



Annual Report

Fiscal Year 2006





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Accounting Operations Center
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Front Cover: Melting ice is transforming the glacier-filled valleys of Glacier Bay National Park and Preserve into fjords, while a dramatic vertical rise is occurring as land is released from the weight of melting glaciers. The front cover image shows the remnants of Muir Glacier, one of many large tidewater glaciers that have been reduced to small glaciers that terminate on land. PHOTO BY BRUCE F. MOLNIA, 2004, ONLINE GLACIER PHOTOGRAPH DATABASE

Inside Front Cover: This 1941 image of Muir Glacier in Glacier Bay National Park and Preserve shows the extent of melting ice when compared to the color cover photo taken in 2004. PHOTO BY WILLIAM O. FIELD, 1941, ONLINE GLACIER PHOTOGRAPH DATABASE

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.



The Presidio raises its special 48-foot garrison flag on the day of commemoration at Golden Gate National Recreation Area.
NPS PHOTO BY DAN NG

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Management Discussion and Analysis: A Message From the Director

This year marks the ninetieth birthday of the National Park Service and the one hundredth anniversary of the Antiquities Act, by which many parks were added to the National Park System. I am proud of our many accomplishments across our complex mission.

The National Park Service protects grand vistas and promotes scientific inquiry, provides spaces for respite and recreation, and reflects our human heritage. Our programs support a wide range of state, local, and private agencies, and our work encourages Americans everywhere to enjoy parks, historic places, and open spaces. The National Park Service not only preserves America's natural and cultural heritage, but also provides an estimated \$12 billion annual benefit to the nation's economy.

The need for personal renewal and recreation continues to grow. For parks to remain relevant, we must resonate with this and future generations by anticipating their needs with sustainable development, healthful and stimulating programs, and effective management.

We have already made great progress. Based on a report by the National Park System Advisory Board's Committee on Health and Recreation, we embarked on an outcome-based approach to providing healthful recreation opportunities in the parks. By encouraging people to see parks as important parts of their daily lives for fun, healthy activities, our work becomes a valuable part of their personal well-being.

We remain committed to providing opportunities for everyone to connect with park resources. This year more than a dozen parks built or rehabilitated visitor centers according to Americans with Disabilities Act standards. In addition we upgraded campgrounds, hard-surfaced walkways, picnic areas, transportation systems, parking lots, and overlooks. Parks produced captioned movies, audio descriptions, tactile exhibits, and multilingual brochures and exhibits to reach wider audiences.

We are enjoying great success in reaching out to America's youth. First Lady Laura Bush is especially supportive of the Junior Ranger program, and we appreciate her involvement. Junior Ranger programs now exist in 290 national parks, and the *Web Ranger* program allows us to reach even more children via the Internet. These programs greatly expand our ability to involve youngsters in park stewardship.

In February we welcomed the addition of the Carter G. Woodson Home National Historic Site and African Burial Ground National Monument into the National Park System. Dr. Woodson was instrumental in establishing African American history as an academic discipline and established Negro History Week in 1926. It is estimated that the African Burial Ground was used for more than 100 years and that 15,000 people are interred there. President Bush used his authority under the Antiquities Act to declare the site a national monument.

The Department of the Interior reinvigorated the National Natural Landmarks program by designating Ashfall Fossil Beds in Nebraska. The natural wonders preserved there, through an ancient volcanic eruption, are as significant as the cultural wonders preserved at Pompeii. Designating this remarkable site strengthens conservation efforts and teaches people about Ashfall's natural wonders.

The NPS finalized the 2006 revision of NPS Management Policies. In 2007 and beyond, park managers will be operating with better guidance on conserving park resources and providing for their enjoyment, while leaving them unimpaired for future generations. Our goal is to pass resources to future generations in as good or better health and condition than they exist today. This year also brought revisions to Director's Order #21: Donations and Fundraising. The revised policy gives our partners the flexibility to be successful in their fundraising efforts and maintains the integrity of the places under our care.



September marked the close of the Lewis and Clark Bicentennial Commemoration, led by the National Park Service “Corps of Discovery II: 200 Years to the Future.” The Corps completed a four-year tour of 95 American cities. Four dozen federal agencies worked with more than 40 Indian tribes, 18 trail states, hundreds of state, local, and nonprofit entities, and thousands of individual volunteers to bring commemorative Lewis and Clark events to people across the nation.

National Park Service accountability is improving Systemwide. We developed the Budget Cost Project Module, Core Operations Analysis, the Business Planning Initiative, and the NPS Scorecard to improve 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.

This report presents our compliance with certain legal and regulatory requirements.

The annual assurance statement required by the Federal Managers’ Financial Integrity Act 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 successful audit of our financial records and systems is a significant accomplishment that reflects our commitment to transparent management that invites public review. The National Park Service is looking forward to our centennial, working with partners toward common goals, and inviting citizens to actively participate in and closely observe every park and program. I encourage everyone to read this report to better understand the goals and accomplishments of the National Park Service.

Mary A. Bomar, Director
National Park Service
November 30, 2006



Interior Secretary Dirk Kempthorne addresses an audience at the opening of Yellowstone National Park's new Canyon Visitor Education Center.
PHOTO BY BOB GREENBURG

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.

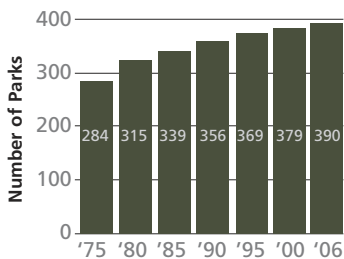
SIZE AND COMPOSITION

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

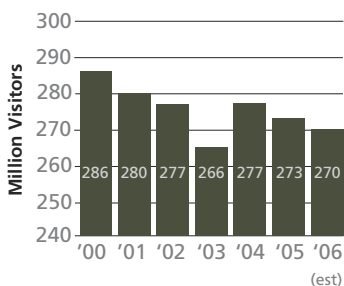
Excellent Service	Providing the best possible service to park visitors and partners.
Productive Partnerships	Collaborating with federal, state, tribal, and local governments, private organizations, and businesses to work toward common goals.
Citizen Involvement	Providing opportunities for citizens to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



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

Recreational Visits Per Year



Increased visitation to national parks during the FY 2004 calendar year is partly attributed to the addition of the National World War II Memorial in Washington, D.C. Visitation leveled off to 273 million in FY 2005.

In 2006 the National Park System consisted of 390 units encompassing more than 84 million acres of land in every state except Delaware. Park units are also located in the District of Columbia, American Samoa, Guam, Puerto Rico, and the Virgin Islands.

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

VISITATION

Visitation to the National Park System in calendar year 2005, 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 over five million visitors), National Park System visitation has since leveled off. A slight decrease in visitation occurred from 2004 to 2005. The National Park Service estimates that visitation for 2006 will continue to level off with a potential decrease of 1.5 percent.

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 2005, exceeding the goal established by the NPS in its strategic plan.

ORGANIZATIONAL STRUCTURE

The National Park Service is a bureau within the Department of the Interior. The National Park Service is administered by a Director (a position which requires Senate confirmation) who reports to the Secretary of the Interior. Servicewide programs and grant programs for entities outside of the

National Park Service are administered through Associate Directors.

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.

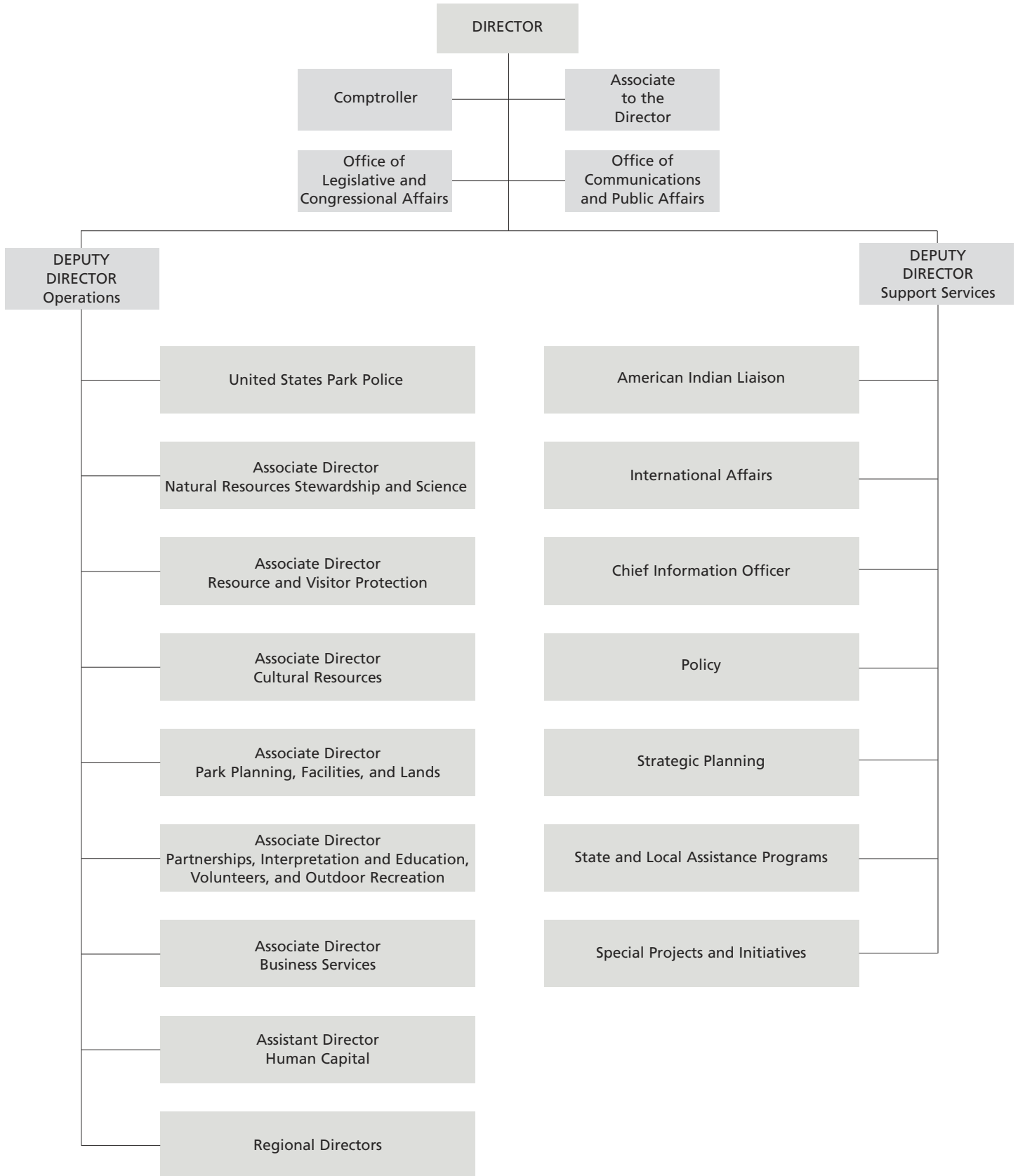
The National Leadership Council (NLC), composed of the Director, Deputy Directors, Associate to the Director, Associate Directors, Comptroller, Chief of the U.S. Park Police, and the seven Regional Directors, sets policy and the overall direction for the National Park Service.

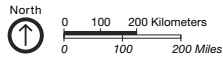
STAFFING

In FY 2005 the National Park Service used 20,485 full-time equivalents (FTE). The FTE count equates to an on-board strength of about 25,500 employees during the summer months when visitation is at its peak. FTE usage in Fiscal Year 2006 is 20,056, and FTE usage in FY 2007 is estimated to be 20,441.

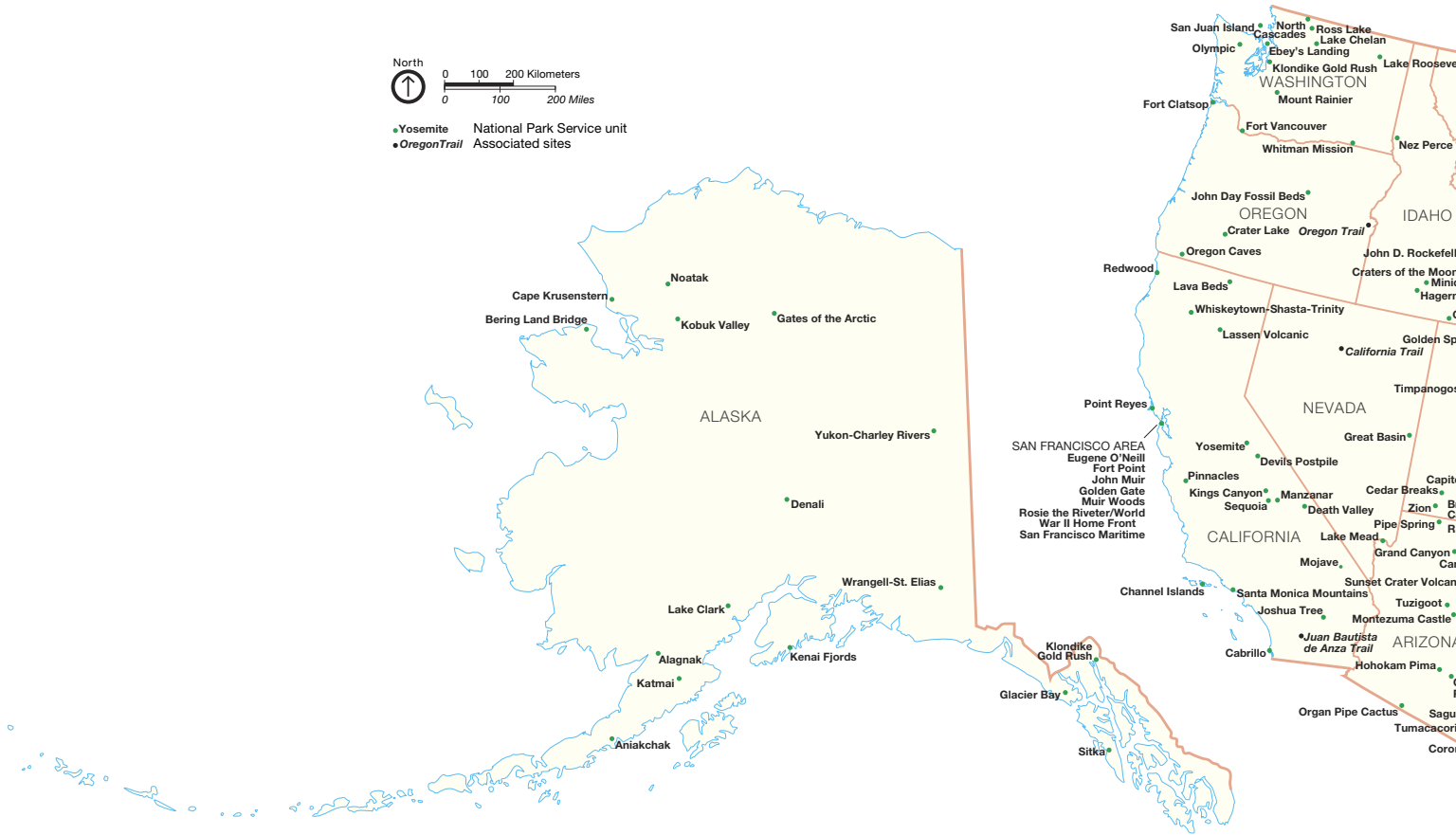
The Volunteers in Parks Program continues to prove a major force in accomplishing the National Park Service mission. During Fiscal Year 2005, 137,000 volunteers contributed 5.2 million hours of service to the NPS through 366 VIP programs across the country. Valued at the private sector rate of \$17.55 an hour, this equates to more than \$91 million in value provided to the National Park Service. The expected VIP contribution for FY 2006 is 140,000 volunteers working approximately 5.3 million hours. At a projected rate of \$18.04 an hour, this equates to approximately \$95.6 million in volunteer work.



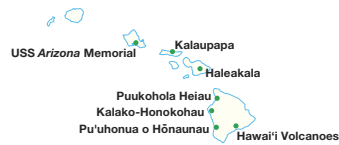




● Yosemite National Park Service unit
 ● OregonTrail Associated sites



HAWAII



United States Territories

AMERICAN SAMOA



GUAM



PUERTO RICO VIRGIN ISLANDS



The National Park System



National Park System Units by Region

ALASKA REGION

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

INTERMOUNTAIN REGION

24. Alibates Flint Quarries NM	44. Chickasaw NRA	65. Grant-Kohrs Ranch NHS	85. 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. Sunset Crater NM
33. Black Canyon of the Gunnison NP	53. Florissant Fossil Beds NM	74. Little Bighorn NM	94. Timpanogos Cave NM
34. Bryce Canyon NP	54. Fort Bowie NHS	75. Lyndon B Johnson NHP	95. Tonto NM
35. Canyon de Chelly NM	55. Fort Davis NHS	76. Mesa Verde NP	96. Tumacacori NHP
36. Canyonlands NP	56. Fort Laramie NHS	77. Montezuma Castle NM	97. Tuzigoot NM
37. Capitol Reef NP	57. Fort Union NM	78. Natural Bridges NM	98. Walnut Canyon NM
38. Capulin Volcano NM	58. Fossil Butte NM	79. Navajo NM	99. Washita Battlefield NHS
39. Carlsbad Caverns NP	59. Gila Cliff Dwellings NM	80. Organ Pipe Cactus NM	100. White Sands NM
40. Casa Grande Ruins NM	60. Glacier NP	81. Padre Island NS	101. Wupatki NM
41. Cedar Breaks NM	61. Glen Canyon NRA	82. Palo Alto Battlefield NHS	102. Yellowstone NP
42. Chaco Culture NHP	62. Golden Spike NHS	83. Pecos NHP	103. Yucca House NM
43. Chamizal NMem	63. Grand Canyon NP	84. Petrified Forest NP	104. Zion NP
	64. Grand Teton NP		

MIDWEST REGION

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

NATIONAL CAPITAL REGION

158. Antietam NB	168. Frederick Douglass NHS	177. Monocacy NB	188. Vietnam Veterans Memorial
159. Arlington House	169. George Washington Memorial Parkway	178. National Capital Parks (Central & East)	189. Washington Monument
160. Carter G. Woodson Home NHS	170. Greenbelt Park	179. National Mall	190. White House
161. Catocin Mountain Park	171. Harpers Ferry NHP	180. National World War II Memorial	191. Wolf Trap National Park for the Performing Arts
162. Chesapeake & Ohio Canal NHP	172. Korean War Veterans Memorial	181. Pennsylvania Avenue NHS	
163. Clara Barton NHS	173. Lyndon B. Johnson Memorial Grove on the Potomac	182. Piscataway Park	
164. Constitution Gardens	174. Lincoln Memorial	183. Potomac Heritage NST	
165. Ford's Theatre NHS	175. Manassas NBP	184. Prince William Forest Park	
166. Fort Washington Park	176. Mary McLeod Bethune Council House NHS	185. Rock Creek Park	
167. Franklin D Roosevelt Memorial		186. Theodore Roosevelt Island	
		187. Thomas Jefferson Memorial	

National Park System Units by Region

NORTHEAST REGION

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

PACIFIC WEST REGION

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

SOUTHEAST REGION

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

WASHINGTON OFFICE

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

GRAND CANYON A Spectacular



Experience the changing scenery of Grand Canyon.



Visitors examine a map of Grand Canyon National Park at Canyon View Information Plaza. NPS PHOTO BY MICHAEL QUINN

Management Discussion and Analysis: NPS Performance Goals and Results

STRATEGIC GOALS AND RESULTS

The Government Performance and Results Act (GPRA)¹ 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 FY 2004 the National Park Service updated its set of goals to more closely align with those of the Department of the Interior and to cover the Fiscal Years 2005 to 2008. 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, June, 2006².

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, four annual performance goals were selected to highlight the NPS accomplishments for Fiscal Year 2006.

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 also includes goals supporting NPS

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

² A target level of performance over time expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. 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"> ■ Improve Health of Watersheds and Landscapes ■ Sustain Biological Communities ■ Protect Cultural and Heritage Resources
II. Provide for Public Enjoyment and Visitor Experience of Parks	2. Recreation	<ul style="list-style-type: none"> ■ Improve Access to Recreation ■ Ensure Quality of Recreation ■ Receive and Provide Fair Value in Recreation
	3. Serving Communities	<ul style="list-style-type: none"> ■ Protect Lives, Resources, and Property
III. Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed By Partners	2. Recreation	<ul style="list-style-type: none"> ■ Improve Access to Recreation ■ Ensure Quality of Recreation ■ Receive and Provide Fair Value in Recreation
	3. Serving Communities	<ul style="list-style-type: none"> ■ Protect Lives, Resources, and Property

contributions to scholarly and scientific research about the nature and condition of the resource. The National Park Service has fundamental information requirements to support sound decisions about managing natural and cultural resources within the National Park System. Two performance goals were selected to highlight the accomplishments in preserving natural and cultural resources. Total costs incurred in FY 2006 and FY 2005 were approximately \$1.6 billion and \$1.5 billion, respectively.

Ia1. Disturbed Lands/Exotic Plant

Species: This goal addresses resource conditions in parks and includes restoration of lands impacted by previous 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.

By FY 2008, the National Park Service plans to restore 15,800 (3.6%) of the 437,150 total acres of parkland disturbed by development or agriculture. This long-term goal was adjusted in FY 2006 from an initial target of 21,850 (5%) acres because funding decreases have resulted in a slower rate of improvement than expected. In FY 2006 the National Park Service estimates that 4,644 (1.1%) disturbed parkland acres were restored. Changes in prioritization of the acres, especially those that are easily accessible and lower than the expected cost per acre, resulted in the NPS exceeding the FY 2006 goal. Final data will not be available, verified, and validated until the end of the first quarter of FY 2007.

The National Park Service’s FY 2008 long-term goal for exotic vegetation is to control 79,294 (3%) of the total 2.6 million canopy acres of parkland infested. The increase

in the long-term target over FY 2005 is to reflect a proposed funding increase starting in FY 2007. 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 estimated that it will meet its FY 2006 target goal of containing 8,000 canopy acres impacted by exotic plant species. Final data will not be available, verified, and validated until the end of the first quarter of FY 2007.

Ia5. 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 National Park System.

The List of Classified Structures (LCS) is the primary database containing condition information on park historic structures. Structures on the LCS are on, or are eligible for, the National Register of Historic Places, or are otherwise treated as cultural resources.

The condition of historic structures is listed as good, fair, and poor. Good condition indicates that the structure and its significant features need only routine repairs or cyclic maintenance (i.e., once every three years). Historic structures not in good condition may experience permanent loss of historic

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

Target	Measure	FY 2002 Performance	FY 2003 Performance	FY 2004 Performance	FY 2005 Performance	FY 2006 Base: Targeted Acres	FY 2006 Goal		Estimated FY 2006 Performance	
							Number	% of Base	Number	% of Base
Disturbed Parklands	Acres Restored	1,065	4,960	6,600	2,270	437,150	1,680	0.4%	4,644	1.1%
Exotic Vegetation	Acres Restored	71,700 gross acres	162,480 gross acres	95,556 gross acres	9,964 canopy acres	2,600,000	8,000 canopy acres	0.3%	8,000 canopy acres	0.3%

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 long-term goal for FY 2008 is to have 47 percent of the historic structures on the current LCS in good condition. Performance for the goal has remained nearly level for many years. Typically, easily improved structures have already been brought to good condition, while structures newly added to the inventory tend to be in less-than-good condition, obscuring improvements. Maintaining structures in good condition is an expensive process, leaving few fiscal resources for improving the condition of other structures.

The National Park Service estimates that 12,636 (47%) of the structures listed on the List of Classified Structures are in good condition as of the end of FY 2006, with an estimated \$294.8 million spent to reach this goal. While this exceeds the FY 2006 goal, it represents a slight decline from the accomplishments in FY 2005. However, maintaining the level of structures in good conditions in light of increasing costs and declining dedicated fiscal resources is positive. Final data will not be available, verified, and validated until the end of the first quarter of FY 2007. Total costs incurred in FY 2006 and FY 2005 were approximately \$1.6 billion and \$1.5 billion, respectively.

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 2006 and FY 2005 were approximately \$1.1 billion and \$1.1 billion, respectively.

Ila1. Visitor Satisfaction: While many factors affect visitor use and 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 2008 is to maintain the 95 percent level of park visitor satisfaction with appropriate park facilities, services, and recreational opportunities. The National Park Service expects to exceed the FY 2006 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 \$980 million and \$470 million in FY 2006 and FY 2005, respectively, 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 2007. Total costs incurred in FY 2006 and FY 2005 were approximately \$1.1 billion and \$1.1 billion, respectively.

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

Goal Ia5. Increase Number of Historic Structures on LCS That Are in Good Condition

Target	Measure	FY 2002 Performance	FY 2003 Performance	FY 2004 Performance	FY 2005 Performance	FY 2006 Base: Targeted Structures	FY 2006 Goal		FY 2006 Performance	
							Number	% of Base	Number	% of Base
Structures On the Current Year List of Classified Structures	Structures in Good Condition	11,946 of 26,859 (44.5%) in good condition	11,753 of 26,531 (44.3%) in good condition	12,102 of 26,585 (45.5%) in good condition	12,660 of 26,879 (47.1%) in good condition	26,879 (planned)	12,364	46%	12,636	47%

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.

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 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. Total costs incurred in FY 2006 and FY 2005 were \$370 million and \$349 million, respectively.

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 enhance the visitor experience and increase recreational opportunities. The long-term goal for FY 2008, working from the baseline established in 1997, is to conserve an additional 13,150 miles of trails, 8,515 miles of protected river corridors, and 1,026,950 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 estimate that 1,637 miles of trail, 55,473 acres of park and open space lands, and 788 miles of river corridor were added in FY 2006. The results for miles of trail and acres of land exceeded the goal, while the results for miles of river corridor fell slightly short of its target. Final data will not be available, verified, and validated until the end of the first quarter of FY 2007.

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

Goal IIa1. Park Visitors Are Satisfied With Their National Park Experience							
Target	Measure	FY 2002 Performance	FY 2003 Performance	FY 2004 Performance	Performance		
					FY 2005 Performance	FY 2006 Goal	Estimated FY 2006 Performance
Visitor Satisfaction	Percent of Visitors Surveyed Who Rank Park Facilities, Services, and Recreational Opportunities as "Very Good" or "Good"	95%	96%	96%	96%	95%	96%

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 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 shortfalls. The NPS has embraced the President’s Management Agenda as a guide in order to achieve its goal of management excellence.

The NPS has made great strides in the strategic management of human capital, competitive sourcing, and E-Government. Complementing these improvements, the NPS is constantly looking for ways to improve financial management, accountability, and transparency of the agency, as well as integrating the NPS budget to performance accomplishments and Departmental and Agency goals.

National Park Service progress towards accomplishing the President’s Management Agenda in FY 2006 is demonstrated by the current Departmental internal Scorecard ratings. The Scorecard criteria changed for FY 2006 in order to better align Bureau scoring with the criteria by which the Department is scored. On a scale of red, yellow, and green, green indicates fully successful, yellow indicates partially successful, and red indicates not successful. The rating for Human Capital is green; the rating for E-Government is green; the rating for Competitive Sourcing is yellow; the rating for Financial Management is yellow; the rating for Budget/Performance Integration is yellow; and the rating for real property is yellow.

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 2002 Performance	FY 2003 Performance	FY 2004 Performance	Performance		
					FY 2005 Performance	FY 2006 Goal	FY 2006 Performance
National Recreation and Preservation Areas	Added Since 1997:						
	Miles of Trails	7,704	9,140	9,821	10,763	11,460	12,400
	Miles of River Corridor	4,058	5,050	5,390	6,226	7,055	7,014
	Acres of Park and Open Space	782,710	846,282	886,714	962,237	971,900	1,017,710



Marsh-Billings-Rockefeller National Historical Park
Carriage Barn
Visitor Center

The Carriage Barn Visitor Center at Marsh-Billings-Rockefeller National Historical Park offers visitors a lesson in sustainability. 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 Consolidating Statement of Net Cost, the FY 2006 total cost of services provided for the year ending September 30, 2006, was \$3,073,702 thousand, an increase of \$73,166 thousand (2.4%) over the FY 2005 total for the year ended September 30, 2005, of \$3,000,536 thousand. The total increase in expenses in FY 2006 over FY 2005 can be primarily attributed to the increase in appropriations received and an increase in the United States Park Police Pension Liability in FY 2006 over FY 2005. Appropriations increased because of cost of living increases and increases for deferred maintenance projects, while the actuarial liability and associated expense of the United States Park Police pension increased because of actuarial assumption changes.

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 \$299,301 thousand was earned in revenues derived from the public through September 30, 2006. This represents an increase of \$11,586 thousand (4%) from FY 2005 revenues for the year ended September 30, 2005, of \$287,715 thousand. This increase is primarily due to an increase in reimbursable activity with the public. Revenues derived from federal sources increased \$32,039 thousand for FY 2006 when compared to FY 2005. This increase can be attributed primarily to an increase in reimbursable activity with the Department of Agriculture's National Forest Service and other bureaus within the Department of the Interior

ASSETS

The Consolidated Balance Sheet shows FY 2006 assets totaling \$20,723,500 thousand as of September 30, 2006, an increase of \$416,034 thousand (2%) over FY 2005 assets totaling \$20,307,466 thousand. Fund Balance with Treasury of \$19,517,770 thousand and General Property, Plant and Equipment, Net, of \$1,148,971 thousand comprise 99.7 percent of total NPS total assets as of September 30, 2006. A significant portion of the Fund Balance with Treasury amounting to \$17,297,007 thousand is attributed to the restricted Land and Water and Historic Preservation Funds as of September 30, 2006. An increase in the Land and Water and Historic Preservation Funds accounts for the bulk of the growth in the NPS Fund Balance with Treasury. 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 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



Heavy rains and flooding made picnic areas and portions of Dunes Drive inaccessible to the public at White Sands National Monument in 2006. NPS PHOTO BY JOHN MANGIMELI

these assets is presented in the Required Supplementary Stewardship Information section of this report.

LIABILITIES AND NET POSITION

Total liabilities for FY 2006 of \$1,514,903 thousand as of September 30, 2006, are shown on the NPS Consolidated Balance Sheet, representing an increase of approximately 5.4 percent over FY 2005 liabilities of \$1,437,949 thousand. This is due primarily to an increase in the United States Park Police Pension Liability of approximately \$30,200 thousand for increased benefit costs and an increase in accounts payable of approximately \$48,800 thousand for increased operating expenses.

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds. The National Park Service's "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 Liability, the Federal Employees Compensation Act (FECA) liability, unfunded annual leave, and legal and environmental contingent liabilities, which will be paid out of funds

made available to the agency in future years. However, under accounting concepts, these are considered 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, National Park Service 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 \$26,300 and \$14,966 thousand for potential environmental cleanup liabilities and \$1,631 and \$2,139 thousand related to other claim and litigation liabilities as of September 30, 2006, and 2005, respectively.

National Park Service net position on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$19,208,597 thousand for FY 2006, an increase of \$339,080 thousand over the FY 2005 amount of \$18,869,517 thousand. The FY 2006 NPS Net Position consists of two components: (1) Unexpended Appropriations of \$855,674 thousand, and (2) Cumulative Results of Operations of \$18,352,923 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 increased by approximately 4 percent or \$96,063 thousand as of September 30, 2006, when compared to September 30, 2005. This is in line with expected increases to operating budgets due to payroll cost of living adjustments (COLA) and overall inflationary effects on recurring operating expenses. Appropriations used increased by \$79,823 thousand or approximately 3.4 percent as of September 30, 2006, when compared to September 30, 2005. Appropriations transferred in/(out) decreased by approximately \$48,017 thousand due to an updated OMB Circular A-136 that was issued, in July 2006, to the federal community delineating federal financial reporting requirements. In prior versions of this guidance, federal agencies (child) who received allocated budget authority through another federal agency (parent) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY 2007, child agencies will be required to provide parent agencies with all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both the parent and child agency agree. In FY 2006 Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement. This early implementation resulted in a decrease in Appropriations transferred in/(out) by approximately \$24,000 thousand. The balance of the decrease is due to transfers related to an

Everglades restoration project that is being worked in conjunction with the U.S. Army Corps of Engineers.

The net transfers out without reimbursement increased by \$44,876 thousand or approximately 18.3 percent through FY 2006. This effect has been primarily attributed to an increase in transfers required from other agencies for fire suppression 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 \$2,847,281 thousand and \$2,924,774 thousand were incurred on total budgetary resources of \$3,842,303 thousand and \$3,920,854 thousand for the years ended September 30, 2006, and 2005, respectively.



Visitors today enjoy painting Lower Yellowstone Falls from Artist Point just as artist Thomas Moran did when he documented the Grand Canyon of the Yellowstone in 1871. 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.

Based on the results of the FY 2006 assessments, the NPS identified two material weaknesses in its internal controls. The first material weakness relates to the deficiencies that were noted by acquisition managers in the acquisition and financial assistance functions. The second material weakness relates to the material weakness in the Wireless Communications Program. Both material weaknesses are discussed later in this section. Other than those weaknesses, 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. There were no new material weaknesses identified in Fiscal Years 2003 through 2005. 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 two GAO audit recommendations during FY 2006; 10 outstanding GAO audit recommendations remain to be implemented. There were 20 OIG audit recommendations implemented during FY 2006, with an additional 21 recommendations under development. Finally the NPS continues work to implement all recommendations from the FY 2005 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 2006, 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 A-130, Management of Federal Information Resources, Appendix III.

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 the following:

- Federal financial management system requirements.
- Applicable federal accounting standards.
- The standard general ledger (SGL) at the transaction level.

The FY 2005 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 2006 to improve substantial compliance with the accounting standards. These actions and the results of the FY 2006 financial statement audit have led the NPS to conclude that, except for accounting standards, it substantially complies with the FFMIA.

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 third quarter of FY 2006, the NPS had referred 97 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 2006, the NPS made 95.3 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, 2006, the NPS made 98.9 percent of its payments on time.

IMPROPER PAYMENTS INFORMATION ACT OF 2002 (IPIA)

Narrative Summary of Implementation Efforts for FY 2005

The National Park Service identified the types of payments it makes and evaluated the risks of those payments being erroneous, improper, or otherwise incorrect. The NPS used the same criteria for improper payments as defined in the Improper Payments Information Act and Office of Management and Budget guidance. The NPS then assessed the risk of each type of payment for improper payments and applied that risk to its programs, using the same program criteria used by all Department of the Interior Bureaus. The risk assessment showed that four programs (representing 96 percent of NPS expenditures) had a low risk for improper payments, and the remaining program had a moderate risk, but that existing controls and processes would prevent or detect such 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

Investigators from the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), Oregon State Police, Office of State Fire Marshal, Clatsop County Fire Investigative Team, Clatsop County Sheriff's Office, and the NPS investigate the origin of the October 3, 2005, fire at Fort Clatsop, Lewis and Clark National Historical Park. NPS PHOTO BY DIANE LIGGETT



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. The contractor has reviewed four years of NPS payment history and discovered only nine improper payments for \$20,497. This review 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 2006 Management Control Reviews and OIG Audits

More than 700 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 7 law enforcement, 75 environmental, 51 fee collection, 37 core operations evaluations, 9 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 2006. In addition the Department of the Interior conducted a management review of the NPS acquisition and financial assistance function using the GAO "Framework for Assessing the Acquisition Function at Federal Agencies." The results showed that the NPS had deficiencies in the four areas evaluated under this framework: organizational alignment and leadership, policies and processes, human capital, and knowledge and information management. The NPS was unable to provide unqualified assurance on its internal controls in the acquisition and financial assistance activities because of this review. A corrective action plan is being developed to address these issues.

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 2006. 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. Two recommendations were implemented from a prior fiscal year GAO report, and 10 recommendations from four other GAO reports are being implemented. Twenty OIG audit recommendations were implemented in FY 2006, and 21 other OIG recommendations are being implemented.

Both GAO and OIG issued two reports addressed to the NPS in FY 2006.

Both GAO and OIG have several ongoing inquiries, reviews, and audits affecting the NPS. Two active GAO audits concern NPS implementation of the Federal Lands Recreation Act and accountability and oversight of grants and gateways to the Chesapeake Bay.

Status of Corrective Actions for FMFIA Material Weaknesses Targeted for Correction in FY 2006

The corrective action plan for the material weakness (wireless) exists under the direction of the Department's Office of Information Resources Management. The corrective action plan for the other FMFIA material weakness (acquisition) is being developed.

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

In FY 2006 the National Park Service balanced a wide array of responsibilities, including sustaining park operations and managing the maintenance backlog despite the constrained federal budget, responding to storm damage, providing security at icon and border parks, and developing innovative ways of conducting business and managing human capital.

Efforts to assess the condition of facilities and roads and to inventory, monitor, and manage its natural resources remain high priorities. The Facility Management Software System (FMSS) is operating as a critical tool in the analysis of facility inventories and condition, and Facility Condition Indices (FCIs) provide useful information on the relative condition of assets in need of maintenance or rehabilitation. In FY 2006 funding dedicated to deferred maintenance work totaled nearly one billion dollars. Comprehensive condition assessments have been completed for the eight industry standard assets; and pilot park-level asset management plans have been initiated at several parks, including Yosemite National Park, Grand Canyon National Park, National Parks of New York Harbor, and Delaware Water Gap National Recreation Area. The National Park Service 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. Post-9/11 increased recurring operational costs for security at icon parks reached \$29.7 million in FY 2006 (including the USPP appropriation). Post-9/11 increased recurring operational

costs for security at border parks reached \$5.5 million in FY 2006. The National Park Service continues to attempt to augment its law enforcement ranger and U.S. Park Police staff as needed (the NPS has requested \$2.83 million in its FY 2007 budget request to support additional icon protection and high-priority positions for the U.S. Park Police). 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. Constrained funding levels and displacement of lower-priority needs by security-related staffing and projects are 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.

Absorptions of uncontrollable costs such as those related to benefits and pay, operating fund reductions caused by congressional across-the-board reductions, and external requirements related to Departmental initiatives regarding information technology systems also affected the limited resources of the National Park Service. As required by the Clinger-Cohen Act and the U.S. Federal Court decision against the Department of the Interior in *Cobell 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.

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 expected to continue to place a significant burden on the NPS budget. The NPS received \$1 million in its FY 2006 budget appropriation to help in the implementation of FBMS, and expects the need to increase

that amount in the out years. 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 Core Operations Analyses in parks 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 do business, creating a succession plan to address 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.

As the cycle of Atlantic Ocean hurricanes has intensified in recent years, the need to take emergency response actions and to repair facilities damaged by storms is becoming a greater burden to the NPS,



Protected from hunting, deer populations at Manassas National Battlefield Park are estimated at almost five times the carrying capacity of the region. As a result, park woodlands are overbrowsed by deer, which may reduce herbaceous vegetation for nesting birds.
NPS PHOTO BY THOMAS PARADIS

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. The September 2005 storms, most notably Katrina, have wreaked havoc in NPS parks in Florida, Alabama, Mississippi, and Louisiana, causing more than \$85 million in NPS damages. This caused the need for a supplemental appropriation of \$74.4 million in Construction (for the NPS) and \$42.6 million in Historic Preservation (for states) in FY 2006 to fund response actions and repairs throughout the southeast United States. However, even if 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. Increases in the cost of operating the National Park System, such as increases in rental rates for NPS buildings, increases in utilities costs, increases to the level of contribution required of the NPS to the Department's Working Capital Fund, and federal employee pay raises—all in large part absorbed by parks, programs, and offices, rather than directly funded—continue to place 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.

In 10 years the National Parks Service will be 100 years old. The National Park Service must begin now to 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 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.

Management Assurances

The NPS identified two material weaknesses in its control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006. Other than these weaknesses, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls. The existence of these material weaknesses does not prevent the NPS from providing reasonable assurance on the effectiveness of its internal control taken as a whole. Further, based on the results of the annual audit of the financial statements by KPMG LLP, the NPS does not substantially comply with federal accounting standard requirements of the Federal Financial Management Improvement Act (FFMIA).



Students view a ceremony which is held annually on Grant's birthday in April at General Grant National Memorial. NPS PHOTO BY KEVIN LEICHER

Financial Statements

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

ASSETS (Note 2)	FY 2006
Intragovernmental Assets:	
Fund Balance with Treasury (Note 3)	\$ 19,517,770
Investments, Net (Note 7)	1,464
Accounts and Interest Receivable (Note 5)	23,196
Other - Advances and Prepayments (Note 6)	8,213
Total Intragovernmental Assets	19,550,643
Cash (Note 4)	427
Accounts and Interest Receivable, Net (Note 5)	7,381
Loans and Interest Receivable, Net (Note 9)	3,238
General Property, Plant, and Equipment, Net (Note 8)	1,148,971
Other - Advances and Prepayments (Note 6)	12,840
TOTAL ASSETS (Note 2)	\$ 20,723,500
Stewardship Assets (Note 1F)	
LIABILITIES (Note 10)	
Intragovernmental Liabilities:	
Accounts Payable (Note 11)	\$ 25,354
Other	
Advances, Deferred Revenue, and Deposit Funds (Note 12)	2,745
Accrued Payroll and Benefits	61,320
Judgment Fund	477
Other Miscellaneous Liabilities	298
Total Intragovernmental Liabilities	90,194
Accounts Payable (Note 11)	253,332
Federal Employee and Veteran Benefits	
U.S. Park Police Pension Actuarial Liability (Note 13)	708,600
FECA Actuarial Liability (Note 14)	248,900
Environmental and Disposal Liabilities (Note 15)	26,300
Other	
Contingent Liabilities (Note 15)	1,631
Advances, Deferred Revenue, and Deposit Funds (Note 12)	10,784
Accrued Payroll and Benefits	147,399
Other Miscellaneous Liabilities	27,763
TOTAL LIABILITIES (Note 10)	\$ 1,514,903
Commitments and Contingencies (Notes 1F, 15, and 17)	
NET POSITION	
Unexpended Appropriations - (Earmarked Funds (Note 22)	(3,796)
Unexpended Appropriations - Other Funds	859,470
Cumulative Results of Operations - Earmarked Funds (Note 22)	18,436,205
Cumulative Results of Operations - Other Funds	(83,282)
TOTAL NET POSITION	19,208,597
TOTAL LIABILITIES AND NET POSITION	\$ 20,723,500

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

Department of the Interior, National Park Service
Consolidated Balance Sheet as of September 30, 2005
(dollars in thousands)

ASSETS (Note 2)	FY 2005
Intragovernmental Assets:	
Fund Balance with Treasury (Note 3)	\$ 19,152,507
Investments, Net (Note 7)	1,370
Accounts and Interest Receivable (Note 5)	23,253
Other - Advances and Prepayments (Note 6)	6,910
Total Intragovernmental Assets	19,184,040
Cash (Note 4)	425
Accounts and Interest Receivable, Net (Note 5)	8,971
Loans and Interest Receivable, Net (Note 9)	3,598
General Property, Plant, and Equipment, Net (Note 8)	1,098,686
Other - Advances and Prepayments (Note 6)	11,746
TOTAL ASSETS (Note 2)	\$ 20,307,466
Stewardship Assets (Note 1F)	
LIABILITIES (Note 10)	
Intragovernmental Liabilities:	
Accounts Payable (Note 11)	\$ 18,012
Other	
Advances, Deferred Revenue, and Deposit Funds (Note 12)	2,575
Accrued Payroll and Benefits	58,284
Judgment Fund	2,483
Other Miscellaneous Liabilities	471
Total Intragovernmental Liabilities	81,825
Accounts Payable (Note 11)	211,874
Federal Employee and Veteran Benefits	
U.S. Park Police Pension Actuarial Liability (Note 13)	678,400
FECA Actuarial Liability (Note 14)	249,928
Environmental and Disposal Liabilities (Note 15)	14,966
Other	
Contingent Liabilities (Note 15)	2,139
Advances, Deferred Revenue, and Deposit Funds (Note 12)	11,458
Accrued Payroll and Benefits	142,679
Other Miscellaneous Liabilities	44,680
TOTAL LIABILITIES (Note 10)	\$ 1,437,949
Commitments and Contingencies (Notes 1F, 15, and 17)	
NET POSITION	
Unexpended Appropriations	944,005
Cumulative Results of Operations	17,925,512
TOTAL NET POSITION	18,869,517
TOTAL LIABILITIES AND NET POSITION	\$ 20,307,466

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, 2006, and 2005
(dollars in thousands)**

	FY 2006	FY 2005
Resource Protection		
Costs	\$ 1,575,942	\$ 1,531,323
Less: Earned Revenue	54,604	35,227
Net Cost	1,521,338	1,496,096
Recreation		
Costs	1,128,214	1,119,765
Less: Earned Revenue	323,405	303,032
Net Cost	804,809	816,733
Serving Communities		
Costs	369,546	349,448
Less: Earned Revenue	6,191	2,316
Net Cost	363,355	347,132
TOTAL		
Costs	3,073,702	3,000,536
Less: Earned Revenue	384,200	340,575
Net Cost of Operations (Note 16)	\$ 2,689,502	\$ 2,659,961

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, 2006, and 2005
(dollars in thousands)

	EARMARKED FUNDS (Note 22)	ALL OTHER FUNDS	FY 2006 CONSOLIDATED	FY 2005 CONSOLIDATED
UNEXPENDED APPROPRIATIONS				
Beginning Balance	\$ (3,811)	\$ 947,816	\$ 944,005	\$ 1,000,273
Budgetary Financing Sources:				
Appropriations Received, General Funds	0	2,334,357	2,334,357	2,238,294
Appropriations Transferred - In/(Out)	0	54,328	54,328	102,345
Appropriations - Used	0	(2,434,252)	(2,434,252)	(2,354,429)
Other Adjustments	15	(42,779)	(42,764)	(42,478)
Net Change	15	(88,346)	(88,331)	(56,268)
Ending Balance - Unexpended Appropriations	<u>\$ (3,796)</u>	<u>\$ 859,470</u>	<u>\$ 855,674</u>	<u>\$ 944,005</u>
CUMULATIVE RESULTS OF OPERATIONS				
Beginning Balance	\$ 18,072,935	\$ (147,423)	\$ 17,925,512	\$ 17,278,154
Adjustments				
Change in Accounting Principle (Note 25)	(69,565)	0	(69,565)	0
Beginning Balance, as Adjusted	18,003,370	(147,423)	17,855,947	17,278,154
Budgetary Financing Sources:				
Appropriations - Used	0	2,434,252	2,434,252	2,354,429
Royalties Retained (Note 1.C)	897,888	0	897,888	1,054,553
Non-Exchange Revenue (Note 1.C)	0	83	83	32
Transfers - In/(Out) Without Reimbursement (Note 18)	(315,961)	25,340	(290,621)	(245,745)
Donations and Forfeitures of Cash and Cash Equivalents	27,017	0	27,017	27,578
Other Budgetary Financing Sources	(646)	1,436	790	(388)
Other Financing Sources:				
Imputed Financing From Costs Absorbed by Others	0	115,256	115,256	114,472
Transfers - In/(Out) Without Reimbursement	6,688	(5,140)	1,548	1,776
Donations and Forfeitures of Property	0	265	265	612
TOTAL FINANCING SOURCES	614,986	2,571,492	\$ 3,186,478	\$ 3,307,319
NET COST OF OPERATIONS	(182,151)	(2,507,351)	(2,689,502)	(2,659,961)
NET CHANGE	432,835	64,141	496,976	647,358
ENDING BALANCE - CUMULATIVE RESULTS OF OPERATIONS	<u>\$ 18,436,205</u>	<u>\$ (83,282)</u>	<u>\$ 18,352,923</u>	<u>\$ 17,925,512</u>

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

**Department of the Interior, National Park Service
 Combined Statement of Budgetary Resources
 For the Years Ended September 30, 2006, and 2005
 (dollars in thousands)**

	FY 2006 TOTAL BUDGETARY ACCOUNTS	FY 2005 TOTAL BUDGETARY ACCOUNTS
BUDGETARY RESOURCES		
Unobligated Balance, Beginning of Fiscal Year:	\$ 996,080	\$ 1,084,471
Recoveries of Prior Year Unpaid Obligations	36,185	39,040
Budget Authority:		
Appropriation	2,722,231	2,697,083
Spending Authority From Offsetting Collections:		
Earned		
Collected	171,383	136,593
Change in Receivables From Federal Sources	(1,775)	935
Change in Unfilled Customer Orders:		
Advance Received	(1,298)	(5,052)
Without Advance From Federal Sources	22,912	19,270
Total Budgetary Authority	2,913,453	2,848,829
Nonexpenditure Transfers, Net, Anticipated and Actual	(56,854)	(3,780)
Permanently Not Available	(46,561)	(47,706)
TOTAL BUDGETARY RESOURCES	\$ 3,842,303	\$ 3,920,854
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 2,697,299	\$ 2,763,444
Reimbursable	149,982	161,330
Total Obligations Incurred (Note 19)	2,847,281	2,924,774
Unobligated Balance Available		
Apportioned	968,674	970,828
Exempt From Apportionment	4,810	(23)
Total Unobligated Balance Available	973,484	970,805
Unobligated Balance Not Available (Note 19)	21,538	25,275
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 3,842,303	\$ 3,920,854
CHANGE IN OBLIGATED BALANCE:		
Obligated Balance, Net,		
Unpaid Obligations, Brought Forward, Beginning of Fiscal Year	\$ 1,414,250	\$ 1,308,676
Less: Uncollected Customer Payments From Federal Sources, Brought Forward, Beginning of Fiscal Year	(149,124)	(128,921)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	1,265,126	1,179,755
Obligations Incurred, Net	2,847,281	2,924,774
Less: Gross Outlays	(2,841,978)	(2,780,159)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(36,185)	(39,040)
Change in Uncollected Customer Payments From Federal Sources	(21,137)	(20,204)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR	\$ 1,213,107	\$ 1,265,126
OBLIGATED BALANCE, NET, END OF YEAR - BY COMPONENT:		
Unpaid Obligations	\$ 1,383,368	\$ 1,414,250
Less: Uncollected Customer Payments From Federal Sources	(170,261)	(149,124)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR	\$ 1,213,107	\$ 1,265,126
NET OUTLAYS:		
Gross Outlays	\$ 2,841,978	\$ 2,780,159
Less: Offsetting Collections	(170,085)	(131,541)
Less: Distributed Offsetting Receipts (Note 20)	(221,489)	(206,185)
NET OUTLAYS (Receipts)	\$ 2,450,404	\$ 2,442,433

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

**Department of the Interior, National Park Service
Consolidated Statement of Financing
For the Years Ended September 30, 2006, and 2005
(dollars in thousands)**

	FY 2006	FY 2005
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 2,847,281	\$ 2,924,774
Less: Spending Authority From Offsetting Collections/Recoveries	(227,407)	(190,786)
Obligations Net of Offsetting Collections and Recoveries	2,619,874	2,733,988
Less: Offsetting Receipts	(221,489)	(206,185)
Net Obligations	2,398,385	2,527,803
Other Resources:		
Donations and Forfeitures of Property	265	612
Transfers - In/Out Without Reimbursement, Net	1,548	1,776
Imputed Financing From Costs Absorbed by Others	115,256	114,472
Net Other Resources Used to Finance Activities	117,069	116,860
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	\$ 2,515,454	\$ 2,644,663
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided	79,485	(53,033)
Increase (Decrease) in Unfilled Customer Orders	21,614	14,218
Resources That Fund Expenses Recognized in Prior Periods	(23,150)	(24,988)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	890	(2,158)
Resources That Finance the Acquisition of Assets	(173,725)	(208,712)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	4,860	5,415
Allocation Transfer Reconciling Item, Parent (Note 21)	(13,063)	(33,513)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(103,089)	(302,771)
TOTAL RESOURCES USED TO FINANCE NET COST OF OPERATIONS	\$ 2,412,365	\$ 2,341,892
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	2,774	4,172
Increase in Environmental and Disposal Liability	11,334	7,453
Other	33,119	49,416
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	47,227	61,041
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	87,049	82,651
Revaluation of Assets or Liabilities	328	12,134
Allocation Transfers Reconciling Items (Note 21)	142,526	161,706
Other	7	537
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	229,910	257,028
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Year	277,137	318,069
NET COST OF OPERATIONS	\$ 2,689,502	\$ 2,659,961

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

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Manassas National Battlefield Park has recently been selected as an Audubon Important Bird Area. Selection was based on the park's quality grasslands and numerous bird species, including bald eagles. NPS PHOTO BY BRAD WALDRON

Notes to the Consolidated Financial Statements For the Years Ended September 30, 2006, and 2005

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. Funds 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. Legislation to continue annual transfers was not enacted by the end of FY 2006. The U.S. Congress also appropriated from the HPF receipt account to the respective expenditure accounts approximately \$74 million and \$73 million for FY 2006 and FY 2005, 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, budgetary resources, and reconciliation of net costs to budgetary obligations of the NPS as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The consolidated/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. In accordance with OMB Circular A-136, intragovernmental transactions and

balances have been eliminated from all the amounts on the consolidated statement of financing, except for obligations incurred and spending authority from offsetting collections and recoveries, which are presented on a combined basis. As provided by OMB Circular 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.

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 \$136 million during FY 2006 and \$129 million during FY 2005 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 2006 and FY 2005, revenues collected for Concession Franchise Fees totaled \$35.9 million and \$29.6 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.

Effective October 1, 2005, the NPS adopted Statement of Federal Financial Accounting Standards (SFFAS) No.29, *Heritage Assets and Stewardship Land*. This standard requires federal agencies to reclassify all heritage asset and stewardship land information as note disclosure basic except for condition information. This change in reporting is phased in over a four-year period beginning with Fiscal Year 2006. The following is required disclosure information for Fiscal Year 2006. 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 likely to be paid by the NPS as the result of a transaction or event that has already occurred. However, no liability can be paid by the NPS unless Congress and the President of the United States authorize payment through an appropriation. These statements include liabilities for which an appropriation has not been enacted, and thus are presented as liabilities not covered by budgetary resources, for there is no certainty that an appropriation will be enacted. Contingent liabilities are recorded in the accounting records when an event potentially leading to the recognition of a liability is probable, and the scope of the potential liability can be estimated. Management estimated accounts payable balances based on past history and current cost trends.

H. Environmental 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 56 active and 640 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. 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, restricted, and non-entity. Entity assets are those currently available for use by the NPS. Restricted assets cannot be used until appropriated by Congress and primarily consist of the Land and Water Conservation Fund and Historic Preservation Fund.

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, Net	23,196	0	0	23,196
Other				
Advances and Prepayments	8,213	0	0	8,213
Total Intragovernmental Assets	\$ 2,253,384	\$ 17,296,989	\$ 270	\$ 19,550,643
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
TOTAL ASSETS	\$ 3,425,943	\$ 17,296,989	\$ 568	\$ 20,723,500

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 2005
(dollars in thousands)

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2005
Intragovernmental Assets:				
Fund Balance With Treasury	\$ 2,317,576	\$ 16,834,931	\$ 0	\$ 19,152,507
Investments, Net	1,370	0	0	1,370
Accounts and Interest Receivable, Net	23,253	0	0	23,253
Other				
Advances and Prepayments	6,910	0	0	6,910
Total Intragovernmental Assets	\$ 2,349,109	\$ 16,834,931	\$ 0	\$ 19,184,040
Cash	425	0	0	425
Accounts and Interest Receivable, Net	8,670	0	301	8,971
Loans and Interest Receivable, Net	3,598	0	0	3,598
General Property, Plant, and Equipment, Net	1,098,686	0	0	1,098,686
Other				
Advances and Prepayments	11,746	0	0	11,746
TOTAL ASSETS	\$ 3,472,234	\$ 16,834,931	\$ 301	\$ 20,307,466

NOTE 3. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2006, and 2005, by major category is as follows:

Fund Balance with Treasury (dollars in thousands)		
FUND BALANCES BY FUND TYPE	FY 2006	FY 2005
General Funds	\$ 1,203,289	\$ 1,200,449
Special Funds	18,253,264	17,869,468
Revolving Funds	32	40
Trust Funds	57,865	81,202
Other Fund Types	3,320	1,348
TOTAL FUND BALANCE WITH TREASURY BY FUND TYPE	<u>\$ 19,517,770</u>	<u>\$ 19,152,507</u>
STATUS OF FUND BALANCE WITH TREASURY	FY 2006	FY 2005
Unobligated Balance:		
Available	\$ 960,032	\$ 977,419
Unavailable	22,325	19,461
Obligated Balance Not Yet Disbursed	1,235,105	1,319,349
Subtotal	2,217,462	2,316,229
Fund Balance With Treasury Not Covered by Budgetary Resources:		
Unavailable Receipt Accounts	17,297,259	16,834,931
Clearing and Deposit Accounts	3,049	1,347
Subtotal	17,300,308	16,836,278
TOTAL STATUS OF FUND BALANCE WITH TREASURY	<u>\$ 19,517,770</u>	<u>\$ 19,152,507</u>

General appropriated funds include funds for the operation of the National Park Service, construction, historic preservation, fire emergency, etc. Special funds are amounts appropriated from the Land and Water Conservation and Historic Preservation Funds for NPS use. Other fund types consist of Fee Demonstration, Maintenance of Quarters, Concession Franchise Funds, etc. Trust funds consist of Cash Donations, Boyhood Home of Abraham Lincoln, Trust Fund Construction, and Highway Maintenance and Construction. (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, 2006, and 2005, are summarized as follows:

Cash Balances (dollars in thousands)		
TYPE OF FUNDS	FY 2006	FY 2005
Imprest Fund	\$ 427	\$ 425
TOTAL CASH	<u>\$ 427</u>	<u>\$ 425</u>

NOTE 5. ACCOUNTS AND INTEREST RECEIVABLE, NET

Accounts Receivable as of September 30, 2006, and 2005, consists of monies owed to the NPS from other federal agencies and the public, as follows:

Accounts and Interest Receivable, Net (dollars in thousands)		
ACCOUNTS AND INTEREST RECEIVABLE FROM FEDERAL AGENCIES	FY 2006	FY 2005
Billed	\$ 20	\$ 72
Unbilled	23,176	23,181
TOTAL ACCOUNTS AND INTEREST RECEIVABLE - FEDERAL	\$ 23,196	\$ 23,253
ACCOUNTS AND INTEREST RECEIVABLE FROM THE PUBLIC	FY 2006	FY 2005
Current	\$ 3,925	\$ 7,476
1-180 Days Past Due	993	1,117
181-365 Days Past Due	367	290
1 to 2 Years Past Past Due	948	681
Total Billed Accounts and Interest Receivable - Public	6,233	9,564
Unbilled Accounts and Interest Receivable	2,684	944
Total Accounts and Interest Receivable - Public	8,917	10,508
Allowance for Doubtful Accounts - Public	(1,536)	(1,537)
TOTAL ACCOUNTS AND INTEREST RECEIVABLE - PUBLIC, NET OF ALLOWANCE	\$ 7,381	\$ 8,971

NOTE 6. ADVANCES AND PREPAYMENTS

Advances to Others as of September 30, 2006, and 2005, was comprised of amounts provided to the Department of the Interior components of \$7,684 thousand and \$6,334 thousand and other federal agencies of \$529 thousand and \$576 thousand, respectively. Advances to non-federal entities as of September 30, 2006, and 2005, were \$12,840 thousand and \$11,746 thousand, respectively.

Advances to non-federal entities as of September 30, 2006, and 2005, were comprised of the following:

Advances to Others (dollars in thousands)		
TYPE OF ADVANCE	FY 2006	FY 2005
Travel Advances	\$ 167	\$ 128
Grant Advances	12,673	11,618
TOTAL	\$ 12,840	\$ 11,746

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. During FY 2006 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, 2006, and 2005 are as follows:

**Investments, Net, FY 2006
(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
TOTAL INVESTMENTS	\$ 1,464	\$ 0	\$ 1,464	\$ 1,455

**Investments, Net, FY 2005
(dollars in thousands)**

INVESTMENT TYPE	COST	NET AMORTIZED (PREMIUM)/DISCOUNT	INVESTMENTS, NET	MARKET VALUE DISCLOSURE
U.S. Treasury Securities Non-Marketable, Market-Based	\$ 1,370	\$ 0	\$ 1,370	\$ 1,370
Total U.S. Treasury Securities	1,370	0	1,370	1,370
Accrued Interest	0	0	0	0
TOTAL INVESTMENTS	\$ 1,370	\$ 0	\$ 1,370	\$ 1,370

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

The National Park Service’s general property, plant, and equipment categories as of September 30, 2006, and 2005, with corresponding accumulated depreciation, are shown as follows:

**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
TOTAL	\$ 1,999,761	\$ (850,790)	\$ 1,148,971

**FY 2005 General Property, Plant, and Equipment, Net
(dollars in thousands)**

Category	Acquisition Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 512,924	\$ (222,782)	\$ 290,142
Structures and Facilities	621,523	(302,527)	318,996
Construction-in-Progress – General	314,134	0	314,134
Equipment, Vehicles, and Aircraft	385,348	(242,053)	143,295
Assets Under Capital Lease	28,000	(3,500)	24,500
Internal Use Software:			
In Use	13,401	(5,782)	7,619
TOTAL	\$ 1,875,330	\$ (776,644)	\$ 1,098,686

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 2006 and 2005 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 \$3,238 thousand and \$3,598 thousand as of September 30, 2006, and 2005, respectively.

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

PROGRAM NAME	FY 2006	FY 2005
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 3,238	\$ 3,598
TOTAL LOANS AND INTEREST RECEIVABLE, NET	\$ 3,238	\$ 3,598

**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 2006	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 3,238	\$ 0	\$ 0	\$ 0	\$ 3,238
FY 2006	TOTAL	\$ 3,238	\$ 0	\$ 0	\$ 0	\$ 3,238
FY 2005	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 3,598	\$ 0	\$ 0	\$ 0	\$ 3,598
FY 2005	TOTAL	\$ 3,598	\$ 0	\$ 0	\$ 0	\$ 3,598

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), judgment fund, environmental and disposal liabilities, contingent liabilities, actuarial portion of the Federal Employees Compensation Act Liability, deferred credits, 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, 2006, and 2005, are detailed in the following tables:

FY 2006 Liabilities
(dollars in thousands)

LIABILITY	COVERED BY BUDGETARY RESOURCES		NOT COVERED BY BUDGETARY RESOURCES		TOTAL FY 2006
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT	
INTRAGOVERNMENTAL LIABILITIES:					
Accounts Payable	\$ 25,354	\$ 0	\$ 0	\$ 0	\$ 25,354
Other:					
Accrued Employee 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
TOTAL INTRAGOVERNMENTAL LIABILITIES	\$ 35,692	\$ 0	\$ 24,330	\$ 30,172	\$ 90,194
PUBLIC LIABILITIES:					
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
TOTAL PUBLIC LIABILITIES	350,929	1,361	1,847	1,070,572	1,424,709
TOTAL LIABILITIES	\$ 386,621	\$ 1,361	\$ 26,177	\$ 1,100,744	\$ 1,514,903

FY 2005 Liabilities
(dollars in thousands)

LIABILITY	COVERED BY BUDGETARY RESOURCES	NOT COVERED BY BUDGETARY RESOURCES		TOTAL
	CURRENT	CURRENT	NON-CURRENT	FY 2005
INTRAGOVERNMENTAL LIABILITIES:				
Accounts Payable	\$ 18,012	\$ 0	\$ 0	\$ 18,012
Other:				
Accrued Employee Benefits	6,352	23,143	28,789	58,284
Advances, Deferred Revenue, and Deposit Funds	2,555	20	0	2,575
Judgment Fund	0	0	2,483	2,483
Other Miscellaneous Liabilities	0	471	0	471
Total Other Intragovernmental Liabilities	8,907	23,634	31,272	63,813
TOTAL INTRAGOVERNMENTAL LIABILITIES	\$ 26,919	\$ 23,634	\$ 31,272	\$ 81,825
PUBLIC LIABILITIES:				
Accounts Payable	\$ 211,874	\$ 0	\$ 0	\$ 211,874
Federal Employee and Veteran's Benefits:				
United States Park Police Pension Actuarial Liability	29,649	0	648,751	678,400
FECA Actuarial Liability	0	0	249,928	249,928
Total Federal Employee and Veteran's Benefits	29,649	0	898,679	928,328
Environmental and Disposal Liabilities	0	0	14,966	14,966
Other:				
Accrued Payroll and Benefits	52,513	0	90,166	142,679
Advances, Deferred Revenue, and Deposit Funds	9,888	1,570	0	11,458
Contingent Liabilities	0	0	2,139	2,139
Capital Leases	0	0	26,252	26,252
Storm Damage	0	0	17,008	17,008
Other Miscellaneous Liabilities	0	1,420	0	1,420
Total Other Public Liabilities	62,401	2,990	135,565	200,956
TOTAL PUBLIC LIABILITIES	303,924	2,990	1,049,210	1,356,124
TOTAL LIABILITIES	\$ 330,843	\$ 26,624	\$ 1,080,482	\$ 1,437,949

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 \$278,686 thousand and \$229,886 thousand as of September 30, 2006, and 2005, 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 \$13,529 thousand and \$14,033 thousand as of September 30, 2006, and 2005, 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.

In Fiscal Year 2005 the NPS used assumptions, such as rates for interest, inflation, and salary increases, provided by OPM to calculate the actuarial USPP Pension Plan Liability and associated expense; however, OPM subsequently adjusted their assumptions, and therefore, the NPS assumptions do not agree with the OPM assumptions. As the differences in assumptions are not significant, the impact on the actuarial USPP Pension Plan Liability and associated expense is not significant.

USPP Pension Plan - Economic Assumptions Used

DESCRIPTION	FY 2006	FY 2005
Interest Rate	6.25%	6.25%
Rate of Inflation	3.50%	3.25%
Projected Salary Increase	4.25%	4.00%

**USPP Pension Plan Expenses
(dollars in thousands)**

DESCRIPTION	FY 2006	FY 2005
Normal Cost	\$ 500	\$ 1,700
Interest Costs	41,300	42,300
Assumption Changes at Beginning of Year	\$ 19,743	\$ 25,549
TOTAL PENSION EXPENSES	\$ 61,543	\$ 68,549

**USPP Pension Plan Liability
(dollars in thousands)**

DESCRIPTION	FY 2006	FY 2005
Beginning Balance	\$ 678,400	\$ 639,500
Total Pension Expense	61,543	68,549
Less Benefit Payments	\$ (31,343)	\$ (29,649)
ENDING BALANCE	\$ 708,600	\$ 678,400

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 \$49,494 thousand and \$47,981 thousand representing claims paid by DOL and billed to NPS that remain unpaid as of September 30, 2006, and 2005, 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 \$248,900 thousand and \$249,928 thousand as of September 30, 2006, and 2005, 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 281 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. 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 accompanying tables summarize the accrued and potential environmental and disposal costs and contingent liabilities.

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

**FY 2005 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	\$ 2,139	\$ 2,139	\$ 3,484
Reasonably Possible	0	9,485	20,850
Environmental and Disposal Liabilities			
Probable	14,966	14,966	17,229
Reasonably Possible	0	20,414	74,713

NOTE 16. NET COST (BY RESPONSIBILITY STATEMENT)

OMB Circular A-136 requires that the presentation of the net cost aligns directly with the goals and outcomes identified in the strategic plan. Accordingly the National Park Service has presented the earned revenues and costs by the applicable mission goals and categories in the Department's Strategic Plan.

The costs associated with acquiring, constructing, and renovating heritage assets were \$156,970 thousand and \$172,490 thousand as of September 30, 2006, and 2005, respectively. The costs associated with acquiring and improving stewardship lands were \$68,852 thousand and \$54,906 thousand as of September 30, 2006, and 2005, 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, 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
Resource Protection										
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
Recreation										
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
Serving Communities										
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
TOTAL										
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
NET COST OF OPERATIONS	\$ 461,979	\$ 373,989	\$ 267,082	\$ 476,548	\$ 523,865	\$ 106,642	\$ 214,928	\$ 70,782	\$ 193,687	\$ 2,689,502

Department of the Interior, National Park Service, Public/Governmental Net Cost Disclosure for the Year Ended September 30, 2005 (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
Resource Protection										
Intragovernmental Costs	\$ 56,137	\$ 52,642	\$ 32,901	\$ 75,726	\$ 83,616	\$ 24,976	\$ 26,828	\$ 4,887	\$ 0	\$ 357,713
Public Costs	215,719	181,522	126,197	243,637	241,930	55,080	100,953	8,572	0	1,173,610
Total Costs	271,856	234,164	159,098	319,363	325,546	80,056	127,781	13,459	0	1,531,323
Intragovernmental Earned Revenue	610	838	281	2,892	2,396	82	149	0	0	7,248
Public Earned Revenue	4,168	1,511	1,199	10,291	8,595	1,353	849	13	0	27,979
Total Earned Revenue	4,778	2,349	1,480	13,183	10,991	1,435	998	13	0	35,227
Net Costs	267,078	231,815	157,618	306,180	314,555	78,621	126,783	13,446	0	1,496,096
Recreation										
Intragovernmental Costs	35,050	26,315	19,108	44,180	56,912	5,499	16,199	20,295	0	223,558
Public Costs	132,449	84,954	75,449	148,877	136,261	19,190	85,900	35,870	177,257	896,207
Total Costs	167,499	111,269	94,557	193,057	193,173	24,689	102,099	56,165	177,257	1,119,765
Intragovernmental Earned Revenue	3,227	3,949	1,534	7,834	17,413	2,045	6,368	2,229	0	44,599
Public Earned Revenue	34,191	33,623	12,649	92,916	70,573	9,310	4,675	496	0	258,433
Total Earned Revenue	37,418	37,572	14,183	100,750	87,986	11,355	11,043	2,725	0	303,032
Net Costs	130,081	73,697	80,374	92,307	105,187	13,334	91,056	53,440	177,257	816,733
Serving Communities										
Intragovernmental Costs	10,256	13,316	8,320	22,728	26,170	2,153	2,556	3,327	0	88,826
Public Costs	38,010	34,098	23,297	64,231	66,954	7,052	8,787	18,193	0	260,622
Total Costs	48,266	47,414	31,617	86,959	93,124	9,205	11,343	21,520	0	349,448
Intragovernmental Earned Revenue	0	0	0	0	0	0	0	1,013	0	1,013
Public Earned Revenue	0	229	0	395	626	0	53	0	0	1,303
Total Earned Revenue	0	229	0	395	626	0	53	1,013	0	2,316
Net Costs	48,266	47,185	31,617	86,564	92,498	9,205	11,290	20,507	0	347,132
TOTAL										
Intragovernmental Costs	101,443	92,273	60,329	142,634	166,698	32,628	45,583	28,509	0	670,097
Public Costs	386,178	300,574	224,943	456,745	445,145	81,322	195,640	62,635	177,257	2,330,439
Total Costs	487,621	392,847	285,272	599,379	611,843	113,950	241,223	91,144	177,257	3,000,536
Intragovernmental Earned Revenue	3,837	4,787	1,815	10,726	19,809	2,127	6,517	3,242	0	52,860
Public Earned Revenue	38,359	35,363	13,848	103,602	79,794	10,663	5,577	509	0	287,715
Total Earned Revenue	42,196	40,150	15,663	114,328	99,603	12,790	12,094	3,751	0	340,575
NET COST OF OPERATIONS	\$ 445,425	\$ 352,697	\$ 269,609	\$ 485,051	\$ 512,240	\$ 101,160	\$ 229,129	\$ 87,393	\$ 177,257	\$ 2,659,961

NOTE 17. LEASES

Capital Lease Liabilities

Capital Lease (Non-Federal) (dollars in thousands)		
CAPITAL LEASES	FY 2006	FY 2005
Summary of Assets Under Capital Leases:		
Building	\$ 28,000	\$ 28,000
Accumulated Amortization	(4,900)	(3,500)
BUILDING, NET	\$ 23,100	\$ 24,500

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 \$25,541 thousand that is reported in Other Liabilities on the Consolidated Balance Sheet. 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 2006 REAL PROPERTY
2007	\$ 1,997
2008	2,085
2009	2,172
2010	2,172
2011	2,172
Thereafter	27,457
Total Future Lease Payments	38,055
Less: Imputed Interest	(12,514)
FY 2006 Net Capital Lease Liability	\$ 25,541
FY 2006 Lease Liabilities Covered by Budgetary Resources	\$ 1,997
FY 2006 Lease Liabilities Not Covered by Budgetary Resources	<u>\$ 23,544</u>
FY 2005 Net Capital Lease Liability	<u>\$ 26,252</u>

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 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 2007 through 2011. The estimated future lease payments for GSA real property leases are based on a 2.4 percent increase for all periods after 2007. 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 2007 through 2011. The estimated future operating lease payments for GSA personal property leases are based on an annual 2.4 percent increase over the 2006 actual personal property rental expense for all periods after 2007.

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.

Future Operating Lease Payments (dollars in thousands)

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL
	FEDERAL	PUBLIC	FEDERAL	PUBLIC	
2007	\$ 47,247	\$ 2,271	\$ 25,110	\$ 171	\$ 74,799
2008	48,381	2,081	25,713	153	76,328
2009	49,542	2,025	26,330	75	77,972
2010	50,732	2,001	26,962	17	79,712
2011	51,949	1,987	27,609	3	81,548
Thereafter	0	151,409	0	\$ 0	151,409
TOTAL FUTURE LEASE PAYMENTS	\$ 247,851	\$ 161,774	\$ 131,724	\$ 419	\$ 541,768

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, 2006, and 2005, is as follows:

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

TRANSFERS - IN	EARMARKED FY 2006	OTHER FY 2006	TOTAL FY 2006	FY 2005
Bureau of Land Management	\$ 1,755	\$ 7,546	\$ 9,301	\$ 8,449
DOT, Federal Lands Highway	0	0	0	58,572
Fish and Wildlife Service	5,770	0	5,770	2,583
National Park Service	141,514	17,796	159,310	228,348
Other Agencies	4,298	400	4,698	2,858
SUBTOTAL TRANSFERS - IN	\$ 153,337	\$ 25,742	\$ 179,079	\$ 300,810
TRANSFERS - OUT				
Department of Agriculture, Forest Service (L&WCF)	\$ (98,866)	\$ 0	\$ (98,866)	(\$119,805)
Bureau of Land Management (L&WCF)	(13,750)	0	(13,750)	(11,350)
Fish and Wildlife Service (L&WCF)	(190,333)	0	(190,333)	(186,993)
National Park Service	(158,908)	(402)	(159,310)	(228,348)
Other Agencies	(7,441)	0	(7,441)	(59)
SUBTOTAL TRANSFERS - OUT	\$ (469,298)	\$ (402)	\$ (469,700)	(\$546,555)
NET TRANSFERS IN/OUT WITHOUT REIMBURSEMENT	\$ (315,961)	\$ (25,340)	\$ (290,621)	\$ (245,745)

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 Concessions 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 Concessions 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 Recreational 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:

Obligations Incurred by Apportionment Category (dollars in thousands)		
CATEGORY B	FY 2006	FY 2005
Obligations Incurred:		
Direct	\$ 2,697,299	\$ 2,763,444
Reimbursable	149,982	161,330
TOTAL OBLIGATIONS INCURRED	\$ 2,847,281	\$ 2,924,774

National Park Service unobligated unavailable balances are as follows:

Unobligated Unavailable Balances (dollars in thousands)		
	FY 2006	FY 2005
Unapportioned Amounts Unavailable for Future Apportionments	\$ 895	\$ 5,331
Expired Authority	20,643	19,944
Unobligated Balance Unavailable	<u>\$ 21,538</u>	<u>\$ 25,275</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, 2006, and 2005 are \$1,046,854 thousand and \$1,130,223 thousand, respectively.

NOTE 20. OFFSETTING RECEIPTS

The National Park Service has offsetting receipts of \$221,489 thousand and \$206,185 thousand for the years ended September 30, 2006, and 2005, 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. STATEMENT OF FINANCING

The Statement of Financing reconciles that the financial net cost of operations with obligations of budget authority. Because the accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources, this reconciliation is useful in understanding the differences. The Statement of Financing considers four types of activity: (1) resources used to fund activities, (2) resources used to fund items not part of the net cost of operations, (3) components of net cost of operations that do not require or generate resources during the reporting period, and (4) components of net cost that require future funding.

The Statement of Financing includes a section depicting the change in certain unfunded liabilities not covered by budgetary resources. The amounts in this section do not necessarily correlate to the change in liabilities not covered by budgetary resources as shown in Note 10, "Liabilities." Differences are primarily the result of certain Treasury requirements related to where changes in various liabilities are reported on the Statement of Financing. These requirements are dependent upon whether the change results in an increase or decrease to the liability account. Additionally, some liability accounts not covered by budgetary resources are not included in the Statement of Financing. The portion of offsetting receipts that is related to non-exchange revenue is disclosed as a reconciling item on the Statement of Financing as an item not part of the net cost of operations.

Allocation Transfers

OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," requires the transferor (i.e., parent) to report the allocation transfers as part of the Statement of Budgetary Resources, while the recipient of allocation transfers (i.e., child) reports the proprietary activity on its Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. This process creates a reconciling difference on the Statement of Financing.

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

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

APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2006 RECONCILING DIFFERENCE	FY 2005 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	\$ 299
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	\$ 1,072
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	\$ 101,988
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	\$ 0
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	\$ 1,986
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	\$ 424
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	\$ 40,747
14-69-X-8058-010	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ 0	\$ 10
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	\$ 15,180
TOTAL RECIPIENT TRANSFER AMOUNTS			\$ 142,526	\$ 161,706

In July of 2006 an updated OMB Circular A-136 was issued to the federal community delineating federal financial reporting requirements. In prior versions of this guidance, federal agencies (child) who received allocated budget authority through another federal agency (parent) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY 2007, child agencies will be required to provide parent agencies with all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both the parent and child agency agree. In Fiscal Year 2006 Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement.

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

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

APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2006 RECONCILING DIFFERENCE	FY 2005 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)	\$ (28,335)
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)	\$ (601)
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)	\$ (4,386)
69-14-X-8215-000	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ 0	\$ 50
69-14-1036-000	U.S. Department of Transportation - Federal Highways	For necessary expenses related to provide planning, design, and construction support for forest highways, parkways, and park roads, as well as repairing the highway infrastructure.	\$ 0	\$ (241)
TOTAL TRANSFEROR TRANSFER AMOUNTS			\$ (13,063)	\$ (33,513)
TOTAL RECONCILING DIFFERENCES			\$ 129,463	\$ 128,193

NOTE 22. EARMARKED FUNDS

The National Park Service adopted the provisions of Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds effective October 1, 2005. In accordance with SFFAS No. 27, the NPS reported earmarked non-exchange revenue and other financing sources, including appropriations, and net cost of operations separately on the Fiscal Year 2006 Statement of Changes in Net Position and separately reported the portion of net position (i.e., cumulative results of operations and unexpended appropriations) attributable to earmarked funds on the Fiscal Year 2006 Statement of Changes in Net Position and on the Fiscal Year 2006 Balance Sheet, and disclosed in the Notes to the Financial Statements a description of the purpose of the earmarked funds, accounting and reporting of the funds, sources of revenue or other financing and an explanation of the extent to which they are inflows of resources to the Government or the result of intragovernmental flows, authority to use revenues and other financing sources of the funds, changes in legislation significantly impacting the funds and condensed financial information for earmarked funds. In accordance with the federal accounting and reporting standards, the NPS did not apply the provisions of SFFAS No. 27 to the Fiscal Year 2005 statements and note disclosures and therefore the Fiscal Year 2005 Balance Sheet, Statement of Changes in Net Position, and earmarked fund note disclosure are not comparable to the Fiscal Year 2006 Balance Sheet, Statement of Changes in Net Position, and earmarked fund note disclosure. 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, 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 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.

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 our park road system and to explore alternative means of access that maintains a quality visitor experience and provides for protection of our natural and cultural resources.

In July 2006 an updated OMB Circular A-136 was issued to the federal community delineating federal financial reporting requirements. In prior versions of this guidance, federal agencies (child) who received allocated budget authority through another federal agency (parent) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY 2007, child agencies will be required to provide parent agencies with all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both the parent and child agency agree.

In Fiscal Year 2006 Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement. The cumulative effect of this change in accounting principle resulted in a decrease of \$90,381 thousand to assets and a decrease of \$788 thousand to liabilities on the Balance Sheet. This also resulted in a \$69,565 thousand decrease to the beginning balance of cumulative results of operations on the Statement of Changes in Net Position.

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 NPS as evidence of its receipts. Treasury securities are an asset to 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 NPS with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When 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 Government.

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

	LAND AND WATER CONSERVATION FUND	HISTORIC PRESERVATION FUNDS	LAND ACQUISITION AND STATE ASSISTANCE	OPERATION AND MAINTENANCE OF QUARTERS	FEE DEMO PROGRAM	PASSPORT PROGRAM	PARK CONCESSIONER'S FRANCHISE FEES	DONATIONS	FEDERAL HIGHWAYS ADMINISTRATION	OTHER EARMARKED FUNDS	FY 2006
ASSETS											
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
TOTAL ASSETS	\$ 14,836,220	\$ 2,597,838	\$ 326,330	\$ 16,171	\$ 414,878	\$ 56,168	\$ 101,443	\$ 70,186	\$ 0	\$ 20,974	\$ 18,440,208
LIABILITIES											
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
TOTAL LIABILITIES	0	15	447	555	4,053	523	810	793	0	603	7,799
NET POSITION											
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
TOTAL NET POSITION	14,836,220	2,597,823	325,883	15,616	410,825	55,645	100,633	69,393	0	20,371	18,432,409
TOTAL LIABILITIES AND NET POSITION	\$ 14,836,220	\$ 2,597,838	\$ 326,330	\$ 16,171	\$ 414,878	\$ 56,168	\$ 101,443	\$ 70,186	\$ 0	\$ 20,974	\$ 18,440,208
COST/REVENUE											
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)
NET COST OF OPERATIONS	\$ 0	\$ 65,543	\$ 150,889	\$ 847	\$ (36,655)	\$ (6,018)	\$ (14,810)	\$ 21,122	\$ 0	\$ 1,233	\$ 182,151
NET POSITION											
Net Position, Beginning Balance	14,303,499	2,663,580	433,735	16,423	366,233	49,722	85,872	63,491	69,576	16,993	18,069,124
Changes in Accounting Principles	0	0	0	0	0	0	0	0	(69,565)	0	(69,565)
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	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
NET POSITION, ENDING BALANCE	\$ 14,836,220	\$ 2,597,823	\$ 325,883	\$ 15,616	\$ 410,825	\$ 55,645	\$ 100,633	\$ 69,393	\$ 0	\$ 20,371	\$ 18,432,409

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 2008 President's Budget with the actual FY 2006 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 2007 President's Budget and the actual amounts in the FY 2005 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 2005 Combined Statement of Budgetary Resources and Budget of the United States Government (President's Budget)
(dollars in millions)**

LINE ITEM	FY 2005 AMOUNT PER PRESIDENT'S BUDGET	FY 2005 AMOUNT PER STATEMENT OF BUDGETARY RESOURCES	DIFFERENCE	EXPLAN- ATION
BUDGETARY RESOURCES:				
Unobligated Balance, Beginning of Fiscal Year	\$ 1,100	\$ 1,084	16	A
Recoveries of Prior Year Unpaid Obligations	22	39	(17)	B
Budget Authority:				
Appropriations Received	2,715	2,697	18	C
Contract Authority	30	0	30	D
Spending Authority From Offsetting Collections	153	152	1	H
Non-Expenditure Transfers, Net Temporarily Not Available Pursuant to Public Law	(4)	(4)	0	
Permanently Not Available	(5)	0	(5)	E
	(64)	(48)	(16)	F
STATUS OF BUDGETARY RESOURCES:				
Obligations Incurred	2,935	2,925	10	A
Unobligated Balance	1,016	996	20	G
CHANGE IN OBLIGATED BALANCE:				
Obligated Balance, Net, Beginning of Fiscal Year	1,181	1,180	1	H
Obligations Incurred	2,935	2,925	10	A
Less: Gross Outlays	(2,803)	(2,780)	(23)	C
Change in Uncollected Customer Payments from Federal Sources	(19)	(20)	1	H
Less: Recoveries of Prior Year Unpaid Obligations	(22)	(39)	17	B
Obligated Balance, Net, End of Fiscal Year	(1,267)	(1,265)	(2)	H
Net Outlays:				
Gross Outlays	2,803	2,780	23	C
Less: Offsetting Collections	\$ (132)	\$ (132)	0	

* Source: Fiscal Year 2005 Actual Amounts as published in the Appendix to the Budget of the United States Government, Fiscal Year 2006.

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. 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.
- E. Monies reflected as temporarily not available on the President's Budget and as permanently not available on the Combined Statement of Budgetary Resources.
- F. 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.
- G. 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.
- H. Differences result of rounding.

NOTE 24. DONATED STEWARDSHIP ASSETS

The National Park Service received donated stewardship assets with an estimated fair value of \$1,500 thousand and \$ 184,239 thousand as of September 30, 2006, and 2005, respectively.

NOTE 25. CHANGE IN ACCOUNTING PRINCIPLE

In July 2006 an updated OMB Circular A-136 was issued to the federal community delineating federal financial reporting requirements. In prior versions of this guidance, federal agencies (child) who received allocated budget authority through another federal agency (parent) were allowed to report proprietary activity in their financial statements, if material to them. However, beginning in FY 2007, child agencies will be required to provide parent agencies with all of their financial activity. Only parent agencies will report this financial activity in their financial statements. Early implementation is allowed if both the parent and child agency agree.

In Fiscal Year 2006 Interior and the Department of Transportation agreed to use the Highway Trust Fund as a pilot for this new reporting requirement. The cumulative effect of this change in accounting principle resulted in a decrease of \$90,381 thousand to assets and a decrease of \$788 thousand to liabilities on the Balance Sheet. This also resulted in a \$69,565 thousand decrease to the beginning balance of cumulative results of operations on the Statement of Changes in Net Position.



Students enjoy an educational program at Deadhorse Bay in the Jamaica Bay Unit of Gateway National Recreation Area. NPS PHOTO

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 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 2005 there were 388 park units within the National Park System. Two units were added during FY 2006, including one national monument and one national historic site. No units were withdrawn. As of September 30, 2006, there are 390 park units included in the National Park System.

The two additional park units include the following:

African Burial Ground National Monument – Presidential Proclamation No. 7984 of February 27, 2006, established African Burial Ground National Monument to protect an undeveloped federal parcel of approximately 15,000 square feet that constitutes a remaining portion of an early African burial ground located at the corners of Duane and Elk Streets in Lower Manhattan, New York City. From the 1690s to the 1790s, the African burial ground served as the final resting place of enslaved and free Africans in New York City. It contains the remains of those interred, as well as the archeological resources and artifacts associated with their burials. The proclamation authorized the transfer from the General Services Administration to the National Park Service of the federal land comprising the national monument (less than one acre).

Carter G. Woodson Home National Historic Site – The Act of December 19, 2003, provided that, upon acquisition of the Carter G. Woodson home in Washington, D.C., the Secretary shall establish Carter G. Woodson Home National Historic Site as a unit of the National Park System. Following the federal acquisition of the home, the national historic site was established by publication of a notice in the Federal Register on February 27, 2006. Dr. Woodson, cognizant of the widespread ignorance and scanty information concerning the history of African Americans, founded the Association

for the Study of Negro Life and History in 1915. Among the notable accomplishments of the Association was the development of Negro History Week that has since evolved into African American History Month. The headquarters and center of operations for the Association was Dr. Woodson's residence, which will now be preserved and protected as a unit of the National Park System.

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:

- During FY 2006 the Grand Canyon National Park's North Rim was temporarily closed. The closure was precipitated by the Warm Fire, which was about two miles south and east of Jacob Lake and approximately 30 miles north of the North Rim developed area. It was subsequently reopened for visitor access.
- Portions of many national parks are routinely closed each winter due to weather conditions and to protect public health and safety.
- Heavy rains caused significant flooding in Delaware Water Gap National Recreation Area that required closure of several park areas until the water receded and visitor safety could be assured.
- Olympic National Park's Queets Road was closed because of a major mudslide. Another landslide in the same area created a 200-foot vertical drop to the river.
- 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.

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, 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

National Park System, FY 2006

	BEGINNING UNITS	ADDITIONS	WITHDRAWALS	ENDING UNITS	CONDITION
NATIONAL PARK UNITS	388	2	0	390	Acceptable



Heavy summer rains caused flooding at Coronado National Memorial where parts of a paved road were washed away and the unpaved road to Montezuma Pass was made impassable by boulders and other debris. NPS PHOTO BY CARLOS HERRERA

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 2005 there were 388 park units within the National Park System, including 77 national historic sites and 73 national monuments. During FY 2006 two additional units were added, including one national monument and one national historic site. There are now 78 national historic sites and 74 national monuments. No park units in any category were withdrawn. As of September 30, 2006, there are 390 park units included in the National Park System. See the Stewardship Land section for information regarding the additions.

For reporting consistency with the Department of the Interior, 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 for

land assessment information. In a few circumstances where 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 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.
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 located in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap Farm Park for the Performing Arts.

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 NPS 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, 2005, the National Park Service owned an estimated 179 national historic landmarks. During FY 2006 five newly designated NHLs were added to the NPS-owned list, and two previously designated NHLs not formerly identified as NPS-owned were added for a total seven additions. Nine NHLs that were previously reported as NPS-owned, when they were not, were removed. As of FY 2006 the NPS owns an estimated 177 national historic landmarks.

The FY 2006 newly designated additions include the following:

- The Murie Ranch Historic District was added in February 2006. The Murie Ranch is located in Grand Teton National Park and is significant for its connection with Adolf, Olaus, and Margaret Murie whose studies and advocacy changed the way the federal government and scientific community study and manage natural lands and their wildlife populations.
- Tule Lake Segregation Center was the largest and oldest of the 10 camps built by the civilian War Relocation Authority (WRA) to house Japanese Americans relocated from the west coast of the United States during World War II under the terms of Executive Order 9066. In 1943 Tule Lake was converted to a maximum security segregation center for evacuees that the WRA had identified as "disloyal."
- The Carter G. Woodson Home and the African Burial Ground were previously designated NHLs that were not under NPS jurisdiction until designation in FY 2006 as the Carter G. Woodson Home National Historic Site and the African Burial Ground National Monument, respectively.

Visitors to Petrified Forest National Park enjoy an impressive variety of resources and experiences. Early tourism and national monument designation are important historic themes at the park, where related resources listed on the National Register of Historic Places include the Painted Desert Community Complex Historic District and the Painted Desert Inn (also a National Historic Landmark). NPS PHOTO



- Mud Lake Canal, Monroe County, Florida is an engineering achievement of the Tequesta People. It is the best preserved example of an aboriginal canoe canal. Tequesta sites are part of a broader tradition of long-distance canoe canal building. The Tequesta are also important because they were among the first recorded native peoples encountered by Ponce de Leon when he explored the Florida coast in 1513. The long, linear earthwork reflects the Tequesta's impressive organizational skills and adaptation to the unique Everglades ecosystem.

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 2006, 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 2005. During FY 2006 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 Department of the Interior 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. 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.

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

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

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	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 ¹	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 ¹	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
	Stephen Mather	North Cascades National Park
Wisconsin	Gaylord A. Nelson	Apostle Islands National Lakeshore

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

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 2005 wilderness areas existed within 47 National Park Service units. No new designations or de-designations were made during FY 2006. Wilderness areas are subsets of authorized lands within specific national park units. (*See the Stewardship Land section for condition information.*) Additional information on National Park Service wilderness may be found at *www.wilderness.net* and at *www.wilderness*.

nps.gov. National parks with designated wilderness are listed in the accompanying table (*see previous page*).

MUSEUM COLLECTIONS

National Park Service museum collections support the NPS mission to foster understanding, appreciation, and enjoyment of natural and cultural heritage—they are tangible and accessible evidence of the resources, significant events, and peoples associated with NPS lands. The collections include items ranging from historic furnishings in the home of John Adams, to flags that flew over Fort Sumter, to Thomas Edison's handwritten notes on inventions, to the tools and furnishings of a working ranch in Montana, to botanical specimens from Yosemite, and archeological items from Mesa Verde. These museum collections, from 360 NPS units and managed at 321 NPS locations, are important not only individually, but

National Park System Non-Collectible Heritage Assets, FY 2006

CATEGORY	BEGINNING BALANCE (UNITS)	ADDITIONS (UNITS)	WITHDRAWALS (UNITS)	ENDING BALANCE (UNITS)	CONDITION		
					LAND BASED ACCEPTABLE	STRUCTURE BASED ACCEPTABLE	UNACCEPTABLE
National Battlefield Parks ¹	3	-	-	3	-	100%	-
National Battlefield Sites ¹	1	-	-	1	100%	-	-
National Battlefields	11	-	-	11	36%	64%	-
National Historic Sites	77	1	-	78	12%	87%	1%
National Historical Parks	42	-	-	42	14%	84%	2%
National Lakeshores	4	-	-	4	-	100%	-
National Memorials	28	-	-	28	43%	54%	3%
National Military Parks	9	-	-	9	11%	89%	-
National Monuments	73	1	-	74	27%	69%	4%
National Parks	58	-	-	58	5%	93%	2%
National Parkways	4	-	-	4	25%	75%	-
National Preserves	18	-	-	18	11%	83%	6%
National Recreation Areas	18	-	-	18	28%	72%	-
National Reserves	2	-	-	2	100%	-	-
National Rivers	5	-	-	5	20%	80%	-
National Scenic Trails	3	-	-	3	100%	-	-
National Seashores	10	-	-	10	-	100%	-
National Wild & Scenic Rivers	10	-	-	10	80%	20%	-
International Historic Sites	1	-	-	1	-	100%	-
Other Park Designations	11	-	-	11	27%	73%	-
SUBTOTAL - NPS (Units)	388	2	-	390	-	-	-
National Historic Landmarks	179	7	(9)	177	-	89%	11%
National Natural Landmarks	18	-	-	18	100%	-	-
Wilderness Areas ²	47	-	-	47	100%	-	-
TOTAL	632	9	(9)	632	-	-	-

Note: (1) In FY 2005 National Battlefield Parks and National Battlefield Sites were combined. In FY 2006 they are in separate categories.

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

Students at San Antonio Missions National Historical Park learn how a grist mill was powered by gravity-fed irrigation ditches. NPS PHOTO



because of their direct association with the nationally significant sites within the National Park System.

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 2006 include a chair that was in the presidential box the night Abraham Lincoln was shot at Ford's Theatre National Historic Site; a replica of the original Yaadaas Crest totem pole carved by members of the Kaigani Haida Yaadaas clan, whose crest is on the original 100-year old pole now preserved in the Sitka National Historical Park museum exhibit; six Bird Cage Windsor chairs, originally owned and used by Clara Barton in her

Glen Echo home at Clara Barton National Historic Site; a letter written by John Brown at Harpers Ferry National Historical Park; a large collection of historic photographs documenting Calumet, Michigan, and surrounding communities during the early twentieth century at Keweenaw National Historical Park; more than 5,000 items representing the Trans-Mississippi Theater from the General Sweeney Museum of Civil War History, now part of Wilson's Creek National Battlefield; artwork and artifacts, including etchings and a sculpture by Mahonri Young and artist tools and personal items of J. Alden Weir at Weir Farm National Historic Site; and important Taino artifacts dating 1000-1450 AD at Virgin Islands 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 two 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 71.4 percent of the applicable NPS standards. At current funding levels for correction of deficiencies, 95 percent of the standards will be met in FY 2033.

All park collections are administered and controlled by NPS units. Although 360 park units administer NPS museum collections, some collections are physically co-located for management purposes. Information is provided for the 321 NPS physical locations. These 321 NPS locations have evaluated their facilities against Department of the Interior standards for preservation and 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 two percent of museum items Servicewide) is excluded.

Of these 321 locations with collections, 163 (51%) provide good conditions for the collections; 99 (31%) provide fair conditions; and 59 (18 %) provide poor conditions. The deferred maintenance costs

for the 321 NPS locations, based on the Departmental standards, total \$196,965,252.

Using the more comprehensive NPS Checklist standards, the deferred maintenance costs for the 321 NPS locations total \$256,498,706, including the cost of new or rehabilitated facilities (\$180,292,255) and supplies and equipment to furnish and maintain the facilities (\$76,206,451). Other deferred collections maintenance costs total an estimated \$38,222,819, including the annual cost of deferred procedural operations (\$1,716,127), and non-recurring costs of professional assistance, condition surveys, and planning (\$16,031,052), and conservation treatments (\$20,475,640).

Many parks took steps in FY 2006 to improve preservation, protection, and interpretation of and access to the collections. For example, Yellowstone National Park installed large mobile compact shelving units, increasing storage capacity in the new Heritage and Research Center at Yellowstone National Park; Harpers Ferry National Historical Park installed environmental monitoring units and photographed all high-value and sensitive property to provide condition documentation and image identification for each item; St. Croix National Scenic Riverway and Fort Necessity National Battlefield moved collections into new environmentally controlled storage areas; Salem Maritime National Historic Site replaced the 180-year-old eagle on the roof of the Custom House with a replica and exhibited the conserved original inside; 23 parks provide access to their collections on the NPS Web Catalog; Marsh-Billings-Rockefeller National Historical Park featured its art in a new exhibit on the NPS Museum Management Program website;

Collectible Heritage Assets—Locations Housing National Park Service Assets, FY 2006

					CONDITION OF FACILITY HOUSING COLLECTION ¹			
Museum Collections	Beginning Collections	Additions	Withdrawals	Ending Collections	Good (Meet >70%)	Fair (Meet 50 to 70%)	Poor (Meet <50%)	Not Yet Assessed
Held at NPS Facility	317	8	4	321	163	99	59	0

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.

The tragedy of isolation and the peace of verdant Kalawao are conveyed at Father Damien's historic St. Philomena Catholic Church in Kalaupapa National Historical Park. NPS PHOTO BY DIANE LIGGETT



Badlands National Park replaced outdated exhibits in its visitor center; Colonial National Historical Park completed a new exhibit of George Washington's tents at Yorktown Visitor Center; and Jefferson National Expansion Memorial presented a major exhibit on the life and career of Eero Saarinen, architect of the Gateway Arch.

Parks worked with partners to further their museum collections programs. For example, Pea Ridge National Military Park partnered with the University of Arkansas-Arkansas Archeological Survey to store the park's collection; the South Florida Collections Management Center at Everglades National Park implemented a long-term cooperative agreement with the Florida Museum of Natural History to manage wet specimens from South Florida parks; Sitka National Historical Park entered an agreement with the *Kiks.ádi* clan of Sitka Tlingit to care for two shaman's masks and a shaman's headdress belonging to the clan; Mesa Verde National Park partnered with Fort Lewis College, the community radio station, and local high schools to exhibit collections and broadcast oral histories on the occasion of the park's centennial; Yellowstone and Grand Teton National Parks loaned items relating to Thomas Moran, including 19 original Moran watercolors, for exhibit at the National Museum of Wildlife Art; the Northeast Museum Services Center and Boston National Historical Park partnered

with the Gulag Museum at Perm-36 in Russia, Amnesty International USA, and Memorial (a Russian human rights organization) to develop an exhibit on the Gulag, Soviet forced labor camps, which opened at Ellis Island Immigration Museum and will travel to five other parks; and Natchez Trace Parkway renovated its visitor center exhibit in cooperation with the National Scenic Byways Program, Eastern National, and BancorpSouth.

Hurricanes Katrina, Rita, and Wilma impacted NPS collections in Florida, Louisiana, Mississippi, and Texas. At Dry Tortugas National Park, historic cannon at Fort Jefferson were damaged, temporarily stabilized, and then given full conservation treatment. At Everglades National Park, objects were evacuated from exhibits but not damaged. The stored object collection at Jean Lafitte National Historical Park was undamaged, temporarily moved off-site, and returned. Items on exhibit at Chalmette Battlefield were flooded, salvaged, and, except for cannon, removed for off-site storage and conservation treatment. The visitor center was a total loss. At Gulf Islands National Seashore, the storm surge flooded exhibits and museum collections at the Davis Bayou Visitor Center. Collections were salvaged, stabilized, and moved to temporary off-site storage. At Big Thicket National Preserve, hurricane preparations included moving the object collections to a

safer location in the park and some archival collections to temporary off-site storage. The Big Thicket collections were not damaged. At Upper Delaware Scenic and Recreational River, the Zane Grey House flooded during record rainfall, damaging some museum collections, which were salvaged by a Northeast Region response team for treatment off-site. The National Capital Region Museum Emergency Response Team assisted in the response at parks in Louisiana, Mississippi, and Pennsylvania.

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 90-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 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 NPS uses the facility condition index (FCI) to measure the acceptable condition of the physical infrastructure. The FCI is a new industry standard metric that is calculated by dividing the deferred maintenance by the current replacement value. A score closer to 0.0 reflects better condition. For example, a building with a current replacement value of \$100,000 and deferred maintenance of \$20,000 would have an FCI of 0.20. Facility condition index values for various assets are listed in the accompanying table.

Along with FCI, the NPS uses an asset priority index (API) that identifies an empirical measure for asset functionality,

National Park Service Deferred Maintenance Projects by Primary Asset, FY 2006

PRIMARY ASSET CATEGORY	SUB-ASSET CATEGORY	FACILITY CONDITION INDEX	OPERATING CONDITION
Roads, Bridges, Trails	Bridges ¹	In Development	Acceptable
Roads, Bridges, Trails	Roads ²	0.20	Acceptable
Roads, Bridges, Trails	Trails	0.15	Acceptable
Irrigation, Dams, and Other Water Structures	Dams	0.14	Acceptable
Buildings	Buildings	0.10	Acceptable
Buildings	Housing	0.10	Acceptable
Other Structures	Campgrounds	0.15	Acceptable
Other Structures	Wastewater Systems	0.05	Acceptable
Other Structures	Water Systems	0.05	Acceptable

Note:

- (1) Currently there is no industry standard for acceptable FCI condition for bridges. Acceptable NPS bridge FCI value is under development in consultation with the Federal Highway Administration.
- (2) Currently there is no industry standard FCI for roads. The "acceptable level" for roads is derived from the FY 2005 FCI Performance Goals established in cooperation with OMB as part of the PART Process.



Traffic congestion and crowding occur frequently at parking areas, trailheads, and popular rock formations in Arches National Park. During the busy season, cars are often parked along road shoulders causing damage to natural resources, prompting development of a Transportation Implementation Plan for the park. NPS PHOTO

initialization, and mission significances. The system was deployed in all park units during FY 2003.

The National Park Service completed an initial round of annual condition assessments on industry standard assets (trails, campgrounds, buildings, housing, water, and wastewater systems) in all park units (with the exception of four parks with significant inventory) in FY 2003. This entailed developing a complete and accurate inventory, determining the asset priority index (API) for a numerical indication of the relative importance for comparing asset functionality, initialization, and mission significances along with FCI for a simple measurement of a facility's relative condition at a particular point in time. The National Park Service will measure performance by linking project formulation and execution as well as programmatic activities to defined results and outcomes utilizing the FCI.

The National Park Service continues to refine its condition assessments of all park assets. Part of the effort is to gather the information necessary to provide a better estimate of deferred maintenance needs related to non-facility type assets. Non-facility type assets do not conform to industry standard deficiency, cost estimate programs, and data requirements. Outdoor

sculptures, monuments, ruins, fortifications, cultural landscapes, and other non-facility assets require the development of specific asset and feature maintenance standards and deficiency remedies, inspection guidance documents, and cost estimating assemblies. Business practices are being developed to improve the deferred maintenance for archeological sites, ruins, fortifications, and significant monuments and memorials. Once this information is available, the NPS will refine its deferred maintenance estimates for all Stewardship and Heritage Assets.

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 National Park Service uses different sources of information to determine baseline deferred maintenance estimates. For example, estimates for paved roads deficiencies were developed by the Federal Highway Administration's (FHWA) engineers and compiled using data from the 2001-2004 Cycle III Road Inventory Program. Additionally the paved road system's condition has been modeled; pavement deterioration has been modeled and as-constructed maintenance and rehabilitation work applied to better represent the condition of these assets in 2006.

FHWA bridge engineers compiled the bridge inventory and condition from information gathered in Fiscal Years 2004 to 2006. 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.

The first cycle of comprehensive condition assessments on the industry standard assets was completed in FY 2006. These assessments represent an initial baseline of deferred maintenance and resulting FCI. In addition, the NPS will continue to refine its business practices and cost estimating to evolve to better identify planning costs that are key to calculation of the FCI.

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

CATEGORY	CONDITION ¹	GENERAL LOW	GENERAL HIGH	STEWARDSHIP LOW	STEWARDSHIP HIGH	TOTAL LOW	TOTAL HIGH
Roads, Bridges, and Trails	G,F,P	\$ 3,416,826	\$ 7,321,770	\$ 77,605	\$ 166,295	\$ 3,494,431	\$ 7,488,065
Irrigation, Dams, and Other Water Structures	G,F,P	\$ 68,145	\$ 146,024	\$ 15,241	\$ 32,659	\$ 83,386	\$ 178,683
Buildings	G,F,P	\$ 584,540	\$ 1,252,585	\$ 594,126	\$ 1,273,127	\$ 1,178,666	\$ 2,525,712
Other Structures	G,F,P	\$ 882,776	\$ 1,891,663	\$ 158,080	\$ 338,743	\$ 1,040,856	\$ 2,230,406
TOTAL		\$ 4,952,287	\$10,612,042	\$ 845,052	\$ 1,810,824	\$ 5,797,339	\$12,422,866

Note:

(1) For reporting consistency across the Department of the Interior, condition information is presented in three categories that include good (G), fair (F), and poor(P). Because of the variety of underlying assets that are represented in the four reporting categories shown in the accompanying table, the National Park Service estimates that it has assets in all three condition categories.

Department of the Interior, National Park Service
Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Account (Unaudited - See Accompanying Independent Auditors' Report)
For the Year Ended September 30, 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
BUDGETARY RESOURCES						
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)
TOTAL BUDGETARY RESOURCES	\$ 1,772,329	\$ 863,119	\$ 216,601	\$ 456,550	\$ 533,704	\$ 3,842,303
STATUS OF BUDGETARY RESOURCES						
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
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 1,772,329	\$ 863,119	\$ 216,601	\$ 456,550	\$ 533,704	\$ 3,842,303
CHANGE IN OBLIGATED BALANCE:						
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)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR	\$ 369,027	\$ 283,238	\$ 244,263	\$ 76,954	\$ 239,625	\$ 1,213,107
OBLIGATED BALANCE, NET, END OF YEAR - BY COMPONENT:						
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)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR	\$ 369,027	\$ 283,238	\$ 244,263	\$ 76,954	\$ 239,625	\$ 1,213,107
NET OUTLAYS:						
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)
NET OUTLAYS	\$ 1,723,213	\$ 327,798	\$ 152,349	\$ (10,705)	\$ 257,749	\$ 2,450,404

Department of the Interior, National Park Service

Required Supplementary Information

Schedule of Budgetary Resources by Major Budget Account (Unaudited - See Accompanying Independent Auditors' Report)

For the Year Ended September 30, 2005 (dollars in thousands)

	OPERATION OF THE NPS	CONSTRUCTION AND MAJOR MAINTENANCE	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER BUDGET ACCOUNTS	TOTAL BUDGETARY ACCOUNTS
BUDGETARY RESOURCES						
Unobligated Balance, Beginning of Fiscal Year:	\$ 87,256	\$ 400,612	\$ 168,744	\$ 278,902	\$ 148,956	\$ 1,084,471
Recoveries of Prior Year Unpaid Obligations:	8,300	5,570	18,381	1,587	5,202	39,040
Budget Authority:						
Appropriation	1,707,336	356,739	148,429	159,838	324,741	2,697,083
Spending Authority From Offsetting Collections:						
Earned						
Collected	21,178	112,564	1,699	0	1,152	136,593
Change in Receivables From Federal Sources	(75)	2,078	(1,078)	0	10	935
Change in Unfilled Customer Orders:						
Advance Received	0	(5,052)	0	0	0	(5,052)
Without Advance From Federal Sources	0	19,891	(621)	0	0	19,270
Total Budgetary Authority	1,728,439	486,220	148,429	159,838	325,903	2,848,829
Nonexpenditure Transfers, Net, Anticipated and Actual	5,459	(6,961)	(2,035)	0	(243)	(3,780)
Permanently Not Available	(35,474)	(4,250)	(2,062)	0	(5,920)	(47,706)
TOTAL BUDGETARY RESOURCES	\$ 1,793,980	\$ 881,191	\$ 331,457	\$ 440,328	\$ 473,898	\$ 3,920,854
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct	\$ 1,743,015	\$ 388,637	\$ 169,961	\$ 150,939	\$ 310,892	\$ 2,763,444
Reimbursable	20,357	140,781	192	0	0	161,330
Total Obligations Incurred:	1,763,372	529,418	170,153	150,939	310,892	2,924,774
Unobligated Balance Available:						
Apportioned	17,332	348,669	161,304	289,389	154,134	970,828
Exempt From Apportionment	0	(75)	0	0	52	(23)
Total Unobligated Balance Available	17,332	348,594	161,304	289,389	154,186	970,805
Unobligated Balances Not Available	13,276	3,179	0	0	8,820	25,275
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 1,793,980	\$ 881,191	\$ 331,457	\$ 440,328	\$ 473,898	\$ 3,920,854
CHANGE IN OBLIGATED BALANCE:						
Obligated Balance, Net,						
Unpaid Obligations, Brought Forward,						
Beginning of Fiscal Year	\$ 338,917	\$ 429,222	\$ 250,572	\$ 74,202	\$ 215,763	\$ 1,308,676
Less: Uncollected Customer Payments From Federal Sources, Brought Forward, Beginning of Fiscal Year	(340)	(125,673)	(2,908)	0	0	(128,921)
Total Unpaid Obligated Balances, Net, Beginning of Fiscal Year	338,577	303,549	247,664	74,202	215,762	1,179,755
Obligations Incurred, Net	1,763,372	529,418	170,153	150,939	310,892	2,924,774
Less: Gross Outlays	(1,676,119)	(511,979)	(128,539)	(146,956)	(316,566)	(2,780,159)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(8,300)	(5,570)	(18,381)	(1,587)	(5,202)	(39,040)
Change in Uncollected Customer Payments From Federal Sources	75	(21,968)	1,700	0	(10)	(20,204)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR	\$ 417,605	\$ 293,450	\$ 272,597	\$ 76,598	\$ 204,876	\$ 1,265,126
OBLIGATED BALANCE, NET, END OF YEAR - BY COMPONENT:						
Unpaid Obligations	\$ 417,869	\$ 441,091	\$ 273,806	\$ 76,598	\$ 204,886	\$ 1,414,250
Less: Uncollected Customer Payments From Federal Sources	(264)	(147,641)	(1,209)	0	(10)	(149,124)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF YEAR	\$ 417,605	\$ 293,450	\$ 272,597	\$ 76,598	\$ 204,876	\$ 1,265,126
NET OUTLAYS:						
Gross Outlays	\$ 1,676,119	\$ 511,979	\$ 128,539	\$ 146,956	\$ 316,566	\$ 2,780,159
Less: Offsetting Collections	(21,178)	(107,512)	(1,699)	0	(1,152)	(131,541)
Less: Distributed Offsetting Receipts	0	0	0	(158,836)	(47,349)	(206,185)
NET OUTLAYS	\$ 1,654,941	\$ 404,467	\$ 126,840	\$ (11,880)	\$ 268,065	\$ 2,442,433



More than half a million gallons of fuel oil still trapped in the fractured hull of the USS *Arizona* poses a serious environmental risk, with the potential for much of the oil being released into the harbor when the *Arizona*'s fuel bunkers finally give way. This threat led to a major initiative started in 2000 by the NPS to document the condition of the USS *Arizona* in order to determine what is happening to the wreck and how long will it remain intact. PHOTO BY NPS SUBMERGED RESOURCES CENTER

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 of air quality-related values.

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

- Multiagency collaborative study among USGS, National Oceanographic and Atmospheric Administration (NOAA), Alaska Department of Fish and Game and the NPS addressing hypotheses on harbor seal declines in Glacier Bay National Park and Preserve. Harbor seals are an important apex predator and the most numerous marine mammals in the park. However, the population of these seals in the park has declined by 70 percent (more than 6,500 harbor seals) since monitoring efforts began in 1992. Seal movement, disturbance, contaminant, nutritional

health, and available forage data will be used to determine how these factors relate to this documented population decline.

- Development of a coupled hydrodynamic model of surface/groundwater flow and water quality in Mosquito Lagoon in Canaveral National Seashore. This model is needed to track and quantify the hydrologic processes influencing the quality of the lagoon's waters. The lagoon is a seagrass-based ecosystem and home to nine federally protected species. It also supports a multi-million dollar recreational fishery. Due to its configuration and the inlet location, the lagoon experiences very little flushing action, resulting in long residence times for dissolved and suspended surface/groundwater constituents.
- Research in the Congaree River within Congaree National Park seeks to define the mechanisms through which microbial processes affect the transformation of atmospheric-derived mercury deposited in sediment to methylmercury, its biologically available form. Understanding these microbial controls is essential to protecting park natural resources.
- Mapping and categorizing the geology and aquifers of the Tomahawk Creek Basin in Buffalo National River. Developed in concert with the karst features identified by the University of Arkansas and USGS, this integrated information, combined with land use mapping and physical and chemical water quality monitoring, will provide the park with the science-based information needed to develop management actions to protect karst aquifers, their recharge basins, and the streams that feed the Buffalo River.

For the National Park Service Natural Resource Preservation Program, research and development expenses are currently available for FY 2002 through FY 2005. The FY 2005 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 2006 expenses are projections based on FY 2005 data estimates.

Actual FY 2006 expenses are contingent upon the results of internal competitive

evaluations and approvals of applied research and development proposals, and will be available in mid-FY 2007. The overall level of applied research and development expense is not annually fixed and remains contingent on the relative ranking of these types of proposals among a larger population of non-research high-priority park natural resource stewardship projects. The actual level of FY 2006 research and development expenses will depend upon the results of this competitive process and the execution of the work performed by the 390 individual park units of the National Park System.

Additional enhancements to improve the availability of natural resource research and development expenses are currently being pursued. The development of a new Servicewide natural and cultural resource management information system continues. Work on this system has experienced delays since FY 2003 because funds have been redirected to homeland security needs and unrelated contracting issues. This information system is now projected to begin implementation 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 are currently available for FY 2002 through FY 2006 and are combined with Natural Resource Preservation Program expenses.

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

- At Katmai National Park and Preserve, Site DIL-161 is a large multi-component prehistoric site and is the most threatened cultural site on the Alagnak corridor. A project has been conducted that resulted

in collecting, processing, and cataloging more than 6,000 artifacts. A National Register nomination was completed and sent to the State Historic Preservation Officer for review, and a popular prehistory of the area was completed.

- At Minuteman Missile National Historic Site, oral history interviews have been conducted with former military staff. Additional interviews were conducted during the past year with civilian neighbors, construction workers who built the site, activists who opposed the site, and politicians who relied on the site as the backbone of American foreign policy. These memories provide a critical, balanced interpretive story essential to the legislated mission to “interpret the historical role of the Minuteman II missile defense system . . . in the broader context of the Cold War.”

- Acadia National Park has drafted a Cultural Landscape Report for the historic motor road system. Until now there has been no comprehensive analysis of this nationally significant resource. Research of the historical development of the motor road system through its 1921-1958 period of significance has been conducted. Existing conditions have been identified, and the road system has been accurately mapped. This research and analysis assists park managers to identify which features are most important and provides a baseline for guiding future rehabilitation and maintenance of the system.

**National Park Service Research and Development Expenses,¹ FY 2006
(dollars in millions)**

RESEARCH CATEGORY	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 (est.)	TOTAL
BASIC	\$ 5.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 5.0
APPLIED	30.2	21.1	33.0	25.9	25.3	135.5
DEVELOPMENTAL	8.6	3.9	2.8	0.4	0.3	16.0
TOTAL	\$ 43.8	\$ 25.0	\$ 35.8	\$ 26.3	\$ 25.6	\$ 156.5

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. Natural resources figures represent “expenses;” Cultural resources figures represent “expenses.” From 2002 to 2003, Cultural Resources Expenses are stated as “Budget Fiscal Year” expenses; starting in 2004, fiscal year expenses are reported. The previously estimated 2005 Research and Development expenses information has been finalized; those changes are reflected in this table.

- Shenandoah National Park began a special history study of the Lewis Mountain Development that was built in 1938-1941 under the mandate of Secretary of the Interior Harold Ickes to serve African American park visitors. With its development Shenandoah National Park became racially segregated. Lewis Mountain drew many middle class African American visitors from the New York; Baltimore, Maryland; Washington D.C.; and Richmond, Virginia areas. Segregation in the national parks has not been explored in depth. This study is one of the first to explore this largely untold story.
- Mojave National Preserve documented recently acquired, previously privately held lands containing sites of considerable archeological significance. These sites contain large and relatively well known sets of petroglyphs at Eagle Well that have been the target of looting and vandalism for a number of years while under private ownership. This project resulted in the production of a complete set of digital photographs and an updated, 167-page site report. The project recorded the nature and condition of the features at the site to serve as a baseline for assessing future impacts and now makes it possible to determine whether additional panels are being removed and/or defaced and thus greatly aids Archaeological Resources Protection Act (ARPA) law enforcement efforts.

INVESTMENT IN HUMAN CAPITAL

Job Corps Civilian Conservation Centers are residential, educational, training, and employment programs created as part of Lyndon B. Johnson’s “War on Poverty,” through the Economic Opportunity Act of 1964. Current authorization is provided under the Title I-C of the Workforce Investment Act of 1998 (Public Law 105-220). Job Corps Civilian Conservation Centers are operated by the NPS through an interagency agreement with the Department of Labor. The Department of Labor provides all funding for center operations. During FY 2006, \$15.9 million has been expended for this program.

Investment (in millions of dollars)						
	2002	2003	2004	2005	2006	TOTAL
Job Corps	\$14.7	\$17.2	\$15.5	\$15.2	\$15.9	\$78.5

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

Job Corps Centers are rated on the attainment of goals for graduates (GED/HSD and career technical) and student placement in jobs once students leave the program. Students graduate from the program with a high school diploma or General Education Diploma. Graduates obtain jobs in various industries, including business technology, transportation (trucking), plumbing, and building and construction.

The centers offer a variety of career technical training programs, (e.g., carpentry, urban tree worker, plumbing, brick and cement masonry, health occupations, computer and business technology, and landscaping). Oconaluftee Job Corps Civilian Conservation Center recently added landscaping as a career training program. Students work with Great Smoky Mountains National Park personnel in design and maintenance regarding the various native plants, shrubs, and trees approved by the National Park Service for inclusion in the park and center.

Great Onyx Job Corps Civilian Conservation Center recently added Urban Forestry to its career training program. The center anticipates viable partnerships with the National Park Service and surrounding community as a result of the addition of this training program. Great Onyx Job Corps

Civilian Conservation Center students participate as part of the firefighting component of the Department of the Interior, in conjunction with Mammoth Cave National Park. Members of the team deployed on several occasions for firefighting and camp crew duty. The team was deployed to Beaumont, Texas, following Hurricane Rita, and has participated in controlled burns in Kentucky and Alabama. Camp Crew members spent several weeks in Western Texas assisting with fighting wildfires in that area. Members of the team also participated in a successful search and rescue for one of its own students lost in Mammoth Cave National Park.

Plans are underway at the Oconaluftee Job Corps Civilian Conservation Center to have a Wildfire Fighting/Disaster Relief Team and Camp Crew in place in the near future. Oconaluftee students attended a recent

training at Mammoth Cave National Park with Great Onyx students and other Park personnel. During April 2006, students from Great Onyx and Harpers Ferry Job Corps Civilian Conservation Centers shadowed the Deputy Associate Director, Partnerships, Interpretation, Education, Visitors and Outdoor Recreation. This was an excellent learning experience for the students who departed with valuable knowledge regarding future employment.

Center students participate in annual local community projects including the national "Groundhog Job Shadow Day" in February. Each April the three Job Corps Centers participate in the "Make a Difference Day" activities. Many student labor hours also contribute to "Habitat for Humanity" projects and American Red Cross blood drives.

**Job Corps Center Ratings, FY 2006
GED/HSD Graduates**

CENTER	GED/HSD GRADUATES	TOTAL STUDENTS	PERCENT OF STUDENTS	TARGETED GOAL	PERCENT OF GOAL MET
GREAT ONYX	97	263	37%	47.1%	78%
HARPERS FERRY	82	192	43%	49.9%	86%
OCONALUFTEE	105	240	44%	45.7%	96%

**Job Corps Center Ratings, FY 2006
Career Technical Graduates**

CENTER	CAREER TECHNICAL GRADUATES	TOTAL STUDENTS	PERCENT OF STUDENTS	TARGETED GOAL	PERCENT OF GOAL MET
GREAT ONYX	186	354	53%	65%	81%
HARPERS FERRY	141	232	61%	65%	94%
OCONALUFTEE	149	293	51%	65%	78%

**Job Corps Center Ratings, FY 2006
Placements**

CENTER	PLACEMENTS	TOTAL STUDENTS	PERCENT OF STUDENTS	TARGETED GOAL	PERCENT OF GOAL MET
GREAT ONYX	204	238	86%	95%	90%
HARPERS FERRY	152	174	87%	95%	92%
OCONALUFTEE	145	176	82%	95%	87%

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 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 2006, \$17.1 million has been expended for these pass-through projects.

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

- The Morris Thompson Cultural and Visitors Center will be constructed in downtown Fairbanks, Alaska, housing programs for three organizations: the Alaska Public Lands Information Center (National Park Service), Tanana Chiefs Conference, and the Fairbanks Convention and Visitors Bureau. The partners will own and operate the facility under an educational and charitable nonprofit 501 (c) (3) organization. The facility will foster understanding, appreciation, and conservation of the resources of Fairbanks and Interior Alaska by providing visitor services, exhibits, special presentations and lectures, artisan demonstrations, traditional skills demonstrations and public and youth education including teacher curriculum units. Initial groundbreaking will occur in May of 2007 with an anticipated opening date of May, 2008. Approximately \$5.0 million
- The Carnegie Library Building at Florida A&M University will be expanded and restored to house the Black Archives and Research Center and Museum. The archives contain the largest collection of Civil War memorabilia in the Southeast, as well as more than 500,000 items relevant to the African American experience in America. The Carnegie Library is the oldest building on the campus and is listed on the National Register of Historic Places. Funds will be used for asbestos abatement, lead paint removal, stabilization of the interior structure, and construction of a new compatible addition. During FY 2006 approximately \$1.1 million has been expended for this project.
- During FY 2006 approximately \$1.0 million was used to support the construction of an Abraham Lincoln Interpretive Center in downtown Springfield, Illinois. The planned two-part Abraham Lincoln Presidential Library and Interpretive Center will consist of a museum portion, a library, and archives.
- The Great Falls Historic District, Paterson, New Jersey, is the site of the first planned industrial development in the United States. Alexander Hamilton selected the site in 1793, largely because of the 70-foot-tall Great Falls of the Passaic, which would provide a source of hydropower for industry. The raceway system and the historic architecture associated with silk mills, rail locomotives, and armaments all contributed to the designation of the Great Falls National Historic Landmark District in 1976. Funds support a variety of projects including condition assessments of buildings in the district; design guidelines; Americorps projects; oral history and ethnographic projects; a community grant program for historical, artistic, or cultural projects; stabilization of the ruins of the Colt Gun Mill, and a cultural resource survey of the Allied Textile Plant. In FY 2006 approximately \$.5 million has been expended for this initiative.

has been expended towards this project during FY 2006.

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.

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

CATEGORY	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	TOTAL
Dams and Other Water Structures ¹	\$ 29.7	\$ 44.0	\$ 57.9	\$ 69.2	\$ 69.3	\$ 270.1
Land	8.7	12.8	35.3	26.4	36.3	119.5
Roads and Bridges	1.7	2.5	2.3	2.0	2.0	10.5
Schools and Public Buildings	74.3	53.9	42.8	33.0	32.0	236.0
TOTAL	\$ 114.4	\$ 113.2	\$ 138.3	\$ 130.6	\$ 139.6	\$ 636.1

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

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 NPS 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 NPS. The concessioners reported that these Special Accounts balances totaled approximately \$43.9 million and \$40.5 million (unaudited), as of September 30, 2006, and 2005, respectively.

Independent Auditors' Report



The Franklin Delano Roosevelt Memorial, located near the National Mall, is a memorial not only to the 32nd President, but also to the era in which he served. The memorial traces twelve years of American history through a sequence of four outdoor rooms—each one devoted to one of Roosevelt's terms of office. NPS PHOTO BY RICK LEWIS.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, DC 20240

Memorandum

FEB 8 2007

To: Director, National Park Service

From: Anne L. Richards *Anne L. Richards*
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the National Park Service Financial Statements for Fiscal Years 2006 and 2005 (Report No. X-IN-NPS-0017-2006)

INTRODUCTION

This memorandum transmits the KPMG LLP (KPMG) auditors' report of the National Park Service (NPS) financial statements for fiscal years 2006 and 2005 (Attachment 1). 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), the independent public accounting firm KPMG performed an audit of the NPS fiscal years 2006 and 2005 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 with Office of Management and Budget Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements."

RESULTS OF INDEPENDENT AUDIT

In its audit report dated December 15, 2006, KPMG issued an unqualified opinion on the NPS financial statements. However, KPMG identified three reportable conditions in internal controls over financial reporting, none of which were considered to be material weaknesses. KPMG also found one deficiency in NPS internal controls over Required Supplementary Information. In addition, KPMG identified one instance where NPS did not comply with laws and regulations, specifically the Federal Financial Management Improvement Act of 1996 (FFMIA). The report contains 12 recommendations that, if implemented, should resolve the findings.

STATUS OF RECOMMENDATIONS

In its January 8, 2007 response (Attachment 2) to the draft report, NPS partially concurred with two of the five findings and disagreed with three findings. NPS also addressed

each recommendation, stating that it was in the process of implementing eight, and disagreed with four of the recommendations (see Attachment 3, "Status of Audit Report Recommendations").

Eight of the 12 recommendations are repeat recommendations that were made in last year's Report No. X-IN-NPS-0009-2005. Four of the eight repeat recommendations were closed after the Assistant Secretary for Policy, Management and Budget received documentation that the recommendations had been implemented. However, the actions taken by NPS did not fix the conditions. Therefore, KPMG found the same conditions and made the same recommendations this year. We will refer these four repeat recommendations to the Assistant Secretary for tracking of implementation. In its response, NPS disagreed with the remaining four repeat recommendations. We will refer these four repeat recommendations to the Assistant Secretary for resolution. We will refer the four new unimplemented recommendations to the Assistant Secretary for tracking of implementation.

EVALUATION OF KPMG AUDIT PERFORMANCE

To fulfill our monitoring responsibilities, the OIG:

- assessed 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;
- participated in 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 and for the conclusions expressed in the report. We do not express an opinion on NPS financial statements, conclusions on the effectiveness of internal controls, conclusions on compliance with laws and regulations, or conclusions on whether NPS financial management systems substantially complied with FFMIA.

REPORT DISTRIBUTION

The legislation, as amended, creating the OIG (5 U.S.C.A. app. 3) 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 this report in our next semiannual report. The distribution of the report is not restricted, and copies are available for public inspection.

We appreciate the courtesies and cooperation extended to KPMG and the OIG staff during the audit. If you have any questions regarding the report, please contact me at 202-208-5512.

Attachments (3)

cc: Assistant Secretary, Fish, Wildlife and Parks
Audit Liaison Officer, Fish, Wildlife and Parks
Chief Financial Officer, National Park Service
Audit Liaison Officer, National Park Service
Focus Group Leader, Management Control and Audit Follow-up, Office of Financial
Management
Focus Leader, Financial Reporting, 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, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the 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 2006 audit, we also considered NPS's internal control over financial reporting, Required Supplementary Stewardship Information, 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, 2006 and 2005, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion, in fiscal year 2006, NPS changed its method of accounting for and reporting of earmarked funds, heritage assets, stewardship land, and certain allocation transfers to adopt changes in accounting standards and Office of Management and Budget (OMB) requirements.

Our consideration of internal control over financial reporting, Required Supplementary Stewardship Information, and performance measures resulted in the following conditions being identified as reportable conditions:

- A. Security and General Controls over Financial Management Systems
- B. Financial Reporting Controls
- C. Controls over the U.S. Park Police Pension Plan

However, none of the reportable conditions are believed to be material weaknesses.

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



D. Museum Collections

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

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 control over financial reporting, Required Supplementary Stewardship Information, 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 (NPS) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing 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 NPS as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 22 to the consolidated financial statements, NPS changed its method of accounting for and reporting earmarked funds in fiscal year 2006 to adopt the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*. Also as discussed in Note 1 to the consolidated financial statements, NPS changed its method of reporting for heritage assets and stewardship land in fiscal year 2006 to adopt the applicable provisions of SFFAS No. 29, *Heritage Assets and Stewardship Land*. Finally as discussed in Notes 22 and 25 to the consolidated financial statements, NPS changed its method of accounting for and reporting certain allocation transfers in fiscal year 2006, to adopt the OMB requirements.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary 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. As a result of such limited procedures, we believe that the Required Supplementary Information for museum collections is not presented in conformity with U.S. generally accepted accounting principles because the Required Supplementary Information disclosures for museum collections disclose the condition of the facility housing the museum collection rather than the condition of the underlying museum collection.



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

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

In our fiscal year 2006 audit, we noted certain matters, described below, involving internal control over financial reporting and its operation that we consider to be reportable conditions. However, none of the reportable conditions are believed to be material weaknesses. Exhibit I presents the status of prior year reportable conditions.

A. 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 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. Entity-wide Security Program and Planning

NPS did not consistently perform appropriate background checks for information technology and security personnel. In addition, NPS did not ensure new employees signed acknowledgements of the responsibilities for computer use forms before receiving access to systems and applications. Furthermore, NPS programs did not require the technical training for information technology employees that is required by the U.S. Department of the Interior (Interior) and NPS did not have procedures to ensure employees completed the required training.



NPS did not have a formal policy for the classification of its resources in accordance with the requirements of Federal Information Processing Standards (FIPS) Publication 199. In addition, NPS did not follow the implementation requirements for one of its financial applications, resulting in an incomplete certification and accreditation of such financial application.

2. Access Controls

NPS had not developed a bureau-wide policy for requesting, granting, monitoring, and terminating access to the NPS applications. NPS had not fully documented the process for requesting, granting, monitoring, and terminating user access for a financial application.

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. NPS did not consistently log changes to security profiles or review security profile changes for a financial application. Additionally, NPS did not consistently monitor inactive user accounts. Furthermore, NPS's monthly internal vulnerability scanning process is not operating effectively.

Although, NPS has various informal exit clearance procedures, NPS did not have comprehensive exit clearance procedures. In addition, NPS did not consistently complete the exit interview process or the appropriate exit forms when an employee was terminated. Furthermore, NPS had terminated employees with active accounts in certain financial systems.

NPS did not have effective processes to verify that contractor access was removed from systems and applications, contractors had appropriate background investigations, contractors had signed non-disclosure agreements, or contractors had completed awareness training.

3. System Software Controls

NPS had not developed 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.

NPS did not have formal procedures for limiting administrator access to a financial application or appropriately segregate system software responsibilities for the financial application. Additionally, NPS did not implement controls to prevent and detect unauthorized access to the financial application or perform audit logging over access to and modification of sensitive or critical files for the financial application. Furthermore, NPS had not fully implemented a process to ensure that unauthorized modifications by system administrators are detected and reported.



4. *Service Continuity*

Although NPS has a contingency plan for a certain financial system, NPS had not formally approved the plan, had not tested the plan since 2004, and the contingency plan was not complete and did not fully address the requirements of National Institute of Standards and Technology (NIST) 800-34. In addition, NPS has a contingency plan for a data center, however, the plan did not indicate emergency processing priorities and was not approved. NPS had not developed processes to ensure that employees are periodically trained on their roles and responsibilities in regards to the contingency plan for one financial application. In addition, NPS had not fully documented procedures that require periodic testing of the data center's power supply equipment and disposing of electronic media that are not required to be maintained. Furthermore, NPS did not consistently maintain a tape library log of all the tapes for one of its data centers or maintain approvals for individuals' access to a tape storage facility.

5. *Segregation of Responsibilities*

NPS did not formally document application-specific roles or access privileges that should be segregated for certain financial systems or document compensating controls when access privileges cannot be segregated. In addition, NPS did not have any policies requiring that management review the design and operation of segregation of duties control techniques.

Recommendation

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

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 recommendation, except that management believes that an Interior-wide process to improve contractor security and access controls is more appropriate than an NPS-wide process.

Auditors' Response to Management's Response

We recommend that NPS work with Interior to establish a process to improve contractor security and access controls. If Interior does not establish an effective Interior-wide process, NPS should establish a process to improve contractor security and access controls.



B. 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. Property, Plant, and Equipment

NPS needs to improve controls over property, plant, and equipment to ensure that assets are properly classified and recorded timely. NPS capitalized costs that should have been expensed for 29 of the 348 construction-in-progress and real property amounts that we tested. In addition, NPS did not transfer construction projects from the construction-in-progress account to real property accounts at the time of completion and included costs in the construction-in-progress accounts that did not meet the capitalization criteria for 23 of the 166 construction projects tested. Furthermore, NPS recorded transactions in the current year that occurred in prior years or recorded dates, costs, asset type, and other information that did not agree with the supporting documentation for 12 of the 46 personal property transactions that we tested. As a result of our observations, NPS analyzed and appropriately adjusted the expense and property, plant and equipment balances.

2. 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 25 exceptions in the 126 statements that we tested in fiscal year 2006. For example, cardholders and supervisors did not always sign and date the charge card statements, did not consistently sign and date the charge card statements in a timely manner, and did not consistently maintain charge card receipts to reconcile to the statement.

Recommendations

1. Property, Plant and Equipment

We recommend that NPS perform the following:

- a. Continue to train park, region, and other personnel on the difference between costs that are capitalized versus expensed and the difference between asset categories (i.e., real versus personal property)
- b. Implement procedures requiring Accounting Operation Center personnel to review disbursement transactions and the related source documents to ensure that transactions are properly expensed or capitalized and to ensure that the dates and amounts recorded match the supporting documentation.



- c. Analyze the projects in the accounting system to identify any projects that should be removed from construction-in-progress because they do not meet the capitalization criteria.
- d. Implement procedures requiring park personnel to review items in the construction-in-progress subsidiary ledger to identify projects or components of projects that have been completed and therefore should be moved to the real property subsidiary ledger.
- e. Improve controls over recording equipment additions to ensure that assets are recorded when they occur.

2. *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. Allocate sufficient resources to oversee compliance with Interior's charge card policies and procedures, including investigating and resolving transactions on the unusual charge card transaction reports.

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, except that management did not agree with our recommendation to implement procedures requiring Accounting Operation Center personnel to review disbursement transactions and the related source documents to ensure that transactions are properly expensed or capitalized and to ensure that the dates and amounts recorded match the supporting documentation. Management believes that they can not complete this review for every transaction and that they have established other reviews to identify and correct errors in recording transactions.

Auditors' Response to Management's Response

The other reviews that NPS performs did not consistently identify and correct errors in recording transactions, therefore we continue to recommend that NPS require personnel to review disbursement transactions and the related source documents to ensure that transactions are properly expensed or capitalized and to ensure that the dates and amounts recorded match the supporting documentation.

C. Controls over the U.S. Park Police Pension Plan

NPS is required to determine and record a liability for the actuarial present value of the future benefits of the U.S. Park Police Pension Plan (USPP Pension Plan). As NPS is not the plan administrator, NPS obtained the census data to calculate the liability from the District of Columbia, the plan administrator. As part of our testing of the USPP Pension Plan liability, we recalculated a sample of the annuity payments and identified differences between the census data file and the supporting documentation for 90 of the 112 annuity participants tested. These differences ranged from 69 percent underpayments to 41 percent overpayments that netted to approximately 1 percent of the total annuity payments that we tested. In addition, we compared the census data file to the supporting documentation for 145 annuity and active participants and identified five differences in gender, age, and other factors. NPS, in consultation with its actuaries, evaluated the differences identified and concluded that the USPP Pension Plan liability was fairly stated as of September 30, 2006. However, all census



data differences need to be resolved so as not to affect future actuarial projections and to ensure pension payments for retirees are not adversely affected.

Recommendation

We recommend that NPS work with the District of Columbia to investigate and resolve differences between the census data and the supporting documentation to ensure that pension liabilities and costs are properly presented in NPS's financial statements.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that the findings do not meet the definition of a reportable condition.

Auditors' Response to Management's Response

As summarized above, NPS has significant internal control weaknesses related to pension liabilities of approximately \$708 million as of September 30, 2006, because we identified numerous differences between the census data, including benefit payments, and the supporting documentation that have not been resolved. Specifically, we identified individual benefit payment differences that ranged from underpayments of 69 percent to overpayments of 41 percent for 81 percent of the benefit payments tested. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.

INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION AND PERFORMANCE MEASURES

Under OMB Bulletin No. 06-03, the definition of material weaknesses is extended to other controls as follows. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the Required Supplementary Stewardship Information or material to a performance measure or aggregation of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Our consideration of the internal control over the Required Supplementary Stewardship Information and the design and operation of internal control over the existence and completeness assertions related to performance measures reported in the Management Discussion and Analysis section would not necessarily disclose all matters involving the internal control and its operation related to Required Supplementary Stewardship Information or the design and operation of the internal control over the existence and completeness assertions related to key performance measures that might be reportable conditions.

In our fiscal year 2006 audit, we noted no matters involving the internal control and its operation related to Required Supplementary Stewardship Information that we considered to be material weaknesses as defined above.

In our fiscal year 2006 audit, we noted no matters involving the design and operation of the internal control over the existence and completeness assertions related to key performance measures that we considered to be material weaknesses as defined above.



INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY INFORMATION

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

D. Museum Collections

NPS did not establish controls to determine and disclose the condition of museum collections in accordance with the accounting standards, as NPS disclosed the condition of the facility housing the collection rather than the condition of the underlying museum collection.

NPS considers museum collections to be in stable condition if the facility housing the museum collection is in stable condition. If a collection is housed in a poor facility, the condition of the collection would be considered "poor," regardless of the actual condition of the collection itself. If that same collection is moved to a new facility which is in good condition, the collection would then be considered in "good" condition because the surrounding environment is in "good" condition and any environmental problems contributing to the deterioration of the collection would improve because of the condition of the new facility. SFFAS No. 29 requires entities to report the condition of museum as required supplementary information and defines condition as the physical state of an asset. SFFAS No. 29 also indicates that the condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Therefore, NPS's policy for museum collection disclosure is not in accordance with the applicable accounting requirements.

Recommendation

We recommend that NPS assess and disclose the condition of the museum collections rather than the facility housing the collection. Although the condition of the facility may have an effect on the condition of the museum collection, we recommend that NPS consider other factors, such as physical status/state of an asset, its ability to perform as planned, and its continued usefulness, in defining the acceptable condition for museum collections.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that its disclosures are in accordance with SFFAS No. 29 and museum industry practices.

Auditors' Response to Management's Response

As summarized above, NPS needs to establish controls to determine and disclose the condition of museum collections in accordance with applicable accounting standards. SFFAS No. 29 defines condition as the physical state of an asset and indicates that the condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. By only disclosing the condition of the facility housing the collection, NPS did not inform financial statement users of the condition of the underlying museum collections. Therefore, we continue to believe that the weaknesses identified constitute a reportable condition.



COMPLIANCE AND OTHER MATTERS

Our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996 (FFMIA)*, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03.

The results of our tests of FFMIA disclosed instances, described below, where NPS's financial management systems did not substantially comply with the 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 Standard General Ledger at the transaction level.

E. Federal Financial Management Improvement Act of 1996

1. Federal Accounting Standards

As discussed in the Internal Controls Over Required Supplementary Information section of this report, NPS needs to revise its condition of museum collections disclosures to comply with Federal accounting standards. As a result of this condition, NPS's financial management systems do not substantially comply with applicable Federal accounting standards.

Recommendation

We recommend that in fiscal year 2007, NPS review and improve its reporting process and report the condition of museum collections in accordance with the Federal accounting standards.

Management Response

Management has prepared an official response presented as a separate attachment to this report. In summary, management disagreed with our findings because management believes that its museum collection disclosures are in accordance with the standards.

Auditors' Response to Management's Response

We continue to believe that NPS needs to disclose the condition of the museum collection in accordance with the accounting standards. Therefore, we continue to recommend that NPS review and improve its reporting process to report the condition of museum collections in accordance with the 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 help Interior meet these reporting requirements, NPS prepares financial statements in accordance with OMB Circular No. A-136.



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 controls; 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 2006 and 2005 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*, issued by the Comptroller General of the United States; and OMB Bulletin No. 06-03. Those standards and OMB Bulletin No. 06-03 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 2006 audit, we considered NPS's internal control over financial reporting by obtaining an understanding of NPS's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the 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. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide an opinion on NPS's internal control over financial reporting. Consequently, we do not provide an opinion thereon.



As required by OMB Bulletin No. 06-03, in our fiscal year 2006 audit, we considered NPS's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of NPS's internal control, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. We limited our testing to those controls necessary to test and report on the internal control over Required Supplementary Stewardship Information in accordance with OMB Bulletin No. 06-03. However, our procedures were not designed to provide an opinion on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 06-03, in our fiscal year 2006 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 test and report on the internal control over key performance measures in accordance with OMB Bulletin No. 06-03. 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 2006 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. 06-03, including certain provisions referred to in FFMLA. 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. 06-03 and FFMLA, auditors are required to report whether certain Federal entities' financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To assist the auditors of Interior meet this requirement, we performed tests of compliance with FFMLA Section 803(a) requirements.

We noted certain additional matters that we have reported to management of NPS in a separate letter dated December 15, 2006.

RESTRICTED USE

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 15, 2006

NATIONAL PARK SERVICE
 Summary of the Status of Prior Year Findings
 September 30, 2006

Ref	Condition	Status
A	Security and General Controls over Financial Management Systems	This condition has not been corrected and is repeated in fiscal year 2006. See finding A.
B	Financial Reporting Controls	Part of this condition has not been corrected and is repeated in fiscal year 2006. See finding B.
C	Controls over U.S. Park Police Pension Plan	This condition has not been corrected and is repeated in fiscal year 2006. See finding C.
D	Deferred Maintenance Estimates	This condition has been corrected. •
E	Stewardship Assets and Investments	Part of this condition has not been corrected and is repeated in fiscal year 2006. See finding D.
F	<i>Single Audit Act Amendments of 1996</i>	This condition has been corrected.
G	<i>Federal Financial Management Improvement Act of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2006. 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:

F4217(2625)

Memorandum

To: Anne L. Richards
Assistant Inspector General for Audits

From: Chief Financial Officer
National Park Service

[Handwritten Signature] 1/8/07

Subject: Draft Independent Auditors' Report on the National Park Service Financial Statements for the Fiscal Years 2006 and 2005
(Assignment No. X-IN-NPS-0017-2006)

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

A. Security and General Controls over Financial Management Systems, Recommendation.

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

Response - NPS partially concurs with the recommendations related to Security and General Controls over Financial Management Systems. NPS has developed a Plan of Action and Milestone (POA&M) document to track findings and monitor the implementation of corrective actions related those findings.

1. Under Entity-wide Security Program and Planning. In regards to background investigations, KPMG's small sample showed a high degree of compliance with background requirements and occurred before the full effect of steps taken during FY 2006 were completed. During FY 2006, NPS put in place a leadership team for Human Resources with the hiring of the first Service-wide HR Chief in more than two years, and created and filled a key leadership position of Assistant Director for Human Capital, which led to a comprehensive review and systematic improvement in HR guidance throughout the agency.

In addition, NPS created a full-time position of Security Officer, who is responsible for overseeing a comprehensive review of positions in the NPS, and will ensure that required background security investigations are being conducted.

By January 31, 2007, NPS will issue further guidance to remind human resource offices of the risk levels and investigation requirements for those who have IT security responsibilities, and remind them to ensure that the appropriate level of investigation is conducted. By June 30, 2007, Regional HR Managers will be required to complete a random sample review of Official Personnel Folders for persons with IT security responsibilities, to ensure appropriate background investigations are conducted. Each Regional HR Manager will be required to electronically communicate with the WASO HR Office that the random sample review was completed, and give the results of the review.

NPS concurs that improvements are needed to ensure new employee sign acknowledgements of responsibilities for computer use. By June 30, 2007, NPS will issue a policy on Information System Use Account Management that will include signature procedures on the *Rules for Computer Use*, thus enabling NPS to monitor and track compliance.

With respect to technical training for information technology employees, by March 30, 2007, NPS will formalize the NPS's adoption of the DOI Role-Based Information Technology Security Training Program via a memorandum from the Office of the Chief Information Officer (OCIO) to the Directorate and Field Directorate.

2. Access Controls. NPS concurs and has issued guidance to the field outlining policies and procedures related to the requesting, granting, monitoring, and terminating access to NPS applications. On September 25, 2006, the Human Resource Office issued instructions establishing policy that requires system owners to review and validate the user access lists and report findings to the NPS OCIO. By March 30, 2007, a Bulletin will be issued amending the exit clearance form to include each system owners exit clearance for terminated employees. The Human Resources Office will provide a monthly termination report for comparison and appropriate removal of access by terminated employees.

NPS partially concurs that a Service-wide process is needed to improve contractor security and access controls—a department-wide solution is more appropriate. Until NPS receives guidance from the Departments Office of the Chief Information Officer that would standardize this process for all Interior bureaus, we have drafted Policy No. 2007-0011, *Contractor Access Policy*. This policy will implement the requirements for an overall process for assigning contractor access and removal when such access is no longer required. The policy also addresses other related areas, such as background investigations, non-disclosure agreements and awareness training.

3. System Software Controls. NPS concurs there is a need to have formal change management procedures and software controls. By June 30, 2007, NPS will implement a change management policy and finalize the *Charter of Configuration*

Change Management Board. The Office of the Chief Information Officer will issue Policy No. 2007-0007 for the NPS GSS. In addition, NPS will issue Policy No. 2007-0004, *Information System User Account Management* implementing procedures to address system software access control issues.

4. Service Continuity. NPS concurs. By March 30, 2007, the Chief, NPS Acquisition (IDEAS System owner) and the OCIO will work cooperatively to review and update the IDEAS Contingency plan from its 2004 baseline. In addition, by June 30, 2007, NITC Denver contingency plan will be revised and implemented, and a comprehensive contingency testing matrix and schedule will be developed and implemented.
5. Segregation of Responsibilities. NPS concurs, and will issue by June 30, 2007, OCIO Policy No. 2007-0010, *NPS IT Personnel IT Security*, implementing procedures, consistent with NIST SP-800-53 *Recommended Security Controls for Federal Information Systems*, which address these segregation of responsibility issues.

The responsible officials for implementing the recommendations will be the Office of the Chief Information Officer and the Human Resource Office.

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

1. Property, Plant and Equipment, Recommendations – a) Continue to train park, region, and other personnel on the difference between costs that are capitalized versus expensed and the difference between asset categories (i.e., real versus personal property). b) Review disbursement transactions and the related source documents to ensure that transactions are properly expensed or capitalized, and ensure that the dates and amounts recorded match the supporting documentation. c) Analyze projects in the accounting system to identify any projects that should be removed from construction-in-progress because they do not meet the capitalization criteria.
 - d) Implement procedures requiring park personnel to review items in the construction-in-progress subsidiary ledger to identify projects or components of projects that have been completed and therefore should be moved to the real property subsidiary ledger.
 - e) Improve controls over recording equipment additions to ensure that assets are recorded when they occur.

Response – NPS concurs with all of the recommendations, except for recommendation b. a) NPS has established policies, has issued guidance to the field, and will continue to work with parks, regional and other personnel on the appropriate distinction between costs that are capitalized versus expensed. The Accounting Operations Center (AOC) staff will address these issues whenever

possible at periodic bureau wide finance committee meetings and other forums as they become available. In addition, the region will be required to certify that they have completed a quarterly review of open construction projects to ensure projects are properly coded, i.e., capitalized versus expensed. The accuracy of these reviews will reinforce the importance of proper account coding.

b) Other than the usual review of transactions by the AOC staff, prior to processing disbursements in the accounting system, to ensure the supporting documentation agrees with the terms and conditions of each agreement, NPS does not feel that every transaction, that is processed in the accounting system for open construction projects, can be reviewed at the level recommended in this report. NPS processes millions of transactions and must depend on parks/offices to properly classify and establish accounts as a capitalized account or as an expense account, in accordance with these prescribed guidelines. AOC has established a higher level review of summary reports to try and identify accounts that may be misclassified, with follow-up actions addressing these findings to the appropriate park/office. Misclassified transactions will then be corrected as identified.

c) With the implementation of a quarterly regional review/analysis of construction-in-progress accounts, projects cancelled or having a change in scope, will be identified and removed from the account in a timely manner. d). The quarterly regional review should also assist in identifying completed projects, or those projects that were placed in service, so the appropriate steps can be taken to move the project to the real property subsidiary ledger, in a more timely manner.

e) The Property Management Program Manager will continue to stress the importance of entering data into the Fixed Asset Subsystem within 10 working days upon receipt of assets, in accordance with the Personal Property Management Handbook # 44, and the Fixed Asset Subsystem (FAS) Training Manual. These documents will be updated to include information on how the failure to enter the correct data on assets upon receipt into the FAS negatively impacts the subsidiary listing.

The updated Manual and Handbook will be sent to park personnel assigned personal property accountability responsibilities and their supervisors no later than February 28, 2007. NPS requires parks/offices to annually certify their fixed asset inventory listing. This serves as a control to identify and input any assets that were not previously reflected in the Fixed Asset System.

The responsible officials for implementing these recommendations will be the Financial and Accounting Services Team Leader and the Property Management Program Manager.

2. 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) Allocate sufficient resources to oversee compliance with Interior’s charge card policies and procedures, including investigating and resolving transactions on the unusual charge card transaction reports.

Response – We concur. a) On September 18, 2006, NPS reissued guidance for 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 the end of February 2007. In addition, there will be a mandatory requirement for all cardholders to take the charge card refresher training, beginning May 2007. b) Refer to NPS response for recommendation a) of this section.

c) The NPS Bureau Lead, along with the Regional Agency/Organization Program Coordinators (A/OPC), will conduct at least quarterly teleconferences, in an effort to provide the field with updated information, brainstorm on current policies, procedures and compliance issues to better utilize our 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 reports to identify any unusual activity that may need additional follow-up actions.

The responsible official for implementing this recommendation will be the NPS Charge Card Bureau Lead.

- C. Controls over U.S. Park Police Pension Plan, Recommendation - Work with the District of Columbia to investigate and resolve differences between the census data and the supporting documentation to ensure that pension liabilities, and costs are properly presented in the NPS’ financial statements.

Response – NPS does not concur. The control deficiencies do not meet the definition of a reportable condition. NPS agrees that there are control deficiencies surrounding the pension liability calculation, but NPS strongly believes that the control deficiencies do not meet the definition of a reportable condition because 1) the controls currently in place have allowed only a very insignificant variance to the calculated pension liability; 2) the population of current and future annuitants is declining, which means, assuming the current error rate, the variance in the calculated pension liability will never grow, and; 3) the NPS has hired a contractor to perform a complete audit of the data that supports the pension calculation, therefore, the errors in the pension data are being corrected. Because the data is being corrected, the population is shrinking, and the overall variance is very insignificant, there is less than a remote likelihood that a more than inconsequential misstatement will occur.

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

D. Museum Collections

Museum Collection, Recommendation - NPS needs to access and disclose the condition of museum collections rather than the facility housing the collection. NPS should consider other factors in determining the condition of the collection, such as whether or not NPS intends to improve the collection, in defining the acceptable condition of the museum collection.

Response - NPS does not concur with the recommendation that the disclosure be the condition assessment for the museum collections rather than the facility housing the museum collection. Our approach to accounting for museum collections was in accordance with FASAB SFFAS No. 29 and established industry practices. For example, the American Association of Museums bases their accreditation criteria in a large part upon the environmental conditions, protections that the facilities can sustain, and industry best practices that directly tie to this concept. In addition, the Heritage Health Index Report on the State of America's Collections identified safe environment and proper care of collections to be the most fundamental responsibility of preservation. The facts and the flexibilities in this standard, as well as our participation in the Governmentwide task force developing implementation guidance, have confirmed our approach and interpretation.

We believe that our interpretive differences should not be considered a non-compliance or significant deficiency because the standard allows maximum flexibility for the preparer to base their presentation on their reading of the standard.

E. Federal Accounting Standards, Recommendation – NPS needs to improve its Required Stewardship Information reporting process and report the condition of museum collections in accordance with the Federal accounting standards.

Response - NPS does not concur. Refer to Section D of this response regarding the NPS' disclosure of the condition of the facility housing the museum collections, rather than reporting the condition of the museum collections.

STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
B.1.b., C., D., and E.	Repeat; unresolved.	Recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for resolution.
B.1.c., B.2.a., B.2.b, and B.2.c.	Resolved; not implemented	Recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
A, B.1.a., B.1.d., and B.1.e.	Repeat, Resolved; not implemented	Repeat recommendations that were previously referred as recommendations A.a., B.1.a., B.1.c., and B.1.d. in Report No. X-IN-NPS-0009-2005 (respectively) and closed. We will refer these repeat recommendations to the Assistant Secretary for 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.*





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.

November 2006 / Please print on recycled paper. Reduce, reuse, and pass this publication along to other readers.

Inside Back Cover: Glacier Bay was set aside as a national monument in 1925 and became a national park and preserve in 1980, when about 85 percent of the park was designated as wilderness. Recognized as a United Nations biosphere reserve in 1986, Glacier Bay was also designated a world heritage site in 1992. IMAGE PRODUCED FROM LANDSAT DATA AND USGS NED DATA COREGISTRATION PROVIDED BY THE LANDSAT PROJECT SCIENCE OFFICE AT NASA'S GODDARD SPACE FLIGHT CENTER



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