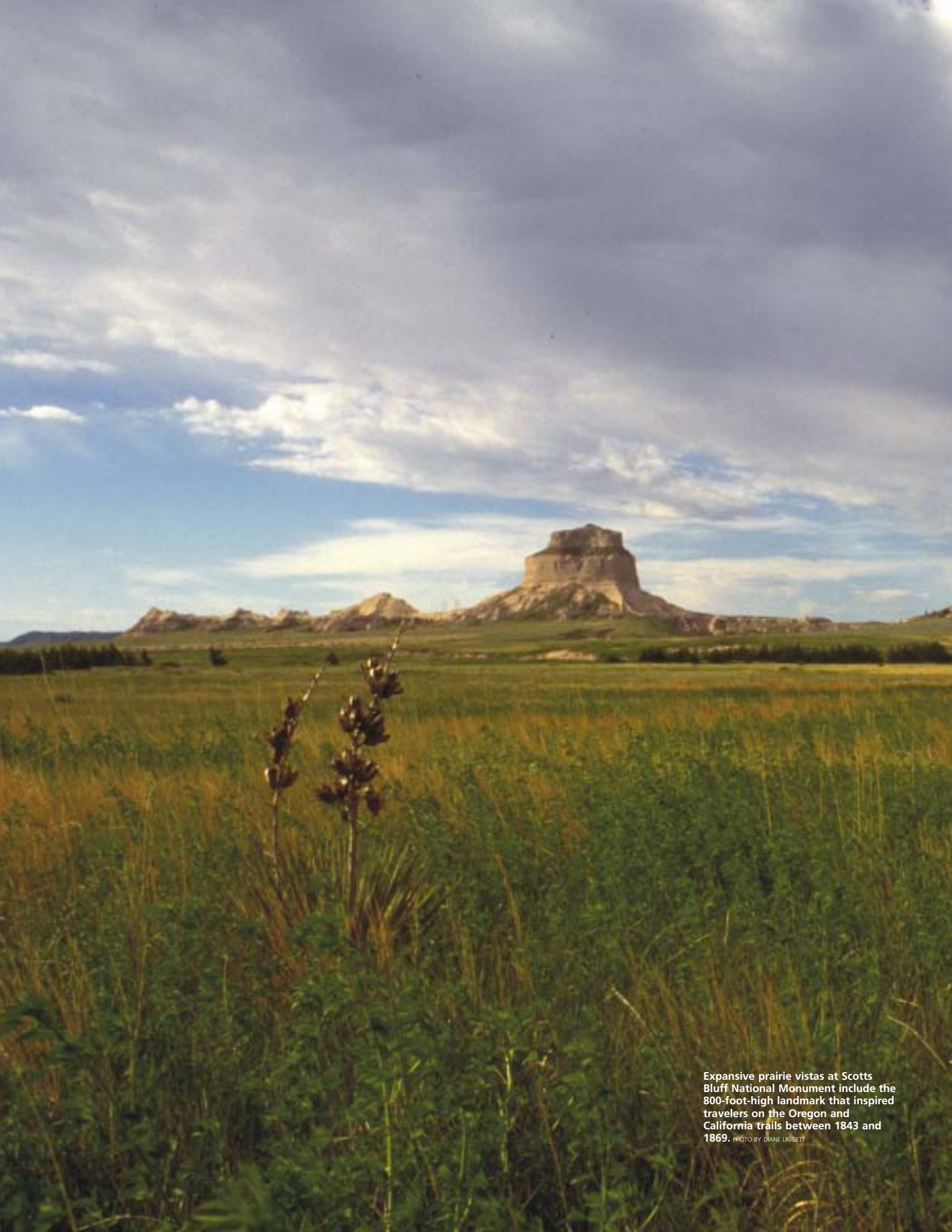
The responsible official for implementing the recommendation will be the Chief, Park Facility Management Division.

- D. Stewardship Assets and Investments, Recommendation – NPS needs to strengthen internal controls over recording Required Supplementary Stewardship information to; 1. Record and report stewardship asset transactions at the time of the event occurs, require supervisors to review and perform periodic inventories of stewardship assets, and 2. Accumulate and report investments in non-federal physical property, and research and development.

NPS concurs with the findings. During FY 2004, NPS finance will work with the program offices, responsible for accumulating the information and the data required for the annual report, to ensure internal controls are in place and procedures are implemented that will document and support stewardship asset activity.

NPS will also work to develop and implement processes for accumulating and reporting investments in non-federal physical property, and research and development.

The responsible officials will be the individual program managers and the Financial and Accounting Support Team Leader.



Expansive prairie vistas at Scotts Bluff National Monument include the 800-foot-high landmark that inspired travelers on the Oregon and California trails between 1843 and 1869. PHOTO BY DIANE LIGGETT

The National Park Service cares for special places saved by the American people so that all may experience our heritage.



U.S. Department of the Interior

The mission of the Department of the Interior is to protect and provide access to our nation's natural and cultural heritage and honor our trust responsibilities to tribes. We:

- encourage and provide for the appropriate management, preservation, and operation of the nation's public lands and natural resources for use and enjoyment both now and in the future;
- carry out related scientific research and investigations in support of these objectives;
- develop and use resources in an environmentally sound manner, and provide an equitable return on these resources to the American taxpayer; and
- carry out trust responsibilities of the U.S. Government with respect to American Indians and Alaska Natives.



National Park Service

The National Park Service is a bureau within the Department of the Interior. We preserve unimpaired the natural and cultural resources and values of the National Park System for the enjoyment, education, and inspiration of this and future generations. We also cooperate with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout this country and the world.



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