



# Annual Report

*Fiscal Year 2007*



ATLANTIC

ATLANTIC

WE ARE DETERMINED  
THAT BEFORE THE SUN SETS ON THIS  
TERRIBLE STRUGGLE OUR FLAG WILL BE RECOGNIZED  
THROUGHOUT THE WORLD AS A SYMBOL OF FREEDOM  
ON THE ONE HAND AND OF COURAGEOUS  
PEACE ON THE OTHER.

D-DAY JUNE 6, 1944  
YOU ARE ABOUT TO EMBARK UPON THE  
GREATEST CHALLENGE TO WHICH WE HAVE GIVEN THESE  
ISLANDS. IN THE EYES OF THE WORLD WE UPROOT  
EVIL. HAVE FULL CONFIDENCE IN YOUR COURAGE,  
DEDICATION TO DUTY AND SKILL IN BATTLE.



Front Cover: NPS Director Mary Bomar joins Queen Elizabeth II at the National World War II Memorial in Washington, D.C. during the queen's six-day visit to the U.S. in May, 2007.  
NPS PHOTO BY KATHY KRUPPER

Inside Front Cover: Low levels on Lake Superior create new wave patterns and reveal new rock outcrops at Pictured Rocks National Lakeshore.  
NPS PHOTO

# Annual Report

## *Fiscal Year 2007*

Accounting Operations Center  
Herndon, Virginia

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

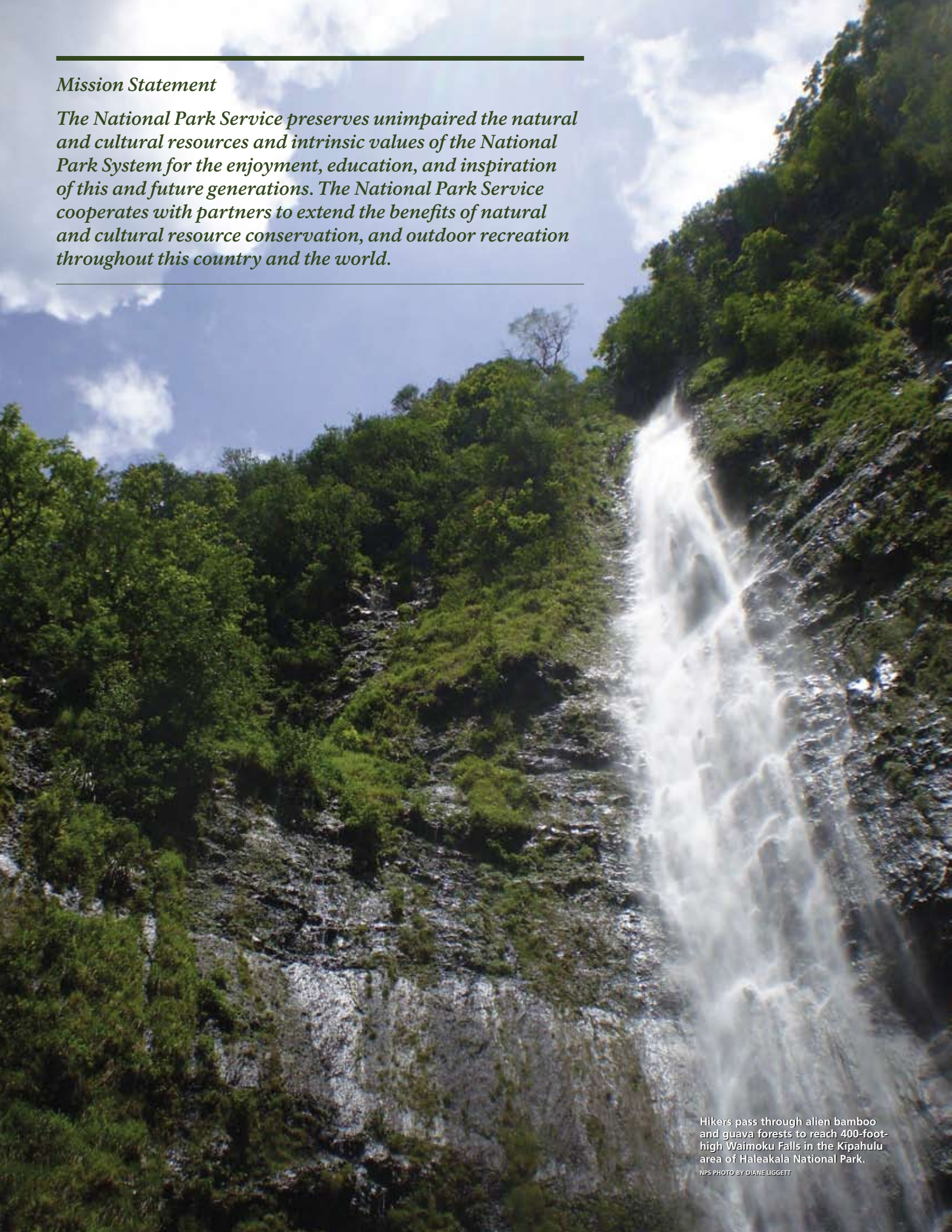


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## *Mission Statement*

*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.*

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A large waterfall cascades down a rocky, forested hillside. The water is white and frothy as it falls, creating a misty spray at the bottom. The surrounding forest is dense and green, with some trees appearing to be bamboo and guava. The sky is blue with some white clouds.

Hikers pass through alien bamboo and guava forests to reach 400-foot-high Waimoku Falls in the Kīpahulu area of Haleakala National Park.

NPS PHOTO BY DIANE LIGGETT

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# Management Discussion and Analysis: A Message From the Director

*Ours is a National Park Service looking forward to our centennial, working with partners toward common goals, and inviting citizens' active participation in and close observation of every park and program.*

—NPS DIRECTOR MARY BOMAR



NPS Director Mary Bomar shares the newly released NPS Centennial Initiative Report, "The Future of America's National Parks," with some young national park enthusiasts.

NPS PHOTO BY RICK LEWIS

For the past year, I have been proud to lead the 20,000 men and women of the National Park Service in caring for the special places in our nation. The 391 sites—more than 88 million areas across our nation—tell the stories of America the beautiful, America the historic, and America the inspirational.

But we are more than parks alone. Our Rivers, Trails and Conservation Assistance professionals work with state and local governments, helping them create recreational opportunities for their citizens. We are the Keepers of the National Register of Historic Places and National Historic Landmarks, and we manage grants to preservation and conservation groups around the nation. We review submissions for the Federal Historic Rehabilitation Tax Credit Program that stimulates billions in private investments. And our internet presence is the most popular within the federal government.

- We established the Captain John Smith Chesapeake National Historic Trail—the first national water trail in the United States.
- We designated Sand Creek Massacre National Historic Site as the 391st unit of the National Park System, telling a story that is a painful but accurate part of our nation's history.
- We held "bio-blitzes" at parks across the country—a two-day intensive effort to identify all species of life within a defined area—a wonderful way to engage whole families in healthy outdoor recreation AND education!
- We launched the latest edition of *WebRangers*, with a section for children around the nation to share a "kids-eye" view of parks.

- Parks welcomed students from across the country and around the world by hosting the Electronic Field Trips, including the session at Independence National Historical Park titled *Freedom in America: Some Assembly Required*.

We continue to improve accountability across the Service. The Budget Cost Project Module, Core Operations Analysis, Business Planning Initiative, and the NPS Scorecard are examples of this improvement in our financial and budget analyses. These tools allow managers to focus resources on our core mission and to evaluate performance across unique parks and programs. All of these analyses help us to make informed, professional decisions about allocating resources and improving performance.

We selected four representative performance measures from the NPS Strategic Plan to highlight our performance. These objectives focus on the measurable results of our activities that contribute toward achieving the Outcome Goals under three Mission Areas and provide a fair perspective of the bureau's performance from year to year. Cost for the resource management and visitor satisfaction goals are provided so we can assess the relationship of costs to performance. In this way, the American public will have a more comprehensive view of our progress.

This report presents our compliance with certain legal and regulatory requirements. The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that the NPS can provide reasonable assurance that its systems of management, accounting, and administrative controls, taken as a whole, substantially meet the objectives specified in the FMFIA. The financial and performance data we present in this report



Former U.S. Senator Ben Nighthorse Campbell, a Northern Cheyenne, joins NPS Director Mary Bomar at the dedication of Sand Creek Massacre National Historic Site. Campbell and others worked for 25 years to gain national recognition for the site.

PHOTO BY RJ SANGOSTI/COURTESY OF THE DENVER POST

are fundamentally complete and reliable as required by the Office of Management and Budget guidance.

The successful audit of our financial records and systems is a significant accomplishment that reflects our commitment to transparent management that invites public review. Ours is a National Park Service looking forward to our centennial, working with partners toward common goals, and inviting citizens' active participation in and close observation of every park and program. I encourage everyone to read this report to better understand the goals and accomplishments of the National Park Service.

It is an awesome responsibility to be the careful stewards of the special places and program. But added to that charge is our responsibility to the nation's taxpayers—for both results in our programs and accountability for the funds we spend. I believe we have done our job well, and I am pleased to share this report on our achievements.

Mary A. Bomar, Director  
National Park Service  
October 15, 2007



Designed by notable architect Mary Elizabeth Jane Colter, Grand Canyon National Park's 70-foot Desert View Watchtower was constructed in 1932 as a replica of a prehistoric Indian tower with outstanding views of the Grand Canyon, Painted Desert, and San Fransico Peaks. The interior walls of this National Historic Landmark feature murals by Hopi artist Fred Kabotie. NPS PHOTO BY A. SAYRE HUTCHINSON



# 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.”*

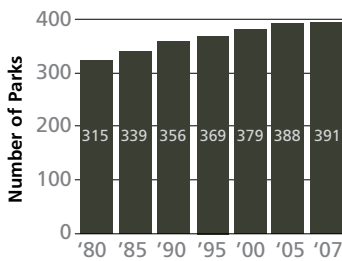
The National Park Service continues to strive to meet those original goals while filling many roles: guardian of our diverse cultural and recreational resources, environmental advocate, world leader in the parks and preservation community, and pioneer in the drive to protect America’s open space.

## 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.

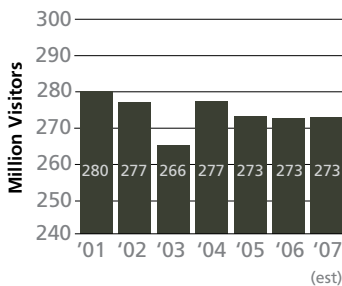
National Park Service Mission Guiding Principles	
Excellent Service	Providing the best possible service to park visitors and partners.
Productive Partnerships	Collaborating with federal, state, tribal, and local governments, private organizations, and businesses to work toward common goals.
Citizen Involvement	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



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

### Recreational Visits Per Year



Visitation has leveled off to approximately 273 million in calendar years 2005, 2006, and 2007 (est.).

In 2007 the National Park System consisted of 391 units encompassing more than 84 million acres of land in every state except Delaware. National 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 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 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 2006, the latest year for which data is available, totaled approximately 273 million. While visitation increased to 277 million in 2004 because of the addition of the National World War II Memorial in Washington, D.C. (which attracted more than five million visitors), National Park System visitation has since leveled off. There was no change in visitation from 2005 to 2006 and the National Park Service estimates that visitation for 2007 will remain the same as calendar year 2006.

### VISITOR SERVICES

National parks are established to encourage and service visitation while protecting and preserving the resources of the National Park System. A customer satisfaction survey at all National Park System units indicates a customer satisfaction rating of 96 percent for 2007, meeting the goal established by the National Park Service 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.

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.

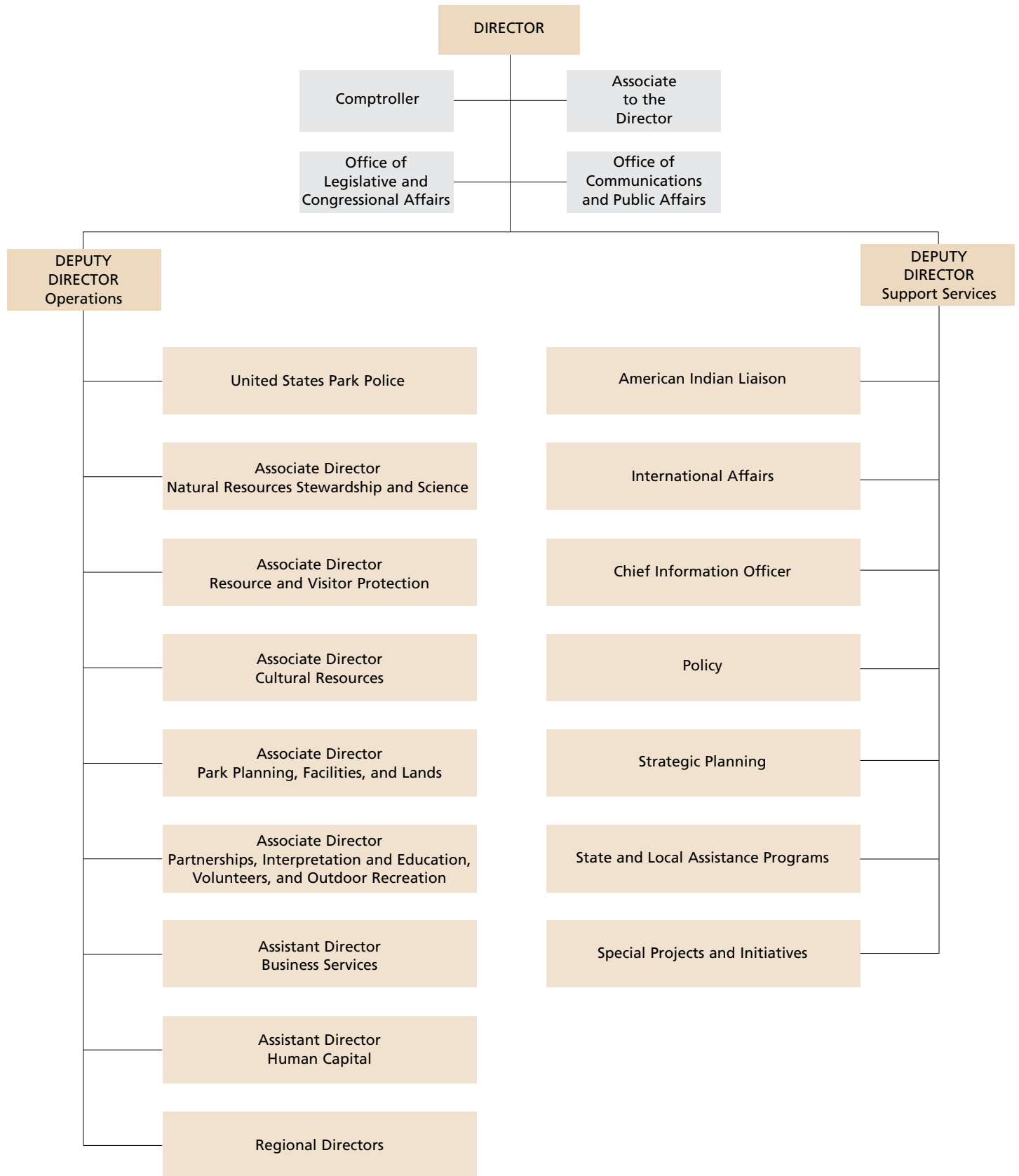
The National Leadership Council (NLC), composed of the Director, Deputy Directors, Associate to the Director, Associate Directors, Comptroller, Chief of the U.S. Park Police, and the seven Regional Directors, sets policy and the overall direction for the National Park Service.

### STAFFING

In FY 2006 the National Park Service used 20,056 full-time equivalents (FTE). The FTE usage for FY 2007 was 19,832. The FTE count equates to an on-board strength of about 25,000 employees during the summer months when visitation is at its peak. FTE usage in Fiscal Year 2008 is estimated to be 21,589.

The Volunteers in Parks Program (VIP) continues to prove a major force in accomplishing the National Park Service mission. During Fiscal Year 2006, 154,000 volunteers contributed 5.1 million hours of service to the NPS through 366 VIP programs across the country. Valued at the private sector rate of \$18.04 an hour, this equates to more than \$92 million in value provided to the National Park Service. The expected VIP contribution for FY 2007 is 157,080 volunteers working approximately 5.2 million hours. At a projected rate of \$18.50 an hour, this equates to approximately \$96.2 million in volunteer work.







# The National Park System



- Appalachian NST
- Saint Croix Island IHS
- Acadia NP
- Burlington
- Montpelier
- Augusta
- Concord
- Lowell NHP
- Cape Cod NS
- Providence
- Roger Williams N MEM
- Whaling NHP
- Vanderbilt Mansion NHS
- Home of Franklin D. Roosevelt NHS
- Weir Farm NHS
- Sagamore Hill NHS
- Fire Island NS
- New York City Area
- African Burial Ground NM
- Castle Clinton NM
- Federal Hall N MEM
- Gateway NRA (also N.J.)
- General Grant N MEM
- Governors Island NM
- Hamilton Grange N MEM
- Saint Paul's Church NHS
- Statue of Liberty NHS
- Theodore Roosevelt Birthplace NHS
- Adams NHP
- Boston African American NHS
- Boston Harbor Islands NRA
- Boston NHP
- Frederick Law Olmsted NHS
- John Fitzgerald Kennedy NHS
- Longfellow NHS
- Minute Man NHP
- Salem Maritime NHS
- Saugus Iron Works NHS
- Assateague Island NS
- George Washington Birthplace NM
- Fredericksburg and Spotsylvania County Battlefields Memorial NMP
- Richmond
- Redmond BPP
- Maggie L. Walker NHS
- Colonial NHP
- Petersburg
- Norfolk
- Appomattox Court House NHP
- Booker T. Washington NM
- Blue Ridge Parkway
- Wright Brothers N MEM
- Fort Raleigh NHS
- Cape Hatteras NS
- Cape Lookout NS
- Edgar Allan Poe NHS
- Hopewell Furnace NHS
- Independence NHP
- Thaddeus Kosciuszko N MEM
- Valley Forge NHP
- Fort McHenry NHS and Historic Shrine
- Hampton NHS
- District of Columbia
- Carter G. Woodson Home NHS
- Constitution Gardens
- Ford's Theatre NHS
- Franklin Delano Roosevelt Memorial
- Frederick Douglass NHS
- Korean War Veterans Memorial
- Lincoln Memorial
- Lyndon Baines Johnson Memorial Grove
- Mary McLeod Bethune Council House NHS
- National Capital Parks
- National Mall
- Pennsylvania Avenue NHS
- Rock Creek Park
- Theodore Roosevelt Island
- Thomas Jefferson Memorial
- Vietnam Veterans Memorial
- Washington Monument
- White House
- World War II Memorial
- Maryland
- Antietam NB
- Catoctin Mountain Park
- Chesapeake and Ohio Canal NHP (also D.C., W.Va.)
- Clara Barton NHS
- Fort Washington Park
- Greenbelt Park
- Monocacy NB
- Piscataway Park
- Potomac Heritage NST (also Pa., Va., D.C.)
- Virginia
- Arlington House, The Robert E. Lee Memorial
- George Washington Memorial Parkway (also Md.)
- Manassas NHP
- Princes William Forest Park
- Wolf Trap National Park for the Performing Arts



## 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. Petroglyph NM
25. Amistad NRA	45. Chiricahua NM	66. Great Sand Dunes NP	86. Pipe Spring NM
26. Arches NP	46. Colorado NM	67. Great Sand Dunes NPres	87. Rainbow Bridge NM
27. Aztec Ruins NM	47. Coronado NMem	68. Guadalupe Mountains NP	88. Rio Grande Wild & Scenic River
28. Bandelier NM	48. Curecanti NRA	69. Hohokam Pima NM	89. Rocky Mountain NP
29. Bent's Old Fort NHS	49. Devils Tower NM	70. Hovenweep NM	90. Saguaro NP
30. Big Bend NP	50. Dinosaur NM	71. Hubbell Trading Post NHS	91. Salinas Pueblo Missions NM
31. Big Thicket NPres	51. El Malpais NM	72. John D Rockefeller Jr. Memorial Parkway	92. San Antonio Missions NHP
32. Bighorn Canyon NRA	52. El Morro NM	73. Lake Meredith NRA	93. Sand Creek Massacre NHS
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. Organ Pipe Cactus NM	100. Washita Battlefield NHS
40. Casa Grande Ruins NM	60. Glacier NP	81. Glen Canyon NRA	101. White Sands NM
41. Cedar Breaks NM	61. Glen Canyon NRA	82. Palo Alto Battlefield NHS	102. Wupatki NM
42. Chaco Culture NHP	62. Golden Spike NHS	83. Pecos NHP	103. Yellowstone NP
43. Chamizal NMem	63. Grand Canyon NP	84. Petrified Forest NP	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	169. Frederick Douglass NHS	178. Monocacy NB	189. Vietnam Veterans Memorial
160. Arlington House	170. George Washington Memorial Parkway	179. National Capital Parks (Central & East)	190. Washington Monument
161. Carter G. Woodson Home NHS	171. Greenbelt Park	180. National Mall	191. White House
162. Catocin Mountain Park	172. Harpers Ferry NHP	181. National World War II Memorial	192. Wolf Trap National Park for the Performing Arts
163. Chesapeake & Ohio Canal NHP	173. Korean War Veterans Memorial	182. Pennsylvania Avenue NHS	
164. Clara Barton NHS	174. Lyndon B. Johnson Memorial Grove on the Potomac	183. Piscataway Park	
165. Constitution Gardens	175. Lincoln Memorial	184. Potomac Heritage NST	
166. Ford's Theatre NHS	176. Manassas NBP	185. Prince William Forest Park	
167. Fort Washington Park	177. Mary McLeod Bethune Council House NHS	186. Rock Creek Park	
168. Franklin D Roosevelt Memorial		187. Theodore Roosevelt Island	
		188. Thomas Jefferson Memorial	

## National Park System Units by Region

### NORTHEAST REGION

193. Acadia NP	213. Eleanor Roosevelt NHS	230. Hamilton Grange NMem	251. Saint Paul's Church NHS
194. Adams NHP	214. Federal Hall NMem	231. Hampton NHS	252. Saint-Gaudens NHS
195. African Burial Ground NM	215. Fire Island NS	232. Home of FD Roosevelt NHS	253. Salem Maritime NHS
196. Allegheny Portage RR NHS	216. Flight 93 NMem	233. Hopewell Furnace NHS	254. Saratoga NHP
197. Appomattox Court House NHP	217. Fort McHenry NM & Historic Shrine	234. Independence NHP	255. Saugus Iron Works NHS
198. Assateague Island NS	218. Fort Necessity NB	235. John F Kennedy NHS	256. Shenandoah NP
199. Bluestone NSR	219. Fort Stanwix NM	236. Johnstown Flood NMem	257. Springfield Armory NHS
200. Booker T Washington NM	220. Frederick Law Olmsted NHS	237. Longfellow NHS	258. Statue of Liberty NM
201. Boston African American NHS	221. Fredericksburg/Spotsylvania Battlefield Mem	238. Lowell NHP	259. Steamtown NHS
202. Boston NHP	222. Friendship Hill NHS	239. Maggie L Walker NHS	260. Thaddeus Kosciuszko NMem
203. Boston Harbor Islands NRA	223. Gateway NRA	240. Marsh-Billings-Rockefeller NHP	261. Theodore Roosevelt Birthplace NHS
204. Cape Cod NS	224. Gauley River NRA	241. Martin Van Buren NHS	262. Theodore Roosevelt Inaugural NHS
205. Castle Clinton NM	225. General Grant NMem	242. Minute Man NHP	263. Thomas Stone NHS
206. Cedar Creek and Belle Grove NHP	226. George Washington Birthplace NM	243. Morristown NHP	264. Upper Delaware Scenic & Recreational River
207. Colonial NHP	227. Gettysburg NMP	244. New Bedford Whaling NHP	265. Valley Forge NHP
208. Delaware NSR	228. Governor's Island NM	245. New River Gorge NR	266. Vanderbilt Mansion NHS
209. Delaware Water Gap NRA	229. Great Egg Harbor Scenic and Recreational River	246. Petersburg NB	267. Weir Farm NHS
210. Edgar Allan Poe NHS		247. Richmond NBP	268. Women's Rights NHP
211. Edison NHS		248. Roger Williams NMem	
212. Eisenhower NHS		249. Sagamore Hill NHS	
		250. Saint Croix Island IHS	

### PACIFIC WEST REGION

269. Big Hole NB	284. Great Basin NP	299. Manzanar NHS	313. Redwood NP
270. Cabrillo NM	285. Hagerman Fossil Beds NM	300. Minidoka Internment NM	314. Rosie the Riveter/ WWII Home Front NHP
271. Channel Islands NP	286. Haleakala NP	301. Mojave NPres	315. Ross Lake NRA
272. City of Rocks National Reserve	287. Hawaii Volcanoes NP	302. Mount Rainier NP	316. San Francisco Maritime NHP
273. Crater Lake NP	288. John Day Fossil Beds NM	303. Muir Woods NM	317. San Juan Island NHP
274. Craters of the Moon NM	289. John Muir NHS	304. National Park of American Samoa	318. Santa Monica Mountains NRA
275. Craters of the Moon NPres	290. Joshua Tree NP	305. Nez Perce NHP	319. Sequoia NP
276. Death Valley NP	291. Kalaupapa NHP	306. North Cascades NP	320. U.S.S. Arizona Memorial
277. Devils Postpile NM	292. Kaloko-Honokohau NHP	307. Olympic NP	321. War in the Pacific NHP
278. Ebey's Landing NH Reserve	293. Kings Canyon NP	308. Oregon Caves NM	322. Whiskeytown-Shasta-Trinity NRA
279. Eugene O'Neill NHS	294. Lake Chelan NRA	309. Pinnacles NM	323. Whitman Mission NHS
280. Fort Clatsop NMem	295. Lake Mead NRA	310. Point Reyes NS	324. Yosemite NP
281. Fort Point NHS	296. Lake Roosevelt NRA	311. Pu'uhonua o Honaunau NHP	
282. Fort Vancouver NHS	297. Lassen Volcanic NP	312. Puukohola Heiau NHS	
283. Golden Gate NRA	298. Lava Beds NM		

### SOUTHEAST REGION

325. Abraham Lincoln Birthplace NHS	341. Chattahoochee River NRA	358. Great Smoky Mountains NP	375. Obed Wild & Scenic River
326. Andersonville NHS	342. Chickamauga and Chattanooga NMP	359. Guilford Courthouse NMP	376. Ocmulgee NM
327. Andrew Johnson NHS	343. Christiansted NHS	360. Gulf Islands NS	377. Poverty Point NM
328. Big Cypress NPres	344. Congaree NP	361. Horseshoe Bend NMP	378. Russell Cave NM
329. Big South Fork National River & Rec Area	345. Cowpens NB	362. Jean Lafitte NHP & Pres	379. Salt River Bay NHP & Ecological Preserve
330. Biscayne NP	346. Cumberland Gap NHP	363. Jimmy Carter NHS	380. San Juan NHS
331. Blue Ridge Parkway	347. Cumberland Island NS	364. Kennesaw Mountain NBP	381. Shiloh NMP
332. Brices Crossroads NBS	348. De Soto NMem	365. Kings Mountain NMP	382. Stones River NB
333. Buck Island Reef NM	349. Dry Tortugas NP	366. Little River Canyon National Preserve	383. Timucuan Ecological & Historic Preserve
334. Canaveral NS	350. Everglades NP	367. Mammoth Cave NP	384. Tupelo NB
335. Cane River Creole NHP	351. Fort Caroline NMem	368. Martin Luther King, Jr. NHS	385. Tuskegee Airmen NHS
336. Cape Hatteras NS	352. Fort Donelson NB	369. Moores Creek NB	386. Tuskegee Institute NHS
337. Cape Lookout NS	353. Fort Frederica NM	370. Natchez NHP	387. Vicksburg NMP
338. Carl Sandburg Home NHS	354. Fort Matanzas NM	371. Natchez Trace NST	388. Virgin Islands Coral Reef NM
339. Castillo de San Marcos NM	355. Fort Pulaski NM	372. Natchez Trace Pkwy	389. Virgin Islands NP
340. Charles Pickney NHS	356. Fort Raleigh NHS	373. New Orleans Jazz NHP	390. Wright Brothers NM
	357. Fort Sumter NM	374. Ninety Six NHS	

### WASHINGTON OFFICE

391. 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	PKWY	National Parkway
	NHT	National Historic Trail	NR	National River		



A conservator applies a protective coating to the Minute Man statue at Minute Man National Historical Park where the opening battle of the American Revolution is commemorated. NPS PHOTO BY CAROL WARNER



# Management Discussion and Analysis: NPS Performance Goals and Results

## STRATEGIC GOALS AND RESULTS

The Government Performance and Results Act (GPRA)<sup>1</sup> requires federal agencies 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 2007 the National Park Service updated its set of goals and baseline information to align with the goal of the revised Department of the Interior Strategic Plan covering Fiscal Years 2007-2012. National Park Service annual performance goals are published in the annual *Budget Justifications and Performance Information* (Budget Justification). Performance accomplishments are reported in the Department's *Annual Report on Performance and Accountability*.

The National Park Service strategic goals fully comply with OMB's definition of "performance goals" as stated in Circular A-11, July, 2007<sup>2</sup>.

The mission goals of the NPS fall into three 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 relates to a strategic goal of the Department of the Interior. Within the three mission-related categories, a specific set of annual performance goals was selected to highlight NPS accomplishments for Fiscal Year 2007.

### 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, and subsistence activities relevant to the purpose and significance of the site.

In addition to the goals that directly address preserving the resource, this goal category

<sup>1</sup> 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.

<sup>2</sup> A target level of performance over time expressed as a tangible, measurable objective, against which actual achievement can be compared. A performance goal is comprised of a performance measure with targets and timeframes.

## 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
I. Preserve Park Resources	1. Resource Protection	<ul style="list-style-type: none"> <li>■ Improve Health of Watersheds and Landscapes</li> <li>■ Sustain Biological Communities</li> <li>■ Protect Cultural and Heritage Resources</li> </ul>
II. Provide for Public Enjoyment and Visitor Experience of Parks	2. Recreation	<ul style="list-style-type: none"> <li>■ Improve Quality of Recreation</li> </ul>
	3. Serving Communities	<ul style="list-style-type: none"> <li>■ Protect Lives, Resources, and Property</li> </ul>
III. Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed By Partners	2. Recreation	<ul style="list-style-type: none"> <li>■ Expand Recreation Opportunities With Partners</li> </ul>
	3. Serving Communities	<ul style="list-style-type: none"> <li>■ Protect Lives, Resources, and Property</li> </ul>

also includes goals supporting NPS contributions to scholarly and scientific research about the nature and condition of the resource. The National Park Service is required to support sound decisions about managing natural and cultural resources within the National Park System.

Two performance goals related to restoration of disturbed parklands/containment of exotic plant species and conditions of historic structures were selected to highlight the accomplishments in preserving natural and cultural resources. Total costs incurred in FY 2007 and FY 2006 were approximately \$868.9 million and \$1.6 billion, respectively.

**la1. Disturbed Lands/Exotic Plant**

**Species:** This goal addresses resource conditions in parks and includes restoration of lands impacted by previous and inappropriate uses and containment of invasive plant species. Long-term and annual goals were established based on past performance trends and known or anticipated appropriations. As conditions warrant, the targets are revised. Total expenditures in FY 2007 for this goal are approximately \$156.8 million.

In FY 2007 the disturbed lands goal was broadened to include new types of disturbed land acres as a result of revisions to the Department of the Interior’s Strategic Plan for Fiscal Years 2007-2012. The long-term target was changed accordingly. By Fiscal Year 2012 the National Park Service plans to restore 34,000 (12.6%) of the 270,539 total acres of disturbed parklands targeted for restoration. In FY 2007 the National Park Service estimates, based on reported and expected performance, that 2,671 (0.99%) disturbed parkland

acres were restored. Final data will not be available, verified, and validated until the end of the first quarter of FY 2008.

The National Park Service’s FY 2012 long-term goal for exotic vegetation is to control 134,399 (19.3%) of the total 697,313 canopy acres of parkland infested. The target acres were changed to reflect a new five-year planning period under the Department of the Interior’s Strategic Plan for Fiscal Years 2007-2012. The change from the FY 2004 goal, which measured gross acres contained, was implemented to bring the NPS into compliance with newly adopted standards.

The National Park Service estimates, based on reported and expected performance, that it will exceed its FY 2007 target goal by containing an anticipated 10,293 (1.48%) canopy acres impacted by exotic plant species. This estimated result is above expected planned performance as a result of a Servicewide emphasis on controlling invasive plants and an increase in staff with the expertise and skills to address this issue. Final data will not be available, verified, and validated until the end of the first quarter of FY 2008.

**la5. Historic Structures:** The objective of this goal is to increase the number of historic structures that are in “good” condition. Historic and prehistoric structures commemorating important people, events, and cultures of our national heritage provide the basis for the creation and operation of more than 60 percent of the units of the National Park System. Maintaining these structures in good condition protects our national heritage, meets the requirements of the National Historic Preservation Act, and contributes to the cultural resource integrity of the NPS.

Goal la1. Restore Parklands Impacted by Former Uses and That Contain Invasive Plants										
Target	Measure	FY 2003 Performance	FY 2004 Performance	FY 2005 Performance	FY 2006 Performance	FY 2007 Base: Targeted Acres	FY 2007 Goal		Estimated FY 2007 Performance	
							Number	% of Base	Number	% of Base
Disturbed Parklands	Acres Restored	4,960	6,600	2,270	5,339	270,539	2,671	0.99%	2,671	0.99%
Exotic Vegetation	Acres Restored	162,480 gross acres	95,556 gross acres	9,964 canopy acres	25,540 canopy acres	697,313 canopy acres	4,795 canopy acres	0.69%	10,293 canopy acres	1.48%



Nonnative trees such as tamarisk are cut at Canyon de Chelly National Monument in order to reestablish native species including cottonwoods and willows. The NPS works in partnership with the Navajo Nation to manage park resources and sustain the living Navajo community. NPS PHOTO

As a result of the revised Department of the Interior Strategic Plan, the definition for this goal was adjusted to include historic structures that are listed on or eligible for listing on the National Register of Historic Places, that the park is legislated to preserve, and structures for which it has been decided through the park planning process to be managed as a cultural resource. This consequently includes structures on the List of Classified

Structures (LCS), which is the primary database containing condition information on park historic structures and those structures that are not on the LCS.

The condition of historic structures is listed as good, fair, and poor. Good condition indicates that the structure and its significant features are intact, structurally sound, and performing their intended purpose. Historic structures not in good

Goal 1a5. Increase Number of Historic Structures on LCS That Are in Good Condition										
Target	Measure	FY 2003 Performance	FY 2004 Performance	FY 2005 Performance	FY 2006 Performance	FY 2007 Base: Targeted Structures	FY 2007 Goal		Estimated FY 2007 Performance	
							Number	% of Base	Number	% of Base
Historic Structures	Structures in Good Condition	11,753 of 26,531 (44.3%) on the LCS in good condition	12,102 of 26,585 (45.5%) on the LCS in good condition	12,660 of 26,879 (47.1%) on the LCS in good condition	13,788 of 26,630 (51.8%) on the LCS in good condition	25,687 (planned) LCS & Non-LCS	14,213	55.3%	14,553	56.7%

condition may experience permanent loss of historic fabric. That is, architectural elements that contribute to the historic nature of the structure may be lost. Such loss impairs the historical integrity of the structures. The new FY 2007-2012 long-term goal is to have 81.4 percent of the historic structures in good condition by Fiscal Year 2012.

The National Park Service estimates, based on reported and expected performance, that 14,553 (56.7%) of the historic structures will be in good condition as of the end of FY 2007, with an estimated \$212.1 million spent to reach this goal. Final data will not be available, verified, and validated until the end of the first quarter of FY 2008. The estimated result in Fiscal Year 2007 is slightly better than the performance target of 14,213 (55.3%) because more repair and rehabilitation projects from prior year appropriations were completed than anticipated. Additionally, significant variability in the cost of improving the conditions sometimes results in anticipated costs that are lower than expected, allowing more work to be completed.

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

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 build a nation. Total costs incurred in FY 2007 and FY 2006 were approximately \$1.9 billion and \$1.1 billion, respectively.

**Ila1. Visitor Satisfaction:** While many factors affect visitor enjoyment, this goal focuses on understanding visitor satisfaction with the facilities, services, and recreational

opportunities in national parks. The measure is based on visitor responses in an annual visitor survey. Satisfaction is defined by respondents indicating overall quality of facilities, services, and recreational opportunities as either "good" or "very good."

The long-term goal for FY 2012 is to increase satisfaction to the 97 percent level of park visitor satisfaction with appropriate park facilities, services, and recreational opportunities. The National Park Service expects to exceed the FY 2007 goal with an annual Servicewide visitor survey satisfaction rate of 96 percent based on a statistical evaluation of existing and past performance. Parks estimated that they spent \$979.6 million to maintain parks in a condition that visitors consider good or very good. Final data will not be available, verified, and validated until the end of the first quarter of FY 2008.

## 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. These 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. Total costs incurred in FY 2006 were \$370 million.

These goals address the results of a broad range of programs that assist partners to preserve 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

Goal Ila1. Park Visitors Are Satisfied With Their National Park Experience							
Target	Measure	FY 2003 Performance	FY 2004 Performance	FY 2005 Performance	Performance		
					FY 2006 Performance	FY 2007 Goal	Estimated FY 2007 Performance
Visitor Satisfaction	Percent of Visitors Surveyed Who Rank Park Facilities, Services, and Recreational Opportunities as "Very Good" or "Good"	96%	96%	96%	95%	95%	96%



Great Falls Park offers visitors of all ages opportunities to explore history and nature in a 800-acre setting only fifteen miles from the Nation's Capital. NPS PHOTO BY DAN SEALY

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 that are 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. Significant changes prevent a direct comparison to the FY 2006 Consolidated Statement of Net Cost. Refer to Note 16 in the Footnotes to the Financial Statements for additional information.

**IIIb1. Conservation Assistance:** This goal tracks results of NPS technical assistance to states, communities, and nonprofit organizations to protect resources and to increase local recreational opportunities.

By supporting the development of more resources such as trails, rivers, and open spaces for the American people, the NPS and its partners increase and enhance recreational opportunities. The long-term goal for FY 2012, working from a baseline established in 1997, is to conserve an additional 16,790 miles of trails, 8,653 miles

Goal IIIb1. Protect Conservation Areas and Provide Recreational Opportunities Through Assistance to State and Local Government and Nonprofit Groups (Cumulative Acres Since 1997)							
Target	Measure	FY 2003 Performance	FY 2004 Performance	FY 2005 Performance	Performance		
					FY 2006 Performance	FY 2007 Goal	Estimated FY 2007 Performance
National Recreation and Preservation Areas	Added Since 1997:						
	Miles of Trails	9,140	9,821	10,763	12,226	13,071	13,026
	Miles of River Corridor	5,050	5,390	6,226	6,923	7,653	7,620
	Acres of Park and Open Space	846,282	886,714	962,237	1,026,929	1,064,929	1,064,929

of protected river corridors, and 1,149,900 acres of parks and open space with NPS partnership assistance. Both the long-term and annual goals are established based on past performance trends and known appropriation levels and have been adjusted over previous years.

Based on preliminary information provided by state and local partners, NPS partnership programs estimated that 800 miles of trail, 38,000 acres of park and open space lands, and 697 miles of river corridor were added in FY 2007. The differences in the estimates compared with the target of 845 trail miles and 730 river corridor miles is the result of the inherent difficulties in projecting results where costs for conservation activities vary considerably. Final performance, which may be closer to the target, will not be available, verified, and validated until the end of the first quarter of FY 2008.

#### **VERIFICATION AND VALIDATION OF PERFORMANCE MEASURES**

To manage performance in a dispersed organization, current and reliable information must be readily accessible across the organization. The National Park Service provides quality control, verification, and validation of all data through the application of several methods.

- A technical guidance manual was developed to improve the reliability of performance data and to clarify definitions and the applicability of the goals. Technical guidance is updated yearly to ensure that the best reporting guidance reaches the field, where much of the performance information is gathered.
- Each region has assigned at least one employee as the Regional Performance Management Coordinator, who reports to the Regional Director, to assure that parks and programs are complying with the process.
- Each region has identified Regional Goal Contacts (regional subject matter experts) for each Servicewide goal. The Regional Goal Contacts provide verification and validation of the performance data at the Region level. National subject matter experts perform similar duties at the Servicewide level.

- These goal contacts are tasked with the job of managing their assigned goals, including identifying issues with consistency, assuring reporting by all parks with that particular resource, and identifying additional problems and solutions that will improve the verification and validation of data across the National Park Service.

- Senior Executive Service (SES) employees have individual employee performance standards that directly address the quality of the data reported.

#### **PROGRESS TOWARDS PRESIDENT'S MANAGEMENT AGENDA/OMB SCORECARD**

The National Park Service is committed to management excellence and believes that through effective management of resources, it can increase the current level of visitor services while reducing operational short-falls. The NPS has embraced the President's Management Agenda as a guide in order to achieve its goal of management excellence.

National Park Service progress towards accomplishing the President's Management Agenda is demonstrated by the current Department of the Interior internal scorecard ratings on a scale of red, yellow, and green, with green indicating all standards met, yellow indicating most standards met, and red indicating a number of serious flaws. The Scorecard criteria changed for FY 2006 in order to better align Bureau scoring with the criteria by which the Department is scored.

In FY 2007 the NPS made great strides in its rating in financial management, improving its rating from red to yellow. The NPS maintained its status in strategic management of human capital at green, as well as its yellow status in competitive sourcing, budget and performance integration, and asset management. A rating decrease occurred from green to red in the NPS E-government rating because the business case update was not completed to the satisfaction of the Department and the NPS did not completely attain stage three on the U.S. General Accounting Office Information Technology Investment Management Framework. The NPS strives to continue to address these shortcomings and to improve financial management, accountability and transparency of the agency.



The 4,200-mile North Country National Scenic Trail links scenic, natural, historic, and cultural areas in seven states. It is one of only eight trails authorized by Congress to be national scenic trails, which are long distance, non-motorized trails. NPS PHOTO





The lower river battery on the Cumberland River at Fort Donelson National Battlefield reminds visitors of the North's first major victory of the Civil War . NPS PHOTO



# 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 generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB, the statements are in addition to the 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. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

## EXPENSES

As shown on the Consolidated Statement of Net Cost, the FY 2007 total cost of services provided for the year ended September 30, 2007, was \$2,815,739 thousand, a decrease of \$257,963 thousand (8.39%) under the FY 2006 total for the year ended September 30, 2006, of \$3,073,702 thousand. The total decrease in expenses in FY 2007 compared to FY 2006 can be attributed to the following contributing factors: Implementation of the parent/child provisions of OMB Circular No. A-136; whereby the National Park Service no longer reports costs of allocation transfer accounts where the NPS is considered the child, the decrease in appropriations received in FY 2007 compared to FY 2006 as a result of fire and storm supplementals received during FY 2006 that were not received during FY 2007, the uptick in spending during FY 2006 as a result of storm-related costs, and an overall decrease in the FY 2007 United States Park Police pension expense when compared with FY 2006 because of change in assumptions.

## 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 \$317,164 thousand was earned in revenues derived from the public through September 30, 2007. This represents an increase of \$17,863 thousand (6%) from FY 2006 revenues of \$299,301 thousand. This increase is primarily due to an increase in entrance and user fees. Revenues derived from federal sources decreased \$23,007 thousand (approximately 27%) through FY 2007 when compared to FY 2006. This reduction can be attributed primarily due to a decrease in reimbursable activity with the Department of Agriculture's National Forest Service.

## ASSETS

The Consolidated Balance Sheet shows FY 2007 assets totaling \$21,481,346 thousand as of September 30, 2007, an increase of \$757,846 thousand (3.7%) over FY 2006 assets totaling \$20,723,500 thousand. Fund Balance with Treasury of \$20,193,214 thousand and General Property, Plant, and Equipment, Net, of \$1,233,661 thousand comprise 99.8 percent of total NPS total assets for the year ended September 30, 2007. A significant portion of the Fund Balance with Treasury amounting to \$17,928,982 thousand is attributed to the restricted Land and Water and Historic Preservation Fund for the year ended September 30, 2007. An increase in the Land and Water Conservation and Historic Preservation Funds accounts for the bulk of the growth in the NPS Fund Balance with Treasury. General Property, Plant, and Equipment increased primarily due to an increase in construction work-in-progress projects in an effort to decrease the backlog of deferred maintenance projects. The NPS 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

A concessioner decontaminates a boat at Glen Canyon National Recreation Area. Two new high-pressure, hot water decontamination stations were installed in 2007 to reduce the risk of quagga mussels contaminating Lake Powell. NPS PHOTO BY KEVIN SCHNEIDER



represented on a numerically 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 Information section of this report.

#### **LIABILITIES AND NET POSITION**

Total liabilities of \$1,557,403 thousand as of September 30, 2007, are shown on the NPS Consolidated Balance Sheet, representing an increase of approximately 2.8 percent compared to FY 2006 liabilities of \$1,514,903 thousand. This is primarily because of an increase in Accounts Payable.

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. Unfunded liabilities of the NPS consist primarily of the United States Park Police Pension Plan actuarial liability, the Federal Employees Compensation Act (FECA) liability, unfunded annual leave, and legal and environmental contingent liabilities which will be paid out funds made available to the agency in future years. However, under accounting concepts, these are considered to be liabilities in the current period.

Contingent liabilities reflect potential NPS responsibility for cleanup of contaminated sites and legal claims brought against the agency. For financial statement purposes, the National Park Service’s liability for environmental cleanup is limited to those sites where it is 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 \$33,295 thousand and \$26,300 thousand for potential environmental cleanup liabilities and \$2,336 thousand and \$1,631 thousand related to other claims and litigation as of September 30, 2007, and 2006, respectively.

National Park Service net position on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$19,923,943 thousand for FY 2007, an increase of \$715,346 thousand over the FY 2006 amount of \$19,208,597 thousand. The FY 2007 NPS

Restoration of the Raspberry Island Lighthouse at Apostle Islands National Lakeshore will allow the south half of the building to appear as it did when early 20th-century lighthouse keepers were in residence. Adaptive reuse of the north half of the building will provide housing for seasonal employees stationed on the island. NPS PHOTO



net position consists of two components: (1) Unexpended Appropriations of \$854,074 thousand and (2) Cumulative Results of Operations of \$19,069,869 thousand.

#### **RESULTS OF OPERATIONS**

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.

Appropriations received decreased by approximately 3.7 percent or \$86,974 thousand as of September 30, 2007, when compared to September 30, 2006. This was as a result of fire and storm supplementals received during FY 2006 that were not received during FY 2007.

The transfers in/out without reimbursement decreased by \$22,383 thousand or approximately 8 percent through FY 2007. The budgetary financing sources appropriations transferred changed by \$59,158 thousand when compared to FY2006. Both variances resulted from the NPS implementing the parent/child provisions of OMB Circular No. A-136 during FY 2007. Other adjustments decreased by \$39,143 thousand or 92 percent as a result of the across the board

rescission instituted during FY 2006. The royalties retained increased \$157,300 thousand or 17.5 percent during FY 2007 as a result of Congress authorizing the transfer of \$150 million for the Historic Preservation Fund during FY 2007; while not doing so during FY 2006.

#### **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 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 \$2,810,770 thousand and \$2,847,281 thousand were incurred on total budgetary resources of \$3,851,320 thousand and \$3,842,303 thousand for the years ended September 30, 2007, and 2006, respectively.



The former Mineral Range Railroad Depot in the Calumet Unit of Keweenaw National Historical Park once served as the arrival point for thousands of immigrants to the Copper Country. NPS PHOTO

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

## **SYSTEMS, CONTROLS, AND LEGAL COMPLIANCES**

The National Park Service periodically assesses its systems of management, administrative, and financial controls in accordance with the standards, objectives, and guidelines prescribed by the Federal Management Financial Integrity Act (FMFIA) and the Office of Management and Budget. The objectives of these assessments are to ensure the following:

- Programs achieve their intended results.
- Resources are used consistent with the NPS 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 these assessments, the NPS relies on the knowledge and experience that management gains from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as management control assessments, the Department of the Interior's Office of Inspector General (OIG), and General Accountability Office (GAO) audits, program evaluations and studies, audits of financial statements, and performance plans and reports.

There were no material weaknesses noted during the FY 2007 assessments. The NPS Director concluded that the system of management, administrative, and financial controls provides reasonable assurance that the objectives in the FMFIA have been achieved. Accordingly the NPS can provide reasonable assurance of the effectiveness of its management controls taken as a whole.

## **LEGAL AND REGULATORY REQUIREMENTS**

In addition to the FMFIA, the NPS is also required to comply with a number of other general and financial management laws and regulations. These include the following:

- Inspector General Act Amendments.
- Federal Information Security Management Act.
- Federal Financial Management Improvement Act of 1996.
- Debt Collection Improvement Act of 1996.
- Prompt Payment Act of 1982.
- Improper Payment Information Act of 2002.

## **Inspector General Act Amendments (Audit Follow-Up)**

The Inspector General Act amendments requires federal agencies to promptly evaluate and implement recommendations from external audit sources, primarily the GAO, OIG, and the financial statement auditor, KPMG LLP. The NPS believes that the timely implementation of audit recommendations is essential to improving efficiency and effectiveness in its programs and operations, as well as to achieving integrity and accountability goals. Accordingly the NPS fully implemented seven GAO audit recommendations during FY 2007; three outstanding GAO audit recommendations remain to be implemented. There were 16 OIG audit recommendations implemented during FY 2007, with an additional 14 recommendations under development. Finally during FY 2007, the NPS continued work to implement all recommendations from the FY 2006 KPMG LLC financial audit report.

## **Federal Information Security Management Act**

The Federal Information Security Management Act (FISMA) requires federal agencies to assess and improve the effectiveness of security controls with regard to information resources that support federal operations and assets. The NPS conducted an information technology security self-assessment during FY 2007, as well as a self-evaluation using the FISMA Scorecard. Based on these reviews and other evaluations, the NPS concluded that it was generally compliant with OMB Circular

### **Federal Financial Management Improvement Act of 1996**

The Federal Financial Management Improvement Act of 1996 (FFMIA) established in statute certain financial management system requirements that already existed in federal policies. Specifically, FFMIA requires each agency to implement and maintain systems that substantially comply with:

- Federal financial management system requirements.
- Applicable federal accounting standards.
- The Standard General Ledger (SGL) at the transaction level.

The FY 2006 financial statement audit reported that the NPS substantially complied with federal financial management system requirements and the Standard General Ledger at the transaction level, but did not substantially comply with all accounting standards. The NPS undertook corrective actions during FY 2007 to improve substantial compliance with the accounting standards. These actions and the results of the FY 2007 financial statement audit have led the NPS to conclude that it substantially complies with the three components of the FFMIA. However, the Independent Auditors reported that the NPS did not substantially comply with federal accounting standards.

### **Debt Collection Improvement Act of 1996**

The Debt Collection Improvement Act of 1996 (DCIA) requires, among other things, that federal agencies refer eligible debt to the Department of the Treasury for cross-servicing. The Department of the Interior has set a goal of referring 95 percent of eligible debt to Treasury. As of the end of the fourth quarter of FY 2007, the NPS had referred 100 percent of its eligible debt to Treasury. The DCIA also requires that most federal payments to vendors be made using electronic payment technologies (EFT). The government-wide Chief Financial Officers Council set a goal of 96 percent of all payments being made via EFT. As of the end of September 2007, the NPS made 95 percent of its payments electronically.

### **Prompt Payment Act of 1982**

The Prompt Payment Act of 1982 requires that federal agencies automatically include

interest on late payments to vendors (generally 30 days after receipt of invoice). The government-wide goal is to make 98 percent of federal payments on time (i.e., not requiring interest). As of the end of September 2007, the NPS made 99 percent of its payments on time.

### **IMPROPER PAYMENTS INFORMATION ACT OF 2002 (IPIA)**

#### **Narrative Summary of Implementation Efforts for FY 2007**

The National Park Service performed the risk assessments for improper payments required by the Improper Payments Information Act (IPIA) in FY 2004 through FY 2006. These risk assessments showed that four programs (representing more than 95 percent of NPS expenditures) had a low risk for improper payments, and the one remaining program had a moderate risk, but that existing controls and processes would prevent or detect such payments.

The Department of the Interior decided that these improper payment risk assessments would be performed on a three-year cycle beginning with FY 2007. Accordingly the NPS did not perform an improper payment risk assessment in FY 2007. However, the NPS is continuing to gather and monitor data for potential improper payments.

There is a positive management control environment at the NPS that values ethical behavior and recognizes the importance of internal controls. It has developed policies, procedures, and systems that are designed to prevent improper payments. There are structured controls at the park level that include separation of purchasing, receiving, and recording duties, expenditure reviews, and account reconciliations. Most payment types are fully audited for correctness at the central finance office. There is an active program of internal program evaluations that include regional operations reviews, management assistance reviews, and financial-specific internal control reviews. The NPS is subject to programmatic audits by the DOI OIG and the GAO, as well as the annual financial statement audit. The NPS is also actively participating with a contractor to search for and recover any improper payments. In FY 2007 the contractor reviewed one year of NPS payments and discovered 24 improper payments totaling \$116,875.



A stone cottage at Eleanore Roosevelt National Historic Site served as Mrs. Roosevelt's retreat from 1926 until 1936. Behind the cottage, another building once served as a furniture factory to provide local farm youth with employment. The factory shut down in 1936 and was remodeled by Eleanore Roosevelt to serve as her permanent residence from 1945 until her death in 1962. NPS PHOTO BY W.D. URBIN

This activity will continue for the next several years. In short the National Park Service has a number of policies and activities in place to prevent and detect improper payments and an active program to search for and recover any that may have occurred.

#### **Status of FY 2007 Management Control Reviews and OIG Audits**

More than 780 management control reviews have been completed throughout the National Park Service. Additional reviews have been initiated and are still in progress. These reviews were summarized in the NPS Annual Assurance Statement. The completed reviews include 17 law enforcement, 39 environmental, 72 fee collection, 57 core operations evaluations, 8 management assistance, and 11 concession management control reviews. In addition, eight park financial-accountability reviews have been completed. Park management is addressing all problems documented by these reviews.

The National Park Service has an active program for reviewing internal controls associated with administrative functions. The objective of these reviews is to assess how well NPS controls are working; to ensure laws, regulations, and policies are being followed; to identify gaps or

weaknesses in those policies; and to identify and share best practices.

Acquisition managers conducted numerous acquisition reviews throughout the National Park Service in FY 2007. The NPS has developed a corrective action plan that addresses the issues discovered in the FY 2006 review of the acquisition and financial assistance function conducted by the Department of the Interior and reported as a material weakness last year. The Department of the Interior has approved this corrective action plan.

Management control reviews of personal property were conducted throughout the National Park Service. These reviews showed that there was significant improvement in the management of personal property. This improvement is attributed to the use of the NPS property management website, seven web-based property management courses, on-site system training classes, and on-site reviews. In addition regional property managers will now ensure that all personnel performing property management functions will be properly trained within 30 days of assignment to a position with property management responsibilities.

The National Park Service central finance office conducted reviews of financial controls at eight parks during FY 2007. Although the reviews did not disclose any material weaknesses, there was a common deficiency noted concerning accounting for personal property. In addition to the actions cited here, the property officer has worked individually with each park to correct the deficiencies.

The National Park Service continues to implement recommendations from GAO and OIG audits from prior years. Seven recommendations were implemented from prior fiscal year GAO reports, and three recommendations from one GAO report are being implemented. Sixteen OIG audit recommendations were implemented in FY 2007, and 14 other OIG recommendations are being implemented.

The Department of the Interior OIG issued three reports addressed to the NPS in FY 2007.

Both GAO and OIG have several ongoing inquiries, reviews, and audits affecting the NPS. Two active GAO audits concern the effect of climate change on the national parks and a review of wildlife management issues in Yellowstone National Park.

#### **Status of Corrective Actions for FMFIA Material Weaknesses Targeted for Correction in FY 2007**

The NPS is a component of a Departmental material weakness in the Wireless Communications Program. The corrective action plan for this weakness exists under the direction of the Department's Office of Information Resources Management.

The corrective action plan for the acquisition and financial assistance material weakness was recently approved by the Department. Corrective actions are underway.

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

In FY 2007 the National Park Service balanced a wide array of responsibilities, including sustaining park operations under the authority of a year-long continuing resolution in lieu of an enacted congressional appropriation, managing

its assets in a responsible, business-like manner, responding to storm damage, operating with a renewed emphasis on safety at parks including ongoing security concerns at icon and border parks, and developing innovative ways of conducting business and managing human capital.

FY 2007 represented an unusual situation, even considering the normal unpredictability of the budget cycle. Congress did not enact a specific FY 2007 appropriation bill for the Department of the Interior and the NPS. Rather, bureaus within the DOI operated under three consecutive continuing resolutions, with the third and final one signed into law on February 17, 2007. The conditions of the resolution provided for the NPS to operate at the FY 2006 funding level and under FY 2006 legislative authorities, with certain exceptions. An operating plan was required to be submitted to Congress, for information purposes only, by March 17, 2007. Official funding allotments were not provided to NPS units until more than half of the fiscal year had passed. This created a difficult situation for the execution of programs that was overcome only with a significant amount of pre-planning and careful attention to the rate of expenditures.

While appropriation bills are frequently not passed and signed by the beginning of the fiscal year, it is unusual for the bill to become law as late as was the case in FY 2007. Combined with the uncertainty of operating under a year-long continuing resolution, which has not happened in more than 30 years, the lateness of the appropriation exacerbated issues relative to operations and maintenance, particularly in the area of timely project accomplishment. The trend in late appropriations and the increasing use of continuing resolutions seems likely to continue in the foreseeable future.

In May 2007 the Secretary of the Interior issued a report to the President entitled *The Future of America's National Parks*. The report outlined a vision for the national parks for the next 10 years and beyond, and set overarching goals to guide the work leading up to the 100th anniversary of the National Park System in 2016. Beginning in FY 2008, the National Park Service will prepare the National Park System for its centennial birthday and ensure that the



parks will continue to be the guardians of our nation's heritage for the next 100 years. This is the centennial challenge: protect the parks, connect to the parks and learn from the parks—because they are our heritage. There is an untapped opportunity to make the national parks better, more accessible, and more relevant. With care and investment, the parks have the capacity to be the source of a national opportunity for education, recreation, art, science, and economic growth. Over the next 10 years leading up to the centennial celebration, public and private partnerships of federal investment and philanthropic contribution will ensure that the national parks enter their second century intact, healthier, and more relevant than ever.

Efforts to assess the condition of facilities and roads and to inventory, monitor, and manage natural resources remain high priorities. The Facility Management Software System is operating as a critical tool in the analysis of facility inventories and condition, and Facility Condition Indices provide useful information on the relative condition of assets in need of maintenance or rehabilitation. In FY 2007 funding dedicated to deferred maintenance work totaled \$986 million. Comprehensive condition assessments have been completed for the eight industry standard assets. Condition assessments on non-industry standard assets have been started; and, the park-level asset management plans are continuing to be formulated to enable parks to make informed decisions on which assets provide the most benefit to the park's mission for the dollars expended. As deferred maintenance projects continue to improve the facility condition levels of National Park Service assets, the NPS is beginning to shift from a repair-intensive approach to a preventive maintenance approach for the upkeep of its facilities.

Maintenance funding needs must be managed within the context of continued concern over security, especially at icon parks and parks along international borders. The NPS has participated in national efforts to improve homeland security over the past several years—at significant cost. For example, construction funding has been diverted to security needs, as has operational funding, mostly through salary costs of increased numbers of law

enforcement personnel. The National Park Service continues to attempt to augment its law enforcement ranger and U.S. Park Police staff. 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 the limited number of available skilled personnel. Displacement of lower-priority needs by security-related staffing and projects is likely to continue in future years and to adversely affect park budgets. In addition, as more attention is focused on homeland security, operational law enforcement functions may suffer if fiscal resources are shifted rather than enhanced.

Recent absorptions of uncontrollable costs, such as those related to benefits and pay as well as operating fund reductions caused by congressional across-the-board reductions, continue to affect the availability of adequate fiscal resources for the National Park Service. The budget provided in FY 2007 reversed that trend and both Congress and the Administration seem committed to full funding for fixed costs in the most recent budget proposals.

Requirements related to Departmental initiatives regarding information technology systems also continue to stress available fiscal resources. As required by the Clinger-Cohen Act and the U.S. Federal Court decision against the Department of the Interior in *Cobel v. Kempthorne*, the NPS is participating in the Department's efforts to incorporate security into its information and systems architecture. This approach requires that all systems meet criteria for security accreditation and certification. Also required is training for program managers and employees; better development, management, maintenance, and monitoring of systems; and improved equipment and software necessary to support business operations and prevent unauthorized access to information and systems. Finally, the introduction of required smart card technology to enhance security will place additional financial burdens on the NPS when fully implemented.

The cost of other Departmentwide initiatives, such as the introduction of Activity-Based Cost Management systems and the development of the Financial and Business Management System (FBMS), are



**Volunteers perform maintenance on a historic carriage road during "Take Pride in Acadia Day" at Acadia National Park. The park protects more than 47,000 acres of shoreline, forests, lakes, and mountains.**

NPS PHOTO BY GINNY REAMS

also expected to place a significant burden on the NPS budget. Other Departmental initiatives include the competitive sourcing effort, several E-Government initiatives, conversion to Active Directory, performance budgeting, and increasingly stringent financial reporting requirements. In addition to Departmental initiatives, the National Park Service has developed some internal evaluative tools and processes to examine its finances and improve efficiency, such as Business Planning, Core Operations Analyses, and the development of the NPS Scorecard for parks. These factors all create a significant increase in the workload and financial burden on administrative functions throughout the National Park Service.

At a time when much of the National Park Service workforce is approaching retirement and funding constraints prevent significant increases in FTEs, successful human capital management remains critical to the ongoing effectiveness of the NPS organization. The National Park Service has an approved comprehensive Workforce Plan addressing the entire NPS workforce, including volunteers, partners, concessioners, and contract workers.

This was the first automated plan in the Department of the Interior and is available on the NPS intranet. The National Park Service also established a Recruitment Futures workgroup as the foundation for a comprehensive and collective effort to improve the NPS diversity profile, reflecting significant progress in the NPS diversity program. A work plan was established, and outreach efforts to improve diversity at all levels in the organization are fully supported by NPS leadership. Future challenges in the human capital arena include recruiting seasonal staff to maintain a "ranger presence" in parks during the busy summer season, ensuring the workforce has the necessary technological skills to conduct business, creating a succession plan to deal with retirement, attracting additional volunteers to assist with park stewardship, and encouraging collaborative management efforts between parks as well as between the NPS and other government agencies. The seasonal and volunteer strategies are a prime component of the FY 2008 budget request as part of the Centennial Initiative.

As the cycle of Atlantic Ocean hurricanes has intensified in recent years, the need



Much of Sunshine Point Campground was washed away at Mount Rainier National Park which received 18 inches of rainfall in a 36-hour period on November 6-7, 2006. Floodwaters damaged infrastructure throughout the park, resulting in an unprecedented six-month closure. Recovery efforts were boosted with the help of more than 1,700 volunteers. NPS PHOTO BY RANDY KING

to take emergency response actions and to repair facilities damaged by storms is becoming a greater burden to the NPS, requiring the temporary diversion of its human resources from core maintenance and law enforcement responsibilities, and creating the need to seek supplementary appropriations for these unfunded needs. In FY 2007 severe storms in the Pacific Northwest required the NPS, with the approval of Congress, to dedicate \$54 million of its line-item construction funding to storm repair and restoration. Severe storm damage was seen at Mount Rainier, Olympic, and North Cascades National Parks in the Pacific West Region and Glacier National Park in the Intermountain Region. However, even if adequate appropriations are provided to cover the costs of damages, they present a challenge to NPS leadership to continue fulfilling its legislated mission, while at the same time, addressing the demands of these extraordinary events. For instance, the NPS may need to consider the feasibility of rebuilding facilities in areas where storms occur frequently.

Managing both staff and funding issues related to external requirements, while

making progress in the areas of NPS infrastructure repair and natural resource management deficiencies, will continue to challenge NPS leadership in the years ahead. Unfunded increases in the cost of operating the National Park System, such as increases in rental rates for NPS buildings or increases in utilities costs and other energy costs continue to place a strain upon the financial resources, and therefore the effectiveness, of the NPS organization. The National Park Service will continue to strive to fulfill its mission to provide recreation and preserve resources despite these challenges.

#### **MANAGEMENT ASSURANCES**

The National Park Service did not identify any material weaknesses in its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2007. Taken as a whole, internal controls were properly designed and operating effectively. In our opinion, the National Park Service substantially complies with all three components of the FFMIA: financial system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level.



LITTLE ROCK CENTRAL HIGH SCHOOL

On the morning of September 23, 1957, nine African American teenagers stood up to an angry crowd protesting integration in front of Little Rock's Central High as they entered the school for the first time. This event, broadcast around the world, made Little Rock the site of the first important test of the U.S. Supreme Court's historic *Brown v. Board of Education of Topeka* decision. A half-century later, nearly 2,000 visitors, many of them former Central High School students themselves, attended the dedication of Little Rock Central High School National Historic Site's new visitor center. NPS PHOTO

# Financial Statements

**Department of the Interior, National Park Service  
Consolidated Balance Sheet as of September 30, 2007, and 2006  
(dollars in thousands)**

ASSETS (Note 2)	FY 2007	FY 2006
<b>Intragovernmental Assets:</b>		
Fund Balance with Treasury (Note 3)	\$ 20,193,214	\$ 19,517,770
Investments, Net (Note 7)	1,456	1,464
Accounts and Interest Receivable (Note 5)	23,945	23,196
Other - Advances and Prepayments (Note 6)	1,372	8,213
<b>Total Intragovernmental Assets</b>	<b>20,219,987</b>	<b>19,550,643</b>
Cash (Note 4)	432	427
Accounts and Interest Receivable, Net (Note 5)	15,139	7,381
Loans and Interest Receivable, Net (Note 9)	2,878	3,238
General Property, Plant, and Equipment, Net (Note 8)	1,233,661	1,148,971
Other - Advances and Prepayments (Note 6)	9,249	12,840
Stewardship Assets (Note 1F)		
<b>TOTAL ASSETS (Note 2)</b>	<b>\$ 21,481,346</b>	<b>\$ 20,723,500</b>
<b>LIABILITIES (Note 10)</b>		
<b>Intragovernmental Liabilities:</b>		
Accounts Payable (Note 11)	\$ 24,389	\$ 25,354
Other		
Accrued Payroll and Benefits	67,503	61,320
Advances, Deferred Revenue, and Deposit Funds (Note 12)	2,226	2,745
Judgment Fund	1,904	477
Other Liabilities	421	298
<b>Total Intragovernmental Liabilities</b>	<b>96,443</b>	<b>90,194</b>
Accounts Payable (Note 11)	291,452	253,332
Federal Employee and Veteran's Benefits		
U.S. Park Police Pension Actuarial Liability (Note 13)	704,300	708,600
FECA Actuarial Liability (Note 14)	243,628	248,900
Environmental and Disposal Liabilities (Note 15)	33,295	26,300
Other		
Contingent Liabilities (Note 15)	2,336	1,631
Advances, Deferred Revenue, and Deposit Funds (Note 12)	9,011	10,784
Accrued Payroll and Benefits	149,839	147,399
Other Liabilities	27,099	27,763
<b>TOTAL LIABILITIES (Note 10)</b>	<b>\$ 1,557,403</b>	<b>\$ 1,514,903</b>
<b>Commitments and Contingencies (Notes 1F, 15, and 17)</b>		
<b>NET POSITION</b>		
Unexpended Appropriations - (Earmarked Funds (Note 22))	2,511	(3,796)
Unexpended Appropriations - Other Funds	851,563	859,470
Cumulative Results of Operations - Earmarked Funds (Note 22)	19,091,584	18,436,205
Cumulative Results of Operations - Other Funds	(21,715)	(83,282)
<b>TOTAL NET POSITION</b>	<b>19,923,943</b>	<b>19,208,597</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 21,481,346</b>	<b>\$ 20,723,500</b>

*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, 2007, and 2006  
(dollars in thousands)**

	FY 2007	FY 2006
<b>Resource Protection</b>		
Costs	\$ 868,902	\$ 1,575,942
Less: Earned Revenue	91,522	54,604
<b>Net Cost</b>	<b>777,380</b>	<b>1,521,338</b>
<b>Recreation</b>		
Costs	1,946,837	1,128,214
Less: Earned Revenue	287,534	323,405
<b>Net Cost</b>	<b>1,659,303</b>	<b>804,809</b>
<b>Serving Communities</b>		
Costs	0	369,546
Less: Earned Revenue	0	6,191
<b>Net Cost</b>	<b>0</b>	<b>363,355</b>
<b>TOTAL</b>		
Costs	2,815,739	3,073,702
Less: Earned Revenue	379,056	384,200
<b>Net Cost of Operations (Note 16 and Note 21)</b>	<b>\$ 2,436,683</b>	<b>\$ 2,689,502</b>

*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, 2007, and 2006**  
(dollars in thousands)

	FY 2007			FY 2006		
	EARMARKED (NOTE 22)	ALL OTHER	CONSOLI- DATED	EARMARKED (NOTE 22)	ALL OTHER	CONSOLI- DATED
<b>UNEXPENDED APPROPRIATIONS</b>						
Beginning Balance	\$ (3,796)	\$ 859,470	\$ 855,674	\$ (3,811)	\$ 947,816	\$ 944,005
Adjustments						
Changes in Accounting Principle (Note 25)	2,511	(8,026)	(5,515)	0	0	0
Beginning Balance, as Adjusted	(1,285)	851,444	850,159	(3,811)	947,816	944,005
Budgetary Financing Sources:						
Appropriations Received, General Funds	0	2,247,383	2,247,383	0	2,334,357	2,334,357
Appropriations Transferred - In/(Out)	0	(4,830)	(4,830)	0	54,328	54,328
Appropriations - Used	0	(2,235,017)	(2,235,017)	0	(2,434,252)	(2,434,252)
Other Adjustments	3,796	(7,417)	(3,621)	15	(42,779)	(42,764)
Net Change	3,796	119	3,915	15	(88,346)	(88,331)
Ending Balance - Unexpended Appropriations	<u>\$ 2,511</u>	<u>\$ 851,563</u>	<u>\$ 854,074</u>	<u>\$ (3,796)</u>	<u>\$ 859,470</u>	<u>\$ 855,674</u>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>						
Beginning Balance	\$ 18,436,205	\$ (83,282)	\$ 18,352,923	\$ 18,033,370	\$ (147,423)	\$ 17,855,947
Adjustments						
Changes in Accounting Principle (Note 25)	(4,901)	(11,617)	(16,518)	0	0	0
Beginning Balance, as Adjusted	18,431,304	(94,899)	18,336,405	18,003,370	(147,423)	17,855,947
Budgetary Financing Sources:						
Appropriations - Used	0	2,235,017	2,235,017	0	2,434,252	2,434,252
Royalties Retained (Note 1.C)	1,055,188	0	1,055,188	897,888	0	897,888
Non-Exchange Revenue (Note 1.C)	0	(56)	(56)	0	83	83
Transfers - In/(Out) Without Reimbursement (Note 18)	(300,918)	32,680	(268,238)	(315,961)	25,340	(290,621)
Donations and Forfeitures of Cash and Cash Equivalents	27,230	0	27,230	27,017	0	27,017
Other Budgetary Financing Sources	(1,864)	292	(1,572)	(646)	1,436	790
Other Adjustments	0	1	1	0	0	0
Other Financing Sources:						
Donations and Forfeitures of Property	0	821	821	0	265	265
Transfers - In/(Out) Without Reimbursement	(195)	(509)	(704)	6,688	(5,140)	1,548
Imputed Financing From Costs Absorbed by Others	0	122,460	122,460	0	115,256	115,256
<b>TOTAL FINANCING SOURCES</b>	<b>779,441</b>	<b>2,390,706</b>	<b>3,170,147</b>	<b>614,986</b>	<b>2,571,492</b>	<b>\$ 3,186,478</b>
<b>NET COST OF OPERATIONS</b>	<b>(119,161)</b>	<b>(2,317,522)</b>	<b>(2,436,683)</b>	<b>(182,151)</b>	<b>(2,507,351)</b>	<b>(2,689,502)</b>
<b>NET CHANGE</b>	<b>660,280</b>	<b>73,184</b>	<b>733,464</b>	<b>432,835</b>	<b>64,141</b>	<b>496,976</b>
<b>ENDING BALANCE - CUMULATIVE RESULTS OF OPERATIONS</b>	<b><u>\$ 19,091,584</u></b>	<b><u>\$ (21,715)</u></b>	<b><u>\$ 19,069,869</u></b>	<b><u>\$ 18,436,205</u></b>	<b><u>\$ (83,282)</u></b>	<b><u>\$ 18,352,923</u></b>
<b>TOTAL NET POSITION</b>	<b><u>\$ 19,094,095</u></b>	<b><u>\$ 829,848</u></b>	<b><u>\$ 19,923,943</u></b>	<b><u>\$ 18,432,409</u></b>	<b><u>\$ 776,188</u></b>	<b><u>\$ 19,208,597</u></b>

*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, 2007, and 2006  
 (dollars in thousands)**

	TOTAL BUDGETARY ACCOUNTS FY 2007	TOTAL BUDGETARY ACCOUNTS FY 2006
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Beginning of Fiscal Year:	\$ 995,022	\$ 996,080
Recoveries of Prior Year Unpaid Obligations	30,638	36,185
Budget Authority:		
Appropriation	2,647,739	2,722,231
Spending Authority From Offsetting Collections:		
Earned		
Collected	136,499	171,383
Change in Receivables From Federal Sources	2,344	(1,775)
Change in Unfilled Customer Orders:		
Advance Received	(1,163)	(1,298)
Without Advance From Federal Sources	35,341	22,912
Total Budgetary Authority	2,820,760	2,913,453
Nonexpenditure Transfers, Net, Anticipated and Actual	14,875	(56,854)
Permanently Not Available	(9,975)	(46,561)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 3,851,320</b>	<b>\$ 3,842,303</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred (Note 19):		
Direct	\$ 2,663,157	\$ 2,697,299
Reimbursable	147,613	149,982
Total Obligations Incurred	2,810,770	2,847,281
Unobligated Balance Available:		
Apportioned	1,007,739	968,674
Exempt From Apportionment	6,490	4,810
Total Unobligated Balance Available	1,014,229	973,484
Unobligated Balance Not Available (Note 19)	26,321	21,538
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 3,851,320</b>	<b>\$ 3,842,303</b>
<b>CHANGE IN OBLIGATED BALANCE:</b>		
Obligated Balance, Net,		
Unpaid Obligations, Brought Forward, Beginning of Fiscal Year	\$ 1,383,368	\$ 1,414,250
Less: Uncollected Customer Payments From Federal Sources, Brought Forward, Beginning of Fiscal Year	(170,261)	(149,124)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	1,213,107	1,265,126
Obligations Incurred, Net	2,810,770	2,847,281
Less: Gross Outlays	(2,732,654)	(2,841,978)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(30,638)	(36,185)
Change in Uncollected Customer Payments From Federal Sources	(37,685)	(21,137)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR</b>	<b>\$ 1,222,900</b>	<b>\$ 1,213,107</b>
<b>OBLIGATED BALANCE, NET, END OF YEAR - BY COMPONENT:</b>		
Unpaid Obligations	\$ 1,430,846	\$ 1,383,368
Less: Uncollected Customer Payments From Federal Sources	(207,946)	(170,261)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR</b>	<b>\$ 1,222,900</b>	<b>\$ 1,213,107</b>
<b>NET OUTLAYS:</b>		
Gross Outlays	\$ 2,732,654	\$ 2,841,978
Less: Offsetting Collections	(135,336)	(170,085)
Less: Distributed Offsetting Receipts (Note 20)	(250,111)	(221,489)
<b>NET OUTLAYS (Receipts)</b>	<b>\$ 2,347,207</b>	<b>\$ 2,450,404</b>

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





Prairie grasslands at Badlands National Park support a variety of wildlife including bison, bighorn sheep, deer, pronghorn, swift fox, and black-footed ferrets. A native species, bison were gone from the Badlands landscape by the 1880s, but reintroduced into the Sage Creek basin in 1963. Although no Badlands bison have ever tested positive for brucellosis, they are not a free-ranging herd in order to help prevent the disease. Badlands bison are contained within 64,000 acres to keep them from mingling with surrounding cattle herds.

PHOTO © DIANE HARGREAVES, HARGREAVESPHOTO.COM



Innovative architecture and exhibits welcome visitors to the 22,000-square-foot Craig Thomas Discovery and Visitor Center at Grand Teton National Park. The park's new visitor center is named for the public service and support provided by the late Senator Craig Thomas, a strong advocate for the National Park System. NPS PHOTO BY JACKIE SKAGGS

# Notes to the Consolidated Financial Statements For the Years Ended September 30, 2007, and 2006

## 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. Approximately \$900 million for the Land and Water Conservation Fund and \$150 million for the Historic Preservation Fund

are transferred annually from the DOI’s Minerals Management Services to the NPS, the majority of which is royalties from Outer Continental Shelf oil deposits. However, Congress did not authorize the transfer of \$150 million for the Historic Preservation Fund in FY 2006.

The U.S. Congress also appropriated from the HPF receipt account to the respective expenditure accounts approximately \$56 million and \$74 million for FY 2007 and FY 2006, respectively. Each year amounts from the Land and Water Conservation Fund and Historic Preservation Fund 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. National Park Service 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. National Park Service 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 three remaining special funds. National Park Service 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

### **B. Basis of Accounting and Presentation.**

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the NPS as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The consolidated/combined 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 Office of Management and Budget (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 Circular No. A-136, 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, alternately, 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.

Effective for Fiscal Year 2007 the Statement of Financing is presented as a footnote disclosure and is no longer a basic statement in accordance with OMB Circular No. A-136. The Statement of Financing is now reported in the notes and referred to as "Reconciliation of net Cost of Operations to Budget." In accordance with OMB Circular No. A-136, the NPS did not report a FY 2006 Statement of Financing, and instead has included the FY 2006 Statement of Financing in the note disclosure to provide comparative disclosures.

### **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 (OPM), 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 Revenues.** The National Park Service classifies revenues as either exchange revenues or non-exchange revenues. 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. 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.

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 revenues 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 December 8, 2014, to allow all fee-collecting park sites to experiment with new or increased recreation fees. Parks participating in the demonstration program have until FY 2017 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 \$167 million during FY 2007 and \$136 million during FY 2006 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 2007 and FY 2006, revenues collected for Concession Franchise Fees totaled \$47.7 million and \$35.9 million, respectively.

**Non-Exchange Revenues.** 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 NPS operations and are reported on the Consolidated Statement of Changes in Net Position.

**Royalties Retained.** Royalties Retained include minerals receipts transferred to the National Park Service for the Land and Water Conservation Fund. These amounts represent other budgetary financing sources and 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 expenses 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 numerous 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 \$100 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. Before October 1, 2003, the NPS capitalized real property with an acquisition cost of at least \$500 thousand.

The National Park Service has historically based its capitalization policy on the total cost of project groups within a particular construction venture, rather than individual assets, due to the size and complexity of most projects.

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—buildings, structures, and facilities—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 maintenance facilities, visitor centers, buildings, bridges, etc. is depreciated over 40 years.

Equipment and vehicles are 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 has stewardship assets, such as land and non-multiuse heritage assets (i.e., national monuments and cultural sites), that are not included on NPS financial statements in accordance with the accounting standards.

The National Park Service is required by the Organic Act (16 USC 1-4) to protect and preserve unimpaired resources and values of the National Park System, while providing for public use and enjoyment. These resources include the stewardship lands that are set aside to conserve and protect areas of untold beauty and grandeur, historical significance, and uniqueness as well as heritage assets that provide the richness and complexity of the story of our nation—a story that spans at least 12,000 years and includes the living traditions of Native Americans and peoples whose roots lie in Africa, Oceania, Europe, and Asia.

The NPS Organic Act sets broad policies for the National Park System. Congress has also established broad policies on specific topics such as concessions management and protecting wild and scenic rivers. Congress's broad, legislated policies are somewhat general and usually do not specify how the end goals are to be achieved. The Organic Act also authorizes the NPS to "regulate the use" of national parks, which means more detailed policies may be developed to implement the overarching policies set by Congress.

For both stewardship land and heritage assets, the primary source of NPS policy is the publication *Management Policies*. These

policies govern the way NPS managers make decisions on a wide range of issues. Director's Orders supplement and may amend *Management Policies*.

At levels above the Director, policy may be established by Congress as it passes laws that apply to the national parks, or it may be established by the President, the Secretary of the Interior, or the Assistant Secretary for Fish and Wildlife and Parks. Regulations issued by other agencies, such as the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA), sometimes reflect national policy with which the NPS must comply.

For additional discussion of these stewardship assets, see the Required Supplementary Information section of this report.

The NPS has contracts with organizations that manage and operate hotels, lodges, restaurants, gift shops, and other concession operations at various parks. In accordance with legislation and the contracts, some of these concessioners have a possessory interest or leasehold surrender interest (PI/LSI) in certain real property construction or improvements that the concessioner pays for and the NPS approves.

A concessioner's interest may be extinguished, provided the concessioner is compensated for the PI/LSI in accordance with concession laws and contracts. At the end of the contract period, PI/LSI amounts are negotiated and either incorporated into new contracts or extinguished through payment. Payment for this interest has been made by a subsequent concessioner in most situations.

The National Park Service does not report the assets used by concessioners in its financial statements because the concessioners control the benefits of the assets and have the responsibilities of the risks and maintenance of the assets. In addition the National Park Service does not report a PI/LSI liability at the time a concessioner receives PI/LSI because an event of financial consequence has not occurred. However, the NPS does record a liability at the time that the NPS decides to discontinue a concession operation or take possession of the assets.

**G. Liabilities.** Liabilities represent the amount of monies or other resources that are 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 and Disposal Liabilities 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 cleanup 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 cleanup, has an appropriation, and has begun incurring cleanup costs, then any unpaid amounts for work performed are included in accounts payable.

The amount of future cleanup cost to the NPS is subject to change due to these factors: (1) the unknown nature and extent of potential contamination; (2) the unknown timing and extent of the cleanup 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 cleanup 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.

Changes in cleanup costs are developed in accordance with Departmental policy, which sets forth systematic processes for cost estimating and emphasizes development and retention of supporting documentation. Changes in cleanup cost estimates are based on progress made in, and revision of, the cleanup plans, assuming current technology, laws and regulations.

**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 the 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 Financing Source.

■ **Retirement Programs.** National Park Service employees participate in one of three retirement systems. National Park Service employees hired before 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 15 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 10 percent of their gross earnings to the plan. For employees hired since December 31, 1986, the NPS also contributes the employer's matching share for social security.

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 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.

National Park Service police officers hired on or before December 31, 1985, participate in the U.S. Park Police Pension Plan (the USPP Pension Plan) that is administered by the District of Columbia. This includes approximately 42 active and 649 retired police officers or their survivors. Each in-service member contributes 7 percent of pay. The normal retirement benefit is 2.5 percent for each year of service up to 20 years, plus 3 percent for each year over 20, but no more than 80 percent in aggregate. Retirement is permitted after 20 years of Park Police service, but is mandatory by age 60. Annual benefits paid from the USPP Retirement System are funded on a pay-as-you-go basis.

The National Park Service reports and accounts for the pension liability and associated expense of the USPP Pension Plan in accordance with OMB guidance. The National Park Service actuary estimates the government's future cost to provide benefits to current and future retirees using economic assumptions and historical cost information. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations.

The actuarial liabilities are measured during the year, with a "roll-forward," or projection to the end of the year, in accordance with SFFAS Interpretation No. 3, *Measurement Date for Pension and Retirement Health Care Liabilities*. The "roll-forward" considers all major factors that affect the measurement which occurred during the reporting year, including any raises, cost of living allowances, and material changes in the number of participants.

**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. Reclassification.** Certain prior year amounts have been reclassified to conform to current year presentation.

**M. Allocation Transfers.** The National Park Service is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. The National Park Service allocates funds, as the parent, to the Federal Highways Administration and the U.S. Army Corps of Engineers. The National Park Service receives allocation transfers, as the child, from the Office of the Secretary, Department of the Interior; Bureau of Land Management, Department of the Interior;

Forest Service, U.S. Department of Agriculture; Federal Highways Administration, and the Department of Labor.

**N. Future Accounting Standards.** In August 2005 the FASAB issued SFFAS No. 30, *Inter-Entity Cost Implementation*. SFFAS No. 30 requires that the full inter-entity cost should incorporate the full cost of goods or services that an entity receives from other entities, and that recognition of inter-entity costs that are not fully reimbursed is limited to material items. SFFAS No. 30, *Inter-Entity Cost Implementation*, is effective for reporting periods beginning after September 30, 2008. The NPS has not completed the process of evaluating the impact that will result from adopting SFFAS No. 30, *Inter-Entity Cost Implementation*.

In October 2006 the FASAB issued SFFAS No. 31, *Accounting for Fiduciary Activities*. SFFAS No. 31 requires federal entities to distinguish the information relating to fiduciary activities of the federal entity from all other activities of that federal entity by not recognizing fiduciary assets on the balance sheet and by describing the nature of the fiduciary activities in a note disclosure. SFFAS No. 31, *Accounting for Fiduciary Activities*, is effective for reporting periods beginning after September 30, 2008. Early implementation is not permitted. The NPS has not completed the process of evaluating the impact that will result from adopting SFFAS No. 31, *Accounting for Fiduciary Activities*.

On September 28, 2006, the FASAB issued Technical Bulletin 2006-1. The technical bulletin states that effective for periods beginning after September 30, 2009, federal entities will (1) estimate both friable and nonfriable asbestos-related cleanup costs, (2) recognize a liability and related expense for those costs that are both probable and reasonably estimable, and (3) disclose information related to friable and nonfriable asbestos-related cleanup costs that are probable but not reasonably estimable in a note to the financial statements. The NPS has not completed the process of evaluating the impact that will result from adopting Technical Bulletin 2006-1.

**NOTE 2. ASSETS**

Assets of the National Park Service are designated in the following categories: entity unrestricted, entity restricted, and non-entity restricted. 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 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 2007**  
**(dollars in thousands)**

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2007
Intragovernmental Assets:				
Fund Balance With Treasury	\$ 2,263,738	\$ 17,928,982	\$ 494	\$ 20,193,214
Investments, Net	1,456	0	0	1,456
Accounts and Interest Receivable	23,945	0	0	23,945
Other				
Advances and Prepayments	1,372	0	0	1,372
<b>Total Intragovernmental Assets</b>	<b>\$ 2,290,511</b>	<b>\$ 17,928,982</b>	<b>\$ 494</b>	<b>\$ 20,219,987</b>
Cash	432	0	0	432
Accounts and Interest Receivable, Net	14,738	0	401	15,139
Loans and Interest Receivable, Net	2,878	0	0	2,878
General Property, Plant, and Equipment, Net	1,233,661	0	0	1,233,661
Other				
Advances and Prepayments	9,249	0	0	9,249
<b>TOTAL ASSETS</b>	<b>\$ 3,551,469</b>	<b>\$ 17,928,982</b>	<b>\$ 895</b>	<b>\$ 21,481,346</b>

**National Park Service Assets, FY 2006**  
**(dollars in thousands)**

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2006
Intragovernmental Assets:				
Fund Balance With Treasury	\$ 2,220,511	\$ 17,296,989	\$ 270	\$ 19,517,770
Investments, Net	1,464	0	0	1,464
Accounts and Interest Receivable	23,196	0	0	23,196
Other				
Advances and Prepayments	8,213	0	0	8,213
<b>Total Intragovernmental Assets</b>	<b>\$ 2,253,384</b>	<b>\$ 17,296,989</b>	<b>\$ 270</b>	<b>\$ 19,550,643</b>
Cash	427	0	0	427
Accounts and Interest Receivable, Net	7,083	0	298	7,381
Loans and Interest Receivable, Net	3,238	0	0	3,238
General Property, Plant, and Equipment, Net	1,148,971	0	0	1,148,971
Other				
Advances and Prepayments	12,840	0	0	12,840
<b>TOTAL ASSETS</b>	<b>\$ 3,425,943</b>	<b>\$ 17,296,989</b>	<b>\$ 568</b>	<b>\$ 20,723,500</b>

**NOTE 3. FUND BALANCE WITH TREASURY**

Fund Balance with Treasury as of September 30, 2007, and September 30, 2006, by major category is as follows:

<b>Fund Balance with Treasury (dollars in thousands)</b>		
<b>FUND BALANCES BY FUND TYPE</b>	<b>FY 2007</b>	<b>FY 2006</b>
General Funds	\$ 1,256,772	\$ 1,203,289
Special Funds	18,876,096	18,253,264
Revolving Funds	107	32
Trust Funds	57,873	57,865
Other Fund Types	2,366	3,320
<b>TOTAL FUND BALANCE WITH TREASURY BY FUND TYPE</b>	<b><u>\$ 20,193,214</u></b>	<b><u>\$ 19,517,770</u></b>
<b>STATUS OF FUND BALANCE WITH TREASURY</b>	<b>FY 2007</b>	<b>FY 2006</b>
Unobligated Balance:		
Available	\$ 1,013,796	\$ 960,032
Unavailable	25,171	22,325
Obligated Balance Not Yet Disbursed	1,222,899	1,235,105
<b>Subtotal</b>	<b>2,261,866</b>	<b>2,217,462</b>
Fund Balance With Treasury Not Covered by Budgetary Resources:		
Unavailable Receipt Accounts	17,929,477	17,297,259
Clearing and Deposit Accounts	1,871	3,049
<b>Subtotal</b>	<b>17,931,348</b>	<b>17,300,308</b>
<b>TOTAL STATUS OF FUND BALANCE WITH TREASURY</b>	<b><u>\$ 20,193,214</u></b>	<b><u>\$ 19,517,770</u></b>

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, and Concession Franchise Funds, etc. Trust funds consist of Cash Donations, Boyhood Home of Abraham Lincoln, Trust Fund Construction, and Highway Maintenance and Construction. (Land and Water Conservation and Historic Preservation Fund balances are unavailable receipt accounts.)

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 because of the existence of various special and miscellaneous receipt funds that do not have budgetary authority over their fund balances.

**NOTE 4. CASH**

Cash balances are comprised primarily of imprest and change funds as of September 30, 2007, and September 30, 2006, are summarized as follows:

<b>Cash Balances (dollars in thousands)</b>		
<b>TYPE OF FUNDS</b>	<b>FY 2007</b>	<b>FY 2006</b>
Imprest Fund	\$ 432	\$ 427
<b>TOTAL CASH - IMPREST FUND</b>	<b><u>\$ 432</u></b>	<b><u>\$ 427</u></b>

**NOTE 5. ACCOUNTS AND INTEREST RECEIVABLE, NET**

Accounts Receivable as of September 30, 2007, and September 30, 2006, consists of monies owed to the NPS from other federal agencies and the public, as follows:

<b>Accounts and Interest Receivable, Net (dollars in thousands)</b>		
ACCOUNTS AND INTEREST RECEIVABLE FROM FEDERAL AGENCIES	FY 2007	FY 2006
Billed	\$ 18	\$ 20
Unbilled	23,927	23,176
<b>TOTAL ACCOUNTS AND INTEREST RECEIVABLE - FEDERAL</b>	<b>\$ 23,945</b>	<b>\$ 23,196</b>
ACCOUNTS AND INTEREST RECEIVABLE FROM THE PUBLIC	FY 2007	FY 2006
Current	\$ 11,264	\$ 3,925
1-180 Days Past Due	2,161	993
181-365 Days Past Due	371	367
1 to 2 Years Past Past Due	556	948
Total Billed Accounts and Interest Receivable - Public	14,352	6,233
Unbilled Accounts and Interest Receivable	1,726	2,684
Total Accounts and Interest Receivable - Public	16,078	8,917
Allowance for Doubtful Accounts - Public	(939)	(1,536)
<b>TOTAL ACCOUNTS AND INTEREST RECEIVABLE - PUBLIC, NET OF ALLOWANCE</b>	<b>\$ 15,139</b>	<b>\$ 7,381</b>

**NOTE 6. ADVANCES AND PREPAYMENTS**

Advances to Others as of September 30, 2007, and September 30, 2006, was comprised of amounts provided to the Department of the Interior components of \$843 thousand and \$7,684 thousand and other federal agencies of \$529 thousand and \$529 thousand, respectively. Advances to non-federal entities as of September 30, 2007, and 2006, were \$9,249 thousand and \$12,840 thousand, respectively.

Advances to non-federal entities as of September 30, 2007, and September 30, 2006, were comprised of the following:

<b>Advances to Others (dollars in thousands)</b>		
TYPE OF ADVANCE	FY 2007	FY 2006
Travel Advances	\$ 151	\$ 167
Grant Advances	9,098	12,673
<b>TOTAL</b>	<b>\$ 9,249</b>	<b>\$ 12,840</b>

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 7. INVESTMENTS, NET**

In 1996 Congress approved, and President Clinton signed into law, the “United States Commemorative Coin Act of 1996,” mandating the minting and sale of several commemorative coins, including a National Law Enforcement Officers Memorial Silver Dollar. The monies generated from the sale of the National Law Enforcement Officers Memorial Silver Dollars have been invested in a non-marketable, market-based, interest bearing security. Investments as of September 30, 2007, and September 30, 2006 are as follows:

<b>Investments, Net, FY 2007</b> (dollars in thousands)				
INVESTMENT TYPE	COST	NET AMORTIZED (PREMIUM)/DISCOUNT	INVESTMENTS, NET	MARKET VALUE DISCLOSURE
U.S. Treasury Securities Non-Marketable, Market-Based	\$ 1,455	\$ (10)	\$ 1,445	\$ 1,455
Total U.S. Treasury Securities	1,455	(10)	1,445	1,455
Accrued Interest	11	0	11	0
<b>TOTAL INVESTMENTS</b>	<b>\$ 1,466</b>	<b>\$ (10)</b>	<b>\$ 1,456</b>	<b>\$ 1,455</b>

<b>Investments, Net, FY 2006</b> (dollars in thousands)				
INVESTMENT TYPE	COST	NET AMORTIZED (PREMIUM)/DISCOUNT	INVESTMENTS, NET	MARKET VALUE DISCLOSURE
U.S. Treasury Securities Non-Marketable, Market-Based	\$ 1,455	\$ 0	\$ 1,455	\$ 1,455
Total U.S. Treasury Securities	1,455	0	1,455	1,455
Accrued Interest	9	0	9	0
<b>TOTAL INVESTMENTS</b>	<b>\$ 1,464</b>	<b>\$ 0</b>	<b>\$ 1,464</b>	<b>\$ 1,455</b>

**NOTE 8. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET**

The National Park Service’s general property, plant, and equipment categories as of September 30, 2007, and September 30, 2006, with corresponding accumulated depreciation, are shown as follows:

<b>FY 2007 General Property, Plant, and Equipment, Net</b> (dollars in thousands)			
Category	Acquisition Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 673,539	\$ (263,973)	\$ 409,566
Structures and Facilities	789,378	(367,970)	421,408
Construction-in-Progress – General	252,427	0	252,427
Equipment, Vehicles, and Aircraft	395,655	(269,928)	125,727
Assets Under Capital Lease	28,000	(6,300)	21,700
Internal Use Software:			
In Use	13,792	(10,959)	2,833
<b>TOTAL</b>	<b>\$ 2,152,791</b>	<b>\$ (919,130)</b>	<b>\$ 1,233,661</b>

**FY 2006 General Property, Plant, and Equipment, Net  
(dollars in thousands)**

Category	Acquisition Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 595,167	\$ (243,777)	\$ 351,390
Structures and Facilities	729,870	(334,830)	395,040
Construction-in-Progress – General	239,427	0	239,427
Equipment, Vehicles, and Aircraft	393,723	(258,845)	134,878
Assets Under Capital Lease	28,000	(4,900)	23,100
Internal Use Software:			
In Use	13,574	(8,438)	5,136
<b>TOTAL</b>	<b>\$ 1,999,761</b>	<b>\$ (850,790)</b>	<b>\$ 1,148,971</b>

**NOTE 9. LOANS AND INTEREST 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 2007 and 2006 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 \$2,878 thousand and \$3,238 thousand as of September 30, 2007, and September 30, 2006, respectively.

**Direct Loan and Loan Guarantee Program Names  
(dollars in thousands)**

PROGRAM NAME	FY 2007	FY 2006
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 2,878	\$ 3,238
<b>TOTAL LOANS AND INTEREST RECEIVABLE, NET</b>	<b>\$ 2,878</b>	<b>\$ 3,238</b>

**Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)  
(dollars in thousands)**

FISCAL YEAR	DIRECT LOAN PROGRAM	LOANS RECEIVABLE GROSS	INTEREST RECEIVABLE	ALLOWANCE FOR LOAN LOSSES	FORECLOSED PROPERTY	VALUE OF ASSETS RELATED TO DIRECT LOANS
FY 2007	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 2,878	\$ 0	\$ 0	\$ 0	\$ 2,878
FY 2007	<b>TOTAL</b>	<b>\$ 2,878</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,878</b>
FY 2006	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 3,238	\$ 0	\$ 0	\$ 0	\$ 3,238
FY 2006	<b>TOTAL</b>	<b>\$ 3,238</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,238</b>

**NOTE 10. 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 United States Park Police Pension Actuarial Liability, unfunded payroll costs (billed portion of the Federal Employees Compensation Act), capital lease liabilities, judgment fund, environmental and disposal liabilities, contingent liabilities, actuarial portion of the Federal Employees Compensation Act Liability, deferred revenues, advances, deposit funds, 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, 2007, and September 30, 2006, are detailed in the following tables:

<b>FY 2007 Liabilities (dollars in thousands)</b>					
LIABILITY	COVERED BY BUDGETARY RESOURCES		NOT COVERED BY BUDGETARY RESOURCES		TOTAL FY 2007
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	
<b>INTRAGOVERNMENTAL LIABILITIES:</b>					
Accounts Payable	\$ 24,389	\$ 0	\$ 0	\$ 0	\$ 24,389
Other:					
Accrued Payroll and Benefits	7,820	0	29,320	30,363	67,503
Advances, Deferred Revenue, and Deposit Funds	2,226	0	0	0	2,226
Judgment Fund	0	0	0	1,904	1,904
Other Miscellaneous Liabilities	0	0	421	0	421
Total Other Intragovernmental Liabilities	10,046	0	29,741	32,267	72,054
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>\$ 34,435</b>	<b>\$ 0</b>	<b>\$ 29,741</b>	<b>\$ 32,267</b>	<b>\$ 96,443</b>
<b>PUBLIC LIABILITIES:</b>					
Accounts Payable	\$ 291,452	\$ 0	\$ 0	\$ 0	\$ 291,452
Federal Employee and Veteran's Benefits:					
United States Park Police Pension Actuarial Liability	33,121	0	0	671,179	704,300
FECA Actuarial Liability	0	0	0	243,628	243,628
Total Federal Employee and Veteran's Benefits	33,121	0	0	914,807	947,928
Environmental and Disposal Liabilities	0	0	0	33,295	33,295
Other:					
Accrued Payroll and Benefits	55,399	0	4,064	90,376	149,839
Advances, Deferred Revenue, and Deposit Funds	7,676	0	1,335	0	9,011
Contingent Liabilities	0	0	0	2,336	2,336
Capital Leases	2,085	0	0	22,709	24,794
Other Miscellaneous Liabilities	0	1,688	617	0	2,305
Total Other Public Liabilities	65,160	1,688	6,016	115,421	188,285
<b>TOTAL PUBLIC LIABILITIES</b>	<b>389,733</b>	<b>1,688</b>	<b>6,016</b>	<b>1,063,523</b>	<b>1,460,960</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 424,168</b>	<b>\$ 1,688</b>	<b>\$ 35,757</b>	<b>\$ 1,095,790</b>	<b>\$ 1,557,403</b>



**FY 2006 Liabilities  
(dollars in thousands)**

LIABILITY	COVERED BY BUDGETARY RESOURCES		NOT COVERED BY BUDGETARY RESOURCES		TOTAL
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	FY 2006
<b>INTRAGOVERNMENTAL LIABILITIES:</b>					
Accounts Payable	\$ 25,354	\$ 0	\$ 0	\$ 0	\$ 25,354
Other:					
Accrued Payroll and Benefits	7,613	0	24,012	29,695	61,320
Advances, Deferred Revenue, and Deposit Funds	2,725	0	20	0	2,745
Judgment Fund	0	0	0	477	477
Other Miscellaneous Liabilities	0	0	298	0	298
Total Other Intragovernmental Liabilities	10,338	0	24,330	30,172	64,840
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>\$ 35,692</b>	<b>\$ 0</b>	<b>\$ 24,330</b>	<b>\$ 30,172</b>	<b>\$ 90,194</b>
<b>PUBLIC LIABILITIES:</b>					
Accounts Payable	\$ 253,332	\$ 0	\$ 0	\$ 0	\$ 253,332
Federal Employee and Veteran's Benefits:					
United States Park Police Pension Actuarial Liability	31,343	0	0	677,257	708,600
FECA Actuarial Liability	0	0	0	248,900	248,900
Total Federal Employee and Veteran's Benefits	31,343	0	0	926,157	957,500
Environmental and Disposal Liabilities	0	0	0	26,300	26,300
Other:					
Accrued Payroll and Benefits	54,459	0	0	92,940	147,399
Advances, Deferred Revenue, and Deposit Funds	9,606	0	1,178	0	10,784
Contingent Liabilities	0	0	0	1,631	1,631
Capital Leases	1,997	0	0	23,544	25,541
Storm Damage	192	0	0	0	192
Other Miscellaneous Liabilities	0	1,361	669	0	2,030
Total Other Public Liabilities	66,254	1,361	1,847	118,115	187,577
<b>TOTAL PUBLIC LIABILITIES</b>	<b>350,929</b>	<b>1,361</b>	<b>1,847</b>	<b>1,070,572</b>	<b>1,424,709</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 386,621</b>	<b>\$ 1,361</b>	<b>\$ 26,177</b>	<b>\$ 1,100,744</b>	<b>\$ 1,514,903</b>

**NOTE 11. 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 \$315,841 thousand and \$278,686 thousand as of September 30, 2007, and September 30, 2006, respectively.

**NOTE 12. ADVANCES, DEFERRED REVENUE, AND DEPOSIT FUNDS**

The reported amounts include advances to the NPS from other federal agencies and from the public for a total of \$11,237 thousand and \$13,529 thousand as of September 30, 2007, and September 30, 2006, 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 13. UNITED STATES PARK POLICE PENSION ACTUARIAL LIABILITY**

The National Park Service follows OMB's guidance that requires the NPS to record a liability for the actuarial present value of the future benefits of the USPP Pension Plan. In estimating the USPP Pension Plan Liability and associated expense, the NPS's actuary applies economic assumptions to historical cost information to estimate the government's future cost to provide benefits to current and future retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. The following table presents the significant economic assumptions used to estimate the USPP Pension Plan Liability and associated expenses, and the change in the USPP Pension Plan Liability.

<b>USPP Pension Plan - Economic Assumptions Used</b>		
DESCRIPTION	FY 2007	FY 2006
Interest Rate	6.25%	6.25%
Rate of Inflation	3.50%	3.50%
Projected Salary Increase	4.25%	4.25%

<b>USPP Pension Plan Expenses (dollars in thousands)</b>		
DESCRIPTION	FY 2007	FY 2006
Normal Cost	\$ 200	\$ 500
Interest Costs	43,100	41,300
Assumption Changes at Beginning of Year	\$ (14,479)	\$ 19,743
<b>TOTAL PENSION EXPENSES</b>	<b>\$ 28,821</b>	<b>\$ 61,543</b>

<b>USPP Pension Plan Liability (dollars in thousands)</b>		
DESCRIPTION	FY 2007	FY 2006
Beginning Balance	\$ 708,600	\$ 678,400
Total Pension Expense	28,821	61,543
Less Benefit Payments	\$ (33,121)	\$ (31,343)
<b>ENDING BALANCE</b>	<b>\$ 704,300</b>	<b>\$ 708,600</b>

**NOTE 14. 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 liability include two portions, the first is the intragovernmental portion reported in Accrued Payroll and Benefits on the Consolidated Balance Sheet, amounting to \$50,606 thousand and \$49,494 thousand representing claims paid by DOL and billed to NPS that remain unpaid as of September 30, 2007, and September 30, 2006, respectively. This is based on actual claims paid by DOL but not yet reimbursed by the NPS. The NPS 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 DOL and reimbursement by Interior. As a result, the NPS 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 \$243,628 thousand and \$248,900 thousand as of September 30, 2007, and September 30, 2006, 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 Department of 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.

## **NOTE 15. ENVIRONMENTAL AND DISPOSAL LIABILITIES AND CONTINGENT LIABILITIES**

### **Environmental and Disposal Liabilities**

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 339 sites that are potentially impacted by petroleum or hazardous substance releases. These sites are governed by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or the Resource Conservation and Recovery Act (RCRA). National Park Service response activities at these identified sites include site characterization and sampling; risk assessment; removal of the contaminant source; treatment and/or containment of contaminated media; and ongoing monitoring. There are no material changes in total estimated cleanup costs that are due to changes in law or technology. At this time the NPS is unaware of any legacy waste located on property under its management. The majority of the sites requiring cleanup were contaminated by parties other than NPS, such as other federal entities and external third parties, or the party who caused the contamination is unknown or in dispute. Several sites were contaminated before being designated as units of NPS. At sites where NPS did not cause the contamination, the NPS maintains a list of all such sites on NPS land and discloses the environmental cleanup costs for sites contaminated by others that NPS plans to clean up, provided the costs are "probable" or "reasonably possible" and "reasonably estimable."

### **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 (less than probable). 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 and disposal costs and contingent liabilities.

**FY 2007 Accrued and Potential Environmental and Disposal Costs and Contingent Liabilities  
(dollars in thousands)**

TYPE OF LIABILITY	ACCRUED LIABILITIES	ESTIMATED RANGE OF LOSS	
		LOWER END OF RANGE	UPPER END OF RANGE
Contingent Liabilities			
Probable	\$ 2,336	\$ 2,336	\$ 20,571
Reasonably Possible	0	5,551	27,531
Environmental and Disposal Liabilities			
Probable	33,295	33,295	71,266
Reasonably Possible	0	10,945	11,218

**FY 2006 Accrued and Potential Environmental and Disposal Costs and Contingent Liabilities  
(dollars in thousands)**

TYPE OF LIABILITY	ACCRUED LIABILITIES	ESTIMATED RANGE OF LOSS	
		LOWER END OF RANGE	UPPER END OF RANGE
Contingent Liabilities			
Probable	\$ 1,631	\$ 1,631	\$ 16,296
Reasonably Possible	0	6,335	25,807
Environmental and Disposal Liabilities			
Probable	26,300	26,300	58,139
Reasonably Possible	0	14,232	28,061

**NOTE 16. NET COST (BY RESPONSIBILITY STATEMENT)**

OMB Circular No. A-136, as amended, *Financial Reporting Requirements*, requires that the presentation of the Statement of Net Cost align directly with the goals and outcomes identified in the strategic plan. Accordingly the National Park Service has presented the earned revenues and gross costs in FY 2007 by the applicable mission goals and categories in the Department's FY 2007 Strategic Plan, and the earned revenues and gross costs for Fiscal Year 2006 by the applicable mission goals and categories in the Department's FY 2004 Strategic Plan. As a result the FY 2007 Consolidated Statement of Net Cost is not directly comparable to the FY 2006 Consolidated Statement of Net Cost. Significant changes from FY 2006 to FY 2007 include the following:

- Substantial costs and revenues associated with the Resource Protection Mission in FY 2006 are now being included in the Recreation Mission for FY 2007, as well as substantial costs and revenues associated with the Serving Communities Mission in FY 2006 are now classified within the Resource Protection and Recreation Missions for FY2007. This change in the strategic plan resulted in a decrease of approximately \$234.7 million in net cost for the Resource Mission and an increase of approximately \$516 million in net cost for the Recreation Mission.

The costs associated with acquiring, constructing, and renovating heritage assets were \$131,833 thousand and \$156,970 thousand as of September 30, 2007 and September 30, 2006, respectively. The costs associated with acquiring and improving stewardship lands were \$23,575 thousand and \$68,852 thousand as of September 30, 2007 and September 30, 2006, respectively.

The tables on the following pages present National Park Service earned revenues, gross cost, and net cost of operations by program and by responsibility segment (dollars in thousands).

Department of the Interior, National Park Service, Public/Governmental Net Cost Disclosure for the Year Ended September 30, 2007 (dollars in thousands)

	NORTH- EAST REGION	SOUTH- EAST REGION	MID- WEST REGION	INTER- MOUNTAIN REGION	PACIFIC WEST REGION	ALASKA REGION	NATIONAL CAPITAL REGION	SUPPORT OFFICES	GRANTS PROGRAMS	TOTAL PROGRAMS
<b>Resource Protection</b>										
Intragovernmental Costs	\$ 36,324	\$ 29,817	\$ 18,741	\$ 42,517	\$ 49,383	\$ 15,775	\$ 13,669	\$ 2,042	\$ 0	\$ 208,268
Public Costs	126,406	99,664	66,933	124,358	145,965	33,453	59,427	4,428	0	660,634
Total Costs	162,730	129,481	85,674	166,875	195,348	49,228	73,096	6,470	0	868,902
Intragovernmental Earned Revenue	1,317	1,181	238	2,931	9,489	52	1,145	125	0	16,478
Public Earned Revenue	8,365	6,455	3,746	27,758	24,232	1,975	2,216	297	0	75,044
Total Earned Revenue	9,682	7,636	3,984	30,689	33,721	2,027	3,361	422	0	91,522
Net Costs	153,048	121,845	81,690	136,186	161,627	47,201	69,735	6,048	0	777,380
<b>Recreation</b>										
Intragovernmental Costs	74,120	60,719	41,080	99,662	105,865	22,199	33,617	12,581	0	449,843
Public Costs	249,914	171,522	124,098	286,008	275,783	45,530	122,072	29,557	192,510	1,496,994
Total Costs	324,034	232,241	165,178	385,670	381,648	67,729	155,689	42,138	192,510	1,946,837
Intragovernmental Earned Revenue	4,067	3,264	716	8,764	24,849	167	3,250	337	0	45,414
Public Earned Revenue	34,868	15,514	11,160	95,390	69,426	9,387	6,106	269	0	242,120
Total Earned Revenue	38,935	18,778	11,876	104,154	94,275	9,554	9,356	606	0	287,534
Net Costs	285,099	213,463	153,302	281,516	287,373	58,175	146,333	41,532	192,510	1,659,303
<b>TOTAL</b>										
Intragovernmental Costs	110,444	90,536	59,821	142,179	155,248	37,974	47,286	14,623	0	658,111
Public Costs	376,320	271,186	191,031	410,366	421,748	78,983	181,499	33,985	192,510	2,157,628
Total Costs	486,764	361,722	250,852	552,545	576,996	116,957	228,785	48,608	192,510	2,815,739
Intragovernmental Earned Revenue	5,384	4,445	954	11,695	34,338	219	4,395	462	0	61,892
Public Earned Revenue	43,233	21,969	14,906	123,148	93,658	11,362	8,322	566	0	317,164
Total Earned Revenue	48,617	26,414	15,860	134,843	127,996	11,581	12,717	1,028	0	379,056
<b>NET COST OF OPERATIONS</b>	<b>\$ 438,147</b>	<b>\$ 335,308</b>	<b>\$ 234,992</b>	<b>\$ 417,702</b>	<b>\$ 449,000</b>	<b>\$ 105,376</b>	<b>\$ 216,068</b>	<b>\$ 47,580</b>	<b>\$ 192,510</b>	<b>\$ 2,436,683</b>

**Department of the Interior, National Park Service, Public/Governmental Net Cost Disclosure for the Year Ended September 30, 2006 (dollars in thousands)**

	NORTH- EAST REGION	SOUTH- EAST REGION	MID- WEST REGION	INTER- MOUNTAIN REGION	PACIFIC WEST REGION	ALASKA REGION	NATIONAL CAPITAL REGION	SUPPORT OFFICES	GRANTS PROGRAMS	TOTAL PROGRAMS
<b>Resource Protection</b>										
Intragovernmental Costs	\$ 59,941	\$ 51,641	\$ 34,449	\$ 75,303	\$ 80,824	\$ 22,494	\$ 27,788	\$ 430	\$ 0	\$ 352,870
Public Costs	222,359	199,143	132,679	239,085	270,034	57,876	101,031	865	0	1,223,072
Total Costs	282,300	250,784	167,128	314,388	350,858	80,370	128,819	1,295	0	1,575,942
Intragovernmental Earned Revenue	305	1,916	464	5,306	16,962	908	258	0	0	26,119
Public Earned Revenue	4,149	1,662	1,176	8,709	10,068	1,469	1,137	115	0	28,485
Total Earned Revenue	4,454	3,578	1,640	14,015	27,030	2,377	1,395	115	0	54,604
Net Costs	277,846	247,206	165,488	300,373	323,828	77,993	127,424	1,180	0	1,521,338
<b>Recreation</b>										
Intragovernmental Costs	38,303	32,299	21,121	51,681	53,328	5,774	16,488	16,362	0	235,356
Public Costs	140,733	70,456	62,239	145,895	143,677	25,318	73,504	37,349	193,687	892,858
Total Costs	179,036	102,755	83,360	197,576	197,005	31,092	89,992	53,711	193,687	1,128,214
Intragovernmental Earned Revenue	8,209	5,593	2,474	8,046	17,540	462	8,877	2,685	0	53,886
Public Earned Revenue	34,565	18,078	14,204	100,782	84,358	10,319	5,114	2,099	0	269,519
Total Earned Revenue	42,774	23,671	16,678	108,828	101,898	10,781	13,991	4,784	0	323,405
Net Costs	136,262	79,084	66,682	88,748	95,107	20,311	76,001	48,927	193,687	804,809
<b>Serving Communities</b>										
Intragovernmental Costs	10,943	14,079	9,151	23,072	27,544	1,463	2,763	2,946	0	91,961
Public Costs	36,928	33,988	25,761	64,370	82,280	6,875	9,654	17,729	0	277,585
Total Costs	47,871	48,067	34,912	87,442	109,824	8,338	12,417	20,675	0	369,546
Intragovernmental Earned Revenue	0	0	0	0	4,894	0	0	0	0	4,894
Public Earned Revenue	0	368	0	15	0	0	914	0	0	1,297
Total Earned Revenue	0	368	0	15	4,894	0	914	0	0	6,191
Net Costs	47,871	47,699	34,912	87,427	104,930	8,338	11,503	20,675	0	363,355
<b>TOTAL</b>										
Intragovernmental Costs	109,187	98,019	64,721	150,056	161,696	29,731	47,039	19,738	0	680,187
Public Costs	400,020	303,587	220,679	449,350	495,991	90,069	184,189	55,943	193,687	2,393,515
Total Costs	509,207	401,606	285,400	599,406	657,687	119,800	231,228	75,681	193,687	3,073,702
Intragovernmental Earned Revenue	8,514	7,509	2,938	13,352	39,396	1,370	9,135	2,685	0	84,899
Public Earned Revenue	38,714	20,108	15,380	109,506	94,426	11,788	7,165	2,214	0	299,301
Total Earned Revenue	47,228	27,617	18,318	122,858	133,822	13,158	16,300	4,899	0	384,200
<b>NET COST OF OPERATIONS</b>	<b>\$ 461,979</b>	<b>\$ 373,989</b>	<b>\$ 267,082</b>	<b>\$ 476,548</b>	<b>\$ 523,865</b>	<b>\$ 106,642</b>	<b>\$ 214,928</b>	<b>\$ 70,782</b>	<b>\$ 193,687</b>	<b>\$ 2,689,502</b>

## NOTE 17. LEASES

### Capital Lease Liabilities

<b>Capital Lease (Non-Federal) (dollars in thousands)</b>		
CAPITAL LEASES	FY 2007	FY 2006
Summary of Assets Under Capital Leases:		
Building	\$ 28,000	\$ 28,000
Accumulated Amortization	(6,300)	(4,900)
<b>BUILDING, NET</b>	<b>\$ 21,700</b>	<b>\$ 23,100</b>

The National Park Service reports the capital lease building and the associated accumulated amortization in General Property, Plant, and Equipment, Net on the Consolidated Balance Sheet. The National Park Service has recognized a Non-Federal capital lease liability in the amount of \$24,794 and \$25,541 thousand that is reported in Other Liabilities on the Consolidated Balance Sheet as of September 30, 2007, and September 30, 2006 respectively. 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 National Park Service pays the lessor base annual rent of \$1,997 thousand commencing on April 1, 2003, payable at the rate of \$166 thousand per month. The base annual rent shall be adjusted annually throughout the term in accordance with the terms agreed upon. In addition the NPS pays 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. The National Park Service assumes an imputed interest rate of 5.07%.

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

	FY 2007 REAL PROPERTY
2008	\$ 2,085
2009	2,172
2010	2,172
2011	2,172
2012	2,172
Thereafter	25,283
Total Future Lease Payments	36,056
Less: Imputed Interest	(11,262)
<b>FY 2007 Net Capital Lease Liability</b>	<b>\$ 24,794</b>
FY 2007 Lease Liabilities Covered by Budgetary Resources	\$ 2,085
FY 2007 Lease Liabilities Not Covered by Budgetary Resources	<u>\$ 22,709</u>
<b>FY 2006 Net Capital Lease Liability</b>	<b><u>\$ 25,541</u></b>

### Federal 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 property owned by GSA, 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 GSA was able to lease the space to another entity.

Leases in less active areas, such as rural areas 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 leasing the space to another entity.

For purposes of disclosing future operating lease payments in the following table, GSA-owned real property leases are included in years 2008 through 2012. The estimated future lease payments for GSA real property leases are based on a 2.4 percent increase for the year 2008 and a 2.5 percent increase for the years 2009 and beyond. For all other real property, the future operating lease payments in the accompanying table are based on the lease terms.

#### Public Real Property Operating Leases

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

#### Federal Personal Property Operating Leases

The National Park Service leases personal property from other federal entities, including vehicles from GSA. For purposes of disclosing future operating personal property lease payments in the following table, personal property leases are included in years 2008 through 2012. The estimated future operating lease payments for GSA personal property leases are based on an annual 2.4 percent increase for the year 2008 and a 2.5 percent increase for the years 2009 and beyond.

#### Public Personal Property Operating Leases

The National Park Service leases various personal property from the public. The future operating lease payments are based on the lease terms.

<b>Future Operating Lease Payments (dollars in thousands)</b>					
FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL
	FEDERAL	PUBLIC	FEDERAL	PUBLIC	
2008	\$ 48,249	\$ 2,371	\$ 24,163	\$ 200	\$ 74,983
2009	49,410	2,315	24,767	143	76,635
2010	50,544	2,305	25,386	23	78,258
2011	51,807	2,323	26,021	15	80,166
2012	53,102	2,311	26,671	6	82,090
Thereafter	0	156,081	0	\$ 0	156,081
<b>TOTAL FUTURE LEASE PAYMENTS</b>	<b>\$ 253,112</b>	<b>\$ 167,706</b>	<b>\$ 127,008</b>	<b>\$ 387</b>	<b>\$ 548,213</b>



**NOTE 18. TRANSFERS IN/OUT WITHOUT REIMBURSEMENT**

Funds 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, cleanup 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 transfers in/out of NPS as of September 30, 2007, and September 30, 2006, is as follows:

<b>Transfers In/Out Without Reimbursement (dollars in thousands)</b>				
	EARMARKED FY 2007	OTHER FY 2007	TOTAL FY 2007	FY 2006
<b>TRANSFERS - IN</b>				
Bureau of Land Management	\$ 5,000	\$ 17,977	\$ 22,977	\$ 9,301
DOT, Federal Lands Highway	0	0	0	0
Fish and Wildlife Service	0	0	0	5,770
National Park Service	121,198	0	121,198	159,310
Other Agencies	0	14,703	14,703	4,698
<b>SUBTOTAL TRANSFERS - IN</b>	<b>\$ 126,198</b>	<b>\$ 32,680</b>	<b>\$ 158,878</b>	<b>\$ 179,079</b>
<b>TRANSFERS - OUT</b>				
Department of Agriculture, Forest Service (L&WCF)	\$ (98,472)	\$ 0	\$ (98,472)	\$ (98,866)
Bureau of Land Management (L&WCF)	(8,634)	0	(8,634)	(13,750)
Fish and Wildlife Service (L&WCF)	(187,619)	0	(187,619)	(190,333)
National Park Service	(121,198)	0	(121,198)	(159,310)
Other Agencies	(11,193)	0	(11,193)	(7,441)
<b>SUBTOTAL TRANSFERS - OUT</b>	<b>\$ (427,116)</b>	<b>\$ 0</b>	<b>\$ (427,116)</b>	<b>\$ (469,700)</b>
<b>NET TRANSFERS IN/OUT WITHOUT REIMBURSEMENT</b>	<b>\$ (300,918)</b>	<b>\$ 32,680</b>	<b>\$ (268,238)</b>	<b>\$ (290,621)</b>

**NOTE 19. STATEMENT OF BUDGETARY RESOURCES**

*Permanent Indefinite Appropriation:* The National Park Service has 12 “Permanent Indefinite” Appropriations. They are as follows:

- 14X5057 Fee Collection Support
- 14X5262 National Park Passport Program
- 14X5049 Operation and Maintenance of Quarters
- 14X5431 Park Concessioner’s Franchises Fees
- 14X5164 Transportation Systems Fund
- 14X5412 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
- 14A1034 United States Park Police Pension

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.

***14X5057 Fee Collection Support***

***Public Law 103-66; 107 Stat. 403***

This includes a variety of entrance and user fees authorized by several acts of legislation. These retained fees cover such expenditures as repair, maintenance, facility enhancement directly related to visitor enjoyment, visitor access, health and safety, interpretation, visitor information, visitor service, visitor needs assessment and signs, habitat restoration directly related to wildlife-dependant recreation, law enforcement related to public use and recreation, fee management agreements, visitor reservation services; direct operating costs and the administration overhead and indirect costs of fee expenditures.

***14X5262 National Park Passport Program***

***Public Law 105-391; 112 Stat. 3510***

National Park Passports provide admission to all units of the National Parks System. The passport design is chosen by competition each year, and up to 15 percent of the revenues from the sale of passports are used to administer and promote the program. Private vendors are also allowed to collect a commission for the sale of passports. Net proceeds from passport sales are deposited in a special account and used for high-priority visitor service or resource management projects throughout the National Park System.

***14X5049 Operation and Maintenance of Quarters***

***5 CFR 591; 5 USC 5737***

Rental payments are deducted from the pay of National Park Service employees occupying housing units in National Park System areas and are deposited in a special fund for the operation and maintenance of safe and habitable government-owned quarters throughout the National Park System.

***14X5431 Park Concessioner's Franchises Fees***

***Public Law 105-391; 112 Stat. 3511-3512***

All franchise fees and other monetary considerations paid to the United States pursuant to concessions contracts under the National Park Service Concessions Management Improvement Act of 1998, as amended, are retained entirely by the NPS (80 percent by the collecting park) for visitor services and to fund high-priority and urgently necessary resource management programs and operations.

***14X5164 Transportation Systems Fund***

***Public Law 105-391; 110 Stat. 3518***

This program allows the NPS to charge a fee for public use of transportation services to all or part of any park unit, and to retain and use the fees only for costs associated with the transportation systems at each unit where the fee is collected.

***14X5412 Glacier Bay National Park Resource Protection***

***Public Law 104-133; 110 Stat. 4185***

Sixty percent of the revenues from fees paid by tour boat operators or other permittees for entering Glacier Bay National Park are deposited into a special account used to fund resource protection of the park from harm by permittees.

***14X5663 Educational Expenses, Children of Employees, Yellowstone National Park***  
***16 USC 40c***

Fees collected from visitors at Yellowstone National Park are deposited in a special fund as authorized by law in sufficient amounts to pay the additional costs of educating children stationed at Yellowstone.

**14X5666 Payment In Lieu of Taxes, Grand Teton National Park  
16 USC 406d-3**

As required by law, fees collected from visitors at Grand Teton National Park and Yellowstone National Park are provided to the State of Wyoming in amounts sufficient to compensate for tax revenues lost as a result of federal acquisitions of land in expanded areas of Grand Teton.

**14X5076 Delaware Water Gap NRA, Route 209 Operations  
Public Law 104-134; 110 Stat. 1321**

Funds collected from fees for commercial use of U.S. Route 209 within the boundaries of Delaware Water Gap National Recreation Area are used for the management, operation, construction, and maintenance of U.S. Route 209 within the park boundaries.

**14X5244 National Maritime Heritage Grants  
Public Law 98-63; 97 Stat. 329**

Twenty-five percent of any revenues received from the state of obsolete vessels in the National Defense Reserve Fleet are used to provide matching grants to state and local governments and private nonprofit organizations under the National Maritime Heritage Grants Program. Grants cover certain maritime heritage education and preservation purposes, and related administrative expenses.

**14X5110 Fee Demonstration Program  
Public Law 104-134; 110 Stat. 1321-200, Sec. 315**

As amended gives the NPS authority through December 8, 2014, to allow all fee-collecting park sites to experiment with new or increased recreation fees. Parks participating in the program have until FY 2017 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. The revenues received are considered inflows of resources to the government.

**14A1034 United States Park Police Pension  
Public Law 16 U.S.C. 14E**

This funding pays the costs of benefit payments to annuitants each year under the pension program from U.S. Park Police officers hired prior to January 1, 1984, to the extent the payments exceed deductions from salaries of active duty employees of the program. Payments are made to retirees, surviving spouses, and salaries of active duty employees of the program.

**Appropriations Received:** Appropriations Received as annotated on the Combined Statement of Budgetary Resources differs from that reported on the Consolidated Statement of Changes in Net Position, because the Appropriations Received amount on the Consolidated Statement of Changes in Net Position excludes dedicated collections and earmarked receipts.

**Schedule of Obligations by Apportionment:** National Park Service obligations incurred by apportionment category are as follows:

<b>Obligations Incurred by Apportionment Category (dollars in thousands)</b>		
<b>CATEGORY B</b>	<b>FY 2007</b>	<b>FY 2006</b>
Obligations Incurred:		
Direct	\$ 2,663,157	\$ 2,697,299
Reimbursable	147,613	149,982
<b>TOTAL OBLIGATIONS INCURRED</b>	<b>\$ 2,810,770</b>	<b>\$ 2,847,281</b>

National Park Service unobligated unavailable balances are as follows:

<b>Unobligated Unavailable Balances (dollars in thousands)</b>		
	FY 2007	FY 2006
Unapportioned Amounts Unavailable for Future Apportionments	\$ 322	\$ 895
Expired Authority	25,999	20,643
Unobligated Balance Unavailable	<u>\$ 26,321</u>	<u>\$ 21,538</u>

The unobligated unavailable balances are comprised of remaining authority of expired annual and multi-year appropriations as of the end of each respective fiscal year. The National Park Service undelivered orders as of September 30, 2007, and September 30, 2006, are \$1,060,718 thousand and \$1,046,854 thousand, respectively.

**NOTE 20. OFFSETTING RECEIPTS**

The National Park Service has offsetting receipts of \$250,111 thousand and \$221,489 thousand for the years ended September 30, 2007, and September 30, 2006, 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. In accordance with the Treasury Annual Report, the receipts types included for the NPS are intrabudgetary receipts, and proprietary receipts from the public.

**NOTE 21. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET**

Effective for Fiscal Year 2007, the Statement of Financing is presented as a footnote disclosure and is no longer a basic statement in accordance with OMB Circular No. A-136. The Statement of Financing is now reported in the notes and referred to as “Reconciliation of Net Cost of Operations to Budget.” In accordance with OMB Circular No. A-136, the NPS did not report a FY 2006 Statement of Financing, and instead has included the FY 2006 Statement of Financing in the note disclosure to provide comparative disclosures.

The Reconciliation of Net Cost of Operations (proprietary) to Budget reconciles 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 Reconciliation of Net Cost of Operations (proprietary) to Budget 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 Reconciliation of Net Cost of Operations (proprietary) to Budget 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 10, “Liabilities.” Differences are primarily the result of certain Treasury requirements related to where changes in various liabilities are reported on the Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly 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 Reconciliation of Net Cost of Operations (proprietary) to Budget.

The portion of offsetting receipts that is related to non-exchange revenue is disclosed as a reconciling item on the Reconciliation of Net Cost of Operations to Budget as an item, not part of the net cost of operations.

The reconciliation of net cost of operations to budget for FY 2007 and FY 2006 is as follows:

<b>Department of the Interior, National Park Service Reconciliation of Net Cost of Operations (Proprietary) to Budget For the Years Ended September 30, 2007, and 2006 (dollars in thousands)</b>		
	FY 2007	FY 2006
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 2,810,770	\$ 2,847,281
Less: Spending Authority From Offsetting Collections/Recoveries	(203,659)	(227,407)
Obligations Net of Offsetting Collections and Recoveries	2,607,111	2,619,874
Less: Offsetting Receipts	(250,111)	(221,489)
Net Obligations	2,357,000	2,398,385
Other Resources:		
Donations and Forfeitures of Property	821	265
Transfers - In/Out Without Reimbursement, Net	(704)	1,548
Imputed Financing From Costs Absorbed by Others	122,460	115,256
Net Other Resources Used to Finance Activities	122,577	117,069
<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>\$ 2,479,577</b>	<b>\$ 2,515,454</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided	1,298	79,485
Increase (Decrease) in Unfilled Customer Orders	34,178	21,614
Resources That Fund Expenses Recognized in Prior Periods	(15,711)	(23,150)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	(3,368)	890
Resources That Finance the Acquisition of Assets	(176,359)	(173,725)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	14,476	4,860
Allocation Transfer Reconciling Item, Parent	0	(13,063)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(145,486)	(103,089)
<b>TOTAL RESOURCES USED TO FINANCE NET COST OF OPERATIONS</b>	<b>\$ 2,334,091</b>	<b>\$ 2,412,365</b>
<b>COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	1,500	2,774
Increase in Environmental and Disposal Liability	6,995	11,334
Other	9,906	33,119
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	18,401	47,227
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	84,722	87,049
Revaluation of Assets or Liabilities	62	328
Allocation Transfers Reconciling Items	0	142,526
Other	(593)	7
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	84,191	229,910
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Year	102,592	277,137
<b>NET COST OF OPERATIONS</b>	<b>\$ 2,436,683</b>	<b>\$ 2,689,502</b>

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

## Allocation Transfers

Effective October 1, 2006, the NPS adopted OMB Circular No. A-136 guidance related to parent/child allocation transfers, as discussed in Note 25. As a result there are no reconciling differences for FY 2007.

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 2006 RECONCILING DIFFERENCE
14-14-X-1618-010	U.S. 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.	\$ 240
14-14-X-1121-010	U.S. 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.	\$ 1,375
14-14-X-1125-010	U.S. 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.	\$ 121,850
14-14-X-5232-010	U.S. Department of the Interior - Bureau of Land Management	Funds provided by way of the Southern Nevada Public Land Management Act for parks, trails, natural areas, and capital improvements.	\$ 180
14-14-X-5198-010	U.S. 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.	\$ 2,406
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.	\$ 584
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.	\$ 21
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.	\$ 15,870
<b>TOTAL RECIPIENT TRANSFER AMOUNTS</b>			<b>\$ 142,526</b>

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

<b>Transfer of Appropriations Where the National Park Service Is the Transferor (Parent)</b> (dollars in thousands)			
APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2006 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.	\$ (12,816)
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.	\$ (19)
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.	\$ (228)
TOTAL TRANSFEROR TRANSFER AMOUNTS			\$ (13,063)
TOTAL RECONCILING DIFFERENCES			\$ <u>129,463</u>

**NOTE 22. EARMARKED FUNDS**

The National Park Service considers the following appropriations earmarked funds:

**Major Earmarked Funds** – Land and Water Conservation Fund (L&WCF), Historic Preservation Fund (HPF), Land Acquisitions and State Assistance, Operation and Maintenance of Quarters, Fee Demonstration Program, National Park Passport Program, Park Concessioner’s Franchise Fees, Donations, and Federal Highways Administration.

**Other Earmarked Funds** – National Law Enforcement Memorial, Delaware Water Gap Route 209 Operations, Park Buildings and Maintenance, National Park Service Transportation Systems, Natural Resource Damage and Restoration, National Maritime Heritage, Filming and Photos Public Lands, Glacier Bay Cruise and Boat Fees, Education Expenses for the Children of Employees of Yellowstone National Park, Tax Losses on Lands Surrounding Grand Teton National Park, Birthplace of Abraham Lincoln, and Federal Highways Construction.

**Nature and Purposes of Major Earmarked Funds**

**Land and Water Conservation Fund (L&WCF):** In 1964 Congress established the Land and Water Conservation Fund (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 Land and Water Conservation Fund 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 Department of the Interior Minerals Management Service (MMS) and are reported as a restricted asset.

**Historic Preservation Funds (HPF):** The Historic Preservation Fund, approved October 15, 1966 (Public Law 89-665; 80 STAT.915; 16 U.S.C. 470) 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 the Minerals Management Service (MMS) and are reported as a restricted asset.

**Land Acquisition and State Assistance:** Through the use of the Land and Water Conservation Fund, this appropriation (Public Law 106-51; Public Law 106-113; and Public Law 107-63) funds: (1) the federal acquisition of land or interest in land within the National Park System; and (2) matching grants to states, territories and local governments for acquisition of parks and open space. Administrative expenses for both programs are also provided. All funds provided from this account are available until expended. The financing is accounted for through special warrants provided from the Land and Water Conservation Fund. These funds are considered intragovernmental flows.

**Operation and Maintenance of Quarters:** This fund (98 Stat. 1874) is derived from rent paid by NPS employees for government-owned houses and used to offset the cost of maintaining those houses. The revenues received are considered inflows of resources to the government.

**Fee Demonstration Program:** The NPS collects both admission fees and user fees (such as for guided tours, parking, and campgrounds) at various park locations. Prior to Fiscal Year 1997, funds collected were deposited into a special Treasury account and were available for appropriation to the NPS for operational expenses in the year following collection. Funds were appropriated back to the NPS under the Operation of the National Park System appropriation. Beginning with Fiscal Year 1997, Congress provided authority to institute a “Recreational Fee Demonstration Program” (Public Law 104-134) . All revenue collected at these sites is retained by the National Park Service and is immediately available, without being subject to appropriation. Parks have until FY2017 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. The Demonstration Program is currently authorized through December 8, 2014. The revenues received are considered inflows of resources to the government.

**National Park Passport Program:** Congress established through Public Law 105-391 [112 STAT. 3519 SEC. 602] a national park passport program to generate revenue for support of the National Park System. The national park passport is a collectible stamp providing the holder admission to all units of the National Park System for a period of 12 months from the date of purchase. The revenues received from this program are considered inflows of resources to the government.



**Park Concessioner's Franchise Fees:** Beginning with Fiscal Year 1999, as provided for in Section 407 of Public Law 105-391, Park Concessions Franchise Fees for concessioner activities are retained entirely by the NPS (80% by the collecting park) for visitor services and to fund high-priority and urgently necessary resource management programs and operations. The revenues received are considered inflows of resources to the government.

**Donations:** The Secretary of the Interior is authorized by Congress (16 U.S.C. 6) to accept donations that are consistent with NPS goals and objectives. Individuals, groups, corporations, and associations can make a contribution for NPS purposes either by direct contribution or by bequest. Monies collected are available for expenditure without time restriction until exhausted. The revenues received are considered inflows of resources to the government.

**Federal Highways Administration:** The Park Roads and Parkways Program is funded from the Highway Trust Fund, through the annual United States Department of Transportation Appropriation. After the Surface Transportation Assistance Act of 1982 was codified in Title 23, section 204, of the Federal Lands Highway Program, an interagency agreement was developed that laid out the roles and responsibilities of the two agencies. The National Park Service is responsible for protecting the parks and for setting the priority of projects. The Federal Highways Administration provides engineering expertise, is responsible for program oversight, and is the formal voice to Congress.

The Federal Lands Highway Program funds investments for transportation facilities and infrastructure that provide access to and within our nation's federal lands. The Park Roads and Parkways Program and the Alternative Transportation Program, both financed under the Federal Lands Highway Program, provide the support necessary to maintain the park road system and to explore alternative means of access that maintains a quality visitor experience and provides for protection of natural and cultural resources.

Effective October 1, 2005, the NPS adopted OMB Circular No. A-136 guidance related to parent/child allocation transfers for the Highway Trust Fund, as discussed in Note 25. As a result, there is no activity for FY 2007.

**Other Earmarked Funds:** The National Park Service is responsible for the management of several other earmarked funds with a variety of purposes. The other earmarked funds have been aggregated as other earmarked funds in accordance with accounting standards. The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the NPS as evidence of its receipts. Treasury securities are an asset to the NPS and liability to the U.S. Treasury. Because the (component entity) and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide the NPS with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the NPS requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures. The revenues received are considered inflows of resources to the Federal Government.

Department of the Interior, National Park Service, Earmarked Funds as of September 30, 2007 (dollars in thousands)

	LAND AND WATER CONSERVATION FUND	HISTORIC PRESERVATION FUND	LAND ACQUISITIONS AND STATE ASSISTANCE	OPERATION AND MAINTENANCE OF QUARTERS	FEE DEMO PROGRAM	NATIONAL PARK PASSPORT PROGRAM	PARK CONCESSIONER'S FRANCHISE FEES	DONATIONS	OTHER EARMARKED FUNDS	FY 2007
<b>ASSETS</b>										
Fund Balance with Treasury Investments, Net	\$ 15,372,152	\$ 2,684,312	\$ 286,382	\$ 16,781	\$ 351,188	\$ 35,308	\$ 111,377	\$ 55,287	\$ 21,523	\$ 18,934,310
Accounts Receivable, Net	0	0	0	0	0	0	0	0	1,456	1,456
General Property, Plant, and Equipment, Net	0	0	22	230	1,330	3	1,145	0	133	2,863
Other Assets	0	0	252	120	121,250	7,882	5,875	22,208	1,557	159,144
	0	416	2,715	0	212	(145)	88	28	593	3,907
<b>TOTAL ASSETS</b>	<b>\$ 15,372,152</b>	<b>\$ 2,684,728</b>	<b>\$ 289,371</b>	<b>\$ 17,131</b>	<b>\$ 473,980</b>	<b>\$ 43,048</b>	<b>\$ 118,485</b>	<b>\$ 77,523</b>	<b>\$ 25,262</b>	<b>\$ 19,101,680</b>
<b>LIABILITIES</b>										
Accounts Payable	0	3	127	240	1,106	152	350	268	612	2,858
Other Liabilities	0	3	283	359	3,030	171	391	339	151	4,727
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>6</b>	<b>410</b>	<b>599</b>	<b>4,136</b>	<b>323</b>	<b>741</b>	<b>607</b>	<b>763</b>	<b>7,585</b>
<b>NET POSITION</b>										
Unexpended Appropriations	0	0	0	0	0	0	0	0	2,511	2,511
Cumulative Results of Operations	15,372,152	2,684,722	288,961	16,532	469,844	42,725	117,744	76,916	21,988	19,091,584
<b>TOTAL NET POSITION</b>	<b>15,372,152</b>	<b>2,684,722</b>	<b>288,961</b>	<b>16,532</b>	<b>469,844</b>	<b>42,725</b>	<b>117,744</b>	<b>76,916</b>	<b>24,499</b>	<b>19,094,095</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 15,372,152</b>	<b>\$ 2,684,728</b>	<b>\$ 289,371</b>	<b>\$ 17,131</b>	<b>\$ 473,980</b>	<b>\$ 43,048</b>	<b>\$ 118,485</b>	<b>\$ 77,523</b>	<b>\$ 25,262</b>	<b>\$ 19,101,680</b>
<b>COST/REVENUE</b>										
Gross Costs	0	62,792	106,657	17,473	108,682	16,116	30,639	19,710	11,899	373,968
Earned Revenue	0	0	0	(18,398)	(166,695)	(3,199)	(47,745)	0	(18,770)	(254,807)
<b>NET COST OF OPERATIONS</b>	<b>\$ 0</b>	<b>\$ 62,792</b>	<b>\$ 106,657</b>	<b>\$ (925)</b>	<b>\$ (58,013)</b>	<b>\$ 12,917</b>	<b>\$ (17,106)</b>	<b>\$ 19,710</b>	<b>\$ (6,871)</b>	<b>\$ 119,161</b>
<b>NET POSITION</b>										
Net Position, Beginning Balance	14,836,220	2,597,823	325,883	15,616	410,825	55,645	100,633	69,393	20,371	18,432,409
Changes in Accounting Principles	0	0	543	0	0	0	0	0	(2,933)	(2,390)
Beginning Balance as Adjusted	\$ 14,836,220	\$ 2,597,823	\$ 326,426	\$ 15,616	\$ 410,825	\$ 55,645	\$ 100,633	\$ 69,393	\$ 17,438	\$ 18,430,019
Appropriations Received/Transferred	0	0	3,796	0	0	0	0	0	0	3,796
Royalties Retained	902,079	151,723	0	0	0	0	0	0	1,386	1,055,188
Non-Exchange Revenue and Donations	0	0	0	0	0	0	0	27,230	0	27,230
Other Financing Sources										
Transfers In/(Out) without Reimbursement	(366,147)	0	65,228	(9)	1,006	(3)	5	3	(1,196)	(301,113)
Other	0	(2,032)	168	0	0	0	0	0	0	(1,864)
Net Cost of Operations	0	(62,792)	(106,657)	925	58,013	(12,917)	17,106	(19,710)	6,871	(19,161)
Change in Net Position	535,932	86,899	(37,465)	916	59,019	(12,920)	17,111	7,523	7,061	664,076
<b>NET POSITION, ENDING BALANCE</b>	<b>\$ 15,372,152</b>	<b>\$ 2,684,722</b>	<b>\$ 288,961</b>	<b>\$ 16,532</b>	<b>\$ 469,844</b>	<b>\$ 42,725</b>	<b>\$ 117,744</b>	<b>\$ 76,916</b>	<b>\$ 24,499</b>	<b>\$ 19,094,095</b>

Department of the Interior, National Park Service, Earmarked Funds as of September 30, 2006 (dollars in thousands)

	LAND AND WATER CONSERVATION FUND	HISTORIC PRESERVATION FUND	LAND ACQUISITIONS AND STATE ASSISTANCE	OPERATION AND MAINTENANCE OF QUARTERS	FEE DEMO PROGRAM	NATIONAL PARK PASSPORT PROGRAM	PARK CONCESSIONER'S FRANCHISE FEES	DONATIONS	FEDERAL HIGHWAYS ADMINISTRATION	OTHER EARMARKED FUNDS	FY 2006
<b>ASSETS</b>											
Fund Balance with Treasury Investments, Net	\$ 14,836,220	\$ 2,597,465	\$ 322,945	\$ 15,870	\$ 317,203	\$ 50,482	\$ 95,455	\$ 57,128	\$ 0	\$ 17,597	\$ 18,310,365
Accounts Receivable, Net	0	0	0	0	0	0	0	0	0	1,464	1,464
General Property, Plant, and Equipment, Net	0	0	402	153	5	0	1,076	1	0	110	1,747
Other Assets	0	0	314	148	97,497	5,678	4,520	12,958	0	1,803	122,918
	0	373	2,699	0	173	8	392	99	0	0	3,714
<b>TOTAL ASSETS</b>	<b>\$ 14,836,220</b>	<b>\$ 2,597,838</b>	<b>\$ 326,330</b>	<b>\$ 16,171</b>	<b>\$ 414,878</b>	<b>\$ 56,168</b>	<b>\$ 101,443</b>	<b>\$ 70,186</b>	<b>\$ 0</b>	<b>\$ 20,974</b>	<b>\$ 18,440,208</b>
<b>LIABILITIES</b>											
Accounts Payable	0	3	71	256	1,451	318	483	367	0	466	3,415
Other Liabilities	0	12	376	299	2,602	205	327	426	0	137	4,384
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>15</b>	<b>447</b>	<b>555</b>	<b>4,053</b>	<b>523</b>	<b>810</b>	<b>793</b>	<b>0</b>	<b>603</b>	<b>7,799</b>
<b>NET POSITION</b>											
Unexpended Appropriations	0	0	(3,796)	0	0	0	0	0	0	0	(3,796)
Cumulative Results of Operations	14,836,220	2,597,823	329,679	15,616	410,825	55,645	100,633	69,393	0	20,371	18,436,205
<b>TOTAL NET POSITION</b>	<b>14,836,220</b>	<b>2,597,823</b>	<b>325,883</b>	<b>15,616</b>	<b>410,825</b>	<b>55,645</b>	<b>100,633</b>	<b>69,393</b>	<b>0</b>	<b>20,371</b>	<b>18,432,409</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 14,836,220</b>	<b>\$ 2,597,838</b>	<b>\$ 326,330</b>	<b>\$ 16,171</b>	<b>\$ 414,878</b>	<b>\$ 56,168</b>	<b>\$ 101,443</b>	<b>\$ 70,186</b>	<b>\$ 0</b>	<b>\$ 20,974</b>	<b>\$ 18,440,208</b>
<b>COST/REVENUE</b>											
Gross Costs	0	65,543	150,889	17,654	99,633	16,196	21,091	21,122	0	12,668	404,796
Earned Revenue	0	0	0	(16,807)	(136,288)	(22,214)	(35,901)	0	0	(11,435)	(222,645)
<b>NET COST OF OPERATIONS</b>	<b>\$ 0</b>	<b>\$ 65,543</b>	<b>\$ 150,889</b>	<b>\$ 847</b>	<b>\$ (36,655)</b>	<b>\$ (6,018)</b>	<b>\$ (14,810)</b>	<b>\$ 21,122</b>	<b>\$ 0</b>	<b>\$ 1,233</b>	<b>\$ 182,151</b>
<b>NET POSITION</b>											
Net Position, Beginning Balance	14,303,499	2,663,580	433,735	16,423	366,233	49,722	85,872	63,491	11	16,993	17,999,559
Beginning Balance as Adjusted	\$ 14,303,499	\$ 2,663,580	\$ 433,735	\$ 16,423	\$ 366,233	\$ 49,722	\$ 85,872	\$ 63,491	\$ 11	\$ 16,993	\$ 17,999,559
Appropriations Received/Transferred	0	0	5	0	0	0	0	0	10	0	15
Royalties Retained	894,587	1,903	0	0	0	0	0	0	0	1,398	897,888
Non-Exchange Revenue and Donations	0	0	0	0	0	0	0	27,017	0	0	27,017
Other Financing Sources											
Transfers In/(Out) without Reimbursement	(361,866)	(394)	41,954	41	7,936	(95)	(48)	8	(21)	3,212	(309,273)
Other	0	(1,723)	1,078	0	1	0	(1)	(1)	0	0	(646)
Net Cost of Operations	0	(65,543)	(150,889)	(848)	36,655	6,018	14,810	(21,122)	0	(1,232)	(182,151)
Change in Net Position	532,721	(65,757)	(107,852)	(807)	44,592	5,923	14,761	5,902	(11)	3,378	432,850
<b>NET POSITION, ENDING BALANCE</b>	<b>\$ 14,836,220</b>	<b>\$ 2,597,823</b>	<b>\$ 325,883</b>	<b>\$ 15,616</b>	<b>\$ 410,825</b>	<b>\$ 55,645</b>	<b>\$ 100,633</b>	<b>\$ 69,393</b>	<b>\$ 0</b>	<b>\$ 20,371</b>	<b>\$ 18,432,409</b>

**NOTE 23. 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 2009 President's Budget with the actual FY 2007 Statement of Budgetary Resources amounts was not available at the time the financial statements were prepared. The following summarizes the difference between the actual amounts in the FY 2008 President's Budget and the actual amounts in the FY 2006 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.

**Department of the Interior, National Park Service  
Differences Between FY 2006 Combined Statement of Budgetary Resources  
and Budget of the United States Government (President's Budget)  
(dollars in millions)**

LINE ITEM	FY 2006 AMOUNT PER PRESIDENT'S BUDGET	FY 2006 AMOUNT PER STATEMENT OF BUDGETARY RESOURCES	DIFFERENCE	EXPLAN- ATION
<b>BUDGETARY RESOURCES:</b>				
Unobligated Balance, Beginning of Fiscal Year	\$ 1,012	\$ 996	16	A
Recoveries of Prior Year Unpaid Obligations	25	36	(11)	B
Budget Authority:				
Appropriations Received	2,745	2,722	23	C
Spending Authority From Offsetting Collections	192	191	1	G
Non-Expenditure Transfers, Net Temporarily Not Available Pursuant to Public Law	(57)	(57)	0	
Permanently Not Available	(4)	0	(4)	D
	(34)	(47)	13	E
<b>STATUS OF BUDGETARY RESOURCES:</b>				
Obligations Incurred	2,855	2,847	8	A
Unobligated Balance	1,020	995	25	F
<b>CHANGE IN OBLIGATED BALANCE:</b>				
Obligated Balance, Net, Beginning of Fiscal Year	1,267	1,265	2	G
Obligations Incurred	2,855	2,847	8	A
Less: Gross Outlays	(2,861)	(2,842)	(19)	C
Less: Recoveries of Prior Year Unpaid Obligations	(25)	(36)	11	B
Change in Uncollected Customer Payments From Federal Sources	(21)	(21)	0	
Obligated Balance, Net, End of Fiscal Year	(1,215)	(1,213)	(2)	G
<b>Net Outlays:</b>				
Gross Outlays	2,861	2,842	19	C
Less: Offsetting Collections	(171)	(170)	(1)	G
Less: Distributed Off-Setting Receipts	0	(221)	(221)	H
Net Outlays/Receipts	\$ 0	\$ 2,451	( 2,451)	H

\* Source: Fiscal Year 2006 Actual Amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2007.

Notes:

- A. Expired accounts are not reported on the President's Budget and the Concession Improvement Account is not reported on the Combined Statement of Budgetary Resources.
- B. Difference in reporting methods between the President's Budget and the Combined Statement of Budgetary Resources. Expired annual accounts are not reported on the Presidents Budget but are reported on the Combined Statement of Budgetary Resources.
- C. The Concession Improvement Account is reported on the President's Budget and is not reported on the Combined Statement of Budgetary Resources.
- D. Monies reflected as temporarily not available on the President's Budget and as permanently not available on the Combined Statement of Budgetary Resources.
- E. Annual amount of contract authority in the yearly Appropriation Act that is always rescinded in the same act before it is passed and is not reported on the Combined Statement of Budgetary Resources. In addition this includes monies temporarily not available on the President's Budget and reported on the Combined Statement of Budgetary Resources.
- F. The Concession Improvement Account is reported on the President's Budget and is not reported on the Combined Statement of Budgetary Resources. Furthermore, unobligated not available is not reported on the President's Budget.
- G. Differences result of rounding.
- H. Amounts are included in the Combined Statement of Budgetary Resources, but not in the President's Budget.

**NOTE 24. DONATED STEWARDSHIP ASSETS**

The National Park Service received donated stewardship assets with an estimated fair value of \$1,500 thousand in FY 2006. There were no donations in FY 2007.

**NOTE 25. CHANGE IN ACCOUNTING PRINCIPLE**

Effective as of October 1, 2006, the NPS adopted the parent/child provisions of OMB Circular No. A-136. Under such provisions, federal agencies (child) that received allocated budget authority through another parent agency are required to provide federal agencies (parent), all of their financial activity. In prior guidance, child agencies that received allocated budget authority were allowed to report proprietary activity in their financial statements, if material to them. In FY 2006 the NPS reported only budget activity when the NPS was the parent and reported only the proprietary activity when the NPS was the child, except for the Highway Trust Fund. The NPS did not apply the parent/child provision of OMB Circular No. A-136 to the FY 2006 Financial Statements, therefore the FY 2006 Financial Statements are not comparable to the FY 2007 Financial Statements.

The cumulative effect of this change in accounting principle resulted in a decrease of \$27.8 million to assets and \$5.8 million to liabilities on the Balance Sheet, and resulted in a corresponding decrease of \$22 million to the beginning balances on the FY 2007 Statement of Changes in Net Position.



A National Park Service ranger joins diverse attendees at a ceremony officially dedicating Sand Creek Massacre National Historic Site. Some tribal members camped in teepees along Big Sandy Creek in Kiowa County the night before the ceremony.

PHOTO BY BJ SANGOSTI/COURTESY OF THE DENVER POST

# Required Supplementary Information

(Unaudited - See Accompanying Independent Auditors' Report)

## STEWARDSHIP AND HERITAGE ASSETS

Rivers, deserts, riparian areas, seashores, wilderness areas, lakeshores, and museum collections are among the many stewardship and heritage assets that 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 national historic landmarks, national natural landmarks, as well as designated national park units such as national battlefields, national memorials, national monuments, and national lakeshores.

The deferred maintenance section of this report 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

National Park System units are created by an act of Congress, except that national monuments also may be added by Presidential proclamation. The Antiquities Act of 1906 (16 U.S.C. 431 et seq.) authorizes the President to create national monuments on land that is already federally owned or controlled, that contains historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest. Extensions or establishment of monuments in Wyoming require the authorization of Congress (16 U.S.C. 431a). An act of Congress is required to withdraw an NPS unit from the National Park System. Subsets of authorized lands within the park unit may have additional designations such as *wilderness area* or *national natural landmark* (NNL). National

Park Service units are considered both as stewardship land and as non-collectible heritage assets.

At the end of FY 2006 there were 390 park units within the National Park System. One unit, Sand Creek Massacre National Historic Site, was added during FY 2007. As of September 30, 2007, there are 391 park units included in the National Park System.

**Sand Creek Massacre National Historic Site** – The establishment of Sand Creek Massacre National Historic Site fulfills the intent of Public Law 106-465 and memorializes the massacre of some 160 Cheyenne and Arapaho people on November 29, 1864, by members of a Colorado militia. The site was privately held for generations and has been the focus of more than a decade of study and legislative efforts and partnership between the Southern Cheyenne and Arapaho, the Northern Cheyenne and Northern Arapaho Tribes, the State of Colorado, and the National Park Service. The site is sacred to Native peoples and the four Tribes involved with the establishment of the new unit are authorized use of the site for ceremonial purposes under terms of the authorizing legislation. In addition the Tribes will be a part of the interpretive planning and general management being developed for the site. Sand Creek Massacre National Historic Site in southeastern Colorado was formally dedicated on April 28, 2007.

National park units are used and managed in accordance with the statutes authorizing their establishment 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.

Land is defined as the solid part of the surface of the Earth and excludes natural resources (that is, resources and renewable resources that can be depleted) related to

the land. Based on this definition, stewardship land is considered to be in acceptable condition unless an environmental contamination or liability is identified, and the land cannot be used for its intended purpose(s). Information regarding the financial liabilities identified as probable or reasonably possible and that potentially affect the condition of stewardship land are located in Note 15, "Contingent Liabilities and Environmental and Disposal Liabilities."

Occasionally land areas within national park units may be temporarily closed or restricted to visitor access because of a variety of events, many of which occur due to natural events precipitating the temporary closure or restricted access. None of these events are considered of such magnitude that would render the land in less than acceptable condition and from being used for the purpose for which the land is intended (i.e., as a unit of the National Park System).

Examples of events that occur within national parks include the following:

- Portions of many national parks are routinely closed each winter due to weather conditions and to protect public health and safety. For example, gusts of up to 100 mph that buffeted Rocky Mountain National Park in January 2007 led to the closure of the eastern side of the park. Steady winds between 30 and 50 mph caused blowing and drifting snow, reduced visibility to zero, and created slick road conditions. The entire park temporarily closed one afternoon because of these white-out conditions
- As a natural occurrence, the grand, granite walls of Yosemite National Park are subject to rockslides. The park designates zones for falling rocks to alert visitors to the potential hazard.
- At Hawaii Volcanoes National Park, the park took a number of precautionary measures, including the temporary

closure of parts of the park, to protect visitors after an earthquake swarm shook the upper east rift of Kilauea Volcano.

## NATIONAL PARK SERVICE HERITAGE ASSETS

### National Park Service Units by Category

National Park Service units are considered both as stewardship land and as non-collectible heritage assets. As discussed in the Stewardship Land section of this report, National Park System units are created by act of Congress, except that national monuments may be added by Presidential proclamation. The Antiquities Act of 1906 (16 U.S.C. 431 et seq.) authorizes the President to create national monuments on land that is already federally owned or controlled, that contains historic landmarks, historic and prehistoric structures, or other objects of historic or scientific interest. Extensions or establishment of monuments in Wyoming require the authorization of Congress (16 U.S.C. 431a). An act of Congress is required to withdraw an NPS unit from the National Park System. The accompanying table (*see following page*) describes the types of National Park Service units.

At the end of FY 2006 there were 390 park units within the National Park System, including 78 national historic sites. During FY 2007 one additional national historic site was added. There are now 79 national historic sites. No park units in any category were withdrawn. As of September 30, 2007, there are 391 park units included in the National Park System. See the Stewardship Land section of this report for information regarding the additions.

The condition of an NPS park unit is based on either the presence of historic buildings (structure-based) or stewardship land (land-based) in the absence of historic building assessments. See the Stewardship Land section of this report for land assessment information. In a few circumstances where

### National Park System, FY 2007

	BEGINNING UNITS	ADDITIONS	WITHDRAWALS	ENDING UNITS	CONDITION
NATIONAL PARK UNITS	390	1	0	391	Acceptable



## 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 Site, is relevant to both U.S. and Canadian history.
National Battlefield	Land on which a single historic battle or multiple historic battles occurred during varying lengths of time. 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. Congress names the park units and the NPS uses the official names. No further descriptions or distinctions are maintained by the NPS.
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 are relatively primitive. Hunting is allowed at many of these sites.
Other Park Unit Designations	Other park unit designations include those areas that cannot be readily included in any standard categories. Examples include: Catocin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap National Park for the Performing Arts.

a park unit has a dual designation and is counted as two individual park units (e.g., Glacier Bay National Park and Preserve), the condition assessment may be assigned to the national park and replicated for the national preserve.

For structure-based condition reporting, a historic building is in acceptable condition if the historic building and its significant features are intact, structurally sound, and performing their intended purpose. Neither the building nor its significant features need repair or rehabilitation, but only routine or preventive maintenance. A historic building may also be in acceptable condition if the historic building and its features are generally sound and performing their intended purpose, although there may be early signs of wear, failure, deterioration, or failure of a significant feature.

A historic building is in unacceptable 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 historic building; or (d) the historic building or significant features show signs of imminent failure or breakdown.

#### **NATIONAL HISTORIC LANDMARKS**

The Historic Sites Act of 1935 authorized the Secretary of the Interior to survey historic and archeological sites, buildings, and objects for determining which possess exceptional value as commemorating or illustrating the history of the United States. Scholars study historic properties in the context of themes, such as European colonial exploration and settlement, to establish their relative importance and ensure only the most significant are designated as landmarks. 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. Because landmarks are nationally significant, they must meet a high standard of integrity, meaning they have great authenticity and the ability to tell their story.

The National Park Service National Historic Landmarks Survey staff prepares nominations, advises others on the

preparation of nominations, and evaluates potential *national historic landmark* (NHL) nominations for their ability to meet specific criteria established in 36 C.F.R. 65. 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. Recommendations of the Board are forwarded to the Secretary of the Interior who has the authority to designate and de-designate national historic landmarks after considering the information provided by this Board.

Not every historic and cultural unit of the National Park System is a national historic landmark. National historic landmarks that were designated before being included in national park units retain their previous recognition 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.

Some national parks, such as Yosemite and Glacier, contain a number of separate national historic landmarks. Yosemite contains four national historic landmarks: LeConte Memorial Lodge, the Ahwahnee Hotel, Parsons Memorial Lodge, and the Ranger's Club. 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 larger Guilford Court House Battlefield National Historic Landmark.

As of September 30, 2006, the National Park Service owned an estimated 177 national historic landmarks. During FY 2007 no newly designated NHLs were added to the NPS-owned list, and none were withdrawn.; therefore, the total remains 177 NHLs.

While there were no NHL additions or withdrawals, the NPS announced that after a major restoration of more than three years duration, the schooner *C.A. Thayer* returned home to San Francisco Maritime National Historical Park. Built in Fairhaven, California, in 1895 and designated a national historic landmark in 1984, the *C.A. Thayer*



1895 schooner *C.A. Thayer* rests in drydock during renovation at San Francisco Maritime National Historical Park. NPS PHOTO BY TIM CAMPBELL

is one of two remaining West Coast lumber schooners. The magnitude and extent of the restoration is virtually unprecedented in the history of modern maritime preservation, ensuring that this 156-foot-long wooden schooner can survive for another hundred years. Additional restoration work will continue at the Hyde Street Pier with the goal of preparing *Thayer* to sail once again. Ongoing projects will include restoration of her sailing rig, completion of the forward deckhouse, and installation of interior fittings.

The National Park Service monitors the condition of national historic landmarks on a continuing basis, with surveys completed by their owners and managers at the end of even-numbered years. The National Historic Landmark Program aggregates condition information in four primary categories. Landmarks are classified as “threatened” when the landmark has already suffered severe damage or is imminently threatened with severe damage to its integrity. If the landmark has suffered, or is about to suffer severe damage that may destroy it altogether, such as demolition, it is listed in “emergency” condition. The “watch” category is defined as the potential for damage to the landmark’s integrity.

The “satisfactory” category indicates that no known threat exists to the landmark. Threatened and emergency conditions are aggregated into the “unacceptable” category, and the watch and satisfactory categories are aggregated into the “acceptable” category.

As of FY 2007, 158 (89 percent) of the NHLs were listed in acceptable condition, and 19 (11 percent) were in unacceptable condition.

#### **NATIONAL NATURAL LANDMARKS**

*National natural landmarks* (NNL) are areas which have 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 580 designated NNLs,

18 of which were partially or completely managed by the National Park Service (NPS) during FY 2006. During FY 2007 no additions or withdrawals of NPS-managed lands were made to the NNL registry of designated sites.

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

that originally qualified it for designation, and prejudicial failure to follow applicable designation procedures. As in the case of designation, recommendation for removal of designation is made by the 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. A site is typically listed in the annual Report on Damaged and Threatened NNLs if the resources for which the site was designated are threatened, or if they have been damaged. The threat to the NNL resources must be imminent to warrant a listing; for example, a major project that could affect NNL resources should be in the study stage, not merely an alternative in the discussion stage.

For presentation purposes, the National Park Service sorts non-collectible heritage assets into two primary categories: 1) land- and 2) structure-based. Because NNLs are based on natural resources and are not manufactured structures, the condition information is shown in the land-based columns—the most representative category.

National Park Service National Natural Landmarks		
STATE	NATIONAL NATURAL LANDMARK	PARK UNIT
Alaska	Aniakchak Crater Arrigetch Peaks Iliamna Volcano Malaspina Glacier Redoubt Volcano Walker Lake	Aniakchak Monument and Preserve Gates of the Arctic National Park and Preserve Lake Clark National Park and Preserve Wrangell-St. Elias National Park and Preserve Lake Clark National Park and Preserve Gates of the Arctic National Park and Preserve
California	Cinder Cones Natural Area Eureka Sand Dunes	Mojave National Preserve Death Valley National Park
Idaho	Cassia Silent City of Rocks Hagerman Fauna Sites	City of Rocks National Reserve Hagerman Fossil Beds National Monument
Indiana	Cowles Bog Pinhook Bog	Indiana Dunes National Lakeshore Indiana Dunes National Lakeshore
Maine	Gulf Hagas	Appalachian National Scenic Trail
New Mexico	Grants Lava Flow	El Malpais National Monument
Oregon	John Day Fossil Beds	John Day Fossil Beds National Monument
South Carolina	Congaree River Swamp	Congaree National Park
U.S. Virgin Islands	Salt River Bay	Salt River Bay National Historical Park and Ecological Preserve
Washington	Point of Arches	Olympic National Park



Salt River Bay National Historical Park and Ecological Preserve is a dynamic, tropical ecosystem with coral reefs and a submarine canyon. The National Park Service manages 10 areas containing tropical and subtropical coral reef resources, totaling 270,524 acres in the South Atlantic/Caribbean and 6,147 acres in the Pacific. NPS PHOTO

All eighteen (100%) NNLs containing NPS-managed lands are in acceptable condition.

The National Park Service categorizes NNLs as non-collectible heritage assets. National park units with designated national natural landmarks are listed in the accompanying table.

#### **WILDERNESS AREAS**

The Wilderness Act, signed into law in 1964, created the National Wilderness Preservation System and recognized wilderness as “an area where the earth and its community of life are untrammelled by man, where man himself is a visitor who does not remain.” The Act further defined wilderness as “an area of undeveloped Federal land retaining its primeval character and influence without permanent improvements or human habitation, which is protected and managed so as to preserve its natural conditions . . . .”

*Wilderness areas* are 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 provide outstanding opportunities for solitude, and for primitive and unconfined types of recreation. An act of Congress is required to de-designate a wilderness area. The National Park Service categorizes wilderness areas as both stewardship land and as a non-collectible heritage asset.

At the end of FY 2006 wilderness areas existed within 47 National Park Service units. No new designations or de-designations were made during FY 2007. Wilderness areas are subsets of authorized lands within specific national park units. (*See the Stewardship Land section of this report for condition information.*)

Additional information on National Park Service wilderness may be found at [www.wilderness.net](http://www.wilderness.net) and at [www.wilderness.nps.gov](http://www.wilderness.nps.gov). National parks with designated wilderness are listed in the accompanying table (*see following page*).

#### **MUSEUM COLLECTIONS**

National Park Service museum collections support the NPS mission

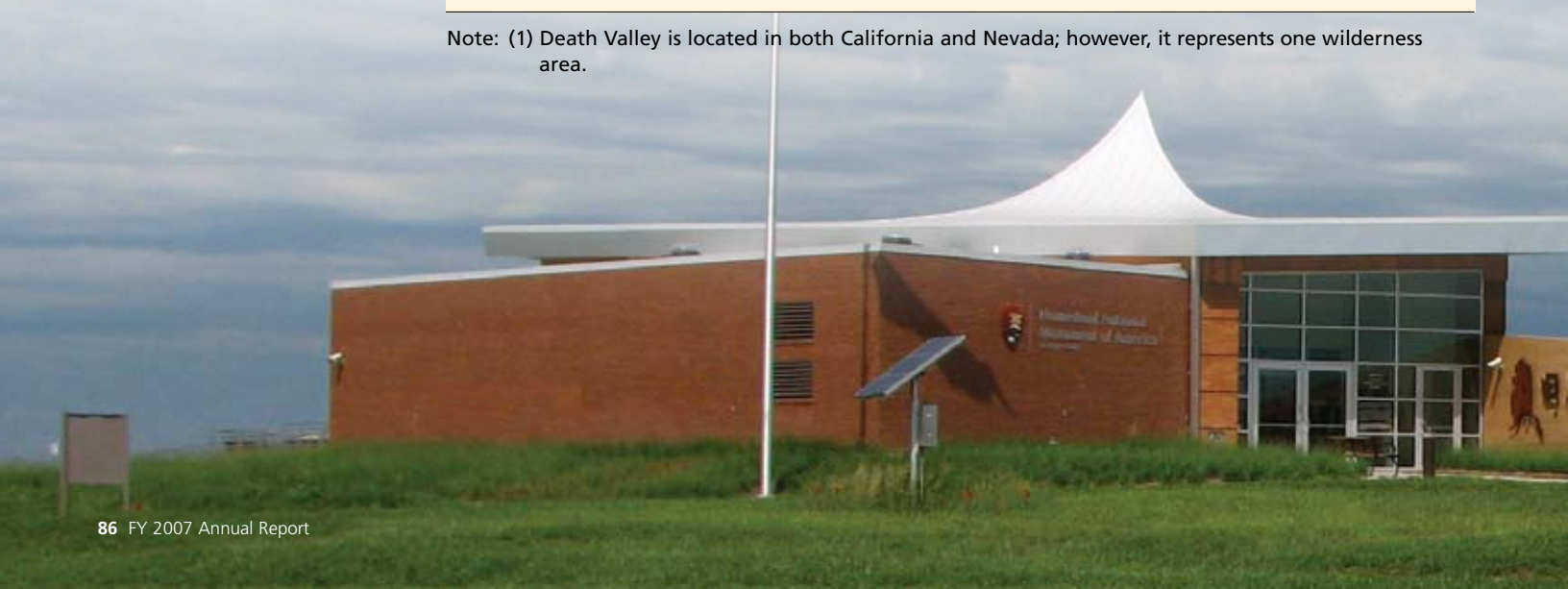
The new Homestead Heritage Center at Homestead National Monument of America is designed to represent the Homestead Act of 1862 with sweeping views of the prairie and a unique roof line resembling a single bottom plow moving through the sod. State-of-the-art exhibits present homesteading in an interactive setting.

NPS PHOTO

## National Park System Wilderness Areas

State	Wilderness Area	Park Unit
Alaska	Denali	Denali National Park
	Gates of the Arctic	Gates of the Arctic National Park
	Glacier Bay	Glacier Bay National Park and Preserve
	Katmai	Katmai National Park and Preserve
	Kobuk Valley	Kobuk Valley National Park
	Lake Clark	Lake Clark National Park
	Noatak	Noatak National Preserve
	Wrangell-St. Elias	Wrangell-St. Elias National Park and Preserve
	Arkansas	Buffalo National River
Arizona	Chiricahua	Chiricahua National Monument
	Organ Pipe Cactus	Organ Pipe Cactus National Monument
	Petrified Forest	Petrified Forest National Park
	Saguaro	Saguaro National Park
California	Ansel Adams	Devils Postpile National Monument
	Death Valley <sup>1</sup>	Death Valley National Park
	Joshua Tree	Joshua Tree National Park
	Lassen Volcanic	Lassen Volcanic National Park
	Lava Beds	Lava Beds National Monument
	Mojave	Mojave National Preserve
	Philip Burton	Point Reyes National Seashore
	Pinnacles	Pinnacles National Monument
	Sequoia-Kings Canyon	Sequoia-Kings Canyon National Park
Yosemite	Yosemite National Park	
Colorado	Black Canyon of the Gunnison	Black Canyon of the Gunnison National Park
	Great Sand Dunes	Great Sand Dunes National Park
	Indian Peaks	Rocky Mountain National Park
	Mesa Verde	Mesa Verde National Park
Florida	Marjory Stoneman Douglas	Everglades National Park
Georgia	Cumberland Island	Cumberland Island National Seashore
Hawaii	Haleakala	Haleakala National Park
	Hawaii Volcanoes	Hawaii Volcanoes National Park
Idaho	Craters of the Moon	Craters of the Moon National Monument
Michigan	Isle Royale	Isle Royale National Park
Mississippi	Gulf Islands	Gulf Islands National Seashore
Nevada	Death Valley <sup>1</sup>	Death Valley National Park
	Lake Mead	Lake Mead National Recreation Area
New Mexico	Bandelier	Bandelier National Monument
	Carlsbad Caverns	Carlsbad Caverns National Park
New York	Fire Island	Fire Island National Seashore
North Dakota	Theodore Roosevelt	Theodore Roosevelt National Park
South Carolina	Congaree Swamp	Congaree National Park
South Dakota	Badlands	Badlands National Park
Texas	Guadalupe Mountains	Guadalupe Mountains National Park
Virginia	Shenandoah	Shenandoah National Park
Washington	Mount Rainier	Mount Rainier National Park
	Olympic	Olympic National Park
Wisconsin	Stephen Mather	North Cascades National Park
	Gaylord A. Nelson	Apostle Islands National Lakeshore

Note: (1) Death Valley is located in both California and Nevada; however, it represents one wilderness area.



The following table summarizes the Non-Collectible Heritage Assets discussed in the previous sections.

National Park System Non-Collectible Heritage Assets, FY 2007										
					CONDITION					
					LAND-BASED			STRUCTURE-BASED		
CATEGORY	BEGINNING BALANCE (UNITS)	ADDITIONS (UNITS)	WITH-DRAWALS (UNITS)	ENDING BALANCE (UNITS)	ACCEPT-ABLE	NEEDS INTER-VENTION	TOTAL	ACCEPT-ABLE	NEEDS INTER-VENTION	TOTAL
<b>TOTAL</b>										
National Battlefield Parks	3	-	-	3	-	-	-	100%	-	100%
National Battlefield Sites	1	-	-	1	100%	-	100%	-	-	-
National Battlefields	11	-	-	11	100%	-	100%	100%	-	100%
National Historic Sites	78	1	-	79	100%	-	100%	100%	-	100%
National Historical Parks	42	-	-	42	100%	-	100%	97%	3%	100%
National Lakeshores	4	-	-	4	-	-	-	100%	-	100%
National Memorials	28	-	-	28	100%	-	100%	100%	-	100%
National Military Parks	9	-	-	9	100%	-	100%	100%	-	100%
National Monuments	74	-	-	74	100%	-	100%	94%	6%	100%
National Parks	58	-	-	58	100%	-	100%	98%	2%	100%
National Parkways	4	-	-	4	100%	-	100%	100%	-	100%
National Preserves	18	-	-	18	100%	-	100%	94%	6%	100%
National Recreation Areas	18	-	-	18	100%	-	100%	100%	-	100%
National Reserves	2	-	-	2	100%	-	100%	-	-	-
National Rivers	5	-	-	5	100%	-	100%	100%	-	100%
National Scenic Trails	3	-	-	3	100%	-	100%	-	-	-
National Seashores	10	-	-	10	-	-	-	100%	-	100%
National Wild & Scenic Rivers	10	-	-	10	100%	-	100%	50%	50%	100%
International Historic Sites	1	-	-	1	-	-	-	100%	-	100%
Other Park Designations	11	-	-	11	100%	-	100%	100%	-	100%
<b>SUBTOTAL - NPS (Units)</b>	<b>390</b>	<b>1</b>	<b>-</b>	<b>391</b>						
National Historic Landmarks	177	-	-	177	-	-	-	89%	11%	100%
National Natural Landmarks	18	-	-	18	100%	-	100%	100%	-	-
Wilderness Areas <sup>1</sup>	47	-	-	47	100%	-	100%	100%	-	-
<b>TOTAL</b>	<b>632</b>	<b>1</b>	<b>-</b>	<b>633</b>						

Note: (1) Wilderness Area units are the number of National Park Service units containing a designated "Wilderness Area."



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 are important not only individually, but because of their direct association with the nationally significant sites within the National Park System. Representing 367 of the national park units, 8 related areas, and 9 administrative offices and centers, the collections are managed at 326 NPS locations.

The National Park Service 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, websites, films, and videos. In addition the public can directly access information in collections catalogs and other databases for research purposes, as well as access the collections themselves.

Notable acquisitions in FY 2007 include an extensive private collection of photographs and objects related to the history of Skagway at Klondike Goldrush National Historical Park; a 1903 landscape painting of Zion Canyon by Frederick S. Dellenbaugh at Zion National Park; an 1865 tintype of the Lincoln Home draped in mourning for Abraham Lincoln’s funeral at Lincoln Home National Historic Site; an 1848 printed facsimile of the Declaration of Independence at Independence National Historical Park; a rare 1862 letter dictated by Chimborazo patient Private Marcus P. Jackson of Company F, 45th Georgia Infantry at Richmond National Battlefield Park; a collection of original historic records and photographs of W.E. Meadows, who

was a conductor on the C&O Railroad from the late nineteenth to early twentieth century at New River Gorge National River; a letter signed by General George Washington authorizing the receipt of supplies and a pension and pay order, both directly related to the 1777-1778 winter encampment of the Continental Army at Valley Forge National Historical Park; and archives and objects documenting U.S. Borax’s roots in California’s Death Valley—where borate deposits were discovered in 1872—at Death Valley National Park.

Park units and five National Park Service cultural resource centers manage NPS museum collections. The centers 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; and the Alaska Regional Curatorial Center, in Anchorage. Less than one percent of the items in NPS collections are on loan to 570 non-NPS partner facilities for short-term exhibit and use or long-term storage and research services.

Using the standardized NPS Checklist for Preservation and Protection of Museum Collections, parks assess the conditions in facilities at locations housing collections. The Checklist records the status of museum storage and exhibits relative to professional standards for environment, security, fire protection, housekeeping, and planning. The NPS Checklist incorporates but is more comprehensive than the Departmental standards (Departmental Manual, 411 DM 3.2-3.3).

Meeting these standards ensures the long-term preservation and protection of the collections. Facilities at NPS locations meet 73.9 percent of the applicable NPS standards.

Although the NPS administers and controls all NPS collections from a total of 384 park units, related areas, offices, and centers, some collections are physically co-located for management purposes. Information is provided for the 326 NPS physical locations. These 326 NPS locations have evaluated their facilities against Department of the Interior standards for preservation and





A new Sutler's Store exhibit at Fort Laramie National Historic Site is based on original inventories and first-hand accounts from 1851 to 1868. The new exhibit represents the 1861 store and its contents and is located in the original Post Sutler's Store that was constructed by the U.S. Army in 1849. Featured are more than 1,100 artifacts and reproductions including trade beads, axle grease, and canned goods that would have been sold to and traded with the U.S. Army, American Indians, emigrants, and fur traders in the 1850s and 1860s. PHOTO © CHASE SWIFT

protection of museum collections. Because all park collections are administered and controlled by NPS administrative units/locations, detailed information on the non-NPS partner facilities that have borrowed portions of NPS museum collections (less than one percent of museum items Servicewide) is excluded.

In an ongoing effort to improve management of park museum collections, the NPS may increase (add) or decrease (withdraw) the number of NPS locations housing collectible heritage assets. The Park Museum Collection Storage Plan (2007) and exhibit plans guide such decisions. Additions include establishment of new locations through means such as construction or rehabilitation of facilities and moving assets to those new locations. Withdrawals include consolidation of assets from two or more locations through

means such as modifying, constructing, or rehabilitating facilities and moving assets, as needed, to a fewer number of locations. Administrative reporting changes may also account for additions or withdrawals without involving physical relocations.

Of these 326 locations with collections, 185 (57%) provide good conditions for the collections; 97 (30%) provide fair conditions; and 44 (13%) provide poor conditions. The deferred maintenance costs for the 326 NPS locations, based on the Departmental standards, total \$197 million.

Using the more comprehensive NPS Checklist standards, the deferred maintenance costs for the 326 NPS locations total \$274 million, including the cost of new or rehabilitated facilities (\$187 million) and supplies and equipment to furnish and maintain the facilities (\$87 million). Other

**Collectible Heritage Assets—Locations Housing National Park Service Assets, FY 2007**

Museum Collections	Beginning Collections	Additions	Withdrawals	Ending Collections	CONDITION OF FACILITY HOUSING COLLECTION <sup>1</sup>		
					Good (Meet >70%)	Fair (Meet 50 to 70%)	Poor (Meet <50%)
Held at NPS Facility	321	5	0	326	185	97	44

Note: (1) "Condition" of museum property is judged by the degree to which facilities housing property meet accepted museum standards adopted by the Department of the Interior.



**A Chaco Culture National Historical Park staff member moves collections into a new storage facility developed in partnership with the University of New Mexico. The Chaco Collection contains approximately one million artifacts from more than 120 sites in Chaco Canyon and the surrounding region.** CHACO CULTURE NHP PHOTO

deferred collections maintenance costs total an estimated \$42 million, including the annual cost of deferred procedural operations (\$2 million), and non-recurring costs of professional assistance, condition surveys, and planning (\$18 million), and conservation treatments (\$22 million).

Many parks took steps in FY 2007 to improve preservation, protection, and interpretation of and access to the collections. For example, all regions completed museum storage plans for parks and the NPS submitted a compiled Servicewide storage plan to Congress; Dry Tortugas National Park completed conservation treatment of a 15-inch Rodman cannon *in situ* on the terreplein at Fort Jefferson; Pu'ukoholā Heiau National Historic Site opened a new visitor center overlooking the Pacific Ocean below the heiau (temples); Yosemite National Park mounted an exhibit featuring the work of artist Chiura Obata (1885-1975), who first visited Yosemite in 1927 and produced watercolors that led to a series of prints made by master woodblock artists in Japan; Saugus Iron Works National Historic Site moved its museum collections into a new dedicated museum storage area; Minuteman

National Historical Park completed an Integrated Pest Management Plan for its collections; Lowell National Historical Park completed a finding aid for The Proprietors of the Locks and Canals on Merrimack River Photograph Collection (1883-1956) with more than 4,000 items; Colonial National Historical Park opened the new Historic Jamestowne Visitor Center featuring more than 250 artifacts from the collection; Keweenaw National Historical Park installed a wet pipe fire suppression system in the Keweenaw History Center; Central High School National Historic Site dedicated a new visitor center that includes exhibition and storage for the museum collection; Badlands National Park installed new exhibits in the White River Visitor Center focusing on the cultural history of the Stronghold Unit; Grand Canyon National Park re-dedicated the historic Yavapai Observation Station—originally called the Yavapai Point Trailside Museum—on the South Rim, providing new geology exhibits consistent with the original vision for this historic museum; Sitka National Historical Park installed a new permanent exhibit documenting the mission and history of the Southeast Alaska Indian Cultural Center; 24 parks provide

access to their collections on the NPS Web Catalog; and Arlington House, The Robert E. Lee Memorial, featured its collections in a new exhibit on the NPS Park Museum Management Program website. Harpers Ferry Center completed three historic furnishings reports, nine major exhibit installations, and conservation treatments for nine parks, such as preparing 1,000 objects for exhibit in the new Gettysburg National Military Park visitor center and museum complex.

Parks worked with partners to further their museum collections programs. For example, Steamtown National Historic Site doubled the volunteer hours spent on the park's museum and archival collections to 5,000 hours; Saint-Gaudens National Historic Site closed its five-year traveling exhibit that went to 15 venues in the U.S. and Europe and featured 65 of the sculptor's works; Colonial National Historical Park completed a multi-year effort to stabilize and rehouse Jamestowne artifacts in a new research facility jointly operated with the Association for the Preservation of Virginia Antiquities, a partner for more than 60 years; Adams National Historical Park coordinated the Historic House Museum Issues and Operations workshop with the American Association for State and Local History in partnership with the National Trust for Historic Preservation; Acadia National Park coordinated with the National Archives and Records Administration and the U.S. Navy to arrange a long-term loan of records related to a top-secret Navy spy station that operated within the park from 1917 to 2002; Herbert Hoover National Historic Site cooperated with the Iowa Department of Natural Resources and the Herbert Hoover Library-Museum to install a temporary exhibit on President Hoover's favorite hobby—fishing; and Chaco Culture National Historical Park, in partnership with the University of New Mexico, inaugurated a new storage facility on the university campus to house the 1.5 million items in the park's collection.

### **DEFERRED MAINTENANCE**

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.

While the National Park Service has acquired and maintained assets throughout its 91-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.

Accordingly the NPS is presently involved in implementing a centralized facility asset management work plan supported by 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 an acceptable level of operating condition throughout the life of the asset.

The National Park Service uses the facility condition index (FCI) to measure the acceptable condition of the physical infrastructure. The FCI is an industry standard metric that is calculated by dividing the deferred maintenance by the current replacement value. Along with FCI, the NPS uses an asset priority index (API) that identifies an empirical measure for asset functionality, initialization, and mission significances.

National Park Service reporting of deferred maintenance is dependent upon the parks having an accurate and complete inventory. The accumulated facility data provides the necessary information for compliance with the Statement of Federal Financial Accounting Standard that requires annual reporting

of deferred maintenance for fixed assets. In previous years, the NPS based condition on “Good,” “Fair,” and “Poor;” the NPS Asset Management Plan has revised these condition assessments to define and report acceptable or unacceptable condition.

Working under the premise that an asset consists of a collection of systems and sub-systems, it is possible for facility management experts to identify the systems that must be in good working order for an asset to function effectively.

- For a building, these critical systems would include roofing, HVAC, exterior doors and windows, etc.
- A building’s non-critical systems would include floor finishes, interior walls, etc.
- For a paved road asset, the pavement is considered a critical system. Non-critical subsystems include pavement markings (e.g., striping).

Deficiencies are prioritized based on the severity of the impact they have on the system. The following terms define the levels of priority.

1. **Minor Deficiency** (low-priority)– Condition with long-term impact beyond five years; or reduced life expectancy of affected materials or related equipment/features.
2. **Serious Deficiency** (high-priority)– Deterioration, which if not corrected within two to five years, will result in the failure of the equipment/feature or the asset of which it is a part of; or create a threat to health and/or safety of the user.
3. **Critical Deficiency** (high-priority)– Advanced deterioration which has already resulted in the failure of the equipment/feature, or if not corrected within one year, will result in the failure of the equipment/feature; or has created a threat to health and/or safety of the user, or there is a failure to meet a legislated requirement.

An acceptable level of condition exists when all of an asset’s critical systems have no critical or serious deferred maintenance; critical systems with minor deferred maintenance and non-critical systems with any priority of deferred maintenance may exist. Acceptable condition may vary by

asset type (building, road, or trail, etc.). An unacceptable level of condition for an asset exists when some of an asset’s critical systems have critical or serious deficiencies.

In 2007 the NPS transitioned to the use of the terms “Acceptable” (A) and “Unacceptable” (U). One of the limitations of the “Good,” “Fair,” “Poor” convention was that it resulted in a focus on the reduction of an asset’s FCI, even in cases when the resulting change in FCI was not meaningful. For instance, an asset could be assessed as being in “Fair” or “Poor” condition, with a high FCI, as a result of interior finishes in poor condition. Taken in the aggregate across multiple assets, this would tend to result in the allocation of some funding to non-critical systems. The new condition rating convention of “Acceptable” and “Unacceptable” focuses attention on the critical systems of assets and any critical or serious deferred maintenance associated with the asset, thereby directing limited maintenance funding to systems that are most critical to the functionality of that asset.

The National Park Service defines “deferred maintenance” as maintenance that was not performed when scheduled or planned. This definition comes from 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.

Asset deficiencies that are the result of the decision to defer maintenance are identified by the park units through a routine cycle of the comprehensive condition assessment process. The majority of the survey cycles are every five years; however, the paved roads are on a six-year cycle for total mileage and a three-year cycle for those parks with the majority of the paved roads. Bridges are on a two-year cycle as required by law. This information is entered by the parks into FMSS, and the cost for correcting these deficiencies is estimated utilizing a standardized cost estimating software system.

The deferred maintenance can be categorized by asset type, as well as classified as

general or stewardship properties by utilizing the attributes found in the asset specification templates within FMSS.

The NPS uses different sources of information to determine baseline deferred maintenance estimates. For example, estimates for paved roads deficiencies were developed by Federal Highway Administration (FHWA) engineers and compiled using data from the 2001-2004 Cycle III Road Inventory Program. The paved road system's condition has been modeled by the FHWA using pavement management system software; pavement deterioration has been modeled and as-constructed maintenance and rehabilitation work applied to represent the condition of these paved road assets in 2007. The NPS and FHWA have recently embarked on a new cycle of pavement condition data collection, Cycle IV. Cycle IV will be conducted from 2007 through 2009; statistical information from this cycle will be available and included in deferred maintenance reporting as it becomes available on a park-by-park basis throughout the tenure of this new collection cycle.

Paved road asset condition is dependent upon the condition of the pavement, the only critical system yet identified for paved road assets. Paved roads in acceptable condition have a Pavement Condition

Rating (PCR) 85 or greater; this corresponds to an FCI less than or equal to 0.08. Paved road assets in unacceptable condition have a PCR less than 85 and a corresponding FCI greater than 0.08. These paved road assets are in unacceptable condition as their pavement systems are considered to have serious or critical deficiencies. Similarly a bridge is considered to be in acceptable condition when its FCI is less than or equal to 0.08. The National Park Service is presently working with the Federal Highway Administration to explore the application of levels of priority deficiency to paved road and bridge assets.

FHWA bridge engineers compiled the bridge inventory and condition from information gathered in Fiscal Years 2005 to 2007. The source for cost estimating deficiencies for road and bridge assets is founded in historical construction awards made throughout the country.

Once the baseline estimates are established for the seven industry standard assets, the NPS applies the accepted industry accuracy range of -30% to +50% to derive the estimated range for these Class C assets. The industry refers to these Class C estimates as "conceptual" or "order-of-magnitude" estimates, which are generally prepared without a fully defined scope of work.

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

CATEGORY	CONDITION <sup>1</sup>	GENERAL	GENERAL	STEWARDSHIP	STEWARDSHIP	TOTAL	TOTAL
		LOW	HIGH	LOW	HIGH	LOW	HIGH
Roads, Bridges, and Trails	A, U	\$ 3,353,614	\$ 7,186,317	\$ 72,648	\$ 155,675	\$ 3,426,262	\$ 7,341,992
Irrigation, Dams, and Other Water Structures	A, U	\$ 169,969	\$ 364,219	\$ 84,901	\$ 181,930	\$ 254,870	\$ 546,149
Buildings	A, U	\$ 569,824	\$ 1,221,050	\$ 567,044	\$ 1,215,094	\$ 1,136,868	\$ 2,436,144
Other Structures	A, U	\$ 1,155,585	\$ 2,476,254	\$ 144,635	\$ 309,933	\$ 1,300,220	\$ 2,786,187
<b>TOTAL</b>		<b>\$ 5,248,992</b>	<b>\$ 11,247,840</b>	<b>\$ 869,228</b>	<b>\$ 1,862,632</b>	<b>\$ 6,118,220</b>	<b>\$ 13,110,472</b>

Note:

(1) Condition information is presented in two categories that include Acceptable (A) and Unacceptable (U). Because of the variety of underlying assets that are represented in the four reporting categories shown in this table, the NPS estimates that it has assets in both condition categories.

**Department of the Interior, National Park Service**  
**Required Supplementary Information**  
**Combined Statement of Budgetary Resources (Unaudited - See Accompanying Independent Auditors' Report)**  
**For the Year Ended September 30, 2007 (dollars in thousands)**

	OPERATION OF THE NPS	CONSTRUCTION AND MAJOR MAINTENANCE	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER BUDGET ACCOUNTS	TOTAL BUDGETARY ACCOUNTS
<b>BUDGETARY RESOURCES</b>						
Unobligated Balance, Beginning of Fiscal Year:	\$ 65,326	\$ 370,444	\$ 79,225	\$ 299,736	\$ 180,291	\$ 995,022
Recoveries of Prior Year Unpaid Obligations:	8,382	3,253	11,714	1,464	5,825	30,638
Budget Authority:						
Appropriation	1,767,668	297,482	64,024	180,579	337,986	2,647,739
Spending Authority From Offsetting Collections:						
Earned						
Collected	19,587	115,123	548	0	1,241	136,499
Change in Receivables From Federal Sources	32	2,692	(380)	0	0	2,344
Change in Unfilled Customer Orders:						
Advance Received	0	(1,163)	0	0	0	(1,163)
Without Advance From Federal Sources	0	35,509	(168)	0	0	35,341
Total Budgetary Authority	1,787,287	449,643	64,024	180,579	339,227	2,820,760
Nonexpenditure Transfers, Net, Anticipated and Actual	(4,266)	9,682	5,000	0	4,459	14,875
Permanently Not Available	(6,138)	0	0	0	(3,837)	(9,975)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 1,850,591</b>	<b>\$ 833,022</b>	<b>\$ 159,963</b>	<b>\$ 481,779</b>	<b>\$ 525,965</b>	<b>\$ 3,851,320</b>
<b>STATUS OF BUDGETARY RESOURCES</b>						
Obligations Incurred:						
Direct	\$ 1,759,879	\$ 304,760	\$ 64,428	\$ 199,897	\$ 334,193	\$ 2,663,157
Reimbursable	19,586	127,833	194	0	0	147,613
Total Obligations Incurred:	1,779,465	432,593	64,622	199,897	334,193	2,810,770
Unobligated Balance Available:						
Apportioned	53,684	395,810	95,267	281,882	181,096	1,007,739
Exempt From Apportionment	(120)	4,398	74	0	2,138	6,490
Total Unobligated Balance Available	53,564	400,208	95,341	281,882	183,234	1,014,229
Unobligated Balances Not Available	17,562	221	0	0	8,538	26,321
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 1,850,591</b>	<b>\$ 833,022</b>	<b>\$ 159,963</b>	<b>\$ 481,779</b>	<b>\$ 525,965</b>	<b>\$ 3,851,320</b>
<b>OBLIGATED BALANCE:</b>						
Obligated Balance, Net,						
Unpaid Obligations, Brought Forward,						
Beginning of Fiscal Year	\$ 369,377	\$ 452,778	\$ 244,634	\$ 76,954	\$ 239,625	\$ 1,383,368
Less: Uncollected Customer Payments From Federal Sources, Brought Forward, Beginning of Fiscal Year	(349)	(169,540)	(372)	0	0	(170,261)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	369,028	283,238	244,262	76,954	239,625	1,213,107
Obligations Incurred, Net	1,779,465	432,593	64,622	199,897	334,193	2,810,770
Less: Gross Outlays	(1,722,116)	(417,281)	(106,678)	(158,310)	(328,269)	(2,732,654)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(8,382)	(3,253)	(11,714)	(1,464)	(5,825)	(30,638)
Change in Uncollected Customer Payments From Federal Sources	(32)	(38,201)	548	0	0	(37,685)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR</b>	<b>\$ 417,963</b>	<b>\$ 257,096</b>	<b>\$ 191,040</b>	<b>\$ 117,077</b>	<b>\$ 239,724</b>	<b>\$ 1,222,900</b>
<b>OBLIGATED BALANCE, NET, END OF YEAR - BY COMPONENT:</b>						
Unpaid Obligations	\$ 418,345	\$ 464,837	\$ 190,863	\$ 117,077	\$ 239,724	\$ 1,430,846
Less: Uncollected Customer Payments From Federal Sources	(382)	(207,741)	177	0	0	(207,946)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR</b>	<b>\$ 417,963</b>	<b>\$ 257,096</b>	<b>\$ 191,040</b>	<b>\$ 117,077</b>	<b>\$ 239,724</b>	<b>\$ 1,222,900</b>
<b>NET OUTLAYS:</b>						
Gross Outlays	\$ 1,722,116	\$ 417,281	\$ 106,678	\$ 158,310	\$ 328,269	\$ 2,732,654
Less: Offsetting Collections	(19,587)	(113,960)	(548)	0	(1,241)	(135,336)
Less: Distributed Offsetting Receipts	0	0	0	(181,908)	(68,203)	(250,111)
<b>NET OUTLAYS</b>	<b>\$ 1,702,529</b>	<b>\$ 303,321</b>	<b>\$ 106,130</b>	<b>\$ (23,598)</b>	<b>\$ 258,825</b>	<b>\$ 2,347,207</b>

**Department of the Interior, National Park Service**  
**Required Supplementary Information**  
**Combined Statement of Budgetary Resources (Unaudited - See Accompanying Independent Auditors' Report)**  
**For the Year Ended September 30, 2006 (dollars in thousands)**

	OPERATION OF THE NPS	CONSTRUCTION AND MAJOR MAINTENANCE	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER BUDGET ACCOUNTS	TOTAL BUDGETARY ACCOUNTS
<b>BUDGETARY RESOURCES</b>						
Unobligated Balance, Beginning of Fiscal Year:	\$ 30,609	\$ 351,772	\$ 161,305	\$ 289,390	\$ 163,004	\$ 996,080
Recoveries of Prior Year Unpaid Obligations:	10,020	7,513	13,270	1,367	4,015	36,185
Budget Authority:						
Appropriation	1,744,599	375,291	64,909	165,793	371,639	2,722,231
Spending Authority From Offsetting Collections:						
Earned						
Collected	22,263	146,975	928	0	1,217	171,383
Change in Receivables From Federal Sources	86	(2,092)	241	0	(10)	(1,775)
Change in Unfilled Customer Orders:						
Advance Received	0	(1,298)	0	0	0	(1,298)
Without Advance From Federal Sources	0	23,990	(1,078)	0	0	22,912
Total Budgetary Authority	1,766,948	542,866	65,000	165,793	372,846	2,913,453
Nonexpenditure Transfers, Net, Anticipated and Actual	164	(34,606)	(22,018)	0	(394)	(56,854)
Permanently Not Available	(35,412)	(4,426)	(956)	0	(5,767)	(46,561)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 1,772,329</b>	<b>\$ 863,119</b>	<b>\$ 216,601</b>	<b>\$ 456,550</b>	<b>\$ 533,704</b>	<b>\$ 3,842,303</b>
<b>STATUS OF BUDGETARY RESOURCES</b>						
Obligations Incurred:						
Direct	\$ 1,685,273	\$ 364,524	\$ 137,275	\$ 156,814	\$ 353,413	\$ 2,697,299
Reimbursable	21,730	128,151	101	0	0	149,982
Total Obligations Incurred:	1,707,003	492,675	137,376	156,814	353,413	2,847,281
Unobligated Balance Available:						
Apportioned	52,281	367,459	78,682	299,736	170,516	968,674
Exempt From Apportionment	0	2,151	543	0	2,116	4,810
Total Unobligated Balance Available	52,281	369,610	79,225	299,736	172,632	973,484
Unobligated Balances Not Available	13,045	834	0	0	7,659	21,538
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 1,772,329</b>	<b>\$ 863,119</b>	<b>\$ 216,601</b>	<b>\$ 456,550</b>	<b>\$ 533,704</b>	<b>\$ 3,842,303</b>
<b>CHANGE IN OBLIGATED BALANCE:</b>						
Obligated Balance, Net,						
Unpaid Obligations, Brought Forward,						
Beginning of Fiscal Year	\$ 417,869	\$ 441,091	\$ 273,806	\$ 76,598	\$ 204,886	\$ 1,414,250
Less: Uncollected Customer Payments From Federal Sources, Brought Forward, Beginning of Fiscal Year	(263)	(147,642)	(1,209)	0	(10)	(149,124)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	417,606	293,449	272,597	76,598	204,876	1,265,126
Obligations Incurred, Net	1,707,003	492,675	137,376	156,814	353,413	2,847,281
Less: Gross Outlays	(1,745,476)	(473,475)	(153,277)	(155,091)	(314,659)	(2,841,978)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(10,020)	(7,513)	(13,270)	(1,367)	(4,015)	(36,185)
Change in Uncollected Customer Payments From Federal Sources	(86)	(21,898)	837	0	10	(21,137)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR</b>	<b>\$ 369,027</b>	<b>\$ 283,238</b>	<b>\$ 244,263</b>	<b>\$ 76,954</b>	<b>\$ 239,625</b>	<b>\$ 1,213,107</b>
<b>OBLIGATED BALANCE, NET, END OF YEAR - BY COMPONENT:</b>						
Unpaid Obligations	\$ 369,377	\$ 452,778	\$ 244,634	\$ 76,954	\$ 239,625	\$ 1,383,368
Less: Uncollected Customer Payments From Federal Sources	(350)	(169,540)	(371)	0	0	(170,261)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR</b>	<b>\$ 369,027</b>	<b>\$ 283,238</b>	<b>\$ 244,263</b>	<b>\$ 76,954</b>	<b>\$ 239,625</b>	<b>\$ 1,213,107</b>
<b>NET OUTLAYS:</b>						
Gross Outlays	\$ 1,745,476	\$ 473,475	\$ 153,277	\$ 155,091	\$ 314,659	\$ 2,841,978
Less: Offsetting Collections	(22,263)	(145,677)	(928)	0	(1,217)	(170,085)
Less: Distributed Offsetting Receipts	0	0	0	(165,796)	(55,693)	(221,489)
<b>NET OUTLAYS</b>	<b>\$ 1,723,213</b>	<b>\$ 327,798</b>	<b>\$ 152,349</b>	<b>\$ (10,705)</b>	<b>\$ 257,749</b>	<b>\$ 2,450,404</b>



Research at Yellowstone National Park is underway to understand pronghorn migration, fawning, and mortality. The park's pronghorn population has decreased 60 percent since 1991. PHOTO BY WILLIAM S. KELLER



# Required Supplementary Stewardship Information

## (Unaudited – See Accompanying Independent Auditors’ Report)

### STEWARDSHIP INVESTMENTS

Stewardship investments are substantial investments made by the Federal Government for the benefit of the Nation. The Federal Accounting Standards Advisory Board requires reporting for three categories of stewardship investments—Research and Development, Investment in Human Capital, and Investment in Non-Federal Physical Property

### 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 primarily 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 Discipline (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 applied research.

The Cultural Resources Preservation Program provides funding for comparable

cultural resource research and resource management projects in the fields of archeology, ethnography, historical architecture, historic landscape architecture, history, and museum collections. Outlays and expenditures from both the NRPP and CRPP programs support park-based resource management, and when applicable, research needs. Consequently the outlay and expenditure levels for research from these two programs vary each year in response to the needs and priorities identified by the parks.

Natural resource research responsibilities include the following: (1) identifying research needs related to biologic, aquatic, geologic and other natural resources, both where there are immediate applications within the National Park System and to enhance long-term usable knowledge concerning park resources; (2) conveying research needs to the U.S. Geological Survey and others seeking the means to obtain needed research; (3) encouraging the use of parks for research related to park natural resources to meet park research needs and to enhance scientific knowledge; and (4) carrying out research on air quality and air quality-related values, including visibility and the ecological effects of pollutants on air quality-related values.

Natural resource research and development funds support a variety of applied research projects including the following:

- A pronghorn antelope research program at Yellowstone National Park is identifying and monitoring pronghorn migration routes, fawning areas, and differential mortality among the park’s various fawning areas in response to an estimated 60 percent decrease in the park’s pronghorn population from 1991 to 2006. Additionally, the research will assist with discerning the current and future direction of the pronghorn population as well as estimating the human impact on the Yellowstone pronghorn population. The pronghorn antelope is the fastest land mammal in North America.



Wood frogs use a variety of habitats that are critical to their life cycle. They are most commonly found in woodlands in the summer, under stones, stumps, and leaf litter in the winter, and ponds in the breeding season. Research at Saratoga National Historical Park includes using micro-radio transmitters to locate frogs in their specific habitats.

NPS PHOTO BY TOM PARADIS

- At Santa Monica Mountains National Recreation Area researchers are evaluating the effects of urbanization and habitat fragmentation on the park’s wildlife using recent advances in genetic techniques. These techniques provide the means to non-invasively and more cost-effectively acquire detailed information about wildlife populations using hair and scat (droppings) samples versus traditional methods. The goal is to delineate population genetic structures for three common lizard species and six bird species, including three sedentary—and likely more sensitive—bird species, and three more mobile birds that will permit direct measurement of population fragmentation, which may or may not coincide with habitat fragmentation.
- A rare research opportunity to investigate the role of hurricanes and provide additional scientific information on how barrier island communities recover from these violent natural disturbances exists at Gulf Islands National Seashore. The park has recently experienced the effects of three major hurricanes (Dennis, Ivan, and Katrina) and two tropical storms. The relatively high frequency and severity of these storms coupled with the park’s low land elevations (less than three meters) makes the park particularly susceptible to storm surges and wind damage. Understanding the physical and biological effects of the storms on vegetation and wildlife will also benefit a number of coastal park units within the National Park System.
- Saratoga National Historical Park is employing micro-radio transmitters to study the native wood frog’s use of the park’s various habitats at the landscape level. This research will assist the park in identifying and protecting both spring breeding sites and summer range forest habitats together with critical connecting migration corridors. Ultimately this will assist the park’s efforts to return the landscape to its historically accurate condition.

For the National Park Service Natural Resource Preservation Program, research and development expenses disclosed for FY 2003 through FY 2006 represent actual expenses. The FY 2006 expenses that were previously reported as estimates are now finalized and are reflected in the combined natural and cultural resources values updated in this report. The FY 2007 expenses are projections based on prior year data and may vary from the FY 2006 level in response to the actual priority needs of parks in FY 2007.

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 result 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 Program responsibilities include the following: (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 guide park management in treatment and use decisions; (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 American Indians and other ethnic groups associated with park resources.

For the Cultural Resources Applied Research Program, research and development expense data disclosed for FY 2003 through FY 2007 represent actual

expenses and are combined with Natural Resource Preservation Program expenses.

Accomplishments and benefits of the Cultural Resources Applied Research Program include the following:

- A Cultural Landscape Inventory is being completed for the Spalding site of Nez Perce National Historical Park. The Spalding site is the most widely visited park site. It contains evidence of human occupation and use for more than 10,000 years. The information obtained will enable the NPS to shape and mold vegetation treatment projects from an informed perspective and will benefit the long-term preservation of the cultural and natural resources for this site.
- The Northeast Museum Services Center is cataloging the more than 23,000 documents representing the personal and business papers of the owners of Hopewell Furnace from 1740 through 1934. Hopewell Furnace National Historic Site is one of the finest examples of a rural American nineteenth-century iron plantation. Hopewell Furnace was founded in 1771 by Ironmaster Mark Bird. During 1776-1777, approximately 100 cannon were cast at Hopewell Furnace and accepted by the Continental Navy. The cold-blast furnace and accompanying community has been restored to its appearance during the 1830s and 1840s, when the furnace was at its height of activity. The furnace operated until 1883.
- At El Morro National Monument, a reliable waterhole hidden at the base of a massive sandstone bluff made El Morro (the bluff) a popular campsite. Spanish and American travelers rested, drank from the pool, and carved their signatures, dates, and messages for hundreds of years. The first inscription carved at El Morro was that of Governor Don Juan de Oñate in 1605, 15 years before the pilgrims landed at Plymouth Rock. Today, El Morro National Monument protects more than 2,000 inscriptions and petroglyphs, as well as ancestral Puebloan ruins. Research is underway at Inscription Rock where rock surface erosion rates are being studied using laser imaging to produce extremely accurate, detailed

maps of the vertical topography to determine prevention methods to preserve the inscriptions dating from the early 1600s. Before this multi-year research began, little was known about the erosion impact on these inscriptions.

- At Lake Mead National Recreation Area, Nevada's "Lost City" (officially known as the Pueblo Grande de Nevada) is located at the northern end of man-made Lake Mead. The Lost City was occupied by the Virgin branch of the Anasazi, originally by the Basketmaker people, sometime after the first century A.D. and later by the Puebloans from A.D. 700 to 1150. This dense complex of Basketmaker and Pueblo sites was first and last documented in the mid-1920s. A project is underway to re-document the sites according to current professional standards. The information will guide the preservation and management of these sites that are threatened by erosion and inappropriate use.
- A Historic Structure Report for the Civilian Conservation Corps-era visitor center at Ocmulgee National Monument is being prepared to guide the interpretation, preservation, and maintenance of the structure. The visitor center is listed on the National Register of Historic Places and is the only NPS example of Art Moderne architecture in the Southeast Region. The research leading to the publication of the Historic Structure Report is critical for the preservation, maintenance, and interpretation of this unique structure.

#### INVESTMENT IN HUMAN CAPITAL

During FY 2006 and prior years, the NPS reported results for the three Job Corps Civilian Conservation Centers operated by the NPS. The 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. The Department of Labor provides all funding for center operations.

Beginning with FY 2007 the NPS no longer reports information pertaining to Job Corps because of the 2007 revisions contained in OMB Circular No. A-136, *Financial Reporting Requirements, Revised July 2006*. Monies received from the Department of Labor for this program are Parent/Child (NPS is the child) and only the parent reports on the funds.

#### Investment (in millions of dollars)

	2003	2004	2005	2006	2007	TOTAL
Job Corps	\$17.2	\$15.5	\$15.2	\$15.9	\$0.0	\$63.8

#### INVESTMENT IN 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 non-federal entities, including state and local governments. Property may include major additions, alterations, and replacements to fixed assets; the purchase

#### National Park Service Research and Development Expenses,<sup>1</sup> FY 2007 (dollars in millions)

RESEARCH CATEGORY	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 (est.)	TOTAL
APPLIED	\$ 21.1	\$ 33.0	\$ 25.9	\$ 25.7	\$ 26.6	\$ 132.3
DEVELOPMENTAL	3.9	2.8	0.4	0.2	0.2	7.5
TOTAL	\$ 25.0	\$ 35.8	\$ 26.3	\$ 25.9	\$ 26.8	\$ 139.8

Note: (1) The National Park Service continues to refine the reporting methodology for Research and Development Expenses. This table combines Natural Resources and Cultural Resources Research and Development. The FY 2003 Cultural Resources Expenses are stated as "Budget Fiscal Year" expenses; starting in 2004, fiscal year expenses are reported. The previously estimated 2006 Research and Development expense information has been finalized; those changes are reflected in this table.



Portions of the crumbling Washburn Crosby A Mill, a national historic landmark, were preserved as a ruin and the rest of the building redeveloped for use as a museum. The ruin walls were fortified with a steel-stabilization structure designed to contrast with the existing remains. The 80,000-square-foot Mill City Museum now includes a multipurpose building that houses 62,000 square feet of office space.

PHOTO COURTESY MINNESOTA HISTORICAL SOCIETY

of major equipment; and the purchase or improvement of other physical assets.

Congress may appropriate funds annually to the National Park Service for work on non-NPS facilities that is performed by individuals who are not National Park Service employees. These funds are referred to as “Pass-Through” appropriations because the National Park Service role is limited primarily to preparing an agreement that allows the funds to be obligated, and certifying and processing subsequent payments for the work. More than 90 percent of the funds are obligated within the year they are appropriated. Once obligated, fund expenditures are entirely dependent on the party receiving the funds. Only cash assets are associated with these projects. During FY 2007, \$4.2 million has been expended for these pass-through projects.

Examples of projects that are supported by these funds include the following:

- **Utah Land Preservation Project**  
Approximately \$1.6 million has been spent during FY 2007 towards the Utah Land Artifact Preservation project. The monies support the construction and other associated costs of a new collections curatorial facility that will be constructed at the University of Utah’s Museum of Natural History as authorized by Congress.
- **Mill City Museum Exhibits Project**  
During FY 2007 approximately \$307 thousand was spent towards the Mill City Museum Exhibits project. The Mill City Museum, located within the former Washburn Crosby A Mill in Minneapolis, Minnesota, describes how industry,

nature, and people came together to make Minneapolis the “Flour Milling Capital of the World” from 1880 to 1930. When completed, the object theatre exhibit will provide a narrative overview of the history of Minneapolis and the region, through first-hand accounts, sounds, theatrical set pieces, and images. Funding will also contribute to the renovation of the West Engine House in which the object theater exhibit will be housed.

■ **Virginia City Restoration Project**

The Virginia City Historic District in Montana, a designated national historic landmark, represents an Old West Victorian gold mining town that is within driving distance of Yellowstone National Park. Virginia City was the territorial capital of Montana (1865-75) and the site of one of the greatest gold strikes in the West (1863). Today it includes a classic Western ghost town with many false-fronted buildings. The funding for this project will assist with preserving and/or restoring some of the historic structures within the NHL district. During FY 2007, approximately \$282 thousand was expended towards these efforts.

In addition the National Park Service awards a variety of grants to state and local governments to facilitate public recreation opportunities and to promote the preservation and conservation of the nation’s cultural, historic, prehistoric, and archeological resources. Only cash assets are associated with these projects, although the NPS does maintain responsibility for assuming that recreation project areas remain in public use for perpetuity. A

description of several major grant programs follows which are related specifically to non-federal physical property investments.

Historic Preservation grants are authorized by the National Historic Preservation Act of 1966, as amended. The objective is to provide matching grants to states for the identification, evaluation, and protection of historic properties by a variety of means, including acquisition.

Historically Black Colleges and Universities preservation grants are authorized by the National Historic Preservation Act of 1966. The grants provide funds to preserve and restore historically significant structures on Historically Black Colleges and Universities campuses.

Land and Water Conservation Fund state grants are authorized by the Land and Water Conservation Act of 1965, as amended. These are matching grants to states, and through states, local units of governments, as well as the territories of the United States for the purpose of acquiring and developing outdoor recreational areas and facilities and to preserve those areas for public enjoyment. Grants range from developing small neighborhood recreation park areas to large state park acquisitions.

Urban Park and Recreation Recovery grants are authorized by the Urban Park and Recreation Recovery Act of 1978. Matching grants are provided to eligible local governments for rehabilitating critically needed outdoor recreational facilities located in distressed urban areas and to preserve those areas for public enjoyment.

<b>NPS Investment in Non-Federal Physical Property (dollars in millions)</b>						
CATEGORY	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
Dams and Other Water Structures <sup>1</sup>	\$ 44.0	\$ 57.9	\$ 69.2	\$ 69.3	\$ 64.0	\$ 304.4
Land	12.8	35.3	26.4	36.3	25.1	135.9
Roads and Bridges	2.5	2.3	2.0	2.0	1.8	10.6
Schools and Public Buildings	53.9	42.8	33.0	32.0	23.0	184.7
<b>TOTAL</b>	<b>\$ 113.2</b>	<b>\$ 138.3</b>	<b>\$ 130.6</b>	<b>\$ 139.6</b>	<b>\$ 113.9</b>	<b>\$ 635.6</b>

Note: (1) The NPS includes Other Structures in this category.



National Trails Day offers opportunities for people nationwide to contribute to preservation of park resources and to enjoy workshops, educational exhibits, trail maintenance, and hikes. An estimated 157,080 volunteers worked approximately 5.2 million hours in the national parks in Fiscal Year 2007. At a projected rate of \$18.50 an hour, this equates to approximately \$96.2 million in volunteer work. NPS PHOTO



On January 22, 2007, Saguaro National Park experienced a rare snow storm, with three inches falling at park headquarters. Saguaro cacti at the park exist at the extreme northern and eastern edge of their range, where the coldest winter temperatures most often occur. The saguaro is a long-lived cactus, most affected by long-term climate cycles of frost and drought. NPS PHOTO BY JOSH BOLES

**Blueprint for a Perfect Desert Home**

- Plenty of light & sunshine
- Plenty of water that is not too hot
- Sandy, rocky soil
- Warm, dry winds that can reach 110°F
- Only the best people (and animals) in the world
- No shade of trees, shrubs and rocks
- No one in particular

Over 200 different species of plants that grow in the Saguaro National Monument are found in this area. Some of the most beautiful plants in the world are found here. The desert is a beautiful and unique place. It is the heart of the desert.



## Other Supplementary Information

(Unaudited – See Accompanying Independent Auditors' Report)

### **SPECIAL ACCOUNT FUNDS**

The National Park Service has concession agreements which contain provisions that provided for the establishment of escrow type accounts to be used to develop, improve, and maintain visitor facilities. The concessioner periodically deposits a percentage of gross revenue in the account as provided in the concessioner agreement. These "Special Account" funds are maintained in separate interest-bearing bank accounts for the concessioners, and

are not assets of the National Park Service and may not be used in NPS operations. Therefore, the balances, inflows, and outflows of these concessioner Special Accounts are not recognized in the consolidated financial statements of the National Park Service. The concessioners reported that these Special Accounts balances totaled approximately \$42.8 million and \$43.9 million (unaudited), as of September 30, 2007, and 2006, respectively.

# Independent Auditors' Report



Coral reefs in Dry Tortugas National Park are some of the most species-diverse in the Caribbean. More than 330 species of reef-associated fish have been identified, including game fish such as snappers and groupers, and non-game fish such as butterflyfish and damselfish. Spiny lobsters and pink shrimp contribute both ecological and economic value to the region. NPS PHOTO



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

DEC 21 2007

Memorandum

To: Director, National Park Service

From: Kimberly Elmore *Kimberly Elmore*  
Acting Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the National Park Service Financial Statements for Fiscal Years 2007 and 2006 (Report No. X-IN-NPS-0019-2007)

## ***INTRODUCTION***

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

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

## ***RESULTS OF INDEPENDENT AUDIT***

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In its audit report dated December 14, 2007 (Attachment 1), KPMG issued an unqualified opinion on the NPS financial statements. However, KPMG identified three significant deficiencies in internal controls over financial reporting, one of which was considered to be a material weakness. In addition, KPMG identified two instances in which NPS did not comply with laws and regulations, including one instance of noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). KPMG made 19 recommendations that, if implemented, should resolve the findings.

## ***STATUS OF RECOMMENDATIONS***

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In its December 19, 2007 response (Attachment 2) to the draft report, NPS partially agreed with the findings and recommendations and stated that it was in the process of

implementing 14 of the 19 recommendations and disagreed with 5 recommendations. We will refer the 5 unresolved recommendations to the Assistant Secretary for Policy, Management and Budget for resolution and the remaining 14 recommendations for tracking of implementation (see Attachment 3, “Status of Audit Report Recommendations”).

## ***EVALUATION OF KPMG AUDIT PERFORMANCE***

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

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

KPMG is responsible for the attached auditors’ report dated December 14, 2007, and the conclusions expressed in it. We do not express an opinion on NPS financial statements or on KPMG’s conclusions regarding 1) effectiveness of internal controls, 2) compliance with laws and regulations, or 3) substantial compliance of NPS financial management systems with FFMIA.

## ***REPORT DISTRIBUTION***

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The legislation, as amended, creating the OIG requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, we will include the information in the attachment in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

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

### Attachments

cc: Assistant Secretary, Fish and Wildlife and Parks  
Audit Liaison Officer, Fish and Wildlife and Parks  
Chief Financial Officer, National Park Service  
Audit Liaison Officer, National Park Service  
Audit Liaison Officer, Office of Financial Management



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

Director of the 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, 2007 and 2006, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2007 audit, we also considered NPS's internal controls over financial reporting and performance measures and tested NPS's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these consolidated financial statements.

### SUMMARY

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

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

Our consideration of internal control over financial reporting resulted in the following conditions being identified as significant deficiencies:

#### Significant Deficiency Considered to be a Material Weakness

A. Controls over Accruals

#### Other Significant Deficiencies

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



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

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

D. *Single Audit Act Amendments of 1996*

E. *Federal Financial Management Improvement Act of 1996*

The following sections discuss our opinion on NPS's consolidated financial statements; our consideration of NPS's internal controls over financial reporting and performance measures; our tests of NPS's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

## **OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying consolidated balance sheets of the National Park Service as of September 30, 2007 and 2006, and the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources for the years then ended.

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

As discussed in Note 16 to the consolidated financial statements, NPS's fiscal year 2007 consolidated statement of net cost is not comparable to its fiscal year 2006 consolidated statement of net cost because NPS revised its method of allocating certain costs and revenues between programs in fiscal year 2007. Also as discussed in Note 21 to the consolidated financial statements, NPS changed its method of reporting the reconciliation of net cost of operations to budget in fiscal year 2007 to adopt the new OMB requirements. Further, as discussed in Note 25 to the consolidated financial statements, NPS changed its method of accounting for and reporting allocation transfers in fiscal year 2007 to adopt the new OMB requirements.

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the Other Supplementary Information section is presented for purposes of additional analysis and is not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.



## INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

In our fiscal year 2007 audit, we consider the deficiencies, described below, to be significant deficiencies in internal control over financial reporting. However, of the significant deficiencies described below, we believe that significant deficiency A is a material weakness. Exhibit I presents the status of prior year reportable conditions.

### A. Controls over Accruals

In accordance with Federal accounting standards, NPS is required to record liabilities based on a probable future outflow or other sacrifice of resources as a result of past transactions or events. NPS needs to improve controls over accruals.

NPS did not properly test the assumptions used to calculate its accounts payable accrual balance because the subsequent activity report used to calculate the accounts payable accrual balance incorrectly included 1 of the 30 amounts tested and was not complete as it incorrectly excluded 6 of the 81 amounts tested. As a result of our observations, NPS analyzed and adjusted its subsequent activity report, recalculated the accounts payable accrual, and increased the accounts payable accrual by \$74 million. However, NPS did not effectively review the accrual adjustment because NPS did not properly de-obligate \$58 million when NPS recorded the accrual adjustment. As a result of our observations, NPS recorded the de-obligation.

NPS also did not fully consider the results of its grants accrual analysis because its analysis indicated that grant reimbursements related to prior years did not decrease over the time period evaluated by NPS. As a result of our observations, NPS expanded its analysis, recalculated the grant accrual, and increased the grant accrual by \$21 million.

Furthermore, the subsequent activity report used to calculate the government payable accrual incorrectly included 3 of the 20 amounts that we tested. Finally, NPS did not ensure that its accounts payable calculations agreed to the supporting documentation because NPS had differences between the calculation and the federal government payment supporting documentation. Additionally, the grant and accounts payable calculations used different inflation percentages.



### **Recommendations**

We recommend that NPS perform the following:

1. Test the assumptions used in the accounts payable accrual calculation, including the subsequent activity report to ensure that the subsequent activity report is accurate and complete.
2. Compare the accounts payable accrual adjustments to the accounts payable methodology and prior adjustments to ensure that amounts are properly recorded, including de-obligations.
3. Analyze the grants payable results to ensure that the results support the grant accrual methodology.
4. Require supervisors to compare the accounts payable accrual calculations to the supporting documentation to ensure that the amounts are consistent and reasonably calculated, and document completion of the comparison on the accounts payable accrual calculation or related journal entry.

### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management did not concur with our findings and recommendations because NPS believed that we did not identify errors, rather we had a professional disagreement on the assumptions and elements used for determining the estimated accrual methodology. We did not audit NPS's response and, accordingly, we express no opinion on it.

### **Auditors' Response to Management's Response**

As summarized above, we identified errors in the assumptions and ineffective controls that adversely affected NPS's ability to estimate and record the accounts and grant payable accruals reliably. NPS tested and revised its assumptions and recorded \$153 million of adjustments as a result of our findings. Therefore, we continue to believe that the control deficiencies identified constitute a material weakness. Additionally, we did not complete the accrual testing by July 2007 because NPS did not provide us the supporting documentation in time to enable us to meet such deadline.

## **B. Security and General Controls over Financial Management Systems**

NPS needs to improve information technology security and general controls to protect its financial information systems as required by OMB Circular No. 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. NPS has made improvements to security and general controls during the year; however, NPS needs to improve the following controls.

### *1. Access Controls*

NPS documented its access policies; however, NPS did not formally approve the policies for a financial application. In addition, NPS did not periodically review access rights, verify appropriateness of user access, and recertify users for a financial application. NPS also did not consistently maintain access forms or evidence that management approved access for certain financial applications. Additionally, NPS did not consistently log changes to security profiles or review security profile changes for a financial application. Finally, NPS did not have effective processes to verify that contractor: (1) access was removed from systems and





applications; (2) contractors had appropriate background investigations; (3) contractors had signed non-disclosure agreements; or (4) contractors had completed awareness training.

## 2. *System Software Controls*

NPS had not implemented formal change management procedures for one financial system, which includes a database and operating system. Specifically, NPS did not prepare and maintain change request forms, plans or testing documentation and NPS did not complete a post-change management review after installing emergency operating system patches. In addition, NPS had not formalized administrator access for a financial application.

Although NPS had documented the procedures to limit administrator access to a financial application and segregated system software responsibilities for a financial application, NPS did not formally approve the procedures. Additionally, NPS had not formalized audit logging procedures for a financial application.

NPS did not implement controls to prevent and detect unauthorized access to a financial application or perform audit logging over access to and modification of sensitive or critical files for a financial application. In addition, NPS did not implement procedures to ensure that NPS periodically reviewed system change logs and documented such reviews for the operating system and database of a financial application. Finally, NPS had not fully implemented a process to ensure that unauthorized modifications are detected and reported.

## 3. *Service Continuity*

Although NPS had a contingency plan for a financial system, NPS had not formally approved the plan and had not tested the plan since 2004. In addition, the contingency plan for a financial system was not complete and did not fully address the requirements of National Institute of Standards and Technology (NIST) 800-34. Finally, NPS had a contingency plan for a data center; however, the plan did not indicate emergency processing priorities and was not approved.

## 4. *Segregation of Responsibilities*

NPS did not formally document application-specific roles or access privileges that should be segregated for certain financial systems. In addition, NPS did not ensure that users were not assigned conflicting duties and roles. Finally, NPS had not fully segregated duties for a financial application.

## 5. *Entity-wide Security Program and Planning*

NPS did not complete a risk assessment for a financial application in accordance with Department of the Interior (Interior) Interior policies.

### **Recommendations**

We recommend that NPS continue to improve the security and general controls over its financial information systems to ensure adequate security and protection of the information systems as follows:



1. Finalize access control policies, restrict access to approved users, review and approve user access, maintain access documentation, record and review changes to security profiles, and improve contractor access controls.
2. Implement and finalize change management, administrator access, and audit log policies, perform and document system changes and system change logs, and improve controls to ensure that unauthorized modifications are detected and reported.
3. Finalize, approve, and test contingency plans and expand contingency plans to include emergency processing priorities and all requirements of NIST 800-34.
4. Document responsibilities that should be segregated and fully segregate conflicting responsibilities.
5. Complete risk assessments.

### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and its comments were responsive to our recommendations; however, management only partially concurred with recommendation number 2. Management believes that it addressed some of the findings immediately after the findings were identified. We did not audit NPS's response and, accordingly, we express no opinion on it.

### **Auditors' Response to Management's Response**

NPS should continue to ensure its policies and controls are implemented and operating effectively throughout the fiscal year. Therefore, we continue to recommend that NPS implement and finalize change management, administrator access, and audit log policies, perform and document system changes and system change logs, and improve controls to ensure that unauthorized modifications are detected and reported.

## **C. Financial Reporting Controls**

NPS needs to improve controls over the recording and reporting of financial transactions to ensure that transactions are promptly and properly recorded for timely and reliable financial reports, as follows.

### *1. Charge Cards*

NPS issues purchase, fleet, and travel charge cards to its employees to streamline acquisition and payment procedures and to reduce the administrative burden associated with traditional and emergency purchasing of travel items, supplies, and services. In conjunction with the issuance of these cards, Interior published the *Integrated Charge Card Program Guide*. This guide sets forth restrictions on the use of the cards as well as certain internal control procedures such as timely and complete reconciliation of billing statements by the cardholders and approving officials.

However, NPS did not consistently follow these internal control procedures as we identified 21 exceptions in the 120 charge card statements that we tested in fiscal year 2007. For example, cardholders and supervisors did not always sign and date the charge card statements. For charge card statements that were signed and dated, cardholders and supervisors did not consistently sign and date the charge card statements in a timely manner. Finally, cardholders and supervisors did not consistently maintain charge card receipts to reconcile to the charge card statements.



## 2. Grants

NPS costs related to grants were \$193 million in fiscal year 2007. In accordance with the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular No. A-133), NPS should monitor grantees to ensure grantees expend awards in accordance with the grant requirements and Federal regulations. NPS did not obtain Single Audit Reports within nine months of the grantee's fiscal year-end for 12 of 37 grantees tested. In addition, NPS did not issue management decisions on audit findings within six months after receipt of Single Audit Reports for 1 of the 59 grantees tested to ensure that the grantees completed appropriate and timely corrective action on such findings.

## 3. Undelivered Orders

Undelivered orders should be promptly recorded, properly classified, and accounted for in order to prepare timely and reliable reports. NPS did not consistently de-obligate funds timely, resulting in an overstatement of undelivered orders of approximately \$12 million. Specifically, we noted that NPS had certain contracts that had ended and the unused balances should have been de-obligated for 7 of the 142 undelivered orders tested and that 2 of the 15 journal entries related to undelivered orders tested should have been recorded in prior years. In addition, NPS did not record recoveries of undelivered orders timely for 21 of the 64 recoveries tested. Finally, NPS did not consistently process contract modifications timely or maintain undelivered orders documentation.

## Recommendations

### 1. Charge Cards

We recommend that NPS perform the following:

- a. Continue to provide training to personnel on charge card procedures.
- b. Require approving officials to be more diligent in monitoring and enforcing compliance with Interior's charge card policies.
- c. Periodically test a sample of charge cards for compliance with Interior's charge card policies.

### 2. Grants

We recommend that NPS perform the following:

- a. Follow up with grantees on Single Audit Reports not received within nine months of the grantee's year end and limit future grant awards until extensions are provided or Single Audit Reports are received.
- b. 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.



### 3. *Undelivered Orders*

We recommend that NPS perform the following:

- a. De-obligate undelivered orders when the contract expires or execute contract modifications prior to the end of the contract period of performance.
- b. Analyze certain categories of undelivered orders with minimal to no activity during the past three months to ensure that the undelivered orders are valid.
- c. Improve and maintain documentation to support its undelivered order balances.

#### **Management Response**

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

## **INTERNAL CONTROL OVER PERFORMANCE MEASURES**

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

## **COMPLIANCE AND OTHER MATTERS**

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed an instance of noncompliance or other matters that is required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and is described below.

### **D. *Single Audit Act Amendments of 1996***

As discussed in the Internal Control over Financial Reporting section of this report, NPS did not perform adequate monitoring of grantees in accordance with the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133. NPS needs to ensure that it obtains audit reports and issues management decisions on audit findings in a timely manner.

#### **Recommendation**

We recommend that in fiscal year 2008, NPS improve its grantee monitoring process to ensure they and their grantees comply with the reporting requirements of the *Single Audit Act Amendments of 1996* and the related OMB Circular No. A-133.

#### **Management Response**

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

\* \* \* \* \*



The results of our tests of compliance described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no other instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed an instance in which NPS's financial management systems did not substantially comply with applicable 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 Federal financial management systems requirements and the United States Government Standard General Ledger at the transaction level.

## **E. Federal Financial Management Improvement Act of 1996**

### **1. Federal Accounting Standards**

As discussed in the Internal Control over Financial Reporting section of this report, we identified a material weakness related to controls over accruals that affected NPS's ability to prepare its financial statements and related disclosures in accordance with Federal accounting standards. As a result of this material weakness, NPS's financial management systems did not substantially comply with applicable Federal accounting standards.

#### **Recommendation**

We recommend that in fiscal year 2008, NPS improve its procedures and internal controls to ensure that the financial management systems substantially comply with applicable Federal accounting standards.

#### **Management Response**

Management has prepared an official response presented as a separate attachment to this report. In summary, management did not concur with our findings and recommendations because NPS believed that we had a professional disagreement on the assumptions and elements used for developing and implementing the estimated accrual methodology that did not indicate non-compliance. We did not audit NPS's response and, accordingly, we express no opinion on it.

#### **Auditors' Response to Management's Response**

As discussed in the Internal Control over Financial Reporting section of this report, we identified errors in the assumptions and ineffective controls that adversely affected NPS's ability to estimate and record the accounts and grant payable accruals reliably. Therefore, we continue to believe that the control deficiencies identified constitute a material weakness and that NPS did not substantially comply with applicable Federal accounting standards.

## **RESPONSIBILITIES**

**Management's Responsibilities.** The United States Code Title 31 Section 3515 and 9106 require agencies to report annually to Congress on their financial status and any other information needed to fairly present their financial position and results of operations. To assist Interior in meeting these reporting requirements, the NPS prepares and submits financial statements.

Management is responsible for the consolidated financial statements, including:



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

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies.

**Auditors' Responsibilities.** Our responsibility is to express an opinion on the fiscal year 2007 and 2006 consolidated financial statements of 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. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NPS's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

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

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

In planning and performing our fiscal year 2007 audit, we considered 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of NPS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NPS's internal control over financial reporting.

As required by OMB Bulletin No. 07-04 in our fiscal year 2007 audit, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis section, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether these internal controls had been placed in operation. We limited our testing to those controls necessary to report deficiencies in the design of internal control over key performance measures



in accordance with OMB Bulletin No. 07-04. However, our procedures were not designed to provide an opinion on internal control over reported performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether NPS's fiscal year 2007 consolidated financial statements are free of material misstatement, we performed tests of NPS's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NPS. However, providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 07-04 and FFMIA, we are required to report whether financial management systems for executive departments and agencies subject to the *Chief Financial Officers Act of 1990* substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. Although NPS is not required to report on FFMIA, NPS has elected to report on FFMIA. Therefore, we performed tests of compliance with FFMIA Section 803(a) requirements.

We noted certain additional matters that we have reported to management of NPS in a separate letter dated December 14, 2007.

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

KPMG LLP

December 14, 2007

NATIONAL PARK SERVICE

Status of Prior Year Findings

September 30, 2007

Ref	Condition	Status
A	Security and General Controls over Financial Management Systems	This condition has not been corrected and is repeated in fiscal year 2007. See finding B.
B	Financial Reporting Controls	Part of this condition has not been corrected and is repeated in fiscal year 2007. See finding C.
C	Controls over the U.S. Park Police Pension Plan	This condition has been corrected.
D	Museum Collections	This condition has been corrected.
E	Federal Financial Management Improvement Act of 1996 – <i>Federal Accounting Standards</i>	This condition has not been corrected and is repeated in fiscal year 2007. See finding E.





# United States Department of the Interior

## NATIONAL PARK SERVICE

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


IN REPLY REFER TO:

DEC 19 2006

F4217(2625)

### Memorandum

To: Kimberly Elmore  
Acting Assistant Inspector General for Audits

From: Chief Financial Officer 

Subject: Draft Independent Auditors' Report on the National Park Service Financial Statements for the Fiscal Years 2007 and 2006 (Assignment No. X-IN-NPS-0019-2007)

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

- A. Controls over Accruals. We recommend that NPS: Test the assumptions used in the accounts payable accrual calculation, including the subsequent activity report to ensure that the subsequent activity report is accurate and complete; compare the accounts payable accrual adjustments to the accounts payable methodology and prior adjustments to ensure that the amounts are properly recorded, including de-obligations; analyze the grants payable results to ensure that the results support the grant accrual methodology; and require supervisors to compare the accounts payable accrual calculation to the supporting documentation to ensure that the amounts are consistent and reasonably calculated, and document completion of comparison on the accounts payable accrual calculation or related journal entry.

Response – The NPS does not concur with the findings or recommendations. The NPS has used the same accrual estimating formula for several years, modifying it only slightly in some years after discussion with KPMG auditors. The late nature of these discussions usually left little or no time for NPS to properly analyze their impacts. Until this year there were no discussions regarding any possible underlying flaws in the estimating process. No Notification of Findings and Recommendations were presented by KPMG on the accrual methodology used by NPS except as a management letter comment regarding proper use of the Consumer Price Index (CPI) in making the calculation.

This year, KPMG auditors questioned the methodology of accrual estimating just before reaching the scheduled deadline for submitting financial statements, even though the testing of accruals should have been completed in July, according to the commitment made at the entrance conference by the auditors. This concern was raised as a result of applying a test factor that had never been a part of the NPS accrual formula used, and

subjected to audit by KPMG in previous years. As a result, KPMG indicated that the assumptions we used in our approach were incorrect. Based on this, NPS employed a statistical analysis to develop a new methodology immediately to supplement our normal accrual calculation. The methodology was developed and a new estimate was posted in a matter of 5 days.

The extraordinary events over the last few years, such as hurricanes, fires, parent/child reporting requirements, etc., have made estimation more difficult. These conditions and KPMG's rejection of a previously accepted process have moved NPS towards developing a new accounts payable accrual methodology. This procedure will analyze the accrued general vendor expenses paid during the closing fiscal year, and establish an accrual percentage. In addition, NPS will work with a contractor to develop a stratified statistical sample for general vendor, grants and IPAC payments. A sample will be selected each quarter for analysis, and the results of the analysis will be evaluated by the statistician to determine if additional testing is required. Once the accrual testing and analysis is completed an accrual estimate will be established, posted to the accounting system and reflected on NPS' financial statements as of September 30<sup>th</sup>.

It bears mentioning that proactive management analysis is not symptomatic of a material weakness – KPMG had not found errors, rather we had a professional disagreement on assumptions and elements for determining the estimated accrual methodology.

The responsible official for implementing this recommendation will be the Accounting Operations Center Manager.

- B. Security and General Controls over Financial Management Systems, Recommendation. NPS needs to improve information technology security and general controls to protect its financial information systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. NPS has made improvements to security and general controls during the year; however, NPS needs to improve the following controls.

1. Access Controls, Recommendation – Finalize access control policies, restrict access to approved users, review and approve user access, maintain access documentation, record and review changes to security profiles, and improve contractor access controls.

Response – NPS concurs with the finding. NPS finalized and issued on August 28, 2007 the System Security and Privacy Policy for the Federal Personnel and Payroll System (FPPS) under Human Resources Bulletin Number 07-10. Included in this policy document is the requirement for data custodians to perform annual reviews and recertification of all employee access rights within the system,

an FPPS Access Request Form and FPPS Rules of Behavior. In addition, the Human Resources Office continues to provide monthly termination reports to all system owners to ensure appropriate removal of terminated employee's access from all applications.

NPS is also working to establish a routine for recertifying IDEAS users on an annual basis. Currently, the local area coordinators complete the reviews annually during November and maintain the forms. NPS is planning to maintain electronic copies in the Functional Administrator's office.

NPS concurs that a Service-wide process is needed to improve contractor security and access controls, and the NPS has implemented policy to address contractor security and access controls; however, a department-wide solution is more appropriate with respect to the development and implementation of a system for tracking and monitoring compliance. On June 5, 2007, OCIO Policy No. 2007-0010: NPS IT Personnel Security was finalized and issued. This policy addresses background investigation and access requirements for any individual, including contractors, requiring access to DOI and NPS information and information systems.

2. System Software Controls, Recommendation – Implement and finalize change management, administrator access, and audit log policies, perform and document system changes and system change logs, and improve controls to ensure that unauthorized modifications are detected and reported.

Response - NPS partially concurs with the findings, because NPS addressed some of the issues immediately after the finding was identified. Procedures were issued in May 2007 for preparing and maintaining change request forms, plans, and testing documentation for NPS IDEAS. Change request forms, plans and testing documentation have been maintained for the application since that time. In addition, procedures for completing post-change management review after installing emergency operating system patches was implemented in July 2006 in accordance with OCIO Policy Number 2006-002.

The NPS OCIO Configuration and Change Management Policy for NPS GSS is in final draft and expected to be issued by March 31, 2008. Procedures to limit administrator access and segregate system software management responsibilities were signed/approved on November 13, 2007 and September 7, 2007 respectively. On August 8, 2007, NPS implemented OCIO Policy Number 2007-0003, as the policy for audit and accountability policy and procedures.

Additionally, as of July 17, 2007, the NETIQ Suite was installed and working on the IDEAS servers. Administrator access for NPS IDEAS has been formalized. Procedures are in place to perform audit logging over access to and modification of sensitive or critical files for NPS IDEAS.

The finding related to the implementation of procedures on formal change control for IDEAS application and operating system was corrected on May 14, 2007 when the formal IDEAS Change Management Procedures were implemented and a copy of the document was provided to the auditor. In regards to the review of System change logs, this finding was corrected when previously implemented procedures were formalized and published on September 7, 2007.

3. Service Continuity, Recommendation – Finalize, approve, and test contingency plans and expand contingency plans to include emergency processing priorities and all requirements of NIST 800-34.

Response - NPS concurs. The NPS National Information Technology Center (NITC) has implemented a mandatory training in the IDEAS contingency plan procedures. In addition, on May 30, 2007, the OCIO, NITC and NISC issued a joint policy memorandum implementing the requirement that key personnel be trained on an annual basis, on their responsibilities as outlined in the IT contingency plans for major applications. All key personnel are to be aware and knowledge of their individual responsibilities in the event a particular IT contingency plan may be invoked.

4. Segregation of Responsibilities, Recommendation – Document responsibilities that should be segregated and fully segregate conflicting responsibilities.

Response - NPS concurs and issued OCIO Policy Number 2007-0011, *Segregation of Duties* memorandum. This service wide segregation of duties policy includes the requirement that system owners conduct and document periodic reviews of those duties to ensure conflicting duties do not exist. This policy provides guidance to system owners and was finalized and issued on August 8, 2007.

5. Under Entity-wide Security Program and Planning, Recommendation – Complete risk assessments.

Response - NPS concurs and is in the process of formally developing and approving a major application certification and accreditation package for IDEAS, including all required components in compliance with DOI, NIST, and OMB

standards. The IDEAS Certification and Accreditation effort is scheduled for completion by December 30, 2007.

The responsible officials for implementing the recommendations will be the Office of the Chief Information Officer, Contracting Office and Workforce Management.

C. Financial Reporting Controls, Recommendation. We recommend that NPS perform the following, to improve the recording and reporting of financial transactions:

1. Charge Card, Recommendations – a) Continue to provide training to personnel on charge card procedures. b) Also require approving officials to be more diligent in monitoring and enforcing compliance with Interiors charge card policies. c) Periodically test sample of charge cards for compliance with Interiors charge card policies.

Response – We concur. a) As mandated by OMB Circular A-123, all Approving Officials have been required to complete mandatory on-line training by December 31, 2007. NPS will require all card holders to retake the Charge Card on-line training course, beginning January 2008. During August, 2007, NPS reissued guidance on management of the Government Charge Card Program to all NPS Government Charge Card Program Approving Officials, Managers and cardholders. The NPS Charge Card Guide is scheduled to be updated and issued to all cardholders by April 15, 2008. In addition, the Director of the NPS issued a memorandum on November 27, 2007, to all employees reiterating the responsibility for both cardholders and supervisors to follow the Charge Card guidance and ensure established procedures are followed.

b) The NPS Bureau Lead, along with the Regional Agency/Organization Program Coordinators (A/OPC), will continue to conduct quarterly teleconferences, in an effort to provide the field with updated information, brainstorm on current policies, procedures and compliance issues to better utilize the bureaus resources more effectively. In addition, the A/OPC's will review monthly delinquency reports, along with reports such as the "Non Travel Activity and Weekend Holiday Activity" to identify any unusual or suspicious activity that may need additional follow-up actions.

c) NPS will develop and implement an audit plan that will schedule periodic audits of charge cards at a rate of at least 33% of all cardholders annually to comply with Interior charge card policies.

The responsible official for implementing these recommendations will be the NPS Charge Card Bureau Lead.

2. Grants, Recommendations – a) Follow up with guidance on Single Audit Reports not received within nine months of grantee's year end and limit future grant awards until extensions are provided or Single Audit Reports are received. b) Issue management decisions on audit findings within six months after receipt of Single Audit Reports and verify that grantees take appropriate and timely corrective actions.

Response - NPS concurs with the findings and recommendations. Delinquent notices will be sent to the grantees that have not been in conformance with the Single Audit Act Amendments of 1996. In addition, the status of these reports will be reflected in the quarterly report submitted to the Accounting Operations Center. NPS currently places an audit Special Condition as part of the grant award letters and grant agreements. The Special Condition language will be revised for all NPS grants to clarify the reporting requirements under the Single Audit Act, and require the grantee to submit the report to NPS. Once the audits have been received in NPS, if there are any findings and/or recommendations, the audit will be placed in the NPS Audit Tracking System for follow-up.

NPS will work with the Office of Inspector General to ensure management decisions on audit findings are completed within six months of receipt of the report. NPS will strengthen the audit compliance requirement, which will assist the Historic Preservation Grant Division in tracking any audit report that discloses findings relevant to the operation of NPS-funded programs and activities. Also, an audit reminder statement will be placed in all letters to grantees if the grant end date is extended.

The responsible official for implementing this recommendation will be the Historic Preservation Grant Division.

3. Undelivered Orders, Recommendations – a) De-obligate undelivered orders when the contract expires or execute contract modifications prior to the end of the contract period of performance. b) Analyze certain categories of undelivered orders with minimal to no activity during the past three months to ensure that the undelivered orders are valid. c) Improve and maintain documentation to support its undelivered order balances.

Response - NPS concurs that undelivered order balances should be reviewed continuously to determine if a modification is required or the balance should be de-obligated. The Accounting Operations Center staff communicates regularly with parks/offices at the time payments are being processed, if certain contract requirements are not met.

As in prior years, the NPS will continue to require parks/offices to review outstanding balances more frequently during the fiscal year. Additional guidance will be included in future correspondence with parks/offices requiring information on the validity of UDO balances.

The NPS' Accounting Operations Center and the Contracting Office will be addressing each of the recommendations, as part of a workgroup initiative in FY 2008. The work group will review current processes to identify guidance that may need more clarification and will include additional guidance for parks/office to follow when monitoring the status of contracts. The new guidance will be issued to park/office contracting officers, budget and finance offices outlining more clearly defined procedures when reviewing undelivered order balances to determine whether balances are still valid, whether agreements need to be modified, or balances should be de-obligated.

These new processes will assist in ensuring undelivered order balances are de-obligated and the subsequent recoveries will be completed and reported in a timelier manner.

The responsible officials for implementing these recommendations will be the NPS Contracting Office and the Accounting Operations Center.

- D. Single Audit Act Amendments of 1996 Recommendation – In fiscal year 2008, NPS improve its grantee monitoring process to ensure they and their grantees comply with the reporting requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular No. A-133.

Response – NPS concurs with the finding and recommendation. Refer to Section C.2 of this response regarding our corrective action plan.

- E. Federal Financial Management Improvement Act of 1996

Federal Accounting Standards Recommendation – NPS improve its procedures and internal controls to ensure that the financial management systems substantially comply with applicable Federal Accounting Standards.

**Response - NPS does not concur with finding or the recommendation. Refer to Section A of this response regarding our position on NPS' accrual methodology. NPS feels there was a professional disagreement with the auditors on assumptions and elements used for developing and implementing the accrual methodology, which in and of itself, do not indicate a non-compliance issue.**



## STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
A.1., A.2., A.3., A.4., and E.	Unresolved	Recommendations will be referred to the Assistant Secretary, Policy, Management and Budget for resolution.
B.1., B.2., B.3., B.4., B.5., C.1.a., C.1.b., C.1.c., C.2.a., C.2.b., C.3.a., C.3.b., C.3.c., and D.	Resolved; not implemented	Recommendations will be referred to the Assistant Secretary, Policy, Management and Budget for tracking of implementation.

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

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#### 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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Fall foliage colors the Kelly River drainage in Kobuk Valley National Park which preserves habitat for arctic wildlife such as caribou, grizzly and black bear, wolf, and fox. NPS PHOTO BY CHARLES OLIN



**Accounting Operations Center**  
13461 Sunrise Valley Drive  
Suite 200  
Herndon, Virginia 20171