

National Park Service  
U.S. Department of the Interior

Accounting Operations Center  
Herndon, Virginia



# Annual Report

## Fiscal Year 2005







Elevation differences provide habitat for diverse plant communities at Zion National Park, where hikers can explore trails surrounded by towering cliffs of colorful rock. NPS PHOTO

Cover: Visitors now have access to the Statue of Liberty's pedestal observation deck, promenade, museum, and the area of Fort Wood. The monument closed as a result of the events of September 11, 2001, but Liberty Island re-opened after being closed for 100 days. The Statue remained closed until August 3, 2004. PHOTO ©CHARLEY VAN PELT/FINLEY-HOLIDAY FILMS



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Accounting Operations Center  
Herndon, Virginia

Produced by Harpers Ferry Center  
Harpers Ferry, West Virginia

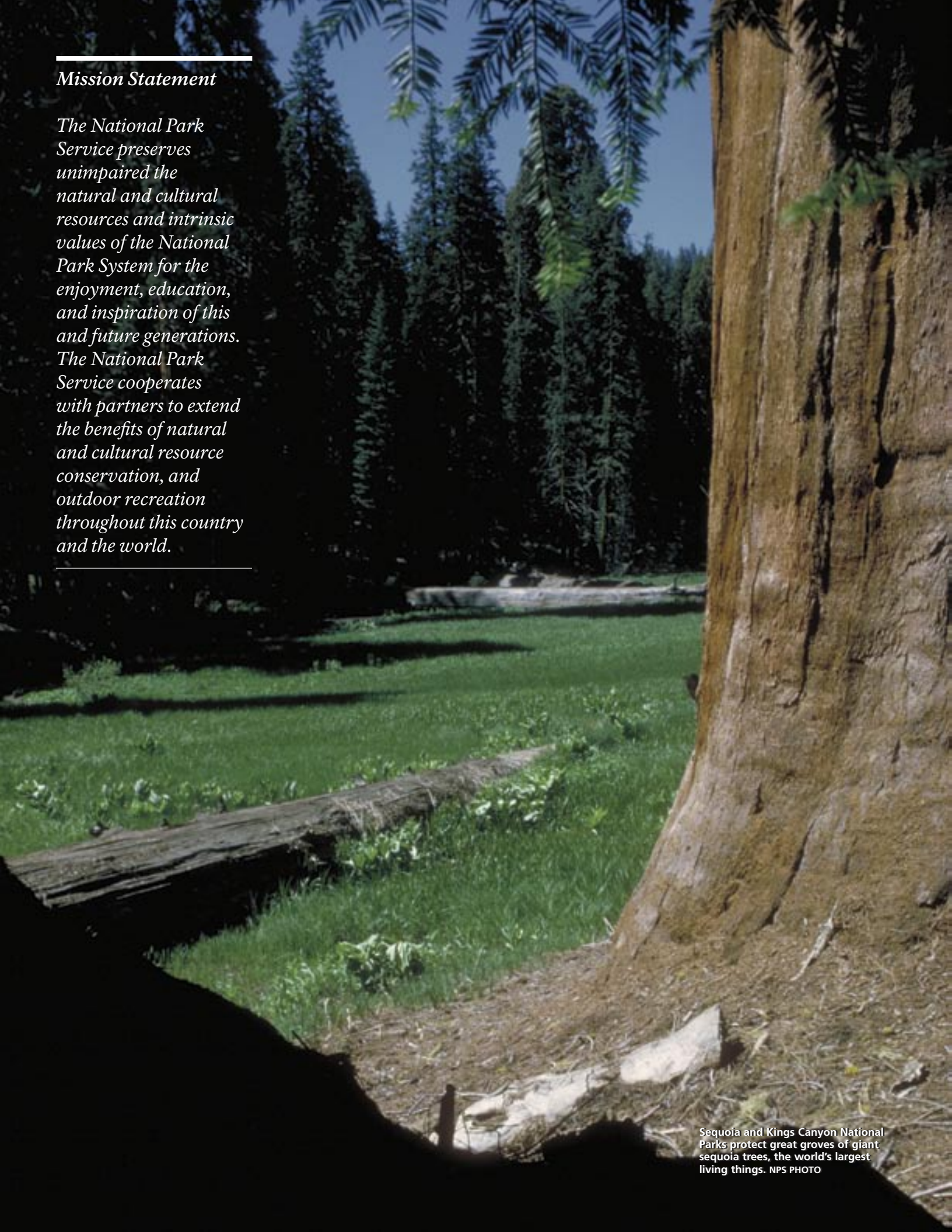
U.S. Department of the Interior  
National Park Service  
Washington, DC

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## *Mission Statement*

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

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Sequoia and Kings Canyon National Parks protect great groves of giant sequoia trees, the world's largest living things. NPS PHOTO

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National Park Service Director Mainella and DOI Secretary Norton meet with participants of the NPS Junior Ranger Program. The program will benefit from the "Connecting Our Children to America" fundraising program announced in FY 2005. NPS PHOTO

# Management Discussion and Analysis: A Message From the Director



Fran P. Mainella, Director of the  
National Park Service

NPS PHOTO

I am pleased to offer the National Park Service Annual Report for Fiscal Year 2005. This report highlights recent accomplishments and points out the direction we are taking into the new year. It is a summary overview that sets forth the breadth and complexity of the Service's responsibilities and accomplishments. It is a specialized document, yet one that is important to share with the citizens and organizations who are interested in our work. We are pleased to be able to make it available for all.

No federal agency is as closely connected to America and Americans as the National Park Service. The places and programs entrusted to us protect grand vistas and promote scientific inquiry, provide spaces for respite and recreation, and reflect our human heritage. At the same time, our support programs help a wide range of state, local, and private agencies and facilities encourage Americans everywhere to find and enjoy recreational, scientific, and educational values in parks, historic places and open spaces.

Public demand for personal renewal, public recreation, and protection of prized places continues to grow. For parks to remain relevant, we must connect with and educate the next generation, anticipating 21st-century demands with sustainable development, healthful and stimulating programs, and efficient, effective management.

During this past year, we have made great strides in several areas. We have met the Administration's commitment to diminish the daunting inherited backlog of maintenance deficiencies in the parks. We have also made significant progress on the Natural Resource Challenge in an effort to enhance the scope and reliability of science for the parks.

We have continued our support of America's educational needs with improved in-park programs and facilities and outreach programs. In our continuing concern for homeland security, we have also improved the training and equipment of law enforce-

ment personnel and emergency responders who serve our parks and their visitors.

The financial and performance data in this report are complete and reliable as outlined in Office of Management and Budget guidance. This report also presents the status of our compliance with certain legal and regulatory requirements. The annual assurance statement required by the Federal Managers' Financial Integrity Act (FMFIA) concludes that, with the exception of one material weakness carried over from FY 2004, 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. These objectives work to ensure that 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; and reliable and timely information is maintained, reported, and used for decision-making. An action plan to correct the single material weakness is in place. We also concluded that the NPS substantially complies with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996.

The successful audit of the NPS financial records and system is a significant accomplishment that reflects our Servicewide commitment to transparent management accountability, open to public review and scrutiny. Ours is a park system for the 21st century, working together for common goals and inviting both active participation and close observation of every park and program we manage.

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

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

Fran P. Mainella, Director  
National Park Service  
November 15, 2005





Designated a World Heritage Site in 1984, Yosemite is internationally recognized for its monumental granite cliffs, high waterfalls, meandering streams, clear lakes, sequoia trees, and biological diversity. PHOTO ©RUSS FINLEY/FINLEY-HOLIDAY FILMS



# Management Discussion and Analysis: NPS Mission and Organizational Structure

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

—NATIONAL PARK SERVICE ORGANIC ACT, 1916

## MISSION AND HISTORY

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

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

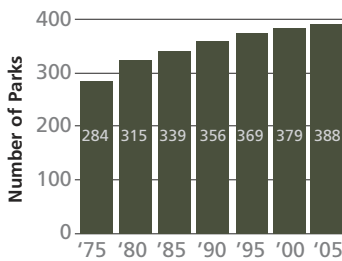
## SIZE AND COMPOSITION

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

### National Park Service Mission Guiding Principles

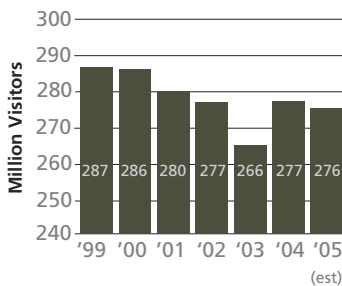
Excellent Service	Providing the best possible service to park visitors and partners.
Productive Partnerships	Collaborating with federal, state, tribal, and local governments, private organizations, and businesses to work toward common goals.
Citizen Involvement	Providing opportunities for citizens to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

### National Park System Growth



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

### Recreational Visits Per Year



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.

In 2005 the National Park System consisted of 388 units encompassing more than 84 million acres of land in every state except Delaware. Park units are also located in the District of Columbia, American Samoa, Guam, Puerto Rico, and the Virgin Islands.

National Park System units presently bear 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 2004, the latest year for which data is available, increased by approximately four percent from 2003. This increase is attributed to the addition of the National World War II Memorial in Washington, D.C., that attracted over five million visitors in 2004, as well as increased visitation to other park units around Washington, D.C., and across the country. Visitation in 2004 totaled approximately 276.9 million, 10.9 million more than in 2003. The National Park Service estimates that visitation for 2005 will level off from 2004 with a potential decrease of approximately one half of one 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 2004, 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.

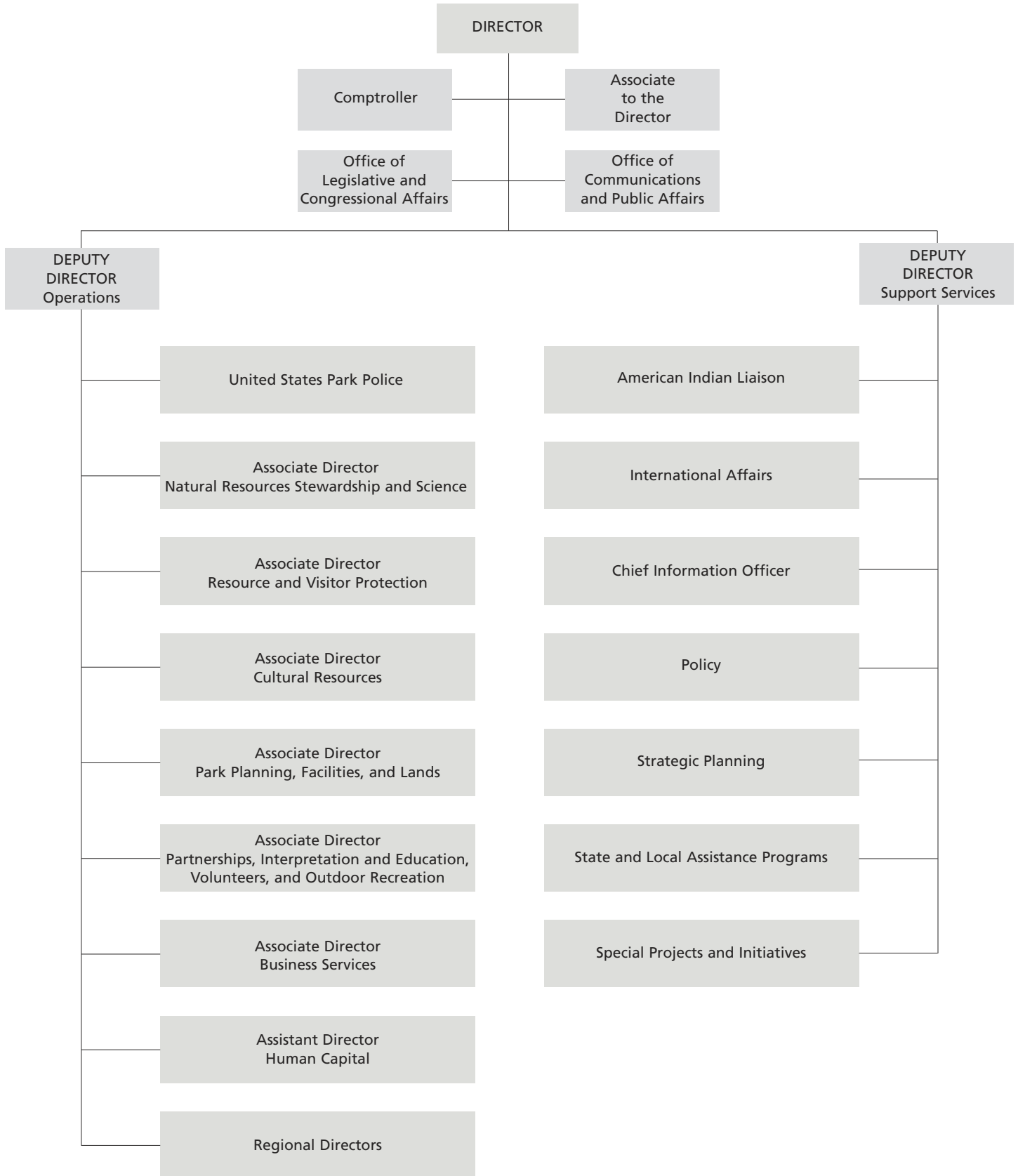
### STAFFING

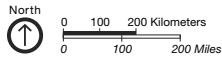
In FY 2004 the National Park Service used 20,399 full-time equivalents (FTE). The FTE count equates to an on-board strength of about 25,500 employees during the summer months when visitation is at its peak. FTE usage in Fiscal Year 2005 is 20,485, and FTE usage in FY 2006 is estimated to be 20,680.

The Volunteers in Parks Program continues to prove a major force in accomplishing the National Park Service mission. During Fiscal Year 2004, 140,000 volunteers contributed 5 million hours of service to the NPS through 350 VIP programs across the country. Valued at the private sector rate of \$17.19 an hour, this equates to more than \$85 million in value provided to the National Park Service. The expected VIP contribution for FY 2005 is 143,000 volunteers working approximately 5.1 million hours. At a projected rate of \$17.55 an hour, this equates to approximately \$89.5 million in volunteer work.

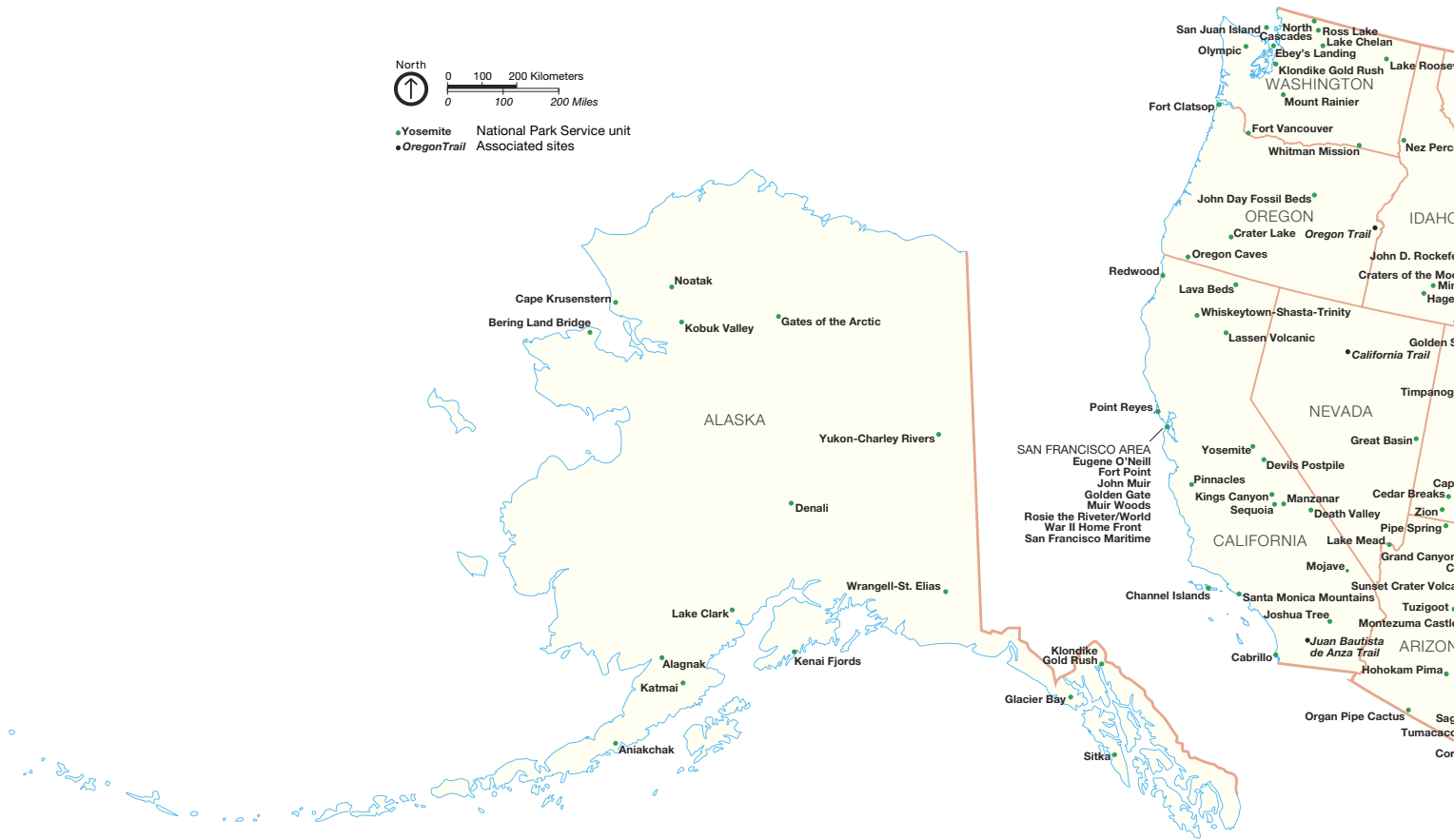




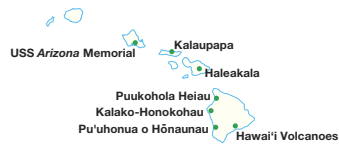




● Yosemite National Park Service unit  
 ● OregonTrail Associated sites



HAWAII



United States Territories

AMERICAN SAMOA



GUAM



PUERTO RICO VIRGIN ISLANDS







## 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 Riverway	153. Ulysses S Grant NHS
115. Fort Larned NHS	130. Jefferson National Expansion Memorial	143. Ozark National Scenic Riverways	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. George Washington Memorial Parkway	176. Monocacy NB	186. Thomas Jefferson Memorial
159. Arlington House	169. Greenbelt Park	177. National Capital Parks (Central & East)	187. Vietnam Veterans Memorial
160. Catoctin Mountain Park	170. Harpers Ferry NHP	178. National Mall	188. Washington Monument
161. Chesapeake & Ohio Canal NHP	171. Korean War Veterans Memorial	179. National World War II Memorial	189. White House
162. Clara Barton NHS	172. Lyndon B. Johnson Memorial Grove on the Potomac	180. Pennsylvania Avenue NHS	190. Wolf Trap National Park for the Performing Arts
163. Constitution Gardens	173. Lincoln Memorial	181. Piscataway Park	
164. Ford's Theatre NHS	174. Manassas NBP	182. Potomac Heritage NST	
165. Fort Washington Park	175. Mary McLeod Bethune Council House NHS	183. Prince William Forest Park	
166. Franklin D Roosevelt Memorial		184. Rock Creek Park	
167. Frederick Douglass NHS		185. Theodore Roosevelt Island	



## National Park System Units by Region

### NORTHEAST REGION

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

### PACIFIC WEST REGION

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

### SOUTHEAST REGION

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

### WASHINGTON OFFICE

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



Ranger-guided hikes through the Fiery Furnace in Arches National Park ensure that visitors have a safe experience in the labyrinth of sandstone, while protecting sensitive park resources. NPS PHOTO BY NEAL HERBERT



# Management Discussion and Analysis: NPS Performance Goals and Results

## STRATEGIC GOALS AND RESULTS

The Government Performance and Results Act (GPRA)<sup>1</sup> requires federal agencies to have a strategic plan that includes a comprehensive statement of mission, as well as outcome-related goals and objectives to fulfill that mission. In 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, 2005<sup>2</sup>.

The mission goals of the NPS fall into three categories: (I.) Preserve Park Resources, (II.) Provide for the Public Enjoyment and Visitor Experience of Parks, and (III.) Strengthen and Preserve Natural

and Cultural Resources, and Enhance Recreational Opportunities Managed by Partners. Each of these mission goals relates to a strategic goal of the Department of the Interior. Within the three mission-related categories, four annual performance goals were selected to highlight the NPS accomplishments for Fiscal Year 2005.

### 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

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

<sup>2</sup> Sets 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"> <li>■ Improve Health of Watersheds and Landscapes</li> <li>■ Sustain Biological Communities</li> <li>■ Protect Cultural and Heritage Resources</li> </ul>
II. Provide for Public Enjoyment and Visitor Experience of Parks	2. Recreation	<ul style="list-style-type: none"> <li>■ Improve Access to Recreation</li> <li>■ Ensure Quality of Recreation</li> <li>■ Receive and Provide Fair Value in Recreation</li> </ul>
	3. Serving Communities	<ul style="list-style-type: none"> <li>■ Protect Lives, Resources, and Property</li> </ul>
III. Strengthen and Preserve Natural and Cultural Resources, and Enhance Recreational Opportunities Managed By Partners	2. Recreation	<ul style="list-style-type: none"> <li>■ Improve Access to Recreation</li> <li>■ Ensure Quality of Recreation</li> <li>■ Receive and Provide Fair Value in Recreation</li> </ul>
	3. Serving Communities	<ul style="list-style-type: none"> <li>■ Protect Lives, Resources, and Property</li> </ul>

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 2005 were approximately \$1.5 billion.

**la1. Disturbed Lands/Exotic Plant**

**Species:** This goal addresses resource conditions in parks and includes restoration of lands impacted by former uses and containment of invasive plant species. Long-term and annual goals were established based on past performance trends and known or anticipated appropriations. As conditions warrant, the targets are revised.

While part of the same goal, performance measures are different for disturbed lands and exotic vegetation. By FY 2008 the National Park Service intends to have restored 5 percent of the targeted acres of parkland disturbed by development or agriculture as of 2003, or 21,850 cumulative acres restored between FY 2004 and FY 2008 of the 437,150 baseline acres. The long-term goal for FY 2008 for exotic vegetation is to contain exotic vegetation on 2.8 percent of the targeted canopy acres of parkland, or 73,500 cumulative acres of the 2.6 million baseline acres between FY 2004 and FY 2008. This is a change from FY 2004 when the NPS was measuring gross acres contained. This change was implemented to bring the NPS into compliance with newly adopted standards.

The National Park Service projected that, in FY 2005, it would restore 0.5 percent (2,100 acres) of the 437,150 baseline acres.

Parks estimated they would spend \$19 million to accomplish this restoration work. Actual accomplishment is estimated to be 2,100 acres in FY 2005 of disturbed lands restored, or 0.5 percent of the lands disturbed from earlier development, based on estimated data. Final data will not be available, verified, and validated until the end of the first quarter of FY 2006. The NPS expects to meet the FY 2005 target.

The NPS also projected that it would restore 0.3 percent (8,000 canopy acres in FY 2005) of nearly 2.6 million acres of lands impacted by exotic plant species. Parks estimated that they would spend \$14 million on exotic vegetation containment. Actual accomplishment is estimated to be 8,000 acres of impacted lands restored in FY 2005, based on preliminary data. Final data will not be available, verified, and validated until the end of the first quarter of FY 2006. The NPS expects to meet the FY 2005 target.

The National Park Service can report only estimated data at this time, and has high confidence in the accuracy of those preliminary data.

**la5. Historic Structures:** The objective of this goal is to increase the number of historic structures contained on the List of Classified Structures (LCS) 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 235 of 388 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.

**Goal la1. Restore Parklands Impacted by Former Uses and That Contain Invasive Plants**

Target	Measure	FY 2001 Performance	FY 2002 Performance	FY 2003 Performance	FY 2004 Performance	FY 2005 Base: Targeted Acres	FY 2005 Goal		Estimated FY 2005 Performance	
							Number	% of Base	Number	% of Base
Disturbed Parklands	Acres Restored	7,500	1,065	4,960	6,600	437,150	2,100	0.5%	2,100	0.5%
Exotic Vegetation	Acres Restored	33,300	71,700	162,480	95,556 (gross acres)	2,600,000	8,000 canopy acres	0.3%	8,000	0.3%



The List of Classified Structures 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 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 projected that, by end of FY 2005, 45.5 percent of structures with condition information listed on the LCS at the end of FY 2005, would be in good condition. Parks estimated that they would spend \$125 million reach this goal. The NPS exceeded the goal for condition of historic structures in Fiscal Year 2005. There are 26,879 structures with condition information listed on the LCS at the end of FY 2005. The number of structures on

the LCS in good condition is 12,660 or 47.1 percent. It is important to note that these figures include all the structures for which the NPS has management oversight. Most of the structures are fully owned and used solely by the NPS; however, some are used by NPS partners, such as concessioners that provide lodging, food and beverage, and other services to park visitors. The NPS recognizes its responsibility to ensure these structures are maintained in good condition regardless of who occupies them.

## 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.

**Ila1. Visitor Satisfaction:** While many factors affect visitor use and enjoyment, this goal focuses on providing the facilities, services, and recreational opportunities for visitor use, comfort, and enjoyment. Servicewide baseline and performance information is derived from the Visitor Services Project annual surveys. Facilities, services, and recreational opportunities identified by visitors as "good" and "very good" define "satisfied."

The long-term goal for FY 2008 is to maintain the 95 percent level of park visitor satisfaction with appropriate park facilities, services, and recreational opportunities. This goal was determined based on past performance trends and will be reevaluated if the current trend in visitor satisfaction

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

Target	Measure	FY 2001 Performance	FY 2002 Performance	FY 2003 Performance	FY 2004 Performance	FY 2005 Base: Targeted Structures	FY 2005 Goal		FY 2005 Performance	
							Number	% of Base	Number	% of Base
Structures On the Current Year List of Classified Structures	Structures in Good Condition	11,535 of 26,223 (44%) 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	26,585 (planned) 26,879 (actual)	12,102	45.5%	12,660	47.1%

continues. The NPS expects to exceed the projected FY 2005 results for annual survey of visitor satisfaction for a 96 percent satisfaction rate Servicewide based on a statistical evaluation of existing data and past performance. Parks estimated they would spend \$470 million to maintain parks in a condition visitors would consider “good” or “very good.”

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

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

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

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

By supporting 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 13,730 miles of trails, 8,910 miles of protected river corridors, and 1,020,300 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.

The NPS can report that cumulatively, 10,763 miles of trails have been added, 6,226 miles of river corridors have been added, and 962,237 acres of parks and open space have been added to the 1997 baseline. Based on DOI guidelines for determining goal

Goal IIa1. Park Visitors Are Satisfied With Their National Park Experience							
Target	Measure	FY 2001 Performance	FY 2002 Performance	FY 2003 Performance	Performance		
					FY 2004 Performance	FY 2005 Goal	Estimated FY 2005 Performance
Visitor Satisfaction	Percent of Visitors Surveyed Who Rank Park Facilities, Services, and Recreational Opportunities as “Very Good” or “Good”	95%	95%	96%	96%	95%	96%

status (actual is within 5 percent of target), the NPS met its goals for miles of trails, miles of river corridor, and acres of parks and open space.

**VERIFICATION AND VALIDATION OF PERFORMANCE MEASURES**

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

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

consistency, assuring reporting by all parks with that particular resource, and identifying additional problems and solutions that will improve the verification and validation of data across the 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 and competitive sourcing, which is allowing the NPS to achieve its most efficient organization Servicewide. Complementing the management 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. Overarching all improvements is the NPS commitment to expanding electronic government applications at all levels of the organization, which is allowing the NPS be more productive and efficient.

National Park Service progress towards accomplishing the President’s Management

**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 2001 Performance	FY 2002 Performance	FY 2003 Performance	Performance		
					FY 2004 Performance	FY 2005 Goal	FY 2005 Performance
National Recreation and Preservation Areas	Added Since 1997:						
	Miles of Trails	6,465	7,704	9,140	9,821	10,520	10,763
	Miles of River Corridor	3,172	4,058	5,050	5,390	6,255	6,226
	Acres of Park and Open Space	726,900	782,710	846,282	886,714	940,600	962,237



Located on the National Mall in Washington, D.C., the National World War II Memorial honors those who served in the armed forces of the United States, those who died, and all who supported the war effort from home. NPS PHOTO



Agenda in FY 2005 is demonstrated by the updated Scorecard ratings between October 2004 and September 2005. The Scorecard criteria changed for FY 2005 in order to better align Bureau scoring with the criteria by which the Department is scored. The

rating for Human Capital is 8.0; the rating for E-Government is 7.5; the rating for Competitive Sourcing is 9.0; the rating for Financial Management is 20; the rating for Budget/Performance Integration is 6.3; and the rating for Asset Management is 5.0.

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Hurricane Katrina caused extensive roof damage to Fort Massachusetts, a mid-1800s masonry fortification in Gulf Islands National Seashore. Gulf Islands is susceptible to storm damage because it is mostly a low-lying barrier-island system located on a low, regional coastal slope. NPS PHOTO COURTESY ROBERT C. WILSON



# 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 2005 total cost of services provided for the year ending September 30, 2005, was \$3,000,536 thousand, an increase of \$77,615 thousand (2.7%) over the FY 2004 total for the year ended September 30, 2004, of \$2,922,921 thousand. The total increase in expenses in FY 2005 over FY 2004 can be attributed to the increase in appropriations received in FY 2005 over FY 2004 of approximately \$100,735 thousand. Appropriations increased as a result of cost of living increases and increases for deferred maintenance projects.

The National Park Service accumulates costs in program work elements (PWE). These PWE have been assigned to the GPRA Mission Goals either as 100 percent to one goal or split on a percentage basis between two or more goals. During FY 2005 the NPS changed the underlying philosophy for assignment of costs and revenues; which has been part of the iterative process of improving its costing methodologies and

allocations in order to more closely match its strategic and performance plans. This has resulted in an overall change in how some data is now being classified. This process has resulted in significant variances between the amounts reported in FY 2004 to FY 2005.

Significant changes from FY 2004 to FY 2005 include the following:

- Substantial costs associated with the Recreation and Serving Communities Missions in FY 2004 have been moved into the Resource Protection Mission for FY 2005. Some of the more significant reallocations were for maintenance, administrative, law enforcement, and litigation charges.
- Revenues and costs associated with reimbursable and other activities have been reassigned from the Reimbursable and Other Mission for FY 2004 to primarily the Recreation Mission for FY 2005.

During the last quarters of FY 2005 and FY 2004 many parks in the southeastern United States bore the wrath of several potent hurricanes. Gulf Islands National Seashore, which extends from Florida to Mississippi along the Gulf of Mexico, was particularly hard hit and severely impacted for the second year in a row. As a result of these historically devastating storms, widespread damage was reported throughout the affected areas. Assessments of the damage are still being made, but the best current estimate indicates that repair and cleanup costs of damaged assets are approximately \$17,000 thousand as a direct result of the effects of the hurricanes. It is anticipated that that the bulk of these additional cleanup and repair costs will be covered when a supplemental congressional appropriation is requested and received.

## 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



An archeologist maps an intact midden area using a GPS unit at the French warehouse site in Gulf Islands National Seashore after Hurricane Katrina. An anchorage off the northeast end of Ship Island served the French for more than a decade in the early eighteenth century. NPS PHOTO COURTESY OF ROBERT C. WILSON

fees and other collections are supporting an increasing number of NPS activities. Approximately \$287,715 thousand was earned in revenues derived from the public during FY 2005. This represents an increase of \$7,123 thousand (2.5%) from FY 2004 revenues for the year ended September 30, 2004, of \$280,592 thousand. This increase is primarily due to an increase in reimbursable activity with the public. Revenues derived from federal sources decreased \$12,099 thousand or approximately 18.6% during FY 2005 when compared to FY 2004. This decrease can be attributed primarily to a decrease in reimbursable activity with some Department of the Interior bureaus and the Department of Agriculture's National Forest Service.

### ASSETS

The Consolidated Balance Sheet shows FY 2005 assets totaling \$20,307,466 thousand as of September 30, 2005, an increase of \$670,460 thousand (3.4%) over FY 2004 assets totaling \$19,637,006 thousand. Fund Balance with Treasury of \$19,152,507 thousand and General Property, Plant and Equipment, Net, of \$1,098,686 thousand comprise 99.7% of total NPS

total assets as of September 30, 2005. A significant portion of the Fund Balance with Treasury amounting to \$16,834,931 thousand is attributed to the restricted Land and Water and Historic Preservation Funds as of September 30, 2005. 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 these assets is presented in the Required Supplementary Stewardship Information section of this report.

## **LIABILITIES AND NET POSITION**

Total liabilities for FY 2005 of \$1,437,949 thousand as of September 30, 2005, are shown on the NPS Consolidated Balance Sheet, representing an increase of approximately 5.8% over FY 2004 liabilities of \$1,358,579 thousand. This is due primarily to an increase in the United States Park Police Pension Liability of approximately \$38,900 thousand for increased benefit costs.

Federal agencies, by law, cannot make any payments unless Congress has appropriated funds. National Park Service "Funded Liabilities" are paid out of funds currently available to the agency. Unfunded liabilities of the NPS consist primarily of the United States Park Police Pension Plan, 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 \$14,966 and \$7,513 thousand for potential environmental cleanup liabilities and \$2,139 and \$16,813 thousand related to other claims and litigation for FY 2005 and 2004, respectively.

National Park Service net position on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position was \$18,869,517 thousand for 2005, an increase of \$591,090 thousand over the FY 2004 amount of \$18,278,427 thousand.

The FY 2005 NPS Net Position consists of two components: (1) Unexpended Appropriations of \$944,005 thousand, and (2) Cumulative Results of Operations of \$17,925,512 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 3.9% or \$83,340 thousand during FY 2005 when compared to FY 2004. 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 \$96,056 or approximately 4.3% during FY 2005 over FY 2004.

The net transfers out without reimbursement decreased by \$86,263 or approximately 26% through FY 2005. This effect has been primarily attributed to a substantial increase in transfers required to other agencies for fire suppression during FY 2005.

## **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 \$2,924,774 thousand and \$2,783,974 thousand were incurred on total budgetary resources of \$3,920,854 thousand and \$3,868,445 thousand for the years ended September 30, 2005, and 2004, respectively.





Kayakers enjoy a tranquil day on the Barataria Preserve Waterway before this NPS unit in Jean Lafitte National Historical Park and Preserve was impacted by Hurricane Katrina in 2005. PHOTO BY A.J. SISCO



# 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 agency mission.
- resources are protected from waste, fraud, and mismanagement.
- laws and regulations are followed.
- reliable and timely information is maintained, reported, and used for decision-making.

In performing 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, 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 2005 assessments, the NPS Director concluded that the NPS system of management, administrative, and financial controls provides reasonable assurance that the objectives in the FMFIA have been achieved. The National Park Service has implemented all of the actions associated with the Oil/Hazmat Spill Response Program, which was identified as a material weakness in 2002. Substantial progress has been made in correcting deficiencies in the structural fire program, which was identified as a material weakness in FY 2001. There were no new material weaknesses identified in Fiscal Years 2003, 2004, and 2005. The existence of the structural fire material weaknesses

does not prevent the NPS from providing reasonable assurance of the effectiveness of its management controls taken as a whole. Milestones in the corrective action plans for the structural fire program are listed in the Material Weaknesses section.

## **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 General Accountability Office (GAO), the Department of the Interior's Office of Inspector General (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 19 GAO audit recommendations during FY 2005; four outstanding GAO audit recommendations remain to be implemented. There were eight OIG audit recommendations implemented during FY 2005, with an additional 11 recommendations under development. Finally, the NPS continues work to implement all recommendations from the FY 2004 KPMG audit report during FY 2005.

### **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 2005, 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 2004 financial statement audit reported that the NPS substantially complied with recording transactions at the SGL level, but did not substantially comply with all financial management system requirements and accounting standards. The NPS undertook corrective actions during FY 2005 to bring it into substantial compliance with the system requirements and accounting standards. These actions and the results of the FY 2005 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 government-wide Chief Financial Officers Council has set a goal of referring 95 percent of eligible debt to Treasury; as of the end of FY 2005, the NPS had referred 99 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 Council set a government-wide goal of 90 percent of all payments being made via EFT. As of the end of FY 2005, the NPS made 93.9 percent of its payments using electronic means.

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

The Prompt Payment Act of 1982 requires that federal agencies automatically include interest on its late payments to vendors (generally 30 days after receipt of invoice). The government-wide goal is to make 97 percent of federal payments on-time, i.e., not requiring interest. As of the end of FY 2005, the NPS made 99 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 93 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



A place of reconciliation, the Vietnam Veteran's Memorial consists of three sections: the black granite wall inscribed with more than 58,000 names, a bronze statue of three servicemen and flagpole, and a statue of women in service to represent the contribution of women Vietnam veterans. NPS PHOTO



that include regional operations reviews, management assistance reviews, and financial-specific internal control reviews. The NPS is subject to programmatic audits by the DOI Inspector General and the General Accountability Office, 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 spent the last year reviewing four years of NPS payment history and discovered only three improper payments for \$3,280. This activity will continue for the next several years. In short the National Park Service has a number of policies and activities in place to prevent and detect improper payments and an active program to search for and recover any that may have occurred.

#### **Status of FY 2005 Management Control Reviews and OIG Audits**

More than 400 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 9 law enforcement, 42 environmental, 25 recreation fee, 13 core operations evaluations, 24 management assistance, and 30 concession management control reviews. In addition, 11 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 management reviews were conducted at three regions/centers and 21 parks. A significant weakness at one park resulted in the determination that contract operations were performed inadequately. A Level III warrant was terminated, and a corrective action plan was implemented and is being monitored. The other acquisition management reviews did not disclose any material weaknesses. In addition, an OIG investigation of procurement actions by a program office did not disclose any irregularities.

The acquisition management function has a vigorous program of education, training, and consultation. Numerous training sessions were conducted in FY 2005. There is an active Acquisition Management Council that addresses Servicewide

procurement issues. Acquisition managers also invite procurement professionals from other federal agencies to participate in several activities, which has the effect of validating NPS policies and identifying best practices.

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's central finance office conducted reviews of financial controls at 11 parks during FY 2005. 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. Ten recommendations remain from four prior fiscal year GAO reports, and 10 recommendations from three prior fiscal year OIG reports are being implemented.

The General Accountability Office issued a final and two draft reports addressed to the NPS in FY 2005. The final report, "Managed Properties in the District of Columbia," did not contain any recommendations directed at the NPS. The first draft report, "Revenues Could Increase by Charging Allowed Fees for Some Special Use Permits," contained four recommendations. The other draft report, "Actions Needed to Better Protect National Icons and Federal Office Buildings," contains two recommendations directed at the NPS. The National Park Service is currently reviewing both reports.

Both GAO and OIG have several ongoing inquiries, reviews, and audits affecting the NPS. The two active audits, both by GAO, concern NPS implementation of the National Parks Air Tour Management Act of 2000 and the Recreation Fee Program.

#### **Status of Corrective Actions for FMFIA Material Weaknesses Targeted for Correction in FY 2005**

A material weakness in the NPS Oil/Hazmat Materials Spill Response Program was identified in FY 2002. The corrective action plan has been completely implemented.

In 2004 the National Park Service requested that the material weakness identified for the Structural Fire Program (originally identified in FY 2001) be downgraded to a reportable condition, given the establishment of the corrective action plan and progress made toward its implementation. The NPS believes that the current program continues to implement adequate protection and safeguards for employees, visitors, structures, and their contents from the effects of fire as required by Director's Order 58. This does not imply that the important work of structural fire safety is complete. Identifying and correcting structural fire safety deficiencies is an ongoing process and will continue to be an NPS priority. A decision was made in October 2004 to downgrade the Structural Fire material weakness, pending receipt of funding to address this issue. Details for the corrective action plan follow.

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

#### **Material Weakness in the National Park Service Structural Fire Response Program**

The material weakness identified five steps to be taken to address the structural fire problem in the National Park Service. The NPS prepared a request in 2004 to downgrade this material weakness due to progress made on corrective actions.

1. **Establish minimum structural fire safety requirements throughout the National Park System.** Director's Order

- 58, issued in 2000 and renewed in 2004, adopts the structural fire codes and standards of the National Fire Protection Association (NFPA) as the Servicewide minimum standard for fire protection. Through a 2001 memo, the Director also mandated regional directors to implement six steps to increase the structural fire safety in parks. Reference Manual 58 (RM-58), which provides additional field guidance, was issued in 2004 and distributed to the parks.
2. **Provide for a fire safety risk assessment at each unit of the park.** Fire Protection Condition Assessments (FPCAs) have been made a part of the concessions contract renewal process at major park concession operations. This will not only identify potential fire and life safety deficiencies, but provide that they be corrected on a planned basis throughout the life of the contract. The FPCA will also be made a portion of the Comprehensive Condition Assessment (CCA) of the Facility Management Software System (FMSS). This will assure that work orders are developed for deficiencies identified during the inspections of the buildings and provide a means of tracking accomplishments. The CCA is planned as a repetitive process, assuring a thorough inspection of facilities on a recurring basis. The annual fire inspection will be integrated into the FMSS system.
  3. **Develop and implement a plan for correcting the identified needs and deficiencies in a timely manner.** The inclusion of the FPCA as a part of the concessions contract renewal process allows for a planned and scheduled correction of the deficiencies in concessions facilities. The inclusion of the FPCA and the annual fire inspection of NPS structures into FMSS provides a means of identifying and tracking deficiencies, as well as the generation of work orders as a programmatic means of correcting identified deficiencies. Reports generated from FMSS will be used to track which deficiencies have been corrected, what remains to be done, and the amount of approximate costs. Structural fire costing modules and specific management reports for FMSS have been developed.
  4. **Establish a process for ensuring that all new construction and major rehabilitation projects are reviewed for compliance with generally accepted fire codes by qualified personnel.** A directive requiring review of all design and construction projects by qualified personnel to assure that they meet compliance with the NFPA codes was issued to the Regional Directors and the Director of the Denver Service Center by the Associate Director of Visitor and Resource Protection on April 14, 2004. This directive also required that any new or modified fire alarm or sprinkler systems undergo NFPA-compliant acceptance testing before commissioning.
  5. **Provide the employee training needed to accomplish these four tasks.** Suppression skills courses continued to be offered for those parks that maintain their own brigades. Courses planned or conducted include basic firefighter, driver operator, fire officer, and fire alarm systems. Additional training for managers so that they understand their responsibilities and liabilities in structural fire and suppression is also planned. A basic sprinkler system inspection, testing, and maintenance course (ITM) meeting NFPA 25 requirements was developed and presented with the cooperation of Aiken Technical College in Aiken, South Carolina.

#### **Status of Corrective Actions for FY 2004 Audited Financial Statement Issues**

In FY 2004 the National Park Service Director concluded that the NPS was not in substantial compliance with applicable federal accounting standards based on the results of the independent audit of NPS financial statements conducted by KPMG LLP. Also, the NPS did not substantially comply with federal financial management systems requirements specified in OMB's Circular A-130, "Management of Federal Information Resources," and did not fully comply with or meet the objectives of Sections 4 of the FMFIA and OMB Circular A-127, due to material weaknesses in information system security controls throughout the Department. Lastly, it was recognized that the NPS's deferred maintenance tracking and stewardship reporting was not in compliance with



Sagamore Hill was President Theodore Roosevelt's New York home from 1886 until his death in 1919. Known during his presidency as Roosevelt's "Summer White House," Sagamore Hill National Historic Site remains furnished as it was during his lifetime, with many original pieces.  
NPS PHOTO BY BRIAN FORSETH



federal accounting standards. Progress continues in all these areas. A summary of the corrective action plan results for FY 2005 follows.

### **National Park Service Information Technology General Control Environment**

The National Park Service continues to upgrade and improve the entity-wide security system, strengthen access controls, update system software standards, approve and test continuity of operations plans, and improve segregation of responsibilities.

#### **1. Entity-wide Security**

- Security Program – The NPS and the National Business Center signed a service security agreement.
- Certification and Accreditation – The NPS has completed Asset Valuations for all systems identified in the C&A inventory. Each has been classified according to sensitivity and criticality. The NPS completed C&A of all systems identified in its inventory, with the exception of one system.
- Background Investigations – The NPS has developed procedures to ensure background investigations are conducted for applicable employees.
- Incident response – Procedures have been developed that document our security incident response capability.

#### **2. Access Controls**

- The NPS has revised and published the user access controls for the IDEAS application. In addition, procedures were incorporated into the formal documentation that describe the process for granting, monitoring, and terminating access.

#### **3. System Software Controls**

- Procedures have been implemented to use SMS, MOM, and SUS for updating patches. There will be a test server in place, which will be used to test patches on updates. In addition, formal policies, procedures and processes have been developed and are in place to test modifications to the IDEAS application before it is put into production.
- The ISLC May 2004 release does provide adequate guidance, with the addition of references to NIST 800-64 (which references the other NIST documents), as well as appendices and the clear roles and responsibilities of the individuals involved. The NPS will incorporate the recommendations in the next version release on the ISLC.

#### **4. Service Continuity**

- The NPS has recently engaged contractor support for the development of contingency plans (COOPs) for all major IT installations. Work began in

May of 2004 on the Washington, D.C., contingency plan. This plan will include the Business Impact Assessment that will apply to all other plans.

- The D.C. plan will be used to develop a template for the remaining locations. Offices and locations were selected based on the NPS site inventory and associated “site priority.” Contingency plans will be developed first for “high priority” sites and several parks. The Accounting Operations Center (AOC) and the National Information Service Center (NISC) are considered high priority locations. Subsequently, the NPS will hold a contingency planning conference to allow for the sharing of best practices and ideas. Existing plans will be shared and used to develop the remaining plans in FY 2005 and FY 2006.
- The contingency plan and testing was completed for the IDEAS contingency plan. The NPS tested the contingency plan in support of the IDEAS application on September 30, 2004.
- The NPS is currently working with DOI to become the first bureau on the DOI Enterprise Services Network (ESN). Firewalls and intrusion detection will be implemented within the ESN. The DOI/NPS Enterprise Network Operations and Security Center (NOSC) Implementation and Transition Plan include transition points of contact, transition approach, roles and responsibilities, transition process, and the schedule.

#### 5. Segregation of Responsibilities

- An OCIO policy on segregation of duties has been drafted and is undergoing review. Regional managers have taken the necessary steps for the separation of duties for IT employees. Any personnel who have IT security management duties cannot be responsible for performing system and/or network administration duties. Alternative controls will be implemented, such as moving some security management responsibilities to different organizational levels when separation of duties at some locations is not cost effective. Any personnel at major data centers who are responsible for programming software applications cannot be responsible for system administration.
- A memorandum from the Director was issued formally accepting the remaining

risks associated with the lack of separation of duties.

#### National Park Service Deferred Maintenance Accounting

The National Park Service continues to implement its cyclic program of annual and comprehensive condition assessments at all park units. The completion of the first cycle of the comprehensive assessments on the National Park Service portfolio of industry standard assets will lead to a more accurate determination of deferred maintenance, as well as establish the life cycle requirements for these assets. The following actions are included in the FY 2005 portion of the corrective action plan:

1. **Continue condition assessments.** Park units continue to perform annual asset inventory and condition assessments. The information gathered by both the comprehensive and annual assessments is critical to monitoring the effectiveness of reducing the maintenance backlog. This comprehensive process for monitoring the health of the NPS assets will provide a means of early detection of potential problems in line with preventing further facility deterioration and possible failure of facilities. It will also allow for accurate performance measures to be developed to monitor the reduction of the maintenance backlog. In addition to meeting FASAB accounting requirements, the NPS will use two industry standard measurements, the Asset Priority Index (API), which assigns a priority rating of an asset in relation to importance to the park mission, and the Facility Condition Index (FCI), which quantifies the condition of a structure by dividing the deferred maintenance backlog of a facility by the current replacement value of the same facility. This process will assist the NPS in determining which facilities are necessary for the mission and which could be excessed from the NPS inventory. This process acknowledges that, given limited fiscal resources, not every asset in the National Park Service will receive the same level of attention, but will allow the NPS to prioritize which assets receive immediate and long-term care. At the conclusion of the fourth quarter of FY 2005, the NPS had completed 51 percent of its scheduled

Beginning at the Mississippi River in Hartford, Illinois, most of the 3,700-mile Lewis and Clark National Historic Trail follows the Missouri and Columbia Rivers. Water routes, hiking trails, and marked highways allow people to follow the exploration route of the Corps of Discovery, a trek commemorated by national events during the recent Lewis and Clark Bicentennial. PHOTO ©CHARLEY VAN PELT/FINLEY-HOLIDAY FILMS



annual assessments and 57 percent of its scheduled comprehensive assessments.

**2. Continue inventorying critical systems in high priority assets.**

The National Park Service is also focusing on the collection of information related to major asset equipment such as roofs, exterior enclosures, heating, ventilation and air condition systems, mechanicals systems, etc. This data provides the basis for the development of the life cycle maintenance practices. This leads to the implementation of business practices for facility life cycle maintenance in order to maximize the life of NPS assets. It is a structured program of preventive/recurring maintenance and component renewal initiated within the NPS for newly constructed—as well as existing—facilities. It will maximize the life cycle for its capital asset portfolio to prevent the reoccurrence of another large deferred maintenance backlog. It is a critical component in the management reform process for the Facility Management Program. The implementation of the life cycle process will lead to the following:

- Lower Maintenance Costs
- Lower Repair Costs
- Decreases in Unplanned Work
- Reduced Capital Expenses

- Increased Equipment Reliability
- Maintaining Efficiencies
- Controlled Asset Management
- Increased Asset Life

The National Park Service is diligently implementing and executing an effective asset management program that addresses all phases of an asset's life cycle and is committed to the total cost of ownership. Decisions about acquiring new assets will be considered in the context of the existing portfolio of facilities and assets, the condition of those assets, and their importance to the park. At the conclusion of the fourth quarter of FY 2005, the NPS had completed 34 percent of its scheduled equipment inventories.

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

In FY 2005 the National Park Service continued ongoing efforts to maintain park operations at existing levels while reducing its deferred maintenance backlog in the face of a constrained federal budget.

Efforts to assess the condition of facilities and roads and to inventory, monitor, and manage its natural resources remain high priorities. The FMSS is now operating as a critical tool in the analysis of facility



inventories and condition, and FCI's provide useful information on the relative condition of assets in need of maintenance or rehabilitation. In FY 2005 funding dedicated to deferred maintenance work totaled \$952 million, including \$165 million in funding dedicated to road maintenance, and \$98 million in fee receipts estimated to be used for maintenance projects.

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. Security enhancement construction projects were completed in FY 2005 at the Statue of Liberty and at the Washington Monument, and continue at Jefferson National Expansion Memorial and at Organ Pipe Cactus National Monument. Projects at the Jefferson Memorial, the Lincoln Memorial, and Independence Hall remain to be done. Post 9/11 increased security operational costs at icon and border parks reached \$33.8 million in FY 2005. The National Park Service continues to attempt to augment its law enforcement ranger and U.S. Park Police staff as needed; 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.

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 *Cobel v. Norton*, 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 has requested \$1 million in its FY 2006 budget request 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, performance budgeting, and increasingly stringent financial reporting requirements. 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.

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, 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. At the end of FY 2004, hurricanes (most notably Ivan) caused the need for a supplemental appropriation of \$50.8 million to fund response actions and repairs throughout the southeast United States. The September 2005 storms, most notably Katrina, have wreaked havoc in NPS parks in Florida, Alabama, Mississippi, and Louisiana, causing what is initially estimated as about \$70 million in damages. Even if appropriations are provided to cover the costs of these incidents, 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.

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.

## FINANCIAL MANAGEMENT CONTROLS AND ASSERTION

### Federal Managers' Financial Integrity Act (FMFIA)

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

### FMFIA Assurance Statement Fiscal Year 2005

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



C. Bruce Sheaffer  
Comptroller, Assistant Director

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Visitors to Marsh-Billings-Rockefeller National Historical Park can hike along a network of carriage roads that wind amid plantations of Norway spruce set out as early as 1874—a step to recovery that shaped these forest lands and would ultimately spur the conservation movement. NPS PHOTO



# Financial Statements

**Department of the Interior, National Park Service  
Consolidated Balance Sheet as of September 30, 2005, and 2004  
(dollars in thousands)**

ASSETS (Note 2)	2005	2004
<b>Intragovernmental Assets:</b>		
Fund Balance with Treasury (Note 3)	\$ 19,152,507	\$ 18,603,252
Investments, Net (Note 7)	1,370	65
Accounts and Interest Receivable (Note 5)	23,253	17,490
Other		
Advances and Prepayments (Note 6)	6,910	5,487
<b>Total Intragovernmental Asset</b>	<b>19,184,040</b>	<b>18,626,294</b>
Cash (Note 4)	425	394
Accounts and Interest Receivable, Net (Note 5)	8,971	13,702
Loans and Interest Receivable, Net (Note 9)	3,598	3,958
General Property, Plant, and Equipment, Net (Note 8)	1,098,686	980,224
Other		
Advances and Prepayments (Note 6)	11,746	12,434
Stewardship Assets (Note 1F)		
<b>TOTAL ASSETS</b>	<b>\$ 20,307,466</b>	<b>\$ 19,637,006</b>
<b>LIABILITIES (Note 10)</b>		
<b>Intragovernmental Liabilities:</b>		
Accounts Payable (Note 11)	\$ 18,012	\$ 26,197
Other		
Accrued Payroll and Benefits	58,284	59,162
Advances, Deferred Revenue, and Deposit Funds (Note 12)	2,575	4,155
Judgment Fund	2,483	2,433
Other Miscellaneous Liabilities	471	2,024
<b>Total Intragovernmental Liabilities</b>	<b>81,825</b>	<b>93,971</b>
Accounts Payable (Note 11)	212,712	163,742
Federal Employee and Veteran's Benefits		
U.S. Park Police Pension Actuarial Liability (Note 13)	678,400	639,500
FECA Actuarial Liability (Note 14)	249,928	240,469
Environmental and Disposal Liabilities (Note 15)	14,966	7,513
Other		
Accrued Payroll and Benefits	142,679	127,408
Advances, Deferred Revenue, and Deposit Funds (Note 12)	11,458	15,421
Contingent Liabilities (Note 15)	2,139	16,813
Other Miscellaneous Liabilities	43,842	53,742
<b>TOTAL LIABILITIES</b>	<b>\$ 1,437,949</b>	<b>\$ 1,358,579</b>
Commitments and Contingencies (Notes 1F, 15, and 17)		
<b>NET POSITION</b>		
Unexpended Appropriations	944,005	1,000,273
Cumulative Results of Operations	17,925,512	17,278,154
<b>TOTAL NET POSITION</b>	<b>18,869,517</b>	<b>18,278,427</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 20,307,466</b>	<b>\$ 19,637,006</b>

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

**Department of the Interior, National Park Service**  
**Consolidated Statement of Net Cost**  
**For the Years Ended September 30, 2005, and 2004**  
**(dollars in thousands)**

	FY 2005	FY 2004
<b>Resource Protection</b>		
Costs	\$ 1,531,323	\$ 796,194
Less: Earned Revenue	35,227	61,616
<b>Net Cost</b>	<b>1,496,096</b>	<b>734,578</b>
<b>Recreation</b>		
Costs	1,119,765	1,537,769
Less: Earned Revenue	303,032	198,224
<b>Net Cost</b>	<b>816,733</b>	<b>1,339,545</b>
<b>Serving Communities</b>		
Costs	349,448	510,382
Less: Earned Revenue	2,316	7,237
<b>Net Cost</b>	<b>347,132</b>	<b>503,145</b>
<b>Reimbursable Activity and Other</b>		
Costs	0	78,576
Less: Earned Revenue	0	78,474
<b>Net Cost</b>	<b>0</b>	<b>102</b>
<b>TOTAL</b>		
Costs	3,000,536	2,922,921
Less: Earned Revenue	340,575	345,551
<b>Net Cost of Operations (Note 16)</b>	<b>\$ 2,659,961</b>	<b>\$ 2,577,370</b>

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



**Department of the Interior, National Park Service  
Consolidated Statement of Changes in Net Position  
For the Years Ended September 30, 2005, and 2004  
(dollars in thousands)**

	2005	2004
<b>UNEXPENDED APPROPRIATIONS</b>		
Beginning Balance	\$ 1,000,273	\$ 983,029
Budgetary Financing Sources:		
Appropriations Received, General Funds	2,238,294	2,154,954
Appropriations Transferred - In/Out	102,345	152,656
Appropriations - Used	(2,354,429)	(2,258,373)
Other Adjustments	(42,478)	(31,993)
Net Change	(56,268)	17,244
Ending Balance - Unexpended Appropriations	<u>\$ 944,005</u>	<u>\$ 1,000,273</u>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
Beginning Balance	\$ 17,278,154	\$ 16,753,493
Budgetary Financing Sources:		
Appropriations - Used	2,354,429	2,258,373
Royalties Retained (Note 1.C)	1,054,553	1,054,996
Non-Exchange Revenue (Note 1.C)	32	25
Transfers - In/Out Without Reimbursement, Net (Note 18)	(245,745)	(332,008)
Donations and Forfeitures of Cash and Cash Equivalents	27,578	19,420
Other Budgetary Financing Sources	(388)	1,387
Other Financing Sources:		
Imputed Financing From Costs Absorbed by Others	114,472	98,007
Transfers - In/Out Without Reimbursement, Net	1,776	1,770
Donations and Forfeitures of Property	612	61
TOTAL FINANCING SOURCES	\$ 3,307,319	\$ 3,102,031
NET COST OF OPERATIONS	(2,659,961)	(2,577,370)
NET CHANGE	647,358	524,661
ENDING BALANCE - CUMULATIVE RESULTS OF OPERATIONS	<u>\$ 17,925,512</u>	<u>\$ 17,278,154</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, 2005, and 2004  
 (dollars in thousands)**

	FY 2005 TOTAL BUDGETARY ACCOUNTS	FY 2004 TOTAL BUDGETARY ACCOUNTS
<b>BUDGETARY RESOURCES</b>		
Budget Authority:		
Appropriations Received	\$ 2,697,083	\$ 2,596,348
Net Transfers, Current Year Authority	(2,232)	31,087
Unobligated Balance:		
Beginning of Fiscal Year	1,084,471	1,061,916
Net Transfers, Unobligated Balance, Actual	(1,548)	18,426
Spending Authority From Offsetting Collections:		
Earned		
Collected	136,593	131,992
Receivable From Federal Sources	935	10,009
Change in Unfilled Customer Orders		
Advance Received	(5,052)	(1,160)
Without Advance From Federal Sources	19,270	29,459
Subtotal: Spending Authority From Offsetting Collections	151,746	170,300
Recoveries of Prior Year Obligations	39,040	25,349
Permanently Not Available	(47,706)	(34,981)
<b>TOTAL BUDGETARY RESOURCES (NOTE 19)</b>	<b>\$ 3,920,854</b>	<b>\$ 3,868,445</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 2,763,444	\$ 2,641,082
Reimbursable	161,330	142,892
Total Obligations Incurred (Note 19)	2,924,774	2,783,974
Unobligated Balance (Note 19):		
Apportioned	970,828	1,057,856
Exempt From Apportionment	(23)	0
Unobligated Balance Not Available (Note 19)	25,275	26,615
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 3,920,854</b>	<b>\$ 3,868,445</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
Obligations Incurred	\$ 2,924,774	\$ 2,783,974
Obligated Balance, Net, Beginning of Fiscal Year	1,179,755	1,172,573
Obligated Balance, Net, End of Fiscal Year:		
Accounts Receivable	30,580	29,646
Unfilled Customer Orders From Federal Sources	118,544	99,274
Undelivered Orders	(1,130,223)	(1,075,383)
Accounts Payable	(284,027)	(233,292)
Total Obligated Balance, Net, End of Fiscal Year	(1,265,126)	(1,179,755)
Less: Spending Authority Adjustments	(59,244)	(64,820)
OUTLAYS:		
Disbursements	2,780,159	2,711,972
Collections	(131,541)	(130,832)
Net Outlays Before Offsetting Receipts	2,648,618	2,581,140
Less: Offsetting Receipts (Note 20)	(206,185)	(202,578)
<b>NET OUTLAYS</b>	<b>\$ 2,442,433</b>	<b>\$ 2,378,562</b>

*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, 2005, and 2004  
(dollars in thousands)**

	2005	2004
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 2,924,774	\$ 2,783,974
Less: Spending Authority From Offsetting Collections/Recoveries	(190,786)	(195,649)
Obligations Net of Offsetting Collections and Recoveries	2,733,988	2,588,325
Less: Offsetting Receipts	(206,185)	(202,578)
Net Obligations	2,527,803	2,385,747
Other Resources:		
Donations and Forfeitures of Property	612	61
Transfers - In/Out Without Reimbursement, Net	1,776	1,770
Imputed Financing From Costs Absorbed by Others	114,472	98,007
Net Other Resources Used to Finance Activities	116,860	99,838
<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>\$ 2,644,663</b>	<b>\$ 2,485,585</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided	(53,033)	13,788
Increase (Decrease) in Unfilled Customer Orders	14,218	28,299
Resources That Fund Expenses Recognized in Prior Periods	(24,988)	(26,591)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts Not Part of the Net Cost of Operations	(2,653)	(963)
Resources That Finance the Acquisition of Assets	(201,114)	(178,217)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	9,807	1,882
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(257,763)	(161,802)
<b>TOTAL RESOURCES USED TO FINANCE NET COST OF OPERATIONS</b>	<b>\$ 2,386,900</b>	<b>\$ 2,323,783</b>
<b>COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	4,172	6,322
Increase in Environmental and Disposal Liability	7,453	2,181
Other	49,416	40,842
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	61,041	49,345
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	82,651	78,321
Allocation Transfers Reconciling Items (Note 21)	128,193	125,694
Other	1,176	227
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	212,020	204,242
<b>TOTAL COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES</b>	<b>273,061</b>	<b>253,587</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 2,659,961</b>	<b>\$ 2,577,370</b>

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





Enormous boulders inch along the surface of a dry lakebed in Death Valley National Park as if driven by some mysterious force. Scientists theorize that when the clay-bottom lakebed receives enough rain to wet it down, it becomes slick, allowing strong winds of as much as 70 mph to move the giant rocks. PHOTO ©RUSS FINLEY/FINLEY-HOLIDAY FILMS

# Notes to the Consolidated Financial Statements For the Years Ended September 30, 2005, and 2004

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

■ **Land and Water Conservation and Historic Preservation Funds** - The Land and Water Conservation Fund (L&WCF) was enacted in 1964 (Public Law 88-578) to create and maintain a nationwide legacy of high quality recreation areas and facilities. The L&WCF Act established a funding source for both federal acquisition of authorized national park, conservation, and recreation areas, as well as grants to state and local governments to help them acquire, develop, and improve outdoor recreation areas. The Historic Preservation Fund (HPF), which was enacted in 1966 (Public Law 89-665), provides matching grants to encourage private and non-federal investment in historic preservation efforts nationwide, and assists state and local governments and American Indian tribes in expanding and accelerating their historic preservation activities nationwide. Historic Preservation Fund grants serve as a catalyst and “seed money” for preserving and protecting our nation’s irreplaceable heritage for this and future generations. Approximately \$900 million for the Land and Water Conservation Fund and \$150

million for the Historic Preservation Fund are transferred annually from the DOI’s Minerals Management Services to the NPS, the majority of which is royalties from Outer Continental Shelf oil deposits. The U.S. Congress also appropriated from the HPF receipt account to the respective expenditure accounts approximately \$73 million and \$75 million for FY 2005 and FY 2004, 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 two 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, 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 \$129 million during FY 2005 and \$130 million during FY 2004 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 2005 and FY 2004, revenues collected for Concession Franchise Fees totaled \$29.6 million and \$27.6 million, respectively. Unlike the concession improvement accounts discussed in Note 1A, these franchise fees are reflected in the accompanying consolidated financial statements.

**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 National Park Service 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 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 is depreciated using the straight-line method. The useful life of equipment ranges from 5 to 25 years based on the Federal Supply Code. Software is depreciated over five years using the straight-line method.

The National Park Service 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. For additional discussion of these stewardship assets, see the Required Supplementary Stewardship Information Section of this report.

The National Park Service 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.

The National Park Service adopted accounting guidance for concession assets and related liabilities effective October 1, 2004. As a result of adopting this guidance, the NPS decreased General Property, Plant, and Equipment as of October 1, 2004, and increased Fiscal Year 2005 costs by approximately \$28.3 million.

**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 Cleanup Costs and Contingent Liabilities.** The National Park Service is subject to loss contingencies pursuant to environmental laws and regulations that currently, and in the future, will require the NPS to take action to correct or ameliorate the effects on human health and the environment from releases of contaminants by the NPS or other parties. Contingencies may exist for various types of sites, including, but not limited to: (1) hazardous substance contaminated sites governed by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA); (2) waste storage, treatment and disposal facilities governed by Subtitle-C of the Resource Conservation and Recovery Act (RCRA); (3) leaking underground storage tanks governed by Subtitle-I of RCRA; (4) proper closure and 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 70 active and 630 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 Number 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.

**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 2005**  
 (dollars in thousands)

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2005
<b>Intragovernmental Assets:</b>				
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
<b>Total Intragovernmental Assets</b>	<b>\$ 2,349,109</b>	<b>\$ 16,834,931</b>	<b>\$ 0</b>	<b>\$ 19,184,040</b>
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
<b>TOTAL ASSETS</b>	<b>\$ 3,472,234</b>	<b>\$ 16,834,931</b>	<b>\$ 301</b>	<b>\$ 20,307,466</b>

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 2004**  
 (dollars in thousands)

ASSETS	ENTITY UNRESTRICTED	ENTITY RESTRICTED	NON-ENTITY RESTRICTED	FY 2004
<b>Intragovernmental Assets:</b>				
Fund Balance With Treasury	\$ 2,288,840	\$ 16,312,709	\$ 1,703	\$ 18,603,252
Investments, Net	65	0	0	65
Accounts and Interest Receivable, Net	17,490	0	0	17,490
Other				
Advances and Prepayments	5,487	0	0	5,487
<b>Total Intragovernmental Assets</b>	<b>\$ 2,311,882</b>	<b>\$ 16,312,709</b>	<b>\$ 1,703</b>	<b>\$ 18,626,294</b>
Cash	394	0	0	394
Accounts and Interest Receivable, Net	13,504	0	198	13,702
Loans and Interest Receivable, Net	3,958	0	0	3,958
General Property, Plant, and Equipment, Net	980,224	0	0	980,224
Other				
Advances and Prepayments	12,434	0	0	12,434
<b>TOTAL ASSETS</b>	<b>\$ 3,322,396</b>	<b>\$ 16,312,709</b>	<b>\$ 1,901</b>	<b>\$ 19,637,006</b>



**NOTE 3. FUND BALANCE WITH TREASURY**

Fund Balance with Treasury as of September 30, 2005, and 2004, by major category is as follows:

<b>Fund Balance with Treasury (dollars in thousands)</b>		
<b>FUND BALANCES BY FUND TYPE</b>	<b>FY 2005</b>	<b>FY 2004</b>
General Funds	\$ 1,200,449	\$ 1,240,276
Special Funds	17,869,468	17,294,623
Revolving Funds	40	1,390
Trust Funds	81,202	63,148
Other Fund Types	1,348	3,815
<b>TOTAL FUND BALANCE WITH TREASURY BY FUND TYPE</b>	<b>\$ 19,152,507</b>	<b>\$ 18,603,252</b>
<b>STATUS OF FUND BALANCE WITH TREASURY</b>	<b>FY 2005</b>	<b>FY 2004</b>
Unobligated Balance:		
Available	\$ 977,419	\$ 1,010,368
Unavailable	19,461	26,978
Obligated Balance Not Yet Disbursed	1,319,349	1,249,381
<b>Subtotal</b>	<b>2,316,229</b>	<b>2,286,727</b>
Fund Balance With Treasury Not Covered by Budgetary Resources:		
Unavailable Receipt Accounts	16,834,931	16,314,412
Deposit Funds, Clearing, and Suspense Accounts	1,347	2,113
<b>Subtotal</b>	<b>16,836,278</b>	<b>16,316,525</b>
<b>TOTAL STATUS OF FUND BALANCE WITH TREASURY</b>	<b>\$ 19,152,507</b>	<b>\$ 18,603,252</b>

General appropriated funds include funds for the operation of the National Park Service, construction, historic preservation, fire emergency, etc. Special funds are amounts appropriated from the Land and Water Conservation and Historic Preservation Funds for NPS use. Other fund types consist of Fee Demonstration, Maintenance of Quarters, 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, 2005, and 2004, are summarized as follows:

<b>Cash Balances (dollars in thousands)</b>		
<b>TYPE OF FUNDS</b>	<b>FY 2005</b>	<b>FY 2004</b>
Imprest Fund	\$ 425	\$ 394
<b>TOTAL CASH</b>	<b>\$ 425</b>	<b>\$ 394</b>

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

Accounts Receivable as of September 30, 2005, and 2004, consists of monies owed to the NPS from other federal agencies and the public, as follows:

<b>Accounts and Interest Receivable, Net (dollars in thousands)</b>		
ACCOUNTS AND INTEREST RECEIVABLE FROM FEDERAL AGENCIES	FY 2005	FY 2004
Current	\$ 57	\$ 76
1-180 Days Past Due	8	11
181-365 Days Past Due	2	3
1 to 2 Years Past Due	5	2
Total Billed Accounts and Interest Receivable - Federal	72	92
Unbilled Accounts and Interest Receivable	23,181	17,398
<b>TOTAL ACCOUNTS AND INTEREST RECEIVABLE - FEDERAL</b>	<b>\$ 23,253</b>	<b>\$ 17,490</b>
ACCOUNTS AND INTEREST RECEIVABLE FROM THE PUBLIC	FY 2005	FY 2004
Current	\$ 7,476	\$ 9,773
1-180 Days Past Due	1,117	1,355
181-365 Days Past Due	290	431
1 to 2 Years Past Past Due	681	221
Total Billed Accounts and Interest Receivable - Public	9,564	11,780
Unbilled Accounts and Interest Receivable	944	2,880
Total Accounts and Interest Receivable - Public	10,508	14,660
Allowance for Doubtful Accounts - Public	(1,537)	(958)
<b>TOTAL ACCOUNTS AND INTEREST RECEIVABLE - PUBLIC, NET OF ALLOWANCE</b>	<b>\$ 8,971</b>	<b>\$ 13,702</b>
Change in Allowance for Doubtful Accounts - Public		
Allowance for Doubtful Accounts, Beginning	958	717
Additions	579	241
<b>ALLOWANCE FOR DOUBTFUL ACCOUNTS, ENDING - PUBLIC</b>	<b>\$ 1,537</b>	<b>\$ 958</b>

**NOTE 6. ADVANCES AND PREPAYMENTS**

Advances to Others as of September 30, 2005, and 2004, was comprised of amounts provided to the Department of the Interior components of \$6,334 thousand and \$4,583 thousand and other federal agencies of \$576 thousand and \$904 thousand, respectively. Advances to non-federal entities as of September 30, 2005, and 2004, were \$11,746 thousand and \$12,434 thousand, respectively.

Advances to non-federal entities as of September 30, 2005, and 2004, were comprised of the following:

<b>Advances to Others (dollars in thousands)</b>		
TYPE OF ADVANCE	FY 2005	FY 2004
Travel Advances	\$ 128	\$ 170
Grant Advances	11,618	12,264
<b>TOTAL</b>	<b>\$ 11,746</b>	<b>\$ 12,434</b>

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

**NOTE 7. INVESTMENTS, NET**

In 1996 Congress approved, and President Clinton signed into law, the “United States Commemorative Coin Act of 1996,” mandating the minting and sale of several commemorative coins, including a National Law Enforcement Officers Memorial Silver Dollar. During FY 2005 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. As of September 30, 2005, the cost and approximate market value of this security, including premium and prepaid interest, is \$1,370 thousand. During FY 2005 the NPS redeemed a \$65 thousand non-marketable, market-based, interest bearing security for the benefit of the Abraham Lincoln Boyhood Home.

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**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
Total Non-Public Investments	1,370	0	1,370	1,370
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 1,370</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 1,370</u></b>	<b><u>\$ 1,370</u></b>

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**Investments, Net, FY 2004**  
**(dollars in thousands)**

INVESTMENT TYPE	COST	NET AMORTIZED (PREMIUM)/DISCOUNT	INVESTMENTS, NET	MARKET VALUE DISCLOSURE
U.S. Treasury Securities Non-Marketable, Market-Based	\$ 63	\$ 2	\$ 65	\$ 65
Total U.S. Treasury Securities	63	2	65	65
Total Non-Public Investments	63	2	65	65
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 63</u></b>	<b><u>\$ 2</u></b>	<b><u>\$ 65</u></b>	<b><u>\$ 65</u></b>



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

The National Park Service's general property, plant, and equipment categories as of September 30, 2005, and 2004, with corresponding accumulated depreciation, are shown as follows:

**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
<b>TOTAL</b>	<b>\$ 1,875,330</b>	<b>\$ (776,644)</b>	<b>\$ 1,098,686</b>

**FY 2004 General Property, Plant, and Equipment, Net  
(dollars in thousands)**

Category	Acquisition Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 510,968	\$ (213,508)	\$ 297,460
Structures and Facilities	595,715	(275,737)	319,978
Construction-in-Progress – General	188,520	0	188,520
Equipment, Vehicles, and Aircraft	360,209	(221,660)	138,549
Assets Under Capital Lease	28,000	(2,100)	25,900
Internal Use Software:			
In Use	12,975	(3,158)	9,817
<b>TOTAL</b>	<b>\$ 1,696,387</b>	<b>\$ (716,163)</b>	<b>\$ 980,224</b>

**NOTE 9. LOANS AND INTEREST RECEIVABLE, NET**

Pursuant to the Wolf Trap Farm Park Act (16 U.S.C. 284c(b)), the Wolf Trap Foundation for the Performing Arts (the Foundation) and the NPS amended their Cooperative Agreement to set up a repayment schedule of loan principal (the loan is non-interest bearing) to the Foundation totaling \$8,560 thousand authorized by the Act of November 28, 1990 (P.L. 101-636: 104 Stat. 4586). The loan principal is to be repaid to the NPS within 25 years from June 1, 1991, the date of the Amendment. The loan principal is repaid in equal annual installments of approximately \$360 thousand, except for the first three annual payments of \$215 thousand per year. Repayment of the loan principal may include a credit of up to \$60 thousand, annually, for public service tickets given to entities exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986. In FY 2005 and 2004 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 \$3,598 thousand and \$3,958 thousand as of September 30, 2005, and 2004, respectively.

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

PROGRAM NAME	FY 2005	FY 2004
National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 3,598	\$ 3,958
<b>TOTAL LOANS AND INTEREST RECEIVABLE, NET</b>	<b><u>\$ 3,598</u></b>	<b><u>\$ 3,958</u></b>

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

FISCAL YEAR	DIRECT LOAN PROGRAM	LOANS RECEIVABLE GROSS	INTEREST RECEIVABLE	ALLOWANCE FOR LOAN LOSSES	FORECLOSED PROPERTY	VALUE OF ASSETS RELATED TO DIRECT LOANS
FY 2005	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 3,598	\$ 0	\$ 0	\$ 0	\$ 3,598
FY 2005	<b>TOTAL</b>	<b><u>\$ 3,598</u></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b><u>\$ 3,598</u></b>

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

FISCAL YEAR	DIRECT LOAN PROGRAM	LOANS RECEIVABLE GROSS	INTEREST RECEIVABLE	ALLOWANCE FOR LOAN LOSSES	FORECLOSED PROPERTY	VALUE OF ASSETS RELATED TO DIRECT LOANS
FY 2004	National Park Service - Wolf Trap Foundation (Pre-Credit Reform)	\$ 3,958	\$ 0	\$ 0	\$ 0	\$ 3,958
FY 2004	<b>TOTAL</b>	<b><u>\$ 3,958</u></b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b><u>\$ 3,958</u></b>

**NOTE 10. LIABILITIES**

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined and presented together in the Balance Sheet. Liabilities covered by budgetary resources are funded liabilities to be paid with existing budgetary resources. Liabilities not covered by budgetary resources represent unfunded liabilities for which congressional action is needed before budgetary resources are provided to fund these liabilities. The NPS anticipates that the liabilities not covered by budgetary resources will be funded from future budgetary resources when required. The NPS receives budgetary resources for United States Park Police Pension Actuarial Liability, unfunded payroll costs (billed portion of the Federal Employees Compensation Act), judgment fund, environmental cleanup costs, 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, 2005, and 2004, are detailed in the following tables:

<b>FY 2005 Liabilities (dollars in thousands)</b>				
LIABILITY	COVERED BY BUDGETARY RESOURCES	NOT COVERED BY BUDGETARY RESOURCES		TOTAL
	CURRENT	CURRENT	NON-CURRENT	FY 2005
<b>INTRAGOVERNMENTAL LIABILITIES:</b>				
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 Liabilities	8,907	23,634	31,272	63,813
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>\$ 26,919</b>	<b>\$ 23,634</b>	<b>\$ 31,272</b>	<b>\$ 81,825</b>
<b>PUBLIC LIABILITIES:</b>				
Accounts Payable	\$ 212,712	\$ 0	\$ 0	\$ 212,712
Federal Employee and Veteran's Benefits:				
United States Park Police Pension Actuarial Liability	0	0	678,400	678,400
FECA Actuarial Liability	0	0	249,928	249,928
Total Federal Employee Veteran's Benefits	0	0	928,328	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	582	0	582
Total Other Liabilities	62,401	2,152	135,565	200,118
<b>TOTAL PUBLIC LIABILITIES</b>	<b>275,113</b>	<b>2,152</b>	<b>1,078,859</b>	<b>1,356,124</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 302,032</b>	<b>\$ 25,786</b>	<b>\$ 1,110,131</b>	<b>\$ 1,437,949</b>



**FY 2004 Liabilities**  
(dollars in thousands)

LIABILITY	COVERED BY BUDGETARY RESOURCES		NOT COVERED BY BUDGETARY RESOURCES		TOTAL
	CURRENT	CURRENT	NON-CURRENT	FY 2004	
<b>INTRAGOVERNMENTAL LIABILITIES:</b>					
Accounts Payable	\$ 26,197	\$ 0	\$ 0	\$ 26,197	
Other:					
Accrued Employee Benefits	7,878	19,336	31,948	59,162	
Advances, Deferred Revenue, and Deposit Funds	4,145	10	0	4,155	
Judgment Fund	0	0	2,433	2,433	
Other Miscellaneous Liabilities	0	2,024	0	2,024	
Total Other Liabilities	12,023	21,370	34,381	67,774	
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>\$ 38,220</b>	<b>\$ 21,370</b>	<b>\$ 34,381</b>	<b>\$ 93,971</b>	
<b>PUBLIC LIABILITIES:</b>					
Accounts Payable	\$ 163,742	\$ 0	\$ 0	\$ 163,742	
Federal Employee and Veteran's Benefits:					
United States Park Police Pension Actuarial Liability	0	0	639,500	639,500	
FECA Actuarial Liability	0	0	240,469	240,469	
Total Federal Employee Veteran's Benefits	0	0	879,969	879,969	
Environmental and Disposal Liabilities	0	0	7,513	7,513	
Other:					
Accrued Payroll and Benefits	41,414	0	85,994	127,408	
Advances, Deferred Revenue, and Deposit Funds	13,351	2,070	0	15,421	
Contingent Liabilities	0	0	16,813	16,813	
Capital Leases	0	1,997	24,932	26,929	
Storm Damage	0	0	26,813	26,813	
Total Other Liabilities	54,765	4,067	154,552	213,384	
<b>TOTAL PUBLIC LIABILITIES</b>	<b>218,507</b>	<b>4,067</b>	<b>1,042,034</b>	<b>1,264,608</b>	
<b>TOTAL LIABILITIES</b>	<b>\$ 256,727</b>	<b>\$ 25,437</b>	<b>\$ 1,076,415</b>	<b>\$ 1,358,579</b>	

**NOTE 11. ACCOUNTS PAYABLE**

The reported amounts for accounts payable include liabilities to other federal agencies and to the public. Amounts owed for goods and services received by the NPS total \$230,724 thousand and \$189,939 thousand, which include contract holdbacks of \$837 thousand and \$1,267 thousand as of September 30, 2005, and 2004, 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 \$14,033 thousand and \$19,576 thousand as of September 30, 2005, and 2004, 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 2004 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 2005	FY 2004
Interest Rate	6.25%	6.75%
Rate of Inflation	3.25%	3.75%
Projected Salary Increase	4.00%	4.25%

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

DESCRIPTION	FY 2005	FY 2004
Normal Cost	\$ 1,700	\$ 1,600
Interest Costs	42,300	41,500
Assumption Changes at Beginning of Year	\$ 24,549	\$ (25,305)
<b>TOTAL PENSION EXPENSES</b>	<b>\$ 68,549</b>	<b>\$ 17,795</b>

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

DESCRIPTION	FY 2005	FY 2004
Beginning Balance	\$ 639,500	\$ 649,300
Total Pension Expense	68,549	17,795
Less Benefit Payments	\$ (29,649)	\$ (27,595)
<b>ENDING BALANCE</b>	<b>\$ 678,400</b>	<b>\$ 639,500</b>

#### **NOTE 14. FEDERAL EMPLOYEES COMPENSATION ACT LIABILITIES**

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees insured on the job; employees who have incurred a work-related occupational disease; and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and unpaid billings, and subsequently seeks reimbursement from the NPS for the paid claims. Federal Employees Compensation Act liabilities include two portions: the first is the intragovernmental portion reported in Accrued Payroll and Benefits on the Consolidated Balance Sheet, amounting to \$47,981 thousand and \$48,340 thousand representing claims paid by DOL and billed to the NPS that remain unpaid as of September 30, 2005, and 2004, respectively. This is based on actual claims paid by Labor, 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 Labor 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 \$249,928 thousand and \$240,469 thousand as of September 30, 2005, and 2004, respectively. This portion represents the estimated liability for future workers' compensation benefits, including the expected liability for future workers' compensation benefits, including the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined by the DOL annually, as of September 30, using a method that utilizes historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is also used to recognize the timing of benefit payments as 13 payments per year instead of one lump sum payment per year. The interest rate assumptions utilized for discounting were 3.84 percent in year one and 4.35 percent thereafter.

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

The Department of Labor calculated the estimated future benefit payments based on several assumptions. The interest rate assumptions utilized to discount the estimated future benefit payments to present value are 4.88 percent in year one and 5.24 percent thereafter.



**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 234 sites that are potentially impacted by petroleum or other hazardous substance releases. These sites are governed by the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The National Park Service response activities to these identified sites include site characterization and sampling; risk assessment; removal of the contaminant source; treatment and/or containment of contaminated water and soil; and ongoing monitoring. There are no material changes in total estimated cleanup costs that are due to changes in law or technology. At this time, the National Park Service 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 the 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 park land. Although the National Park Service did not cause the environmentally contaminated site, the NPS maintains a list of all such sites on NPS land and discloses the environmental cleanup costs for sites contaminated by others that the NPS plans to clean up, provided the costs are at least reasonably possible and 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 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
<b>TOTAL CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES</b>	<b>\$ 17,105</b>	<b>\$ 47,004</b>	<b>\$ 116,276</b>

**FY 2004 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	\$ 16,813	\$ 16,813	\$ 21,813
Reasonably Possible	0	5,940	20,550
Environmental and Disposal Liabilities			
Probable	7,513	7,513	13,621
Reasonably Possible	0	14,795	172,305
<b>TOTAL CONTINGENT LIABILITIES AND ENVIRONMENTAL AND DISPOSAL LIABILITIES</b>	<b>\$ 24,326</b>	<b>\$ 45,061</b>	<b>\$ 228,289</b>

**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 National Park Service reclassified the presentation of the Fiscal Year 2004 costs to be consistent with the current year presentation and to conform with the revised OMB reporting requirements. In the prior year, the NPS reported the costs incurred to generate the revenues with federal agencies as "costs with federal agencies" and costs incurred to generate revenues with public organizations as "costs with the public" in accordance with OMB Circular 01-09; however, in the current year the NPS reported the costs incurred with other federal agencies as "costs with federal agencies" and costs incurred with public organizations as "costs with the public" in accordance with OMB Circular A-136. The NPS FY 2005 Consolidated Statement of Net Cost is not comparable to its FY 2004 Consolidated Statement of Net Cost because, in FY 2005, the NPS revised its method of allocating costs and revenues between mission goals. The NPS changed the underlying methodology of allocating costs and revenues to better align costs and revenues with the mission goals in the Department of the Interior's strategic and performance plans. The improved allocation methodology caused the following significant changes from FY 2004 to FY 2005:

- Certain costs associated with the Recreation and Serving Communities mission goals in the FY 2004 Consolidated Statement of Net Cost have been allocated to the Resource Protection mission goal in the FY 2005 Consolidated Statement of Net Cost. The types of the more significant costs that were allocated differently between years include maintenance, administrative, law enforcement, and litigation costs.
- Revenues and costs associated with Reimbursable and Other mission goals in the FY 2004 Consolidated Statement of Net Cost have been allocated primarily to the Recreation mission goal in the FY 2005 Consolidated Statement of Net Cost. The costs and revenues primarily related to reimbursable agreements with other federal entities were construction projects (i.e., trail rehabilitation) and research and work in support of the Clean Water and Air Act.

The costs associated with acquiring, constructing, and renovating heritage assets were \$172,490 thousand and \$116,084 thousand as of September 30, 2005, and 2004, respectively. The costs associated with acquiring and improving stewardship lands were \$54,906 thousand and \$86,520 thousand for the years ended September 30, 2005, and 2004, 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, 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
<b>Resource Protection</b>										
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
<b>Recreation</b>										
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
<b>Serving Communities</b>										
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
<b>Reimbursable Activity and Other</b>										
Intragovernmental Costs	0	0	0	0	0	0	0	0	0	0
Public Costs	0	0	0	0	0	0	0	0	0	0
Total Costs	0	0	0	0	0	0	0	0	0	0
Intragovernmental Earned Revenue	0	0	0	0	0	0	0	0	0	0
Public Earned Revenue	0	0	0	0	0	0	0	0	0	0
Total Earned Revenue	0	0	0	0	0	0	0	0	0	0
Net Costs	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>										
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



**Department of the Interior, National Park Service, Public/Governmental Net Cost Disclosure for the Year Ended September 30, 2004 (dollars in thousands)**

	NORTH- EAST REGION	SOUTH- EAST REGION	MID- WEST REGION	INTER- MOUNTAIN REGION	PACIFIC WEST REGION	ALASKA REGION	NATIONAL CAPITAL REGION	SUPPORT OFFICES	GRANTS PROGRAMS	TOTAL PROGRAMS
<b>Resource Protection</b>										
Intragovernmental Costs	\$ 27,964	\$ 29,028	\$ 15,005	\$ 35,477	\$ 35,039	\$ 11,985	\$ 10,203	\$ 4,224	\$ 0	\$ 168,925
Public Costs	120,194	96,936	76,975	128,770	112,235	38,458	39,445	14,256	0	627,269
Total Costs	148,158	125,964	91,980	164,247	147,274	50,443	49,648	18,480	0	796,194
Intragovernmental Earned Revenue	2,790	337	765	1,706	1,171	11	175	0	0	6,955
Public Earned Revenue	5,615	8,168	2,798	20,193	17,153	394	333	7	0	54,661
Total Earned Revenue	8,405	8,505	3,563	21,899	18,324	405	508	7	0	61,616
Net Costs	139,753	117,459	88,417	142,348	128,950	50,038	49,140	18,473	0	734,578
<b>Recreation</b>										
Intragovernmental Costs	46,790	36,737	24,734	58,807	65,160	13,527	24,492	10,731	0	280,978
Public Costs	191,194	136,545	110,915	229,285	206,767	39,888	100,791	27,836	213,570	1,256,791
Total Costs	237,984	173,282	135,649	288,092	271,927	53,415	125,283	38,567	213,570	1,537,769
Intragovernmental Earned Revenue	1,610	1,281	1,219	2,697	1,015	44	753	0	4,686	13,305
Public Earned Revenue	25,682	13,586	8,222	76,758	48,229	8,332	4,090	20	0	184,919
Total Earned Revenue	27,292	14,867	9,441	79,455	49,244	8,376	4,843	20	4,686	198,224
Net Costs	210,692	158,415	126,208	208,637	222,683	45,039	120,440	38,547	208,884	1,339,545
<b>Serving Communities</b>										
Intragovernmental Costs	16,741	17,349	11,048	30,343	31,433	3,961	6,008	4,479	0	121,362
Public Costs	62,018	48,151	37,810	73,538	97,217	16,725	30,587	22,974	0	389,020
Total Costs	78,759	65,500	48,858	103,881	128,650	20,686	36,595	27,453	0	510,382
Intragovernmental Earned Revenue	1,364	494	387	699	1,125	17	391	0	0	4,477
Public Earned Revenue	447	154	49	1,087	880	34	103	6	0	2,760
Total Earned Revenue	1,811	648	436	1,786	2,005	51	494	6	0	7,237
Net Costs	76,948	64,852	48,422	102,095	126,645	20,635	36,101	27,447	0	503,145
<b>Reimbursable Activity and Other</b>										
Intragovernmental Costs	736	337	637	1,944	4,192	218	384	89	0	8,537
Public Costs	7,040	20,039	3,453	6,412	18,987	2,139	6,852	5,117	0	70,039
Total Costs	7,776	20,376	4,090	8,356	23,179	2,357	7,236	5,206	0	78,576
Intragovernmental Earned Revenue	4,801	3,352	1,666	5,058	13,688	1,371	6,154	4,132	0	40,222
Public Earned Revenue	3,117	16,810	2,063	2,556	10,689	707	1,265	1,045	0	38,252
Total Earned Revenue	7,918	20,162	3,729	7,614	24,377	2,078	7,419	5,177	0	78,474
Net Cost (Revenue)	(142)	214	361	742	(1,198)	279	(183)	29	0	102
<b>TOTAL</b>										
Intragovernmental Costs	92,231	83,451	51,424	126,571	135,824	29,691	41,087	19,523	0	579,802
Public Costs	380,446	301,671	229,153	438,005	435,206	97,210	177,675	70,183	213,570	2,343,119
Total Costs	472,677	385,122	280,577	564,576	571,030	126,901	218,762	89,706	213,570	2,922,921
Intragovernmental Earned Revenue	10,565	5,464	4,037	10,160	16,999	1,443	7,473	4,132	4,686	64,959
Public Earned Revenue	34,861	38,718	13,132	100,594	76,951	9,467	5,791	1,078	0	280,592
Total Earned Revenue	45,426	44,182	17,169	110,754	93,950	10,910	13,264	5,210	4,686	345,551
<b>NET COST OF OPERATIONS</b>	<b>\$ 427,251</b>	<b>\$ 340,940</b>	<b>\$ 263,408</b>	<b>\$ 453,822</b>	<b>\$ 477,080</b>	<b>\$ 115,991</b>	<b>\$ 205,498</b>	<b>\$ 84,496</b>	<b>\$ 208,884</b>	<b>\$ 2,577,370</b>

## NOTE 17. LEASES

### Capital Lease Liabilities

<b>Capital Lease (Non-Federal)</b> <b>(dollars in thousands)</b>		
CAPITAL LEASES	FY 2005	FY 2004
Summary of Capital Leases:		
Building	\$ 28,000	\$ 28,000
Accumulated Amortization	(3,500)	(2,100)
<b>BUILDING, NET:</b>	<b>\$ 24,500</b>	<b>\$ 25,900</b>

The National Park Service reports the capital lease building and the associated accumulated amortization in General Property, Plant and Equipment, Net on the Consolidated Balance Sheet. The National Park Service has recognized a Non-Federal capital lease liability in the amount of \$26,252 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 2005 REAL PROPERTY
2006	\$ 1,997
2007	1,997
2008	2,084
2009	2,172
2010	2,172
After 5 Years	29,629
Total Future Lease Payments	40,051
Less: Imputed Interest	(13,799)
<b>Net Capital Lease Liability</b>	<b>\$ 26,252</b>
Lease Liabilities Covered by Budgetary Resources	\$ 0
Lease Liabilities Not Covered by Budgetary Resources	\$ 26,252

### 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 2006 through 2010. The estimated future lease payments for GSA real property leases are based on a 1.5 percent increase over the 2005 actual space rental expense for 2006 and a 2.4 percent increase for all periods after 2006. 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 2006 through 2010. The estimated future operating lease payments for GSA personal property leases are based on a 1.5 percent increase over the 2005 actual personal property rental expense for 2006 and a 2.4 percent increase for all periods after 2006.

#### 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	
2006	\$ 47,957	\$ 2,145	\$ 25,767	\$ 174	\$ 76,043
2007	49,108	1,954	26,385	40	77,487
2008	50,287	1,552	27,018	9	78,866
2009	51,494	1,436	27,667	2	80,599
2010	52,729	1,378	28,331	0	82,438
Thereafter	0	154,102	0	0	154,102
<b>TOTAL FUTURE LEASE PAYMENTS</b>	<b>\$ 251,575</b>	<b>\$ 162,567</b>	<b>\$ 135,168</b>	<b>\$ 225</b>	<b>\$ 549,535</b>



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

Funds controlled by the Department of the Interior are transferred to the National Park Service for the purchase of land, grants to state and local government, cleanup of hazardous material, and other purposes as deemed appropriate. The NPS also transfers out certain monies to other Department of Interior agencies and other federal entities for similar purposes. The amount transferred to the NPS, and from other agencies, as of September 30, 2005, and 2004, is as follows:

<b>Transfers In/Out Without Reimbursement (dollars in thousands)</b>		
TRANSFERS - IN	FY 2005	FY 2004
Bureau of Land Management	\$ 8,449	\$ 16,975
DOT, Federal Lands Highway	58,572	30,330
Fish and Wildlife Service	2,583	2,478
Other Agencies	2,858	3,215
<b>SUBTOTAL TRANSFERS - IN</b>	<b>\$ 72,462</b>	<b>\$ 52,998</b>
<b>TRANSFERS - OUT</b>		
Department of Agriculture, Forest Service (L&WCF)	\$ (119,805)	\$ (131,691)
Bureau of Land Management (L&WCF)	(11,350)	(18,600)
Fish and Wildlife Service (L&WCF)	(186,993)	(221,419)
Other Agencies	(59)	(13,296)
<b>SUBTOTAL TRANSFERS - OUT</b>	<b>\$ (318,207)</b>	<b>\$ (385,006)</b>
<b>NET TRANSFERS IN/OUT WITHOUT REIMBURSEMENT</b>	<b>\$ (245,745)</b>	<b>\$ (332,008)</b>

**NOTE 19. STATEMENT OF BUDGETARY RESOURCES**

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

- 14X5057 Fee Collection Support
- 14X5262 National Park Passport Program
- 14X5049 Operation and Maintenance of Quarters
- 14X5431 Park 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.

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

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

<b>Obligations Incurred by Apportionment Category (dollars in thousands)</b>		
CATEGORY B	FY 2005	FY 2004
Obligations Incurred:		
Direct	\$ 2,763,444	\$ 2,641,082
Reimbursable	161,330	142,892
<b>TOTAL OBLIGATIONS INCURRED</b>	<b><u>\$ 2,924,774</u></b>	<b><u>\$ 2,783,974</u></b>

National Park Service unobligated unavailable balances are as follows:

<b>Unobligated Unavailable Balances (dollars in thousands)</b>		
	FY 2005	FY 2004
Unapportioned Amounts Unavailable for Future Apportionments	\$ 5,331	\$ 65
Expired Authority	19,944	26,550
<b>Unobligated Balance Unavailable</b>	<b><u>\$ 25,275</u></b>	<b><u>\$ 26,615</u></b>

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.

Certain lines on the FY 2004 Combined Statement of Budgetary Resources have been reclassified to be comparative with the FY 2005 Combined Statement of Budgetary Resources as a result of changes to the Treasury USSGL Crosswalk-SF 133: Report on Budget Execution and Budgetary Resources for FY 2005 Reporting.

**NOTE 20. OFFSETTING RECEIPTS**

The National Park Service has offsetting receipts of \$206,185 thousand and \$202,578 thousand for the years ended September 30, 2005, and 2004, 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 2005 RECONCILING DIFFERENCE	FY 2004 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.	\$ 299	\$ 218
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.	\$ 1,072	\$ 1,514
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.	\$ 101,988	\$ 106,721
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.	\$ 1,986	\$ 989
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.	\$ 424	\$ 271
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.	\$ 40,747	\$ 34,686

*Continued on following page*

**Transfer of Appropriations Where the National Park Service Is the Recipient (Child) - Continued from previous page**  
(dollars in thousands)

APPROPRIATION	TRADING PARTNER	NATURE AND PURPOSE OF TRANSFER	FY 2005 RECONCILING DIFFERENCE	FY 2004 RECONCILING DIFFERENCE
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.	\$ 10	\$ 328
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.	\$ 15,180	\$ 15,452

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 2005 RECONCILING DIFFERENCE	FY 2004 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.	\$ (28,335)	\$ (20,086)
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.	\$ (601)	\$ 137
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.	\$ (4,386)	\$ (14,061)
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.	\$ 50	\$ (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.	\$ (241)	\$ (425)
<b>TOTAL RECONCILING DIFFERENCES</b>			<b>\$ 128,193</b>	<b>\$ 125,694</b>



## **NOTE 22. DEDICATED COLLECTIONS**

The National Park Service considers the appropriations from the Land and Water Conservation Fund (L&WCF), Historic Preservation Fund (HPF), Cash Donations, Trust Fund Construction, and Birthplace of Abraham Lincoln to be dedicated collections. 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. The Historic Preservation Fund 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 intragovernmental flows. The funds are accounted for by the information provided by MMS and are reported as a restricted asset.

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

The tables on the following pages contain summarized data as of September 30, 2005, and 2004, respectively (in thousands):

Department of the Interior, National Park Service  
Dedicated Collections as of September 30, 2005  
(dollars in thousands)

	LAND AND WATER CONSERVA- TION FUND	HISTORIC PRESERVA- TION FUND	CASH DONATIONS	BOYHOOD HOME OF ABRAHAM LINCOLN	TRUST FUND CONSTRUC- TION	FY 2005 TOTAL
<b>ASSETS</b>						
Fund Balance with Treasury	\$ 14,303,499	\$ 2,531,432	\$ 51,676	\$ 151	\$ 462	\$ 16,887,220
Accounts Receivable, Net	0	0	10	0	0	10
General Property, Plant, and Equipment, Net	0	0	12,332	0	1,184	13,516
Other Assets	0	0	100	0	0	100
<b>TOTAL ASSETS</b>	<b>\$ 14,303,499</b>	<b>\$ 2,531,432</b>	<b>\$ 64,118</b>	<b>\$ 151</b>	<b>\$ 1,646</b>	<b>\$ 16,900,846</b>
<b>LIABILITIES</b>						
Accounts Payable	0	0	348	0	3	351
Other Liabilities			279	0	7	286
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>627</b>	<b>0</b>	<b>10</b>	<b>637</b>
Total Net Position	14,303,499	2,531,432	63,491	151	1,636	16,900,209
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 14,303,499</b>	<b>\$ 2,531,432</b>	<b>\$ 64,118</b>	<b>\$ 151</b>	<b>\$ 1,646</b>	<b>\$ 16,900,846</b>
<b>NET POSITION, BEGINNING OF FISCAL YEAR</b>	<b>\$ 13,859,218</b>	<b>\$ 2,453,491</b>	<b>\$ 52,001</b>	<b>\$ 156</b>	<b>\$ 1,861</b>	<b>\$ 16,366,727</b>
<b>Change in Net Position:</b>						
Royalties Retained	903,308	150,174	0	0	0	1,053,482
Non-exchange Revenue	0	0	27,579	0	0	27,579
Transfers - In/Out Without Reimbursement, Net	(459,027)	(72,233)	16	0	0	(531,244)
Exchange Revenue - Services Provided and Other	18	0	0	4	0	4
Program Expenses	0	0	(16,105)	(9)	(225)	(16,339)
<b>NET POSITION, END OF FISCAL YEAR</b>	<b>\$ 14,303,499</b>	<b>\$ 2,531,432</b>	<b>\$ 63,491</b>	<b>\$ 151</b>	<b>\$ 1,636</b>	<b>\$ 16,900,209</b>

**Department of the Interior, National Park Service**  
**Dedicated Collections as of September 30, 2004**  
(dollars in thousands)

	LAND AND WATER CONSERVA- TION FUND	HISTORIC PRESERVA- TION FUND	CASH DONATIONS	BOYHOOD HOME OF ABRAHAM LINCOLN	TRUST FUND CONSTRUC- TION	FY 2004 TOTAL
<b>ASSETS</b>						
Fund Balance with Treasury	\$ 13,859,218	\$ 2,453,491	\$ 47,509	\$ 91	\$ 1,695	\$ 16,362,004
Investments, Net	0	0	0	65	0	65
Accounts Receivable, Net	0	0	9	0	0	9
General Property, Plant, and Equipment, Net	0	0	5,110	0	186	5,296
Other Assets	0	0	31	0	0	31
<b>TOTAL ASSETS</b>	<b>\$ 13,859,218</b>	<b>\$ 2,453,491</b>	<b>\$ 52,659</b>	<b>\$ 156</b>	<b>\$ 1,881</b>	<b>\$ 16,367,405</b>
<b>LIABILITIES</b>						
Accounts Payable	0	0	460	0	3	463
Other Liabilities			197	0	17	214
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>657</b>	<b>0</b>	<b>20</b>	<b>677</b>
Total Net Position	13,859,218	2,453,491	52,002	156	1,861	16,366,728
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 13,859,218</b>	<b>\$ 2,453,491</b>	<b>\$ 52,659</b>	<b>\$ 156</b>	<b>\$ 1,881</b>	<b>\$ 16,367,405</b>
<b>NET POSITION, BEGINNING OF FISCAL YEAR</b>	<b>\$ 13,443,816</b>	<b>\$ 2,377,575</b>	<b>\$ 54,233</b>	<b>\$ 150</b>	<b>\$ 4,342</b>	<b>\$ 15,880,116</b>
<b>Change in Net Position:</b>						
Royalties Retained	903,516	150,164	0	0	0	1,053,680
Non-Exchange Revenue	0	0	19,468	0	0	19,468
Transfers - In/Out Without Reimbursement, Net	(488,114)	(74,248)	(3)	0	(2,145)	(564,510)
Services Provided and Other	0	0	0	8	0	8
Program Expenses	0	0	(21,696)	(2)	(336)	(22,034)
<b>NET POSITION, END OF FISCAL YEAR</b>	<b>\$ 13,859,218</b>	<b>\$ 2,453,491</b>	<b>\$ 52,002</b>	<b>\$ 156</b>	<b>\$ 1,861</b>	<b>\$ 16,366,728</b>

**NOTE 23. DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT (PRESIDENT'S BUDGET)**

The Statement of Budgetary Resources has been prepared to coincide with the amounts shown in the President's Budget. The FY 2007 President's Budget with the actual FY 2005 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 2006 President's Budget and the actual amounts in the FY 2004 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 2004 Combined Statement of Budgetary Resources  
and Budget of the United States Government (President's Budget)  
(dollars in millions)**

LINE ITEM	FY 2004 AMOUNT PER PRESIDENT'S BUDGET	FY 2004 AMOUNT PER STATEMENT OF BUDGETARY RESOURCES	DIFFERENCE
<b>BUDGETARY RESOURCES</b>			
Budget Authority:			
Appropriations Received	\$ 2,610	\$ 2,596	\$ 14 <sup>a</sup>
Contract Authority	30	0	30 <sup>b</sup>
Net Transfers, Current Year Authority	48	31	17 <sup>c</sup>
Unobligated Balance:			
Beginning of Fiscal Year	1,082	1,062	20 <sup>d</sup>
Net Transfers, Unobligated Balance, Actual	0	18	(18) <sup>c</sup>
Recoveries of Prior Year Obligations	15	25	(10) <sup>e</sup>
Temporarily Not Available Pursuant to Public Law	(6)	0	(6) <sup>f</sup>
Permanently Not Available	(56)	(35)	(21) <sup>f/g</sup>
<b>STATUS OF BUDGETARY RESOURCES</b>			
Obligations Incurred	2,796	2,784	12 <sup>d</sup>
Unobligated Balance	1,101	1,084	17 <sup>h</sup>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>			
Obligations Incurred	2,796	2,784	12 <sup>d</sup>
Outlays:			
Disbursements	\$ 2,736	\$ 2,712	\$ 24 <sup>a</sup>

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

Notes:

- a. The Concession Improvement Account is reported on the President's Budget and is not reported on the Combined Statement of Budgetary Resources.
- b. 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.
- c. The President's Budget has reported monies as current year transfers that has been reported as an unobligated balance transfer on the Combined Statement of Budgetary Resources.
- d. 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.
- e. Difference in reporting methods between the President's Budget and the Combined Statement of Budgetary Resources. Expired annual accounts are not reported on the President's Budget but are reported on the Combined Statement of Budgetary Resources.
- f. Monies reflected as temporarily not available on the President's Budget and as permanently not available on the Combined Statement of Budgetary Resources.

*continued on next page*




- g. 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 as \$6,000 thousand on the Combined Statement of Budgetary Resources.
- h. 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.

**NOTE 24. DONATED STEWARDSHIP ASSETS**

The National Park Service received donated stewardship assets with an estimated fair value of \$184,239 thousand and \$163,230 thousand as of September 30, 2005, and 2004, respectively.

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A photograph showing a balcony with intricate wrought-iron railings. A hanging basket of ferns is suspended from the ceiling. The scene is set against a clear, bright sky. The railing in the foreground has a repeating circular pattern, while the upper railing features a more complex, vine-like design.

Jean Lafitte National Historical Park and Preserve consists of Barataria, Chalmette, the French Quarter, and Acadian units, all areas impacted by Hurricane Katrina. National Park Service curators and museum specialists set up a "recovery" room in Natchez, Mississippi, to evaluate documents, photographs, and other historic items salvaged from Decatur Street in the French Quarter. NPS PHOTO

# Required Supplementary Stewardship Information

## (Unaudited - See Accompanying Independent Auditors' Report)

### STEWARDSHIP AND HERITAGE ASSETS

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

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

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

### NATIONAL PARK SERVICE STEWARDSHIP LAND

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

Subsets of lands within the authorized boundaries of the National Park System can have additional stewardship asset designations such as *wilderness area* and *wild and scenic river*. Stewardship areas

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

As of September 30, 2005, the 388 units of the National Park System contain a total of 84,552,321 acres within their boundaries. Of that total, 78,791,948 acres are owned by the United States in fee simple title, and 253,085 acres in less-than-fee title (i.e., scenic easements). Non-federal land within the NPS is either privately owned (4,298,106 acres) or owned by state and local governments (1,209,182 acres).

Subject to the availability of funds, privately owned land will be acquired when opportunities for acquisition arise, or when an owner uses or threatens to use his property in a manner not compatible with park purposes. Through acquisitions, status changes, withdrawals, and error corrections, the National Park Service added 35,101 acres and withdrew 12,741 acres during FY 2005. The accompanying table summarizes acreage ownership within park boundaries by type of park unit.

Examples of stewardship land additions in FY 2005 include the following:

- The National Park Service, with the assistance of The Conservation Fund and The Nature Conservancy, purchased 4,556 acres of timberland at Big Thicket National Preserve in the State of Texas.
- At Great Sand Dunes National Park two tracks of land totaling 3,816 acres were purchased from The Nature Conservancy.



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	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 Stewardship Land	Other stewardship land refers to units that cannot be readily included in any of the standard categories. Examples include: Catoctin Mountain Park, Maryland; Constitution Gardens, District of Columbia; National Capital Parks located in the District of Columbia, Maryland, and Virginia; the White House; the National Mall; and Wolf Trap Farm Park for the Performing Arts.

- Pursuant to Public Law 108-430, 15,309 acres of federal land authorized for transfer from the Bureau of Land Management were included in Petrified Forest National Park.
- For the Moccasin Bend Unit of Chickamauga and Chattanooga National Military Park, the National Park Service accepted donations totaling 625 acres from the State of Tennessee, Hamilton County, and the city of Chattanooga.
- The National Park Service purchased a 78.62-acre portion of the 550-acre Gillette Ranch from Soka University at Santa Monica Mountains National Recreation Area. The property, containing oak woodlands and historic structures, will serve as a principle visitor gateway and information center for more than 35 million annual visitors to the national recreation area.
- At Richmond National Battlefield Park, the National Park Service purchased a 254-acre tract from the Civil War Preservation Trust and accepted the donation of 104.53 acres from Wilton Development Corporation.
- Pursuant to Public Law 107-314 (December 2, 2002), a 3,398-acre tract of land at Prince William Forest Park was transferred to the Secretary of the Navy.
- At City of Rocks National Reserve, Public Law 106-421 (November 1, 2000) authorized the acquisition of a 1,240-acre ranch outside the boundary of the reserve for subsequent conveyance to the State of Idaho. Because the database incorrectly showed the ranch as being within the reserve boundary, when it was not, the correction resulted in a 1,240-acre decrease in total reserve acreage.
- Pursuant to Public Law 108-307 (September 24, 2004), (1) 267 acres authorized for transfer from the U.S. Fish and Wildlife Service were included in Harpers Ferry National Historical Park and (2) 511 federal acres were excluded from the Appalachian National Scenic Trail and included within the boundary of Harpers Ferry National Historical Park.
- Public Law 108-387 (October 30, 2004) abolished Fort Clatsop National Memorial and established Lewis and Clark National Historical Park to include the 157 acres of land formerly within the national memorial.

Land withdrawals or status changes occurred at several parks in FY 2005:

#### National Park System Stewardship Lands - Units and Acreage, FY 2005

Unit Type	Number Units	Beginning Acres	Additions	Withdrawals	Ending Acres	Total Non-Federal Acres	Combined Total Acres	Condition
International Historic Sites	1	28	0	0	28	17	45	Acceptable
National Battlefields	11	12,315	75	(40)	12,350	1,760	14,110	Acceptable
National Battlefield Parks	4	8,781	358	(22)	9,117	5,968	15,085	Acceptable
National Historic Sites	77	21,803	127	(108)	21,822	15,864	37,686	Acceptable
National Historical Parks	42	121,816	1,944	(3)	123,757	45,895	169,652	Acceptable
National Lakeshores	4	145,872	85	0	145,957	83,009	228,966	Acceptable
National Memorials	28	8,190	85	(157)	8,118	2,467	10,585	Acceptable
National Military Parks	9	36,721	652	0	37,373	3,403	40,776	Acceptable
National Monuments	73	2,097,055	161	(3)	2,097,213	179,798	2,277,011	Acceptable
National Parks	58	49,886,391	21,568	(134)	49,907,825	2,181,190	52,089,015	Acceptable
National Parkways	4	165,841	257	(34)	166,064	10,513	176,577	Acceptable
National Preserves	18	22,032,715	8,118	(6,591)	22,034,242	2,116,806	24,151,048	Acceptable
National Recreation Areas	18	3,390,987	258	(29)	3,391,216	301,529	3,692,745	Acceptable
National Reserves	2	13,176	293	(1,240)	12,229	21,202	33,431	Acceptable
National Rivers	5	319,932	7	(320)	319,619	106,734	426,353	Acceptable
National Scenic Trails	3	169,501	741	(592)	169,650	67,844	237,494	Acceptable
National Seashores	10	479,289	7	0	479,296	115,715	595,011	Acceptable
National Wild & Scenic Rivers	10	73,887	259	0	74,146	245,768	319,914	Acceptable
Other Stewardship Land	11	38,373	106	(3,468)	35,011	1,806	36,817	Acceptable
<b>Total</b>	<b>388</b>	<b>79,022,673</b>	<b>35,101</b>	<b>(12,741)</b>	<b>79,045,033</b>	<b>5,507,288</b>	<b>84,552,321</b>	

Other changes included the following:

- President William Jefferson Clinton signed Public Law 103-32 on May 25, 1993, authorizing the American Battle Monuments Commission (ABMC) to establish a World War II Memorial in Washington, D.C., or its environs. It is the first national memorial dedicated to all who served during World War II and acknowledging the commitment and achievement of the entire nation. Construction of the memorial on the Federal Mall was completed in the spring of 2004 and transferred to the NPS in FY 2005. Because the site for the memorial was located on land already in federal ownership, no land acquisition was necessary. When the acreage of the memorial is determined, the acreage of the Federal Mall, also a unit of the National Park System, will be adjusted accordingly.

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

#### **WILDERNESS AREAS**

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

Legislation is the only mechanism to increase or decrease wilderness acreage. Minor fluctuations in acreage may also occur as the parks possess the ability to more accurately map the land using

improved technology. In the United States, there are more than 105 million acres of federal land designated as wilderness by legislation under the management of the National Park Service, the U.S. Forest Service, the U.S. Fish and Wildlife Service, and the Bureau of Land Management.

Because of the abundance of NPS wilderness acreage in Alaska, the National Park Service manages the greatest proportion of wilderness areas, more than 40 percent of the entire National Wilderness Preservation System. This includes about 44 million acres within 47 different NPS areas. At the end of FY 2004, wilderness areas accounted for 43,602,323 acres.

During 2005 the 33,500-acre Gaylord A. Nelson Wilderness in Apostle Islands National Lakeshore was designated by the Gaylord A. Nelson Apostle Islands National Lakeshore Wilderness Act, part of Public Law 108-447. The Cumberland Island Wilderness Boundary Adjustment Act of 2004, also contained in Public Law 108-447 Omnibus Appropriations, adjusted the wilderness boundaries created at Cumberland Island National Seashore by amending Public Law 97-250. The original designation created 8,840 acres of wilderness and an additional 11,718 acres as potential wilderness. The new designation created 9,886 acres of wilderness and an additional 10,500 of potential wilderness, thereby increasing the designated wilderness acreage at Cumberland Island National Seashore by 1,046, to 9,886. Total designated wilderness acres expanded by 34,546. No acres were withdrawn. As of September 30, 2005, the designated wilderness within the National Park System totaled 43,636,869 acres.

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

#### **NATIONAL WILD AND SCENIC RIVERS SYSTEM**

Rivers must meet eligibility and suitability criteria before addition to the National Wild and Scenic Rivers System. For a river to be eligible, it must exist in a free-flowing condition and possess one or more of the following values to a remarkable degree:

scenic, recreation, geologic, fish and wildlife, historic, cultural, or other similar values. Suitability is based on the extent of public lands in the immediate environment of the river; funds required for acquisition, development, and management; and local or state interest in acting to protect and manage the river.

Studies to determine eligibility and suitability may be the responsibility of either the Department of the Interior, Department of Agriculture, or the shared responsibility of both agencies. Wild and Scenic studies are presented to Congress with a Presidential recommendation. Congress then decides whether or not to add the

### National Park System Wilderness Areas

State	Wilderness Area	Park Unit	FY 2004 Acreage	FY 2005 Additions	FY 2005 Withdrawals	FY 2005 Total
Alaska	Denali	Denali National Park	2,146,580	0	0	2,146,580
	Gates of the Arctic	Gates of the Arctic National Park	7,245,600	0	0	7,245,600
	Glacier Bay	Glacier Bay National Park and Preserve	2,664,876	0	0	2,664,876
	Katmai	Katmai National Park and Preserve	3,384,358	0	0	3,384,358
	Kobuk Valley	Kobuk Valley National Park	174,545	0	0	174,545
	Lake Clark	Lake Clark National Park	2,619,550	0	0	2,619,550
	Noatak	Noatak National Preserve	5,765,427	0	0	5,765,427
	Wrangell-St. Elias	Wrangell-St. Elias National Park and Preserve	9,078,675	0	0	9,078,675
Arkansas	Buffalo National River	Buffalo National River	34,933	0	0	34,933
Arizona	Chiricahua	Chiricahua National Monument	10,290	0	0	10,290
	Organ Pipe Cactus	Organ Pipe Cactus National Monument	312,600	0	0	312,600
	Petrified Forest	Petrified Forest National Park	50,260	0	0	50,260
	Saguaro	Saguaro National Park	70,905	0	0	70,905
California	Ansel Adams	Devils Postpile National Monument	747	0	0	747
	Death Valley	Death Valley National Park	3,128,028	0	0	3,128,028
	Joshua Tree	Joshua Tree National Park	557,802	0	0	557,802
	Lassen Volcanic	Lassen Volcanic National Park	78,982	0	0	78,982
	Lava Beds	Lava Beds National Monument	28,460	0	0	28,460
	Mojave	Mojave National Preserve	695,200	0	0	695,200
	Philip Burton	Point Reyes National Seashore	25,952	0	0	25,952
	Pinnacles	Pinnacles National Monument	15,985	0	0	15,985
	Sequoia-Kings Canyon	Sequoia-Kings Canyon National Park	723,036	0	0	723,036
	Yosemite	Yosemite National Park	704,624	0	0	704,624
Colorado	Black Canyon of the Gunnison	Black Canyon of the Gunnison National Park	15,599	0	0	15,599
	Great Sand Dunes	Great Sand Dunes National Park	75,225	0	0	75,225
	Indian Peaks	Rocky Mountain National Park	2,917	0	0	2,917
	Mesa Verde	Mesa Verde National Park	8,500	0	0	8,500
Florida	Marjory Stoneman Douglas	Everglades National Park	1,296,500	0	0	1,296,500
Georgia	Cumberland Island	Cumberland Island National Seashore	8,840	1,046	0	9,886
Hawaii	Haleakala	Haleakala National Park	24,719	0	0	24,719
	Hawaii Volcanoes	Hawaii Volcanoes National Park	130,790	0	0	130,790
Idaho	Craters of the Moon	Craters of the Moon National Monument	43,243	0	0	43,243
Michigan	Isle Royale	Isle Royale National Park	132,018	0	0	132,018
Mississippi	Gulf Islands	Gulf Islands National Seashore	4,080	0	0	4,080
Nevada	Death Valley	Death Valley National Park	125,000	0	0	125,000
	Lake Mead	Lake Mead National Recreation Area	184,439	0	0	184,439
New Mexico	Bandelier	Bandelier National Monument	23,267	0	0	23,267
	Carlsbad Caverns	Carlsbad Caverns National Park	33,125	0	0	33,125
New York	Fire Island	Fire Island National Seashore	1,380	0	0	1,380
North Dakota	Theodore Roosevelt	Theodore Roosevelt National Park	29,920	0	0	29,920
South Carolina	Congaree Swamp	Congaree National Park	15,010	0	0	15,010
South Dakota	Badlands	Badlands National Park	64,144	0	0	64,144
Texas	Guadalupe Mountains	Guadalupe Mountains National Park	46,850	0	0	46,850
Virginia	Shenandoah	Shenandoah National Park	79,579	0	0	79,579
Washington	Mount Rainier	Mount Rainier National Park	228,480	0	0	228,480
	Olympic	Olympic National Park	876,669	0	0	876,669
	Stephen Mather	North Cascades National Park	634,614	0	0	634,614
Wisconsin	Gaylord A. Nelson	Apostle Islands National Lakeshore	0	33,500	0	33,500
<b>Total Acreage</b>			<b>43,602,323</b>	<b>34,546</b>	<b>0</b>	<b>43,636,869</b>

Note: Acreage is reported within the respective National Park System unit by state.



river to the National Wild and Scenic Rivers System. There is no legal precedent for removing rivers from the system. A second path to designation, under Section 2(a)(ii) of the Wild and Scenic Rivers Act (1968), is for a governor to request federal designation of a state-designated, state-administered Wild and Scenic River, and for the Secretary of the Interior, after study, to designate that river. Seventeen rivers have entered the National Wild and Scenic Rivers System in this way.

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

Croix National Scenic Riverway, Missouri National Recreational River, Niobrara National Scenic Riverway, Obed Wild and Scenic River, Rio Grande Wild and Scenic River, and Upper Delaware Scenic and Recreational River.

There are four agencies that administer the federally-administered components of the system: Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Forest Service, and the National Park Service. State and local agencies administer the balance. Each river mile is classified as wild, scenic, or recreational. Each river may be composed of separate river segments and may be included in more than one National Park Service unit. For example, while the Delaware River is one river, it consists of two separate NPS units. The middle portion is the Delaware Water Gap National Recreation Area and the upper portion is the Upper Delaware Scenic and Recreational River.

#### National Wild and Scenic Rivers System Managed by the NPS

Year (est.)	River	Wild	Scenic	Recreational	Total Miles
1968	St. Croix, MN & WI	0	181.0	19.0	200.0
1968	Wolf, WI	0	24.0	0	24.0
1972	St. Croix (lower), MN & WI	0	12.0	15.0	27.0
1976	St. Croix (lower), MN & WI	0	0	25.0	25.0
1976	Obed, TN	43.3	2.0	0	45.3
1976	Flathead, MT	0	20.3	30.8	51.1
1978	Rio Grande, TX	95.2	96.0	0	191.2
1978	Missouri, NE & SD	0	0	59.0	59.0
1978	Delaware (upper), NY & PA	0	23.1	50.3	73.4
1978	Delaware (middle), NJ & PA	0	35.0	0	35.0
1980	Alagnak, AK	67.0	0	0	67.0
1980	Alatna, AK	83.0	0	0	83.0
1980	Aniakchak, AK	63.0	0	0	63.0
1980	Charley, AK	208.0	0	0	208.0
1980	Chilikadrotna, AK	11.0	0	0	11.0
1980	John, AK	52.0	0	0	52.0
1980	Kobuk, AK	110.0	0	0	110.0
1980	Mulchatna, AK	24.0	0	0	24.0
1980	Koyukuk (North Fork), AK	102.0	0	0	102.0
1980	Noatak, AK	330.0	0	0	330.0
1980	Salmon, AK	70.0	0	0	70.0
1980	Tinayguk, AK	44.0	0	0	44.0
1980	Tlikakila, AK	51.0	0	0	51.0
1981	Klamath, CA	0	0	1.0	1.0
1984	Tuolumne, CA	37.0	17.0	0	54.0
1986	Cache La Poudre, CO	12.0	0	0	12.0
1987	Merced, CA	53.0	14.0	14.0	81.0
1987	Kings, CA	49.0	0	6.5	55.5
1987	Kern, CA	27.0	0	0	27.0
1988	Bluestone, WV	0	10.0	0	10.0
1991	Missouri, NE & SD	0	0	39.0	39.0
1991	Niobrara, NE	0	68.0	28.0	96.0
1992	Great Egg Harbor, NJ	0	30.6	98.4	129.0
<b>Total Miles</b>		<b>1,531.5</b>	<b>533.0</b>	<b>386.0</b>	<b>2,450.5</b>

Besides preserving specimens of mineralized logs more than 22 million years old, Petrified Forest National Park contains artifacts, pictographs, and pueblo ruins of ancestral Pueblo tribes and early Navajos, as well as evidence of Archaic Man and pit houses constructed by the Basket Maker II society. NPS PHOTO



Furthermore, the lower portion is a Partnership Wild & Scenic River, which is held in private ownership, is not a NPS unit, and is excluded from the FY 2005 list of rivers.

In FY 2004, the National Park Service reported total miles for the 41 river segments for which the NPS has some management responsibility. In FY 2005 the NPS is changing the reporting methodology to include only those rivers and river miles that are on NPS lands and for which the NPS has sole management responsibility; not the total designated river mileage that was reported in prior years. Therefore, the FY 2005 list includes information for 33 of the previously reported 41 river segments, a decrease of 8 river segments. The total mileage for these 33 river segments in FY 2004 was 2,628.4. In FY 2005 the total mileage is 2,450.5, a decrease of 177.9 miles, which is primarily due to change in mileage for the Flathead River. In FY 2004 the NPS reported the total river miles of 219.0 for the Flathead River. In FY 2005 the NPS is reporting the 51.1 miles for which it has sole responsibility—a decrease of 167.9 miles. The U.S. Forest Service has responsibility for the balance. During FY 2005 there were no new designations for National Park Service administration of national wild and scenic rivers.

#### **ARCHEOLOGICAL SITES**

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

More than 305 park units of the National Park System contain archeological sites. Examples include prehistoric shell middens at Acadia National Park in Maine and Golden Gate National Recreation Area in California; multi-storied prehistoric stone structures high in the cliffs at Mesa Verde National Park in Colorado and Canyon de Chelly National Monument in Arizona; an ancient ball court at Casa Grande Ruins National Monument; amazing artwork at Petroglyph National Monument in New Mexico, Petrified Forest National Park in Arizona, and Joshua Tree National Park in California; an obsidian quarry at Yellowstone National Park; earthen mounds at Congaree Swamp National Monument in South Carolina and Hopewell Culture National Historical Park in Ohio; early historic European sites at Jamestown National Historic Site in Virginia and Virgin

Islands National Park in the Virgin Islands; early African American sites at Charles Pinckney National Historical Site in South Carolina and Colonial National Historical Park in Virginia; and later historic period sites at Keweenaw National Historical Park in Michigan and Fort Vancouver National Historic Site in Washington.

Most archeological sites on NPS land are managed by preserving them in place, unless there is a good reason to excavate or otherwise disturb them. Scientific research, including survey and excavation, also may occur at archeological sites after a permit has been approved. Sites typically are excavated when they will be damaged or destroyed by planned management actions, such as unavoidable construction. Excavations may be warranted when important scientific or historical information is needed, when such work will provide important interpretive information, or when sites are threatened by modern development, operations, or uncontrollable natural or human causes, such as erosion or looting, and they cannot be stabilized or otherwise protected. The data, artifacts, associated records, and other materials recovered from archeological sites are preserved and managed as part of the NPS museum collections. These items critical to archeological interpretation, heritage interests, and education are collectible heritage assets.

The National Park Service estimates that as many as 1.5 million archeological sites may exist within units of the National Park System. A Servicewide archeological site estimation project is being finalized to verify this figure. At least 65,000 of these sites have been identified, and in FY 2005, 63,007 sites are recorded in a national archeological database—the Archeological Sites Management Information System (ASMIS), a distributed data collection system. Each park enters its archeological data into a local copy of the ASMIS application and sends its dataset to the regional ASMIS coordinator once a year. These coordinators compile the datasets and transmit them to the ASMIS national coordinator by an annual deadline. In FY 2005 as in previous years, the information is representative of that compiled from June 30 of the prior year to June 30 of the current year. System and process changes are being implemented, so

that quarterly reporting for the fiscal year will become available in FY 2006.

The need for park inventories of archeological sites has been emphasized by the NPS since 1992. New sites are discovered on park lands annually through inventory projects, compliance work, research, or inadvertent discovery by park staff, research professionals, or the public. New sites may also be acquired when lands are transferred to the NPS. Sites may be withdrawn from the national inventory each year when they are found to be destroyed either by natural or human forces, or when land that contains archeological sites is transferred out of the National Park System.

As reported in FY 2004, the NPS had 60,855 site records in ASMIS. During the FY 2005 reporting cycle, 3,746 site records were added and 1,594 site records were withdrawn, primarily as baseline changes and deletions, leaving an ending balance of 63,007 site records. In February 2005, a tracking system was added to ASMIS which provides the capability to account for specific types of record transactions.

Site record additions occurred for the following reasons: backlog data entry, newly discovered sites, sites on land transferred to the NPS, a single site split into multiple sites, sites in the shadow database changed to accountable sites, other reasons, and sites added before the tracking system was implemented. Baseline changes and deletions occurred for the following reasons: correction of clerical error, merge of multiple sites into a single site, voided and deleted site records prior to tracking system, removal of duplicate site record, renumbering of site records, site record reclassification so that the NPS is not accountable for a site because it is not on NPS land or other reasons, and sites determined to be destroyed.

Standardized management information is collected for all sites and recorded in the ASMIS database. Information regarding site condition, however, is currently available for approximately 52 percent of the recorded sites. Efforts continue to verify and validate existing condition information for archeological sites, and to assess known sites for which condition information presently is unavailable. These efforts are

limited, however, by the remoteness of many sites, the lack of staff to visit the sites, and the large number of sites to visit. Of the 63,007 sites with a condition assessment, 26 percent are in good condition; 19 percent are in fair condition; 7 percent are in poor condition; and 48 percent were of unknown condition.

Condition information for archeological sites is defined as follows:

- (a) A site in good condition shows no evidence of noticeable deterioration by natural forces and/or human activities. The site is considered currently stable, and its present archeological values are not threatened. No adjustments to the currently prescribed site treatment actions are required in the near future to maintain the site's present condition.
- (b) A site in fair condition shows evidence of deterioration by natural forces and/or human activities. If the identified threats continue without appropriate corrective action, the site will degrade to poor condition.
- (c) A site in poor condition shows evidence of severe deterioration by natural forces and/or human activities. If the identified threats continue without appropriate corrective action, the site is likely to undergo further degradation, and the site's data potential for historical or scientific research value will be lost.

In the fourth quarter of FY 2005, several hurricanes seriously affected a number of parks. At present, it is not possible to know precisely what effect the hurricanes had on specific archeological sites until on-site inspections can be conducted by NPS archeologists. Common types of damage that may be found include the following: tree throws in which extensive tree root

systems that spread through archeological sites are pulled out of the ground in flooded, unstable soils; storm surge scouring and erosion; seabed shifting and new current patterns that can affect both submerged and beachfront sites; structural deterioration; sedimentation; and vegetation loss.

Archeological site inspections will need to be conducted in each affected park following determination if all known archeological sites might have been affected by the hurricanes or only those in specific areas of the parks. In addition to assessing site condition, the inspection should include an estimate for any additional documentation and stabilization work necessary to prevent further site damage. These costs will depend on the extent of damage, the ease with which the site can be reached for subsequent stabilization work, and the extent of stabilization that is needed.

Access to these parks is currently controlled by an Incident Command team, which must request any inspection or study. To date, the team has requested assistance from archeologists in the National Capital and Southeast Regions, who have visited five sites at Gulf Islands National Seashore (GUIS) and one site at Jean Lafitte National Historical Park and Preserve (JELA). The condition assessments will be entered into ASMIS in a timely fashion in FY 2006.

### CULTURAL LANDSCAPES

*Cultural landscapes* are geographic areas that include both natural and cultural resources. Cultural landscapes are complex resources that range in size from large rural tracts of several thousand acres to small formal gardens. The Department of the Interior recognizes four general types of

**Condition of National Park Service Archeological Sites**

FISCAL YEAR	NUMBER OF SITES	SITES IN GOOD CONDITION	SITES IN FAIR CONDITION	SITES IN POOR CONDITION	SITES IN UNKNOWN CONDITION
2001	55,733	9,504	7,823	2,774	35,632
2002	55,791	10,144	8,175	2,983	34,489
2003	57,752	11,891	9,519	3,485	32,857
2004	60,855	14,301	10,609	4,201	31,744
2005	63,007	16,211	11,893	4,433	30,470



cultural landscapes, which are not mutually exclusive:

- **Historic Site**—a landscape significant for its association with a historic event, activity, or person.
- **Historic Designed Landscape**—a landscape significant as a design or work of art; was consciously designed and laid out either by a master gardener, landscape architect, architect, or horticulturist to a design principle, or by an owner or other amateur according to a recognized style or tradition; has a historical association with a significant person, trend, or movement in landscape gardening or architecture, or a significant relationship to the theory or practice of landscape architecture.
- **Historic Vernacular Landscape**—a landscape whose use, construction, or physical layout reflects endemic traditions, customs, beliefs, or values; in which the expression of cultural values, social behavior, and individual actions over time is manifested in physical features and materials and their interrelationships, including patterns of spatial organization, land use, circulation, vegetation, structures, and objects; in which the physical, biological, and cultural features reflect the customs and everyday lives of people.
- **Ethnographic Landscape**—areas containing a variety of natural and cultural resources that associated people define as heritage resources, including plant and animal communities, geographic features, and structures, each with their own special local names.

Landscapes are historically significant because they individually meet National Register of Historic Places (NRHP) criteria, are contributing elements of sites or districts that meet National Register criteria, or have value to associated communities. Landscapes that do not meet National Register criteria may be managed as cultural landscapes because of responsibilities established by legislation or through the park planning process. Such landscapes include reconstructed, or commemorative landscapes, as well as landscapes that have achieved significance within the last 50 years. The National Park Service categorizes

cultural landscapes as non-collectible heritage assets.

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

Landscapes are acquired through purchase or donation after legislated boundary expansions of parks or establishment of new parks. Newly acquired landscapes are added to the CLI only after sufficient research and evaluation is conducted to determine their eligibility for listing in the National Register of Historic Places, because of responsibilities established by legislation or decisions made through the park planning process. Previously acquired landscapes may be added to the CLI based on newly recognized association with significant events or people, or by their distinctive characteristics or values. A landscape's National Register eligibility is documented through consultation with the appropriate State Historic Preservation Office. Landscapes are removed from the CLI if the landscape has lost its integrity, if the National Park Service no longer maintains an enforceable legal interest, or if the landscape has been destroyed by natural occurrence or management decision.

At the end of FY 2004, there were 180 cultural landscapes on the CLI. During FY 2005, 78 cultural landscapes have been added to the CLI, and none have been removed. As of September 30, 2005, there were 258 cultural landscapes on the CLI. Of these landscapes, 95 (37%) were in good condition; 140 (54%) were in fair condition; 23 (9%) were in poor condition; and none were of unknown condition. No cultural landscapes that are on the CLI were damaged by hurricanes; however, as additional assessments are conducted, this status may change.

A landscape is in good condition if the landscape shows no clear evidence of major negative disturbance or deterioration by natural and/or human forces; if the cultural and natural values of the landscape are as

well preserved as can be expected under the given environmental conditions; and if no immediate corrective action is required to maintain its current condition. A landscape is in fair condition if the landscape shows clear evidence of minor disturbances and deterioration by natural and/or human forces, and some degree of corrective action is needed within three to five years to prevent further harm to its cultural and/or natural values. A landscape is poor condition if the landscape shows clear evidence of major disturbances and rapid deterioration by natural and/or human forces, and immediate corrective action is required to protect and preserve the remaining historic and natural values.

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

#### **HISTORIC AND PREHISTORIC STRUCTURES**

*Historic Structures* are constructed works consciously created to serve a human activity or purpose. These structures individually meet the National Register of Historic Places criteria or are contributing elements of sites or districts that meet National Register criteria. Structures that do not meet National Register criteria may be considered historic because of management responsibilities established by legislation or through park planning processes. Such structures include moved, reconstructed, or commemorative structures, as well as structures that have achieved significance within the last 50 years. The National Park Service categorizes historic and prehistoric structures as non-collectible heritage assets.

The List of Classified Structures (LCS) is an evaluated inventory of all historic and prehistoric structures in the National Park System in which the National Park Service has, or plans to acquire, any enforceable legal interest. Structures are acquired through purchase or donation after legislated boundary expansions of parks or establishment of new parks. Newly acquired structures are added to

the LCS only after sufficient research and evaluation is conducted to determine their eligibility for listing in the National Register of Historic Places, because of responsibilities established by legislation, or decisions made through the park planning process. Previously acquired structures may be added to the LCS based on newly recognized association with significant events or people, or by their distinctive characteristics or values. A structure's National Register eligibility is documented through consultation with the appropriate State Historic Preservation Office. Historic structures are removed from the LCS if the structure has lost its integrity, if the National Park Service no longer maintains an enforceable legal interest, or if the structure has been destroyed by natural occurrence or management decision.

At the end of FY 2004, there were 26,585 historic structures on the LCS. During FY 2005, 474 historic structures have been added to the LCS, and 180 structures have been removed. An additional 1,405 structures were withdrawn due to a change in accounting guidance that impacts the accounting treatment of those structures used by concessioners. Therefore, the total structures withdrawn in FY 2005 are 1,585. Of the 25,474 structures remaining at the end of FY 2005, 11,920 (47%) were in good condition; 9,287 (37%) were in fair condition; 3,403 (13%) were in poor condition; and 864 (3%) were of unknown condition.

Two of the structures removed from the LCS were the Ship Island 1853 Lighthouse Ruins and the Ship Island 1886 Lighthouse and Keeper's Quarters in the Mississippi District of the Gulf Islands National Seashore. These structures were destroyed during Hurricane Katrina.

The condition of historic structures in Jean Lafitte National Historical Park and Preserve, Louisiana, and the Mississippi District of Gulf Islands National Seashore were affected by Hurricane Katrina. Of the 17 structures in Jean Lafitte, one previously in good condition was downgraded to poor condition, and another previously in fair condition was also downgraded to poor condition. Condition of the other 15 structures in Jean Lafitte did not change. Of the six structures in the Mississippi District



Battered by Hurricane Katrina, the masonry fortification of Fort Massachusetts was one of numerous Gulf Coast sites that experienced serious storm damage. Constructed in 1859 to provide military protection for New Orleans and the Gulf Coast, Fort Massachusetts is now part of Gulf Islands National Seashore. NPS PHOTO

of Gulf Islands National Seashore, two were totally destroyed as noted in this report, and one in previously good condition was downgraded to poor condition. The condition of the remaining three structures in the Mississippi District of Gulf Islands did not change.

A structure is in good condition if the structure and its significant features are intact, structurally sound, and performing their intended purpose. The structure and its significant features need no repair or rehabilitation, but only routine or preventive maintenance. A structure is in fair condition if either (a) there are early signs of wear, failure, or deterioration though the structure, and its features are generally sound and performing their intended purpose; or (b) there is failure of a significant feature. A structure is in poor condition if either (a) the significant features are no longer performing their intended purpose; (b) significant features are missing; (c) deterioration or damage affects more than 25 percent of the structure; or (d) the structure or significant features show signs of imminent failure or breakdown.

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

#### **PALEONTOLOGICAL SITES**

There are 14 National Park Service units in which *paleontological resources* are specifically mentioned in their enabling legislation. The types of paleontological resources in the National Park Service are diverse and include fossil plants ranging from microscopic algae and pollen, to fossil leaves and petrified logs, and fossil animals ranging from marine shells to dinosaurs, to Ice Age mammals. Trace fossils such as tracks, burrows, and coprolites are also included. Many of the fossil resources protected and interpreted within the NPS are of international significance and are critical to the understanding of the history of life on earth. As of September 30, 2005, no new parks were authorized primarily for their paleontological resources, and none were withdrawn.



Because only 14 parks have enabling legislation that specifically identifies fossils as a significant resource, the recognition of fossils as an important natural resource is secondary and occurs after establishment of the park. Recognition of fossils as an important natural resource in many parks often results from the ongoing inventory of geologic resources and scientific study of geologic formations known to contain paleontological specimens. The documentation of fossils in parks is based on reviews of scientific papers concerning fossils in parks, the discovery of new fossils through the inventory process, or field work by researchers.

The identification of parks requiring more in-depth assessments of the nature and distribution of their paleontological resources through the inventory process is made following the preliminary determination that the park contains fossils. This process includes the formal documentation of a paleontological locality according to NPS standards and an evaluation of the condition of the locality. All records of fossils in parks are subject to verification by NPS or other professional paleontologists. The follow-up evaluation of the paleontological resources in the park may result in the determination that the initial identification of the materials as fossils was incorrect or erroneous. If the preliminary determination of the presence of fossils in a park is determined to be incorrect, the park will be withdrawn from the list of parks with paleontological resources.

Paleontological resources management in the NPS is a park-based program, with no program-specific Servicewide funding source available to parks. Park paleontological resources management activities are dependent upon the allocation of park base operations funding, or the acquisition of specific project funding from limited Servicewide or regional competitive natural resources management funding sources.

A paleontology locality is a spatially defined area from which a fossil (or fossils) is found, or has been recovered, whose geologic context and attributes have been documented for the purpose of scientific study, management, and/or interpretation.

Locality descriptions are unique to each locality, and attributes documented may include, but are not limited to: lithology, stratigraphic placement, topographic expression, types of fossils present, and any other attributes that aid in its recognition and may require management actions. The size of a locality is variable and determined by the nature of its fossils, their spatial distribution, and associated geologic context and attributes.

A paleontology locality may include fossils left *in situ*, a place where fossils are continuously exposed and have been and may continue to be collected and placed in museum collections, or the place where a fossil was found and removed, and no other fossils are present. The NPS retains records on all documented localities to maintain scientifically valuable information for future paleontological research and park management purposes, even in situations where all fossils have been removed from a locality, all fossils at a locality have been lost due to erosion, or a locality has been buried by natural geologic processes (e.g., landslides).

At the end of FY 2004, the NPS reported 3,685 paleontological localities in 30 parks. As of September 30, 2005, there are 3,170 documented paleontological localities in the National Park System based upon data provided by 35 parks. The reduction in the number of reported localities is primarily because of NPS implementation of a "Corrective Action Plan" in FY 2005 that required proper recordation and documentation of a paleontological locality before it is considered as part of the NPS inventory. Of the 1,101 localities reported as "withdrawals" from the inventory during the year, all such withdrawals occurred in the first three quarters of the fiscal year; 683 localities were withdrawn because they did not meet the documentation requirements, and 418 localities were withdrawn because of park database corrections, not the actual loss of localities. During the last quarter of FY 2005, many of the previously withdrawn localities were properly documented by park staff and added to the inventory.

During FY 2005, 586 localities were added to the NPS inventory. Parks reporting the addition of properly documented localities in FY 2005 include Badlands National



Park (42 localities), Big Bend National Park (97), Black Canyon of the Gunnison National Park (15), Bryce Canyon National Park (1), Curecanti National Recreation Area (22), Denali National Park & Preserve (1), Dinosaur National Monument (7), Florissant Fossil Beds National Monument (1), Guadalupe Mountains National Park (33), Joshua Tree National Park (1), New River Gorge National River (2), Petrified Forest National Park (232), Valley Forge National Historical Park (3), Wind Cave National Park (12), and Zion National Park (117).

Of the 3,170 localities reported in parks at the end of FY 2005, 38 percent (1,200) are in good condition; 3 percent (93) are in fair condition; 1 percent (34) is in poor condition, and 58 percent (1,843) are in unknown condition. The percent of documented localities reported in good condition decreased 8 percent from FY 2004 to the end of FY 2005 (46% to 38%). This decrease is a result of the NPS implementing condition assessment documentation standards in FY 2005 as part of the Corrective Action Plan, and the discovery and documentation of additional new localities which have not been formally evaluated for condition at this time because of park funding constraints. For the same reasons, the percent of localities in unknown condition increased to 58 percent at the end of FY 2005 compared to the reported 51 percent of localities in unknown condition in FY 2004. The NPS is striving to conduct condition assessments on localities currently in unknown condition as park funding permits. No paleontological localities in parks were adversely impacted by Hurricanes Katrina, Ophelia, or Rita in FY 2005.

The criteria for an assessment of condition are: (1) disturbance—the present condition of the site is evaluated in terms of the degree of human disturbance or abuse that is threatening or destroying the integrity of the locality. Examples include greater than normal rates of erosion resulting from human activity and illegal removal of fossils from a locality; (2) fragility—the locality is evaluated according to its ability to withstand damage. The vulnerability of a locality depends on the type of sediments that contain the fossil and their resistance to erosion, local rates of natural processes that cause erosion (i.e., rainfall and wind, and

the degree of exposure of a locality to these natural processes); (3) abundance of fossils; and (4) access to the site.

While there may be mitigation of threats to paleontological sites resulting from either natural or human-induced causes, maintenance is not usually a factor in the management of a paleontological site, unless a physical structure such as a fence or some type of protective structure has been placed over *in situ* fossils.

NPS paleontological resources management program highlights during FY 2005 include:

- Dedication and grand opening of the Thomas Condon Paleontology Center at John Day Fossil Beds National Monument on August 13, 2005. The facility provides for paleontology research, preservation, interpretation, and public enjoyment, and the museum exhibits interpret more than 40 million years based upon the results of paleontological, geological, and paleobiological research conducted in the region since the 1870s.
- Discovery of 232 paleontological localities in Petrified Forest National Park and the extraction of numerous scientifically important fossils threatened by erosion.
- Detailed photographic documentation, geologic mapping and salvage of the recently discovered, nearly perfectly preserved, footprint left by a theropod (a three-toed dinosaur about 70 million years old) in the Cantwell Formation at Denali National Park & Preserve.
- Discovery and documentation of 42 paleontological localities in Badlands National Park, and completion of field data acquisition on 108 acres in the fossiliferous Poleside Member of the Brule Formation in the park. Scientifically important fossils threatened by erosion or thefts were collected by researchers.
- Field survey and documentation of 37 fossil sites and additional investigations of fossiliferous geologic formations at Black Canyon of the Gunnison National Park and Curecanti National Recreation Area.
- Under the direction of park paleontologists, Student Conservation

Exhibits at the new Thomas Condon Paleontology Center at John Day Fossil Beds National Monument interpret complex themes, such as extinction and changing climates. Dedicated in summer of 2005, the facility is drawing researchers as well as tourists to learn more about the complete sequences of plant and animal fossils from the post-dinosaur "age of mammals." NPS PHOTO



Association and Geological Society of America Geocorps America Program interns evaluated the condition of at least 170 documented paleontological localities in Dinosaur National Monument, including entering site-specific data into the park's inventory and monitoring database.

- Publication of the Paleontological Resource Inventory and Monitoring Report for the Rocky Mountain Network (report includes published and unpublished literature reviews, interviews with experts, geologic maps, museum records research results, etc.), and completion of draft paleontological resource inventory reports for the National Capital Region, Upper Columbia Basin Network, Arches National Park and Grand Teton National Park.

### **NATIONAL HISTORIC LANDMARKS**

The Historic Sites Act of 1935 authorized the Secretary of the Interior to survey historic and archaeological sites, buildings, and objects for the purpose of 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's 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 CFR 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 designates national historic landmarks.

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, 2004, the National Park Service owned an estimated 177 national historic landmarks. During FY 2005 two NHLS were added to the NPS-owned list. One of the two additions, the Menard-Hodges Site at Arkansas Post, was an NHL prior to being acquired by the NPS in FY 2005. There were no deletions. At the end of FY 2005, the NPS owns an estimated 179 national historic landmarks.

#### National Historic Landmarks

STATE	NPS UNIT	CONDITION	LANDMARK	PROBLEM
Alaska	KLGO	Threatened	Chilkoot Trail and Dyea Site	Erosion of Dyea Town Site by River
Arizona	GRCA	Threatened	Grand Canyon Depot	Deterioration of Building
Arkansas	HOSP	Threatened	Bathhouse Row	Deterioration of Buildings
California	GOGA	Threatened	Wapama	Deterioration of Ship
Hawaii	KALE	Threatened	Kalaupapa Leprosy Settlement	Deterioration of Buildings
Indiana	INDU	Threatened	Joseph Bailly Homestead	Deterioration - To Be Addressed by Save America's Treasures Grant
Massachusetts	LOWE	Threatened	Lowell Locks and Canals Historic District	Deterioration from Fire
Massachusetts	BOST	Threatened	Boston Naval Shipyard	Fire and Deterioration
Massachusetts	SPAR	Threatened	Springfield Armory	Deterioration of Buildings
Michigan	KEWE	Threatened	Calumet	Deterioration
Michigan	KEWE	Threatened	Quincy Mining Company and Historic District	New Construction and Deterioration
Mississippi	N/A	Threatened	Siege and Battle of Corinth Historic District	Incompatible Development and New Construction
Montana	GLAC	Threatened	Great Northern Railway Buildings	Deterioration of Many Glacier Hotel and Two Medicine Store
New Mexico	PECO	Threatened	Glorieta Pass (Pigeon Ranch Adobe)	New Construction and Vibration from Heavy Truck Traffic
New Mexico	PECO	Threatened	Pecos Pueblo	Deterioration/Lack of Funds
Ohio	CUYA	Threatened	Ohio and Erie Canal	Erosion
Pennsylvania	FRHI	Threatened	Gallatin House	Deterioration and Subsidence

The National Park Service monitors the condition of all national historic landmarks on a continuing basis with surveys completed by their owners and managers at the end of even-numbered years. Forty-eight percent of national historic landmarks are owned privately. The federal government owns 16 percent, with approximately 40 percent of those owned by the National Park Service. States presently own 27 percent, and local jurisdictions own 7 percent. American Indian tribes own fewer than one percent. The remainder exists in multiple ownership.

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 “poor” category, and the watch and satisfactory categories are aggregated into the “good” category. The “fair” category is not used.

During FY 2005 several National Park Service units were impacted by multiple hurricanes in the Southeast and Intermountain regions. At this time, the regional offices are working with the NHL coordinators at the State Historic Preservation Offices (SHPO) to collect damage assessments and conduct surveys on NHLs in the affected states. These reports will be included in future reporting as they become available. Until then, the best available information indicates that at the end of FY 2005, 92 percent of the NHLs were listed in good condition, and 8 percent were in poor condition. In 2005, 17 NHLs owned at least partially by the National Park Service were listed in threatened condition (*see accompanying table*).

#### MUSEUM COLLECTIONS

National Park Service museum collections support the National Park Service mission to foster understanding, appreciation,

**National Park Service Non-Collectible Cultural and Natural Heritage Assets, FY 2005**

CATEGORY	HERITAGE ASSETS DESIGNATION	BEGINNING BALANCE (UNITS)	ADDITIONS (UNITS)	WITHDRAWALS (UNITS)	ENDING BALANCE (UNITS)	CONDITION OF UNITS (%)			
						GOOD	FAIR	POOR	UNKNOWN
Archeological Sites	Cultural	60,855	3,746	(1,594)	63,007	26%	19%	7%	48%
Cultural Landscapes	Cultural	180	78	0	258	37%	54%	9%	-
Historic and Prehistoric Structures <sup>1</sup>	Cultural	26,585	474	(1,585)	25,474	47%	37%	13%	3%
National Historic Landmarks	Cultural	177	2	0	179	92%	-	8%	-
National Park System (units)	Natural	387	2	(1)	388	100%	-	-	-
Paleontological Sites (localities) <sup>2</sup>	Natural	3,685	586	(1,101)	3,170	38%	3%	1%	58%
<b>TOTAL</b>		<u>91,869</u>	<u>4,888</u>	<u>(4,281)</u>	<u>92,476</u>				

Note: (1) The NPS adopted accounting guidance for concession assets and related liabilities effective October 1, 2004. As a result of adopting this guidance, the NPS reported Fiscal Year 2005 withdrawal of 1,405 units from the historic and prehistoric structures category.

(2) Paleontological site (locality) information is reported for all documented localities identified by parks. NPS results for the Government Results and Performance Act (GPRA) Goal 1a9 (Paleontological Localities) may differ because annual performance (percent of localities in good condition) is measured against a static baseline number of documented localities.





Mold and rust took their toll on an exhibit flooded by hurricane Katrina at Chalmette Battlefield in Jean Lafitte National Historical Park. Reproduction military uniforms were ruined. Original flintlock muskets, pistols, swords, and scabbards were shipped to the Springfield Armory in Massachusetts for special treatment by the NPS gun conservator. NPS PHOTO BY SYLVIA FRYE, NATIONAL INCIDENT MANAGEMENT TEAM

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 359 NPS units and managed at 317 NPS locations, are important not only individually, but also 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, for research purposes, the public can directly access information in collections catalogs and other databases, as well as access the collections themselves.

Notable acquisitions in FY 2005 include 200 Ojibwe items and accompanying field records from a Minnesota ethnologist at Grand Portage National Monument; a set of stereocards featuring the exterior and interior of Lincoln Home from 1865 to the early 1900s at Lincoln Home National Historic Site; a Great Lakes lighthouse boat of the type used from the 1920s to 1950s adding to the largest permanent exhibit of historic Great Lakes vessels in the nation at Sleeping Bear Dunes National Lakeshore; a blanket that accompanied stamper Charles McDuffee to the Klondike Gold Fields in 1897 at Klondike Gold Rush National Historical Park; and artifacts from a boys club and other items associated with

the Wright brothers at Dayton Aviation Heritage National Historical 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. In addition, less than two percent of the items in NPS collections are on loan to 526 non-NPS partner facilities for short-term exhibit and use or long-term storage and research services. This figure increased from 490 reported in FY 2004.

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 70.5 percent of the applicable NPS standards (as of June 30, 2005). 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 359 park units administer NPS museum collections, some collections are physically co-located for management purposes. Information is provided for the 317 NPS physical locations. These 317 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 317 locations with collections, 154 (49 %) provide good conditions for the collections; 101 (32 %) provide fair conditions; and 62 (19 %) provide poor conditions. The deferred maintenance costs for the 317 NPS locations, based on the Departmental standards, total \$278,807,647.

Using the more comprehensive NPS Checklist standards, the deferred maintenance costs for the 317 NPS locations total \$426,680,186, including the cost of new or rehabilitated facilities (\$327,943,655) and supplies and equipment to furnish and maintain the facilities (\$98,736,531). Other deferred collections maintenance costs total an estimated \$64,192,464 including the annual cost of procedural operations (\$1,363,364), and non-recurring costs of professional assistance and planning (\$16,829,100), and conservation surveys and treatments (estimated at more than \$46,000,000). Costs for conservation surveys and treatments are based on

**Collectible Heritage Assets—Locations Housing National Park Service Assets, FY 2005**

Museum Collections	Beginning Collections	Additions	Withdrawals	Ending Collections	CONDITION OF FACILITY HOUSING COLLECTION <sup>1</sup>			
					Good (Meet >70%)	Fair (Meet 50 to 70%)	Poor (Meet <50%)	Not Yet Accessed
Held at NPS Facility	315	2	0	317	154	101	62	0
<b>TOTAL</b>	<u>315</u>	<u>2</u>	<u>0</u>	<u>317</u>	<u>154</u>	<u>101</u>	<u>62</u>	<u>0</u>

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

A cannon at Fort Jefferson in Dry Tortugas National Park was scoured by the sea and sand during Hurricane Katrina (left). Interim stabilization returned the cannon to its former appearance (right), but further treatment is required to ensure long-term stability in the marine environment. PHOTO COURTESY OF EVERGLADES NATIONAL PARK



extrapolated data from 118 park resource management plans and the 1997 survey of cellulose nitrate film in NPS collections. Parks are scheduled to provide updated estimates for conservation surveys and treatments in FY 2006.

Many parks modified their storage and exhibit conditions in FY 2005 to improve preservation and protection of the collections. For example, Adams National Historical Park installed vapor barriers over dirt floors at John Adams and John Quincy Adams Birthplaces in order to use dehumidifiers to regulate the environment; Friendship Hill National Historic Site installed firewalls, and fire secure doors to their more than 300-square-foot curatorial storage area; and John Day Fossil Beds National Monument opened a new research, curatorial, and education center with a fully equipped preparation laboratory and secure areas for collections storage, all visible to the public.

Parks worked with partners to further their museum collections programs. For example, Sitka National Historical Park, the Southeast Alaska Indian Cultural Center, and Sitka Tribe of Alaska completed a year-long cooperative research project to enhance documentation of 92 Tlingit and Haida spruce root baskets in the park's museum collection. Grant-Kohrs Ranch National Historic Site, through an agreement with Rocky Mountain Cooperative Ecosystem Studies Unit and Montana State University, produced a training video on Museum Integrated Pest Management and received scientific input on their own pest management plan. The video was distributed to Montana and Wyoming museums, county extension offices, and NPS staff in the

region. Valley Forge National Historical Park digitized more than 1,500 images and made them available through the NPS web catalog. The project was accomplished in cooperation with the Volunteer Senior Ranger Corps Program (a partnership program of the NPS), the National Park Foundation, and the Environmental Alliance for Senior Involvement.

Hurricanes Katrina and Rita impacted NPS collections in Florida, Louisiana, Mississippi, and Texas. Damage—but no losses—has been reported; however, assessments are not complete. At Dry Tortugas National Park, historic cannon at Fort Jefferson were damaged and stabilized. The stored object collection at Jean Lafitte National Historical Park and Preserve was undamaged, but moved to temporary off-site storage. Items on exhibit at Chalmette Battlefield were flooded and salvaged. High-value objects are receiving conservation treatment. At Gulf Islands National Seashore, flooded collections in the Davis Bayou Unit have been salvaged, stabilized, and moved to temporary off-site storage. Some, but not all, objects on exhibit at Fort Massachusetts on Ship Island have been assessed. The exhibits were severely damaged. 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 are undamaged.

#### 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. As a consequence, 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:

- Demographic monitoring, disease surveillance, and identifying an effective oral vaccine delivery mechanism for bison infected with bovine brucellosis in Grand Teton National Park. Bovine brucellosis causes reproductive failure in ungulates and has major economic implications for the regional, national, and international cattle industry. This work follows a recently adopted interagency management plan. The project's results will be used to develop effective strategies for addressing population and disease concerns, while providing for long-term bison conservation.
- Building on earlier work at Glacier Bay National Park and Preserve, working in conjunction with the USGS-BRD, detailed assessments of bear habitat and risk analyses are being conducted to finalize field assessment protocols necessary to understand bear/human interactions on park shorelines. These protocols will quantify biotic and physical variables of sites and overlay them with bear incident locations to develop a predictive model to assist in long-term management visitor safety, as well as bear displacement from important habitat.
- Study of the consequences of current and future changes to the ecology of wolves, elk, and vegetation in Yellowstone National Park arising from the reintroduction of gray wolves to the park. Based on a review by the National Research Council, projection of long-term conditions on the park's northern range will be difficult due to the degree of complexity that reintroduction of gray wolves has created in the Yellowstone ecosystem. This examination of elk calf mortality and estimates of the extent of wolf predation in relation to historic



mortality patterns (e.g., winterkill and other predators) is essential for the post-delisting management of wolves in the Greater Yellowstone Ecosystem.

- Assessing high fecal bacteria densities in New River Gorge National Reserve that pose a potential health risk to more than 200,000 visitors annually. The work will develop source libraries of *E. coli* bacteria isolates to identify the animal sources, assess regional differences among them, and determine the animal sources of in-stream fecal bacteria.

For the National Park Service Natural Resource Preservation Program, research and development outlay data are currently available for FY 2000 through FY 2004. The FY 2004 outlays 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 2005 outlays are projections based on FY 2004 data estimates.

Actual FY 2005 outlays are contingent upon the results of internal competitive evaluations and approvals of applied research and development proposals, and will be available in mid-FY 2006. The overall level of applied research and development outlay 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 2005 research and development outlays will depend upon the results of this competitive process and the execution of the work performed by the 388 individual park units of the National Park System.

Additional enhancements to improve the availability of natural resource research and development outlays 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 2006.

The Cultural Resources Applied Research Program addresses specific park issues for

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

The 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 1999 through FY 2005 and are combined with Natural Resource Preservation Program outlays.

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

- Eleven parks located along or near the U.S.-Mexico border initiated a joint study of the impact of smuggling, undocumented aliens, and drug trafficking on cultural resources. This study resulted in baseline information on those resources located throughout 1.4 million acres, of which only 10 percent had been surveyed, with the objective of designing specific monitoring plans to protect these seriously impacted resources.
- Flight 93 National Memorial began conducting oral histories and interviews of 150 stakeholders, landowners, first responders, and Flight 93 Task Force members necessary for the development of a General Management Plan and a comprehensive interpretive plan for the memorial.
- Whitman Mission National Historic Site conducted a formal security and risk assessment and prepared an Emergency Operation Plan for its museum collection and the visitor center that houses the museum collection.

- Governor’s Island National Monument began Historic Structure Reports for Fort Jay and Castle Williams, the two most significant structures of the monument, both of which were constructed in the early 1800s and were integral to the protection of New York Harbor during that century.
- The Alaska Regional Office is nearing completion of a history, which is integral to the enabling legislation of the Aleutian World War National Historic Area, of the loss of five Aleut villages due to the removal, internment, and capture of all their residents during World War II.

**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

**National Park Service Research and Development Expenses,<sup>1</sup> FY 2005  
(dollars in millions)**

RESEARCH CATEGORY	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 (est.)	TOTAL <sup>2</sup>
BASIC	\$ 1.6	\$ 5.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 6.6
APPLIED	28.0	30.2	21.1	33.0	30.7	143.0
DEVELOPMENTAL	2.9	8.6	3.9	2.8	2.0	20.2
TOTAL	\$ 32.5	\$ 43.8	\$ 25.0	\$ 35.8	\$ 32.7	\$ 169.8

Note:

- (1) During FY 2005 an inter-bureau, Department of the Interior-led Research and Development (R&D) Council was established in response to the need to address R&D investment throughout the Executive Branch. As of the close of FY 2005 this Council was seeking to develop consistent definitions for research and development for use by all DOI bureaus. The effects of these definitions on the scope of the R&D outlays that will subsequently be reported as actual expenses for FY 2005 and succeeding fiscal years is uncertain at the time of this report.
- (2) 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 “outlays;” Cultural Resources figures represent “expenses.” From 2001 to 2003, Cultural Resources Expenses are stated as “Budget Fiscal Year” expenses; starting in 2004, fiscal year expenses are reported. The previously estimated 2004 Research and Development outlay information has been finalized; those changes are reflected in this report.

operations. During FY 2005, \$15.2 million has been expended for this program.

**Investment (in millions of dollars)**

	2001	2002	2003	2004	2005	TOTAL
Job Corps	\$13.4	\$14.7	\$17.2	\$15.5	\$15.2	\$76.0

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 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 vocation completers) 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 vocational training programs, (e.g., carpentry, plumbing, brick and cement masonry, health occupations, and landscaping). During FY 2005 students will either complete or begin the following projects: paint the Mammoth Cave Houchins Ferry shelter/office; and repair and paint the boneyard storage building and wastewater treatment plant buildings. Oconaluftee Job Corps Civilian Conservation Center has recently added landscaping as a vocational

**Job Corps Center Ratings, FY 2005  
GED/HSD Graduates**

CENTER	GED/HSD GRADUATES	TOTAL STUDENTS	PERCENT OF STUDENTS	TARGETED GOAL	PERCENT OF GOAL MET
GREAT ONYX	131	303	43%	47.5%	91%
HARPERS FERRY	131	259	51%	45.1%	>100%
OCONALUFTEE	82	206	40%	47.8%	83%

**Job Corps Center Ratings, FY 2005  
Vocational Graduates**

CENTER	VOCATIONAL GRADUATES	TOTAL STUDENTS	PERCENT OF STUDENTS	TARGETED GOAL	PERCENT OF GOAL MET
GREAT ONYX	161	414	39%	65%	60%
HARPERS FERRY	244	347	70%	65%	>100%
OCONALUFTEE	132	264	50%	65%	77%

**Job Corps Center Ratings, FY 2005  
Placements**

CENTER	PLACEMENTS	TOTAL STUDENTS	PERCENT OF STUDENTS	TARGETED GOAL	PERCENT OF GOAL MET
GREAT ONYX	197	399	49%	95%	52%
HARPERS FERRY	248	269	92%	95%	97%
OCONALUFTEE	134	153	88%	95%	92%

Mammoth Cave National Park was established to preserve not only the cave system, but also the scenic river valleys of the Green and Nolin rivers, and a section of south central Kentucky. NPS PHOTO



offering. Students will work with Great Smoky Mountains National Park personnel in design and maintenance with various native plants, shrubs, and trees approved by the National Park Service for inclusion in the park and center.

Additionally, Great Onyx Job Corps Civilian Conservation Center students have rejoined the fire fighting component of the Department of the Interior, in conjunction with Mammoth Cave National Park. Seven members of the team deployed on August 30, 2005, to assist in the Hurricane Katrina relief effort. Great Onyx students worked out of the New Orleans airport assisting in the movement of injured residents out of the area. The students stayed on the job until September 11, 2005. A second deployment of fire team members is expected in the near future. A camp crew of 11 will be deployed to Mississippi to assist in the cleanup effort.

Harpers Ferry Job Corps Civilian Conservation Center students participated in the Hurricane Relief effort by collecting more than \$1,000, as well as clothing. Oconaluftee Job Corps Center students assisted local churches, supermarkets, and high schools in collecting food and loading a tractor trailer for transporting the food to the hurricane area.

Students continue to participate in local community projects including the national “Groundhog Job Shadow Day” in February and the “Make a Difference Day” in April. Many student labor hours also contribute to “Habitat for Humanity” projects and Red Cross blood drives.

#### **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 2005, \$21.2 million has been expended for these pass-through projects.

Of this \$21.2 million, approximately \$9.2 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, a library, and archives. Another \$2.3 million was expended for the Southwest Pennsylvania Heritage Commission. These costs reflect FY 2005 expenditures of a portion of 12 years of appropriated funding totaling approximately \$36.8 million to continue support efforts to develop a regional network of sites along the Path of Progress National Heritage Tour Route in the Southwest Region of Pennsylvania.

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	2001	2002	2003	2004	2005	TOTAL
Dams and Other Water Structures <sup>1</sup>	\$ 14.6	\$ 29.7	\$ 44.0	\$ 57.9	\$ 69.2	\$ 215.4
Land	5.9	8.7	12.8	35.3	26.4	89.1
Roads and Bridges	1.5	1.7	2.5	2.3	2.0	10.0
Schools and Public Buildings	46.0	74.3	53.9	42.8	33.0	250.0
<b>TOTAL</b>	<b>\$ 68.0</b>	<b>\$ 114.4</b>	<b>\$ 113.2</b>	<b>\$ 138.3</b>	<b>\$ 130.6</b>	<b>\$ 564.5</b>

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

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Opened in 1927, Yosemite's historic Ahwahnee Hotel remains a classic example of monumental rustic architecture, featuring period art work and interior design throughout a building that has hosted dignitaries, movie stars, artists, and notable figures.  
NPS PHOTO BY DAN NG



## Required Supplementary Information

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

*... increasing visitation, addition of new park sites and facilities, and expanded responsibilities (such as law enforcement) have also added to operational costs, which affect funding available for maintenance activities.*

#### 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 89-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 National Park Service is currently 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 National Park Service 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 a sampling of various assets are listed in the accompanying table.

**National Park Service Deferred Maintenance Projects by Primary Asset, FY 2005**

PRIMARY ASSET CATEGORY	SUB-ASSET CATEGORY	FACILITY CONDITION INDEX	OPERATING CONDITION
Roads, Bridges, Trails	Roads <sup>1</sup>	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 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.



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

The system was deployed in all park units during FY 2003. The NPS will continue to perform comprehensive assessments on all park industry standard assets, with the first cycle schedule for completion in FY 2006.

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 an 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 conduct a multi-year effort to establish the condition of all park assets. Part of the effort is to gather the information necessary to provide a better estimate of deferred maintenance needs related to non-facility type assets. Non-facility type assets do not conform to industry standard deficiency, cost 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 determine the deferred maintenance for lighthouses, fortifications, cultural and maintained landscapes, ruins, and historical roads and bridges. It is anticipated that non-facility deferred maintenance costs will be available at the conclusion of FY 2007. Once information is available in FY 2007, the NPS will begin to include appropriate deferred maintenance needs for 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 which 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 three-year cycle for those parks with the majority of the paved roads. Bridges are on a three-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. Federal Highway Administration bridge engineers compiled the bridge inventory and condition from information gathered in Fiscal Years 2002 to 2004.

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 is expected to be completed in FY 2006. The NPS recognizes that the current estimates are based, for the most part, on annual condition assessments conducted by park units. The condition assessments completed by most parks by the end of FY 2005 represent initial condition assessments that identified obvious and apparent deficiencies. In addition, the NPS is fine tuning its business practices and cost estimating to evolve to better identify planning costs that are key to calculation of the FCI. Accordingly, the actual cost of correcting deferred maintenance will not be fully known until all park units complete a comprehensive condition assessment,

identifying all asset deficiencies and developing valid cost estimates. Therefore, it is possible that further deficiencies could be identified when the comprehensive assessments are conducted between now and FY 2006.

Data has been collected in response to recent impacts on National Park Service assets by hurricanes that occurred in FY 2005. Determination on the corrective actions, either to repair or reconstruct, or remove demolished assets from the portfolio, is still under review. Once decisions have been made on corrective actions, any changes to FCI and corresponding deferred maintenance estimates will occur at that time.

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

CATEGORY	CONDITION <sup>1</sup>	GENERAL LOW	GENERAL HIGH	STEWARDSHIP LOW	STEWARDSHIP HIGH	TOTAL LOW	TOTAL HIGH
Roads, Bridges, and Trails	G,F,P	\$ 3,652,481	\$ 7,826,746	\$ 54,641	\$ 117,088	\$ 3,707,122	\$ 7,943,834
Irrigation, Dams, and Other Water Structures	G,F,P	\$ 66,579	\$ 142,669	\$ 4,968	\$ 10,646	\$ 71,547	\$ 153,315
Buildings <sup>2</sup>	G,F,P	\$ 440,255	\$ 943,403	\$ 656,707	\$ 1,407,229	\$ 1,096,962	\$ 2,350,632
Other Structures	G,F,P	\$ 751,720	\$ 1,610,829	\$ 170,561	\$ 365,487	\$ 922,281	\$ 1,976,316
<b>TOTAL</b>		<b>\$ 4,911,035</b>	<b>\$10,523,647</b>	<b>\$ 886,877</b>	<b>\$ 1,900,450</b>	<b>\$ 5,797,912</b>	<b>\$12,424,097</b>

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.
- (2) The National Park Service adopted accounting guidance for concession assets and related liabilities effective October 1, 2004. As a result of adopting this guidance, the NPS excluded deferred maintenance of \$151 to \$325 million for concession assets from the deferred maintenance amounts.

**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	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER BUDGET ACCOUNTS	TOTAL BUDGETARY ACCOUNTS
<b>BUDGETARY RESOURCES</b>						
Budget Authority:						
Appropriations Received	\$ 1,707,336	\$ 356,739	\$ 148,429	\$ 159,838	\$ 324,741	\$ 2,697,083
Net Transfers, Current Year Authority	5,222	(6,961)	(250)	0	(243)	(2,232)
Unobligated Balance:						
Beginning of Fiscal Year	87,256	400,612	168,744	278,902	148,956	1,084,471
Net Transfers, Unobligated Balance, Actual	237	0	(1,785)	0	0	(1,548)
Spending Authority From Offsetting Collections:						
Earned						
Collected	21,178	112,564	1,699	0	1,152	136,593
Receivable 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
Subtotal: Spending Authority From Offsetting Collections	21,103	129,481	0	0	1,162	151,746
Recoveries of Prior Year Obligations Permanently Not Available	8,300 (35,474)	5,570 (4,250)	18,381 (2,062)	1,587 0	5,202 (5,920)	39,040 (47,706)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 1,793,980</b>	<b>\$ 881,191</b>	<b>\$ 331,457</b>	<b>\$ 440,328</b>	<b>\$ 473,896</b>	<b>\$ 3,920,854</b>
<b>STATUS OF BUDGETARY RESOURCES</b>						
Obligations Incurred:						
Direct	\$ 1,743,015	\$ 388,637	\$ 169,961	\$ 150,939	\$ 310,892	\$ 2,756,344
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:						
Apportioned	17,332	348,669	161,304	289,389	154,134	970,828
Exempt From Apportionment	0	(75)	0	0	52	(23)
Unobligated Balances Not Available	13,276	3,179	0	0	8,820	25,275
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 1,793,980</b>	<b>\$ 881,191</b>	<b>\$ 331,457</b>	<b>\$ 440,328</b>	<b>\$ 473,898</b>	<b>\$ 3,920,854</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>						
Obligations Incurred	\$ 1,763,372	\$ 529,418	\$ 170,153	\$ 150,939	\$ 310,892	\$ 2,924,774
Obligated Balance, Net, Beginning of Fiscal Year	338,577	303,549	247,665	74,202	215,762	1,179,755
Obligated Balance, Net, End of Fiscal Year:						
Accounts Receivable	264	30,146	160	0	10	30,580
Unfilled Customer Orders From Federal Sources	0	117,495	1,049	0	0	118,544
Undelivered Orders	(344,898)	(244,244)	(273,221)	(71,877)	(195,983)	(1,130,223)
Accounts Payable	(72,971)	(196,847)	(585)	(4,721)	(8,903)	(284,027)
Total Obligated Balance, Net, End of Fiscal Year	(417,605)	(293,450)	(272,597)	(76,598)	(204,876)	(1,265,126)
Less: Spending Authority Adjustments	(8,225)	(27,538)	(16,682)	(1,587)	(5,212)	(59,244)
Outlays:						
Disbursements	1,676,119	511,979	128,539	146,956	316,566	2,780,159
Collections	(21,178)	(107,512)	(1,699)	0	(1,152)	(131,541)
Net Outlays Before Offsetting Receipts	1,654,940	404,467	126,840	146,956	315,414	2,648,618
Less: Offsetting Receipts	0	0	0	(158,836)	(47,349)	(206,185)
<b>NET OUTLAYS (RECEIPTS)</b>	<b>\$ 1,654,941</b>	<b>\$ 404,467</b>	<b>\$ 126,840</b>	<b>\$ (11,880)</b>	<b>\$ 268,065</b>	<b>\$ 2,442,433</b>

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, 2004  
(dollars in thousands)

	OPERATION OF THE NPS	CONSTRUCTION	LAND ACQUISITION AND STATE ASSISTANCE	RECREATION FEE	OTHER BUDGET ACCOUNTS	TOTAL BUDGETARY ACCOUNTS
<b>BUDGETARY RESOURCES</b>						
Budget Authority:						
Appropriations Received	\$ 1,629,641	\$ 355,820	\$ 142,350	\$ 157,836	\$ 310,701	\$ 2,596,348
Net Transfers, Current Year Authority	10,067	43,456	(20,190)	0	(2,246)	31,087
Unobligated Balance:						
Beginning of Fiscal Year	69,027	341,172	223,695	283,049	144,973	1,061,916
Net Transfers, Unobligated Balance, Actual	21	14,006	4,399	0	0	18,426
Spending Authority From Offsetting Collections:						
Earned						
Collected	20,267	108,247	2,299	0	1,179	131,992
Receivable From Federal Sources	(139)	9,829	319	0	0	10,009
Change in Unfilled Customer Orders:						
Advance Received	0	(1,160)	0	0	0	(1,160)
Without Advance From Federal Sources	0	32,077	(2,618)	0	0	29,459
Subtotal: Spending Authority From Offsetting Collections	20,128	148,993	0	0	1,179	170,300
Recoveries of Prior Year Obligations Permanently Not Available	7,439 (25,172)	7,414 (4,107)	8,134 (1,754)	770 0	1,592 (3,948)	25,349 (34,981)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 1,711,151</b>	<b>\$ 906,754</b>	<b>\$ 356,634</b>	<b>\$ 441,655</b>	<b>\$ 452,251</b>	<b>\$ 3,868,445</b>
<b>STATUS OF BUDGETARY RESOURCES</b>						
Obligations Incurred:						
Direct	\$ 1,603,056	\$ 384,088	\$ 187,890	\$ 162,752	\$ 303,296	\$ 2,641,082
Reimbursable	20,839	122,054	0	0	(1)	142,892
Total Obligations Incurred	1,623,895	506,142	187,890	162,752	303,295	2,783,974
Unobligated Balance:						
Apportioned	67,612	400,612	168,744	278,903	141,985	1,057,856
Unobligated Balances Not Available	19,644	0	0	0	6,971	26,615
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 1,711,151</b>	<b>\$ 906,754</b>	<b>\$ 356,634</b>	<b>\$ 441,655</b>	<b>\$ 452,251</b>	<b>\$ 3,868,445</b>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>						
Obligations Incurred	\$ 1,623,894	\$ 506,142	\$ 187,890	\$ 162,752	\$ 303,296	\$ 2,783,974
Obligated Balance, Net, Beginning of Fiscal Year	299,641	330,507	243,700	73,186	225,539	1,172,573
Obligated Balance, Net, End of Fiscal Year:						
Accounts Receivable	339	28,068	1,238	0	1	29,646
Unfilled Customer Orders From Federal Sources	0	97,605	1,669	0	0	99,274
Undelivered Orders	(269,461)	(279,570)	(250,013)	(69,389)	(206,950)	(1,075,383)
Accounts Payable	(69,455)	(149,652)	(559)	(4,813)	(8,813)	(233,292)
Total Obligated Balance, Net, End of Fiscal Year	(338,577)	(303,549)	(247,665)	(74,202)	(215,762)	(1,179,755)
Less: Spending Authority Adjustments	(7,300)	(49,320)	(5,835)	(770)	(1,595)	(64,820)
Outlays:						
Disbursements	1,577,658	483,780	178,090	160,966	311,478	2,711,972
Collections	(20,267)	(107,087)	(2,299)	0	(1,179)	(130,832)
Net Outlays Before Offsetting Receipts	1,557,391	376,693	175,791	160,966	310,299	2,581,140
Less: Offsetting Receipts	0	0	0	(157,835)	(44,743)	(202,578)
<b>NET OUTLAYS (RECEIPTS)</b>	<b>\$ 1,557,391</b>	<b>\$ 376,693</b>	<b>\$ 175,791</b>	<b>\$ 3,131</b>	<b>\$ 265,556</b>	<b>\$ 2,378,562</b>



## Other Supplementary Information

(Unaudited – See Accompanying Independent Auditors' Report)

### **SPECIAL ACCOUNT FUNDS**

The NPS 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 \$40.5 million and \$44.3 million (unaudited), as of September 30, 2005, and 2004, respectively.



# Independent Auditors' Report



The Kipahulu area of Hawaii's Haleakala National Park includes numerous freshwater pools and waterfalls produced from runoff from the high-elevations of Kipahulu Valley, a region that protects the largest intact Hawaiian rain forest ecosystem.  
NPS PHOTO






# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D. C. 20240

December 21, 2005

## Memorandum

To: Director, National Park Service

From: Anne L. Richards   
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the National Park Service's Financial Statements for Fiscal Years 2005 and 2004 (Report No. X-IN-NPS-0009-2005)

Attached is the subject auditors' report prepared by KPMG LLP (Attachment 1). KPMG issued an unqualified opinion on the National Park Service's (NPS) financial statements. However, KPMG identified three reportable conditions in NPS's internal controls over financial reporting, none of which were considered to be material weaknesses. KPMG also found two significant deficiencies in NPS's internal controls over Required Supplementary Information (RSI) and Required Supplementary Stewardship Information (RSSI.) In addition, KPMG identified two instances where NPS did not comply with laws and regulations, including noncompliance with the Federal Financial Management Improvement Act (FFMIA).

In its December 2, 2005 response to the draft auditors' report (Attachment 2), NPS partially agreed with the three reportable conditions in NPS's internal controls over financial reporting. NPS partially agreed with the two significant deficiencies in NPS's internal controls over RSI and RSSI. NPS agreed with the conclusions on compliance with the Single Audit Act Amendments of 1996, but disagreed with KPMG's position on compliance with the FFMIA. Based on the response, we consider recommendations A, B.1, B.2, B.3, D.1, E.1, E.2, E.4, and F resolved and not implemented, and recommendations B.4 and B.5, C, D.2, E.3, and G unresolved. We will refer the resolved and unimplemented recommendations to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. The unresolved recommendations will be referred for resolution.

The Department of the Interior contracted with KPMG, an independent certified public accounting firm, to audit the financial statements of NPS for fiscal years 2005 and 2004. The contract required that KPMG conduct its audit in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget's Bulletin 01-02, as amended, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency's *Financial Audit Manual*.

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

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

We appreciate the cooperation and assistance of NPS personnel during the audit. If you have any questions regarding the report, please contact me at (202) 208-5512.

**Attachment**

cc: Assistant Secretary, Fish and Wildlife and Parks  
Chief Financial Officer, National Park Service  
Acting Manager, Accounting Operations Center, National Park Service  
Director, Office of Financial Management  
Audit Liaison Officer, Assistant Secretary for Fish and Wildlife and Parks  
Audit Liaison Officer, National Park Service  
Audit Liaison Officer, Office of Financial Management  
Focus Leader for Financial Reporting, Office of Financial Management  
Focus Leader for Management Control and Audit Follow-up,  
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, 2005 and 2004, and the related consolidated statements of net cost, changes in net position, and financing, and the related combined statements of budgetary resources, for the years then ended (hereinafter referred to as the financial statements). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered NPS's internal control over financial reporting 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 financial statements.

### SUMMARY

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

As discussed in note 16 to the financial statements, NPS's fiscal year 2005 consolidated statement of net cost is not comparable to its fiscal year 2004 consolidated statement of net cost because NPS revised its method of allocating certain costs and revenues between programs in fiscal year 2005.

Our consideration of internal control over financial reporting 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 significant deficiencies in internal control over Required Supplementary Information and Required Supplementary Stewardship Information that, in our judgment, could adversely affect NPS's ability to collect, process, record, and summarize this information.

- D. Deferred Maintenance Estimates
- E. Stewardship Assets



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

F. *Single Audit Act Amendments of 1996*

G. *Federal Financial Management Improvement Act of 1996*

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

## **OPINION ON THE FINANCIAL STATEMENTS**

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

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

As discussed in note 16 to the financial statements, NPS's fiscal year 2005 consolidated statement of net cost is not comparable to its fiscal year 2004 consolidated statement of net cost because NPS revised its method of allocating certain costs and revenues between programs in fiscal year 2005.

The information in the Management Discussion and Analysis, Required Supplementary Stewardship Information, and Required Supplementary Information sections is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements, Part A, Form and Content of the Performance and Accountability Report*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it. As a result of such limited procedures, we believe that the Required Supplementary Information for deferred maintenance and the Required Supplementary Stewardship Information for stewardship assets and investments are not presented in conformity with accounting principles generally accepted in the United States of America. The Required Supplementary Information disclosures for deferred maintenance are not complete or current because NPS had not estimated deferred maintenance for all assets, did not consistently update deferred maintenance estimates, and reported deferred maintenance that should not be reported. In addition, the Required Supplementary Stewardship Information disclosures for stewardship assets and investments are not current, complete, or consistently supported because NPS did not consistently follow its established procedures and controls.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Other Supplementary Information has not been subjected to the auditing procedures applied in the audits of the financial statements 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 financial statements.

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

In our fiscal year 2005 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.

### 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 needs to continue to improve its entity-wide security program. An effective security program includes a risk assessment process, certification and accreditation process, and application-level security plans. Specifically, we noted the following:

##### a. Security Program

NPS did not have Memorandums of Understanding or Service Level Agreement with the Department of the Interior's National Business Center (NBC) for the security responsibilities over the IDEAS Application for most of the fiscal year.

##### b. Background Investigations

NPS did not have fully documented or comprehensive hiring policies and procedures that address the background investigation requirements of employing new personnel.

##### c. Resource Classification

Although NPS performed risk assessments for NPS's major applications and general support systems during the past year, NPS had not classified computer information resources according to their sensitivity and criticality based on the results of the major application and general support system risk assessments.



## **2. Access Controls**

Access controls should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, and loss. NPS needs to improve access controls for financial systems as follows.

### **a. Unauthorized Access**

NPS did not fully establish controls to prevent and detect unauthorized access.

### **b. Granting User Access**

NPS did not formally document the process for granting and monitoring user access for one financial system. For another system, NPS had not developed policies and procedures to monitor user access. Additionally, NPS did not periodically review access rights, verifying appropriateness of user access, and recertify users for certain financial applications. Furthermore, NPS did not consistently log changes to security profiles or review security profile changes for one of its financial applications.

### **c. Terminating User Access**

Although NPS documented the process for the removal of terminated users, NPS did not consistently apply this process as we identified terminated employees with active accounts in various financial systems.

## **3. System Software Controls**

NPS did not consistently apply its system software change controls for the IDEAS system software, which includes a database and operating system. Specifically, NPS did not have a formally documented and approved change management process for the database, test all system software patches in a test environment before installing the patches in the production environment, perform post-implementation reviews after installing emergency patches, prepare change request forms and plans, or maintain documentation for upgrades.

## **4. Software Development and Change Controls**

NPS's Information System Life Cycle document did not address all the security requirements of NIST 800-64.

## **5. Service Continuity**

NPS had not developed or documented a process to ensure that employees are periodically trained on their roles and responsibilities in regards to the contingency plan for a certain financial application. In addition, NPS did not periodically restore data from backup tapes for a certain financial application. Furthermore, NPS had not fully documented procedures that require periodic testing of the data center's power supply equipment.





## **6. Segregation of Responsibilities**

NPS's policies indicate the primary and secondary roles, responsibilities, and duties for information technology team members and indicate that roles may overlap; however, NPS's policies did not indicate the responsibilities that must be segregated or the compensating controls for responsibilities not segregated.

### ***Recommendation***

- a. 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 partially agreed with our findings and recommendation. Management indicated that they do not agree with the systems software control findings because the application, associated with the findings, is owned and managed by the NBC.

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

In addition, to recommendation a above, we recommend that NPS:

- b. Work with its service provider, NBC, to improve the system software controls over the application used and monitored by NPS to process certain NPS financial transactions. This should include developing and implementing formal change management policies, testing all system software patches in a test environment before installing the patches in the production environment, performing post-implementation reviews after installing emergency patches, preparing change request forms and plans, and maintaining documentation for upgrades.
- c. Either ensure that its service provider implements controls to address the findings or NPS should implement controls as part of NPS operations to mitigate the findings.

## **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 transactions are properly classified and recorded timely. We identified 56 exceptions in the 462 transactions tested. Specifically, we noted that NPS capitalized costs that should have been expensed, recorded transactions in the current year that occurred in prior years, recorded current year transactions with prior year dates, or recorded dates or costs that did not agree with the supporting documentation. In addition, NPS has costs capitalized in 10 construction-in-progress projects that may need to be expensed. NPS also expensed costs that should have been capitalized for 6 of the 520 expense transactions 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 or properly approve the transfer from the construction in progress account for projects totaling \$27 million.



Furthermore, NPS did not remove \$18 million of concession assets from construction in progress in accordance with accounting guidance. As a result of our observations, NPS analyzed and appropriately adjusted the expense and property, plant and equipment balances.

## 2. *Leases*

In accordance with Federal accounting standards, NPS is required to capitalize leases that meet certain criteria and disclose the future minimum annual lease payments. NPS has not fully established procedures to track and report leases as follows:

- a. *Lease Assessment* – NPS did not consistently ensure that the lease determination schedules (i.e., capital versus operating lease determination) agreed with the related supporting documentation or ensure that a supervisor reviewed and approved the lease determination schedules. We identified differences between the supporting documentation and the lease determination schedule for the 9 leases that we tested. In addition, NPS did not effectively determine capital versus operating leases as we determined that 4 of the 9 leases tested should have been classified as a capital leases rather than operating leases. NPS analyzed the differences and adjusted the lease determination schedules as appropriate.
- b. *Future Minimum Lease Payments* – NPS did not consistently prepare the future minimum lease payment schedule as the schedule included leases with the incorrect lease terms and amounts. Specifically, we identified differences between the future minimum lease payment schedule and the lease agreements for 16 of the 21 leases tested. As a result of our observations, NPS analyzed and adjusted its schedule of future minimum lease payments by approximately \$58.9 million.

## 3. *Cost Classification*

NPS discloses in its footnotes the costs associated with acquiring, constructing, and renovating heritage assets and the costs of acquiring and improving stewardship assets. NPS did not consistently classify 11 of 546 transactions tested as operating, heritage or stewardship costs resulting in misclassifications of \$31 million. As a result of our observations, NPS corrected the misclassifications as appropriate.

## 4. *Environmental Contingencies*

NPS needs to improve controls over the recording of environmental contingent liabilities. NPS did not consistently have a second individual review and approve the probability assessment, site identification worksheet, and the cost estimate worksheet for 21 of the 181 documents tested. In addition, 2 of the probability assessments did not agree with the supporting documentation. NPS also removed estimates recorded in the prior year or did not estimate costs for certain sites resulting in an understatement of the probable environmental liabilities of approximately \$4 million and reasonably possible environmental liabilities ranging from \$4 million to \$20 million. Furthermore, NPS did not consistently update the estimates for inflation, which we estimated to be \$2 million for the probable environmental liabilities and range from \$3 million to \$9 million for the reasonably possible environmental liabilities. As a result of our observations, NPS analyzed and adjusted the environmental disclosures as appropriate.





## 5. *Grants*

NPS should monitor grantees to ensure grantees expend awards in accordance with the grant requirements and Federal regulations. The Department of Interior established a centralized office to assist NPS in monitoring grantees' compliance. However, the centralized office and NPS had not fully developed controls to monitor grantees to detect and prevent misuse of Federal awards. Specifically, we noted that the centralized office and NPS did not consistently perform the following:

- a. *Grant Database* – Maintain a grant database that includes information such as the grantee name, grant number, date granted, award amount, funds expended, date audit reports are received, period covered by the audit reports, findings in the audit reports, and management decisions on findings.
- b. *Progress Reports* – Ensure that grantees submit grant progress reports, such as form SF-269, *Report for Status of Funds*, form SF-270, *Request for Advance or Reimbursement*; and/or form SF-272, *Report of Federal Cash Transactions*. NPS did not receive the required forms for 15 of the 32 transactions that we tested. For Land and Water Conservation Fund (LWCF ) grants, NPS prepared an annual report on the grantees behalf based on draw downs, but did not obtain any alternate reports from the grantee that convey the same information included in the above forms.
- c. *Audit Reports* – Ensure that grantees complete single audits and submit reports within nine months of the grantees' year end. NPS and the Federal Clearinghouse had not received single audit reports within the required time period for 20 of the 25 grantees that we tested.
- d. *Findings* – Issue management decisions on audit findings within six months after receipt of audit reports and ensure that the grantees take appropriate and timely corrective action.

### ***Recommendations***

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

#### ***1. Property, Plant and Equipment***

- a. Continue to train park, region, and other personnel on the difference between costs that are capitalized versus expensed.
- 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. Establish controls to ensure that construction projects are transferred to the real property account when the projects are completed.
- d. Improve controls over recording equipment additions to ensure that assets are recorded when they occur.
- e. Reinforce the requirement to ensure that the proper approvals are obtained prior to the start of construction projects.



- f. Develop and implement controls to ensure that concession related costs are properly expensed.

## **2. Leases**

### *Lease Assessment*

- a. Improve the process to document the evaluation of the criteria determining whether leases should be classified as capital or operating leases and require a supervisor to agree the evaluations to the supporting documentation and to approve the evaluations.
- b. Maintain the lease evaluation documentation, including the related present value calculations and fair market value assessments.
- c. Provide additional guidance and training to personnel on the process of identifying whether leases should be classified as capital or operating leases.

### *Future Minimum Lease Payments*

- a. Provide additional guidance and training to personnel on preparing the future minimum lease payment schedule.
- b. Develop and maintain a database of all real and personal property leases to assist in monitoring and reporting future minimum lease payments. This database should include lease number, type, term, payments, and other information that facilitates preparation of the future minimum lease payment disclosure.

## **3. Cost Classification**

- a. Continue to communicate the cost classification requirements and train parks, regional, and other personnel on properly classifying heritage, stewardship, and operating costs in the accounting system.
- b. Revise procedures to determine the “cost of stewardship land” disclosure to ensure that NPS captures all costs.

## **4. Environmental Contingencies**

- a. Require a second individual review and approve the probability assessment, site identification worksheet, and the cost estimate worksheet to ensure that they are properly prepared and match the supporting documentation.
- b. Require the environmental program office to notate their review and approval on the cost estimation worksheets when comparing them to the ECL database.
- c. Implement procedures to estimate amounts for probable and reasonably possible sites using similar sites from NPS or other Department of the Interior components.
- d. Annually adjust environmental estimates based on inflation.





## 5. *Grants*

NPS should work with the Department of the Interior's centralized office to improve monitoring efforts of grantees as follows:

- a. *Grant Database* – Develop and maintain a grant database that enables NPS and the centralized office to monitor the status of the grants and document monitoring procedures completed. This database should include the grantee name, grant number, date granted, award amount, funds expended, date audit reports are received, period covered by the audit reports, findings in the audit reports, and management decisions on findings.
- b. *Progress Reports* – Require grantees to submit form SF-269, *Report for Status of Funds*, form SF-270, *Request for Advance or Reimbursement*; and submit form SF-272, *Report of Federal Cash Transactions* when funds are paid in advance. In addition, NPS should require grantees that receive funds in advance to submit form SF-269, *Report for Status of Funds* periodically and at the end of the project. For LWCF grants, NPS should require the grantees to prepare and submit the information required on the annual consolidated report rather than compiling the report on their behalf.
- c. *Audit Reports* – Establish a monitoring and follow up process to verify receipt of single audit reports within nine months of the grantees' year end. NPS and the centralized office should utilize the Federal Clearinghouse website on an ongoing basis to determine when an audit report has been submitted. If reports are not received, NPS or the centralized office should inquire of grantees and NPS should consider the need to limit future grant awards until reports are submitted.
- d. *Findings* – Issue management decisions on audit findings within six months after receipt of single audit reports and verify that grantees take appropriate and timely corrective action.

### *Management Response*

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and recommendations related to property, plant, and equipment; leases; and cost classification. However, management did not fully agree with the following findings and recommendations:

#### 1. *Environmental Contingencies*

Management indicated that they partially agreed with our findings and recommendations related to environmental contingencies. Management indicated that they already have procedures in place to estimate costs for sites using similar sites, do not need to estimate costs for certain sites, and do not believe the environmental contingency accruals and disclosures were understated.

#### 2. *Grants*

Management indicated that they partially agreed with our findings and recommendations related to grants. Management indicated that they already have grant databases and have established monitoring and follow up processes to verify receipt of single audit reports.



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

### **1. *Environmental Contingencies***

NPS did not have procedures in place to estimate costs for sites using similar sites. We identified that NPS had not estimated costs for approximately 60 of its 234 sites. As a result of our observations, management estimated costs for those sites, primarily using the costs of similar sites.

We understand that NPS may not be able to estimate environmental contingencies in certain conditions; however, the accounting standards require NPS to make an effort in estimating environmental contingencies. Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government* states "The fact that an agency does not have a *department-wide* comprehensive study completed does not exempt an agency from making its best effort to estimate a liability for financial statement purposes..." We noted that the 60 sites, which NPS did not initially estimate costs for, included several sites that NPS had many years ago but did not take steps to estimate the clean up costs. In addition, NPS improperly removed estimated clean up costs for certain sites that NPS had reported estimates for in the prior year. Finally, subsequent to our observations, NPS prepared estimates for most of those 60 sites and adjusted its records so that the environmental contingencies were no longer understated.

Therefore, we recommend that NPS improve its procedures to estimate environmental contingencies, including considering the costs of similar sites from NPS or other Department of the Interior components.

### **2. *Grant***

NPS's existing grant databases did not enable NPS and the centralized office to effectively monitor the status of the grants and document monitoring procedures completed because the existing databases did not include all of the following information for each grant: (1) grantee name; (2) grant number; (3) date granted; (4) award amount; (4) funds expended; (5) date audit reports are received; (6) period covered by the audit reports; (7) findings in the audit reports; (8) and management decisions on findings. As a result, we recommend that NPS develop and maintain a database that includes this information for each grant.

NPS did not establish an effective monitoring and follow up process to verify receipt of single audit reports because we noted that NPS and the Federal Clearinghouse had not received single audit reports within the required time period for 20 of the 25 grantees that we tested. As a result, we recommend that NPS and the centralized office establish a monitoring and follow up process to verify receipt of single audit reports within nine months of the grantees' year end. If reports are not received, NPS or the centralized office should inquire of grantees and NPS should consider the need to limit future grant awards until reports are submitted.

### **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. NPS recalculated a sample of annuity payments based on the supporting documentation available in the pension files maintained by the District of Columbia and identified several differences between the census data file and the supporting documentation maintained in the pension files. As part of our testing of the





USPP Pension Plan liability, we also recalculated a sample of the annuity payments and identified differences, between the census data file and the supporting documentation. These differences included both under and over payments and netted to approximately 1% of the total annuity payments that we tested. In addition, we compared the census data file to the supporting documentation for 219 participants and identified 69 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, 2005. 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 did not agree with our finding and recommendation because NPS believes that they are not responsible for ensuring that the census data file agrees with the supporting documentation.

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

OMB Circular No. A-123, *Management Accountability and Control*, indicates the following:

- "Agency managers shall incorporate basic management controls in the strategies, plans, guidance, and procedures that govern their programs and operations. Controls shall be consistent with the following standards: Reasonable Assurance and Safeguards - Management controls must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Management controls developed for agency programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives."
- "Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination."

As NPS reports the USPP Pension Plan liabilities and related expenses in its financial statements and is responsible for disbursing pension amounts to the District of Columbia, NPS should establish controls over those financial statements amounts and programs in accordance with OMB Circular A-123. Therefore, NPS should either work with the District of Columbia to establish controls over the USPP Pension Plan liabilities and related expenses or implement controls as part of NPS operations to mitigate the findings.

A summary of the status of prior year reportable conditions is included as Exhibit I.

We also noted certain additional matters that we reported to NPS management in a separate letter dated November 15, 2005.



## **INTERNAL CONTROLS OVER REQUIRED SUPPLEMENTARY INFORMATION AND REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION**

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

### **D. Deferred Maintenance Estimates**

NPS has not fully implemented the required accounting standards to estimate the deferred maintenance for its general, heritage, and stewardship assets. NPS has adopted the condition assessment survey method, which requires NPS to perform periodic inspections of assets to determine their current condition and estimate the cost to correct any deficiencies. NPS has implemented procedures to measure deferred maintenance for certain park assets. However, NPS has not fully established controls over the condition assessments performed to determine deferred maintenance for all assets as follows:

#### **1. Heritage Assets**

As reported in the Required Supplementary Stewardship Information section of the *NPS Annual Report*, NPS had not completed condition assessments and estimated deferred maintenance for all nonfacility property or for all known heritage assets, such as archeological sites, historic and prehistoric structures, paleontological sites, and cultural landscapes. Additionally, NPS had not completed condition assessments or estimated deferred maintenance for 21 of the 94 assets that we tested. In addition, NPS did not consistently update the condition assessments and related deferred maintenance estimates as we noted 4 of the 45 assessments and related estimates had been performed over five years ago. Furthermore, NPS also disclosed deferred maintenance ranging from \$5 million to \$10 million for concession assets that non-federal entities are responsible for maintaining.

#### **2. Stewardship Land**

NPS did not have procedures for assessing the condition and estimating deferred maintenance of stewardship land and the related improvements to stewardship land, nor did NPS have documented evidence that it completed condition assessments and the related deferred maintenance estimates for all stewardship land and the related improvements. Specifically, NPS did not have condition assessment documentation for all 28 land transactions that we requested documentation on. However, NPS incurs costs annually to improve and maintain stewardship land.

As a result, the Required Supplementary Stewardship Information disclosure on the condition of major classes of assets and the Required Supplementary Information disclosure on deferred maintenance amounts are not complete or current.

### **Recommendations**

#### **1. Heritage Assets**

We recommend that NPS:

- a. Perform condition assessments of all heritage assets and estimate the related deferred maintenance.
- b. Require supervisors to review and approve condition assessments and deferred maintenance estimates to ensure they are performed consistently and in accordance with NPS's policies.





- c. Update the condition assessment and deferred maintenance estimates at least every five years.
- d. Remove from the deferred maintenance disclosures, the estimates on concession assets that non-federal entities are responsible for maintaining.

## **2. Stewardship Land**

We recommend that NPS implement procedures to conduct condition assessments and estimate deferred maintenance related to stewardship land and disclose this information in the *NPS Annual Report*.

### ***Management Response***

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and recommendations related to heritage assets but did not agree with our findings and recommendations related to stewardship land. Management believes that condition assessments are not required for stewardship land and that they do not need to estimate deferred maintenance for such land.

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

NPS is required to conduct condition assessments for stewardship land in accordance with the accounting standards. For example, paragraph 83 of Statement of Federal Financial Accounting Standard (SFFAS) No. 8, *Supplementary Stewardship Reporting*, indicates "Minimum reporting shall include the following...the condition of the stewardship land, unless it is already reported in a note to the financial statement, in which case a reference to the note will suffice." In addition, paragraph 41 of SFFAS No. 29, *Heritage Assets and Stewardship Land* indicates "Entities should report the condition of the stewardship land (which may be reported with the deferred maintenance information) as required supplementary information." Furthermore, paragraph 83 of SFFAS No. 6 requires NPS to disclose deferred maintenance information for all categories of property, plant and equipment including stewardship land.

As of September 30, 2005, NPS did not have documented evidence that it had completed condition assessments for all stewardship land and therefore, NPS was unable to demonstrate that there was no deferred maintenance for its stewardship land. Furthermore, NPS incurs costs annually to improve and maintain stewardship land. Therefore, we recommend that NPS complete the condition assessments of all its stewardship land and disclose the related deferred maintenance as required by the accounting standards.

## **E. Stewardship Assets**

NPS does not consistently follow its established procedures and controls over recording Required Supplementary Stewardship Information. Specifically, we noted the following:

### ***1. Stewardship Property, Plant and Equipment – Physical Units***

NPS did not consistently record stewardship asset transactions accurately or in a timely manner. NPS recorded several adjustments in the current year for transactions that should have been identified and recorded in prior years as indicated in the Required Supplementary Stewardship section of the *NPS Annual Report*. In addition, NPS recorded stewardship transactions in the current year that should have been recorded in the prior year or incorrectly recorded the transaction for 96 of the 166 stewardship transactions that we tested. NPS also did not effectively identify and remove concession assets from the supplementary disclosures for 3 of the 30 concession contracts that we tested.



Furthermore, NPS did not consistently have a second individual review and approve the stewardship asset transactions in accordance with NPS's policies as NPS did not have evidence of approval for 38 of the 91 stewardship transactions that we tested.

**2. Stewardship Property, Plant and Equipment – Documentation**

NPS did not consistently maintain documentation supporting stewardship asset additions and deletions. NPS was not able to provide us adequate supporting documentation for 7 of 76 stewardship transactions that we tested.

**3. Stewardship Property, Plant and Equipment – Condition Assessments**

As further discussed in the Deferred Maintenance finding noted above, NPS has not completed condition assessments for all stewardship and heritage assets, including historic structures, prehistoric structures, stewardship land, paleontological sites, and archeological sites. In addition, NPS did not consistently update the condition assessments. Furthermore, NPS did not 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. As a result, NPS did not disclose condition assessments of all of its heritage assets in the Required Supplementary Stewardship Information section as required by the accounting standards.

**4. Stewardship Investments**

NPS reported obligations rather than expenses incurred for natural resource research and development investments because NPS did not track actual expenses related to investments in natural resource research and development.

As a result, the Required Supplementary Stewardship Information disclosures for stewardship assets are not complete, current, or consistently supported.

**Recommendations**

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

**1. Stewardship Property, Plant and Equipment – Physical Units**

- a. Record and report stewardship asset transactions at the time the event occurs.
- b. Require supervisors to compare transactions recorded in the inventory systems to the supporting documentation.
- c. Require supervisors to document their review and approval of stewardship transactions.
- d. Identify and remove concession assets.
- e. Perform periodic inventories of stewardship property, plant and equipment.

**2. Stewardship Property, Plant and Equipment – Documentation**

Maintain source documentation for stewardship transactions.





### **3. Stewardship Property, Plant and Equipment – Condition Assessments**

Perform and report condition assessments for all assets as well as assess and disclose the condition of the museum collections rather than the facility housing the collection. Although the condition of the facility may be important criteria in determining the condition of the collection, we recommend that NPS consider other factors, such as whether or not NPS needs to improve the collection in defining whether the collection is in acceptable condition.

### **4. Stewardship Investments**

Accumulate and report actual expenses incurred for investments in research and development.

#### ***Management Response***

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our findings and recommendations except for our recommendation on condition assessments of museum collections. Management indicated that they believe condition assessments are not required for museum collections.

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

NPS is required to disclose the condition of museum collections in accordance with the accounting standards. By only disclosing the condition of the facility housing the collection, NPS does not inform financial statement users of the condition of the underlying museum collection. Therefore, we recommend that NPS report condition assessment of the underlying museum collections rather than the facility housing the collection.

## **COMPLIANCE AND OTHER MATTERS**

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

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

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

#### ***Recommendation***

We recommend that in fiscal year 2006, NPS and the centralized office improve its grantee monitoring process to ensure they and their grantees comply with the reporting requirements of the *Single Audit Act Amendments of 1996*.

#### ***Management Response***

Management has prepared an official response presented as a separate attachment to this report. In summary, management agreed with our finding, and its comments were responsive to our recommendation.



Except as noted above, the results of our tests of compliance with certain provisions of other laws and regulations, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

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

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

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

As discussed in the Internal Control Over Required Supplementary Stewardship Information and Required Supplementary Information section of this report, NPS needs to improve controls over reporting deferred maintenance and stewardship asset and investment disclosures to comply with Federal accounting standards. The Required Supplementary Information disclosures for deferred maintenance are not complete or current as NPS had not estimated deferred maintenance for all assets and did not consistently update deferred maintenance estimates. In addition, the Required Supplementary Stewardship Information disclosures for stewardship assets are not current, complete, or consistently supported as NPS did not consistently follow its established procedures and controls. As a result of these conditions, NPS's financial management systems do not substantially comply with Federal accounting standards.

#### **Recommendation**

We recommend that in fiscal year 2006, NPS review and improve its Required Supplementary Information and Required Supplementary Stewardship Information reporting processes, provide all required disclosures, complete all of its condition assessments of stewardship assets, and report the deferred maintenance estimates 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 finding and recommendation. Management indicated that they believe condition assessments are not required for museum collections or stewardship land and that they do not need to estimate deferred maintenance for stewardship land.

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

NPS is required to disclose the condition of museum collections in accordance with the accounting standards. By only disclosing the condition of the facility housing the collection, NPS does not inform financial statement users of the condition of the underlying museum collection.

NPS is required to conduct condition assessments for stewardship land in accordance with the accounting standards. For example, paragraph 83 of Statement of Federal Financial Accounting Standard (SFFAS) No. 8, *Supplementary Stewardship Reporting*, indicates "Minimum reporting shall include the following...the condition of the stewardship land, unless it is already reported in a note to the financial statement, in which case a reference to the note will suffice." In addition, paragraph 41 of SFFAS No. 29, *Heritage Assets and Stewardship Land* indicates "Entities should report the condition of the stewardship land (which may be





reported with the deferred maintenance information) as required supplementary information.” Furthermore, paragraph 83 of SFFAS No. 6 requires NPS to disclose deferred maintenance information for all categories of property, plant and equipment including stewardship land.

As of September 30, 2005, NPS did not have documented evidence that it had completed condition assessments for all stewardship land and therefore, NPS was unable to demonstrate that there was no deferred maintenance for its stewardship land. Furthermore, NPS incurs costs annually to improve and maintain stewardship land.

Therefore, we recommend that NPS improve its Required Supplementary Stewardship Information reporting process, complete condition assessments of stewardship assets, and report the deferred maintenance estimates in accordance with the Federal accounting standards.

## **RESPONSIBILITIES**

### ***Management’s Responsibilities***

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

Management is responsible for the financial statements, including:

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

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

### ***Auditors’ Responsibilities***

Our responsibility is to express an opinion on the fiscal year 2005 and 2004 financial statements of NPS based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

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

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

As required by OMB Bulletin No. 01-02, in our fiscal year 2005 audit, we considered 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. Our procedures were not designed to provide assurance on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

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

As part of obtaining reasonable assurance about whether NPS's fiscal year 2005 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 financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to 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. 01-02 and FFMIA, we are required to report whether NPS's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.



## **DISTRIBUTION**

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

**KPMG LLP**

November 15, 2005

**NATIONAL PARK SERVICE**  
 Summary of the Status of Prior Year Findings  
 September 30, 2005

Ref	Condition	Status
A	Security and General Controls over Financial Management Systems	This condition has not been corrected and is repeated in fiscal year 2005. See finding A.
B	Financial Reporting Controls	This condition has not been corrected and is repeated in fiscal year 2005. See finding B.
C	Controls over U.S. Park Police Pension Plan	This condition has not been corrected and is repeated in fiscal year 2005. See finding C.
D	Deferred Maintenance Estimates	This condition has not been corrected and is repeated in fiscal year 2005. See finding D.
E	Stewardship Assets and Investments	This condition has not been corrected and is repeated in fiscal year 2005. See finding E.
F	<i>Single Audit Act Amendments of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2005. See finding F.
G	<i>Federal Financial Management Improvement Act of 1996</i>	This condition has not been corrected and is repeated in fiscal year 2005. See finding G.





# United States Department of the Interior

## NATIONAL PARK SERVICE

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

IN REPLY REFER TO:

F4217(2625)

### Memorandum

To: Roger La Rouche  
Assistant Inspector General for Audits

From: Chief Financial Officer  
National Park Service

*[Handwritten signature]* 12/2/05

Subject: Draft Independent Auditors' Report on the National Park Service Financial Statements for the Fiscal Years 2005 and 2004  
(Assignment No. X-IN-NPS-0009-2005)

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 systems.

Response - NPS partially concurs with the recommendations related to Security and General Controls over Financial Management Systems. NPS does not concur with the finding or recommendation on systems software control.

1. Under Entity-wide Security Program and Planning, for the security program, the NPS Memorandum of Understanding with the National Business Center was signed by Contracting on August 5, 2005. A copy of the approval was provided to the audit team. Background investigations are being completed in accordance with HSPD-12 (smart cards), and all regions have certified that all employees have a minimum of a National Agency Check and Inquiry (NACI). NPS has procedures in place to ensure that each new appointee has at least a NACI and has an

unmitigated Advance National Agency Check (NAC) prior to appointment.

2. Under Access Controls, NPS will establish policy that requires system owners to review and validate the user access lists and report findings to the NPS OCIO. The Human Resources Office will provide a monthly termination report for comparison and appropriate removal of access to terminated employees.
3. Under System Software Controls, The IDEAS application is owned and managed by the Department of Interior's National Business Center (NBC). Therefore, NBC is responsible for developing and testing the application throughout its lifecycle. This includes ensuring the application can support normal and emergency patching of the operating system, database, and application. The system owner, only after fully managing the IDEAS application, releases the application to the Bureaus. The application should already have met the minimum requirements for configuration management and testing. Further, if the IDEAS application is not compliant with lifecycle management principles, the finding(s) should be sent to the NBC for resolution and closeout.

Notwithstanding the responsibility of NBC to act as the system owner and fully manage the IDEAS application, the National Park Service will institute a test procedure to validate whether or not the NBC testing and other lifecycle management processes are going to impact NPS users. This test procedure will be conducted after each OS, database, and or application upgrade. This test will further document the need for the update and the resulting impact.

4. Under Software Development and Change Controls, The DOI-OCIO has published their final System Development Life Cycle (SDLC) handbook on September 30, 2005, and the NPS will implement all changes to be in compliance with their system development life cycle.
5. Under Service Continuity, An IT Training Plan has been developed based on the Office of Management and Budgets Online Learning Center IT roadmap. IT specialties are aligned to competencies and suggested training. The IT Roadmap allows IT professionals to conduct self-assessments to determine where skill gaps exist and to tailor career development plans to meet their specific needs. It will assist IT workers during discussions with their managers and help in the development of their Individual Development Plan. Managers can make recommendations and guide the IT professional tuning their training opportunities toward required skills to keep proficient in their career field. Finally, the IT Roadmap includes a Career Planning Guide that will assist IT professionals in setting and reaching career goals.

The NPS Training Center is also working on a project to input competencies for all positions in NPS. The Training Center will use the IT training plan book to get the information for IT positions. Employees will be able to go into My Learning Manager and see what competencies are required for their position or a position they are working towards. Universal competencies will show up as entry-level competencies for all employees. NPS training Managers and Training Practitioners can now link competencies with the catalog entries. When an employee completes a training event, their transcripts will show what competencies the training addressed.

Actual training conducted will be subject to fund availability.

NPS has published procedures for periodic restoration of data from back tapes as well as the testing of the data center's power supply equipment. We will continue to document testing results.

6. Under Segregation of Responsibilities, background checks are completed and access controls are in place for the Federal Personnel Payroll System.

The responsible officials for implementing the recommendations will be the DOI Office of the Chief Information Officer, the NPS Chief Information Office, and 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, Recommendation - Continue to train park, region, and other personnel on the difference between costs that are capitalized versus expensed. NPS should 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. In addition, NPS should establish controls to ensure that construction projects are transferred to the real property account when the projects are completed. NPS should improve controls over recording equipment additions to ensure that assets are recorded when they occur. NPS needs to reinforce the requirement to ensure that the proper approvals are obtained prior to the start of construction projects, and develop and implement controls to ensure that concession related costs are properly expensed.

Response - We concur. NPS continues to work with parks, regional and other personnel on the distinction between costs that are capitalized



versus expensed. NPS will reemphasize the need for parks/regions to submit completion reports in a timely manner in order to reclassify Construction-in-Process costs to real property accounts. NPS will issue additional personal property acquisition guidance that specifically addresses the In-Service date and asset costs. In addition, NPS will develop additional expense reports to aid in the review of these transactions. All concession related costs for construction projects will be identified and properly expensed.

The responsible officials for implementing this recommendation will be the Financial and Accounting Services Team Leader, Manager of Concessions Program and the Property Management Program Manager.

2. Leases, Recommendation – For lease assessment, NPS needs to improve the process to document the evaluation of the criteria determining whether leases should be classified as capital or operating leases, and require a supervisor review, approval and maintain the lease evaluation documentation, including the related present value calculations and fair market value assessments. In addition, NPS should provide additional guidance and training to personnel on the process of identifying whether leases should be classified as capital or operating leases.

For Future Minimum Lease Payments, NPS needs to provide additional guidance and training to personnel on preparing the future minimum lease payment schedule. NPS also needs to develop and maintain a database of all real and personal property leases to assist in monitoring and reporting future minimum lease payments. This database should include lease number, type, term, payments, and other information that facilitates preparation of future minimum lease payment disclosure.

Response - We concur. During FY 2006, the NPS will update the Space Management Handbook #89 and develop a training module that includes the formal procedures issued to document evaluation of the criteria used to determine whether leases should be classified as capital or operating leases. In addition, supervisors have recently been notified of the requirement to review and approve these evaluations. They have also been made aware of the requirement to maintain the lease evaluation documentation that includes the related present value calculations and fair market value assessments. NPS will also develop and maintain a database of all real and personal property leases to assist in monitoring and reporting all future minimum lease payments

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



3. Cost Classification, Recommendation – NPS needs to continue communicating to and training parks, regional, and other personnel on properly classifying heritage, stewardship, and operating costs in the accounting system. NPS also should revise procedures to determine the “cost of stewardship land” disclosure to ensure that all costs are captured.

Response – We concur. NPS will continue to train all responsible personnel on the proper coding of accounts in order to ensure the appropriate classification of costs. Reports will be developed and reviewed on a monthly basis to identify cost of stewardship land transactions and make appropriate adjustments as needed.

The responsible official for implementing this recommendation will be the Financial and Accounting Support Team

4. Environmental Contingencies, Recommendation – NPS needs to require a second individual to review and approve the probability assessment, site identification worksheet, and the cost estimate worksheet to ensure that they are properly prepared and match the supporting documentation. In addition, the program office needs to notate their review and approval on the cost estimation worksheets when comparing them to the ECL database. NPS needs to implement procedures to estimate amounts for probable and reasonably possible sites using similar sites from NPS or other Interior components, and annually adjust environmental estimates based on inflation.

Response – We partially concur with the findings and recommendations outlined in this report. NPS will review its processes and will document that ECL figures contained in cost estimation documents are consistent with the figures in the ECL database. However, NPS believes it already has in place an adequate process to estimate costs for sites using estimates of “similar” sites. The recommendation presupposes that NPS has enough information about a site to know whether it is “similar” enough to another to make any meaningful comparisons. NPS will investigate the possibility of including estimates derived from “similar” sites within other Interior bureaus.

NPS does not agree with the auditor’s interpretation of the accounting standards clearly articulated in SFFAS #5, paragraph #41 and Technical Release #2, Footnote 9, which state that a disclosure should include a statement that an estimate cannot be made when the nature of the contingency and an estimate of the possible liability, or a range of the possible liability, can not be determined. Therefore, the NPS does

not believe that reasonably possible environmental contingent liabilities were understated in the range of \$3.7 million to \$19.6 million. Additionally, NPS does not agree that probable environmental contingent liabilities are understated by \$4.2 million. NPS submits that averaging the cost of cleanup for sites with widely-varying site-specific conditions is arbitrary. Adding the cost of cleanup when a cost of study is already reported is double counting and inconsistent with the accounting guidance. Concerning inflation, NPS will review current policies and procedures to ensure that estimates appropriately reflect current costs

The responsible official for implementing this recommendation will be the Environmental Management Program Team Leader.

5. Grants, Recommendation – NPS needs to work with the centralized office to develop a grant database that enables offices to monitor the status of the grants and document monitoring procedures completed, and require the submission of progress reports by the grantees. L&WCF grants should require the grantees to prepare and submit the information required on the annual consolidated report rather than compiling the report on their own behalf. NPS also needs to establish a monitoring process to verify receipt of single audit reports within nine months of the grantees yearend, and ensure management decisions on audit findings are issued within six months after receipt of reports. NPS should verify grantees take appropriate and timely corrective action or consider the need to limit future grant awards until reports are submitted.

Response – NPS partially concurs. NPS's grant programs have developed individual databases or worksheets that are updated at least quarterly. When a centralized database is developed the information collected could be transferred from the applications used by each grant program office. NPS is incorporating language in new grant agreements that require progress reports with funding requests, except for state grants under the Land and Water Conservation Fund (LWCF). LWCF will enforce reporting requirements found in Title 43, Part 12 of the Code of Federal Regulations, which captures the requirements of both OMB Circular A-110 and OMB Circular A-102. The latter provides guidance for grants and agreements with states and local governments.

The NPS has established monitoring and follow-up processes to verify receipt of single audit reports, and utilizes the Federal Clearinghouse website to determine the status of the states audit report. Each grant program office follows up on states that are not compliant with issuing audit reports. They either add a special condition to the grant



agreement notifying them of the deadline to submit the report or payments may be stopped on the grant, or take appropriate sanctions. NPS will continue to follow-up on audit findings, which are infrequent, and issue management decisions on audit findings within six months after receipt of the single audit report.

The responsible official for implementing this recommendation will be the Grant Program Managers for LWCF and Historic Preservation Funds, and the Property Management Program Manager.

- 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's financial statements.

Response - NPS partially concurs. NPS plans to hire additional resources to research the rules, procedures, and processes for calculating basic annuities for each category of annuitant, and to apply these rules to each annuitant currently receiving payment. This will establish a basis for evaluating all future annuities. However, we would continue to point out that by law the District of Columbia Government is the plan administrator. Further, the decision by KPMG to require NPS to validate what is the responsibility of the D.C. Government to simply be consistent with the U.S. Secret Service is arbitrary, and inconsistent with enacted law.

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

D. Deferred Maintenance Estimates

1. Heritage Assets, Recommendation - NPS perform condition assessments of all heritage assets and estimate the related deferred maintenance. In addition, NPS should have supervisors review and approve condition assessments and deferred maintenance estimates to ensure they are performed consistently and in accordance with NPS's policies. Furthermore, NPS should periodically update deferred maintenance estimates at least every five years, and remove from the deferred maintenance disclosures, the estimates on concession assets that non-federal entities are responsible for maintaining.

Response - NPS concurs with the findings and recommendations. All units of the NPS will be inventorying critical systems in high priority industry standard assets. By 2006, NPS plans to complete the first cycle of comprehensive assessments, and fully implement the capital asset planning program Servicewide. This will allow the Service to



report a comprehensive estimate of the annual deferred maintenance in FY 2007.

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

2. Stewardship Land, Recommendation - NPS should implement procedures to conduct condition assessments and estimate deferred maintenance related to stewardship land and disclose this information in the NPS Annual Report.

Response – NPS does not concur. Paragraph 81, of SFFAS No. 8 outlining the “Minimum Reporting for Stewardship land was amended by SFFAS No. 14. NPS meets the reporting requirements by addressing the condition of the land in a narrative format. Also, it does not appear that SFFAS No. 8 states that condition assessments are required, only that condition information be provided. NPS’s position is that the requirements in the Statement of Federal Financial Accounting Standards (SFFAS) No. 14, Section 80 (which amends No.’s 6 and 8) do not require condition assessments of Stewardship Land, or a monetary disclosure of deferred maintenance.

NPS follows OMB Circular A-136, Section 11.2 regarding Deferred Maintenance. In footnote 58 cited in par. 78 of SFFAS No. 6 provides that, “Acceptable services and condition may vary both between entities and among sites within the same entity. Management shall determine what level of service and condition is acceptable.” In some cases, such as heritage assets and stewardship land, management may determine that maintenance is not needed. Since land is not subject to periodic and/or recurring maintenance cycles and requirements, NPS cannot defer maintenance on these assets. NPS has determined that deferred maintenance of stewardship land does not exist. NPS has employed a consistent approach for determining and reporting on the condition of Stewardship Land.

- E. Stewardship Assets and Investments, Recommendation – NPS needs to strengthen internal controls over recording Required Supplementary Stewardship Information to:

1. Stewardship Property, Plant and Equipment – Physical Units, Recommendation - Record and report stewardship asset transactions at the time the event occurs, require supervisors to compare transactions recorded in the inventory systems to the supporting documentation, require supervisors to document their review and approval of stewardship transactions, and perform periodic inventories of

stewardship property, plant and equipment. In addition, NPS should identify and remove concession assets.

Response - NPS concurs. During FY 2006, Financial and Accounting Support Team Leader will work with the Associate Director, Cultural Resources, to ensure internal controls are in place and procedures are implemented that will document and support stewardship asset reporting requirements.

2. Stewardship Property, Plant, and Equipment - Documentation, Recommendation – Maintain source documentation for stewardship transactions.

Response - NPS concurs. During FY 2006, the Financial and Accounting Support Team Leader will work with the Associate Director, Cultural Resources, to ensure internal controls are in place and procedures are implemented that will document and support stewardship asset reporting requirements.

3. Stewardship Property, Plant, and Equipment - Condition Assessments, Recommendation – Perform and report condition assessments for all assets as well as assess 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 needs to improve the collection in defining whether the collection is in acceptable condition.

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. NPS will consider condition assessment and treatment needs in defining the overall condition, subject to the funding and resource limitation noted above.

NPS concurs with the recommendation that condition assessments are needed to be performed for other stewardship assets; however, the assessments can only be performed as funding and resources become available. The Associate Director, Cultural Resources will request additional funds to address this need.

4. Stewardship Investments, Recommendation – Accumulate and report actual expenses incurred for investments in research and development.

Response – NPS concurs. NPS will also work to develop and implement processes for accumulating, documenting, and accurately reporting research and development.

The responsible officials for implementing these recommendations will be the Associate Director, Natural Resources Stewardship and Science, Associate Director, Cultural Resources and the Financial and Accounting Support Team Leader.

- F. Single Audit Act Amendments of 1996, Recommendation – NPS and the Office of Financial Management improve its grantee monitoring process to ensure they and their grantees comply with the reporting requirements of the *Single Audit Act Amendments of 1996*.

Response – NPS concurs. NPS will work to improve their monitoring processes, and will continue to work with the Office of Financial Management to develop procedures where NPS' Grant Program Managers can ensure grantees comply with the stipulated reporting requirements.

The responsible officials for implementing these recommendations will be the Office of Financial Management, Grant Program Managers for L&WCF and HPF, and Financial and Accounting Support Team Leader.

- G. Federal Financial Management Improvement Act of 1996, Recommendation – In fiscal year 2006, NPS review and improve its RSSI reporting process and provide all required disclosures and also complete all of its condition assessments of stewardship assets, and report the deferred maintenance estimates in accordance with the Federal accounting standards.

Response – NPS does not concur. Refer to Section D of this response regarding the bureaus treatment of stewardship land. In addition, since the Department is reporting museum items at the collection level, it is appropriate to assess condition of the collection as a whole, not at the level of individual objects or other subcomponents of the reported collection unit. Refer to Section E.3 of this response.

NPS will work to implement the recommendations for other stewardship assets and will seek funding and resources to accomplish this effort.

The responsible officials for implementing these recommendations will be the Chief, Park Facility Management Division, Associate Director, Natural Resources Stewardship and Science, the Associate Director, Cultural Resources and Financial and Accounting Support Team Leader.





Geologic forces have shaped a natural arena of rock in Zion National Park known as Courts of the Patriarchs.  
PHOTO ©RUSS FINLEY/FINLEY-HOLIDAY FILMS

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

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#### **U.S. Department of the Interior**

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

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



#### **National Park Service**

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



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