



**U. S. Chemical Safety and Hazard Investigation Board**  
Office of Inspector General  
Washington, D.C. 20460

November 15, 2007

**MEMORANDUM**

**SUBJECT:** Audit of U.S. Chemical Safety and Hazard Investigation Board's  
Fiscal 2007 and 2006 Financial Statements

**FROM:** Melissa Heist /s/  
Assistant Inspector General for Audit

**TO:** William E. Wright  
Interim Executive Administrative Authority

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) Fiscal 2007 and 2006 financial statements. The audit is required by Public Law 107-289, the Accountability of Tax Dollars Act of 2002.

The independent public accounting firm of Brown & Company CPAs, PLLC, performed the audit of the CSB financial statements as of and for the year ended September 30, 2007. The audit was required to be done in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* of the Government Accountability Office/President's Council on Integrity and Efficiency.

Brown & Company, CPAs, PLLC, is responsible for the attached auditor's report dated November 9, 2007, and the conclusions expressed in the report. We do not express opinions on CSB's financial statements or internal controls, or on whether CSB's financial management systems substantially complied with the Federal Financial Management Improvement Act; or conclusions on compliance with laws and regulations.

Should you have any questions, please contact me at (202) 566-0899 or Heist.Melissa@epa.gov or Patricia Brooks Taylor, Project Officer, at (202) 566-2938 or Taylor.Patricia@epa.gov.

Attachment

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
SEPTEMBER 30, 2007 AND 2006**

**BY**

**BROWN & COMPANY CPAs, PLLC**

**NOVEMBER 9, 2007**

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

**TABLE OF CONTENTS**

|   |           |
|---|-----------|
| <b>INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS .....</b>                 | <b>1</b>  |
| <b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL .....</b>                         | <b>3</b>  |
| <b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH LAWS AND<br/>REGULATIONS .....</b> | <b>5</b>  |
| <b>BALANCE SHEET.....</b>   | <b>6</b>  |
| <b>STATEMENT OF NET COST. ....</b>  | <b>7</b>  |
| <b>STATEMENT OF CHANGES IN NET POSITION.....</b>                                      | <b>8</b>  |
| <b>STATEMENT OF BUDGETARY RESOURCES ..</b>  | <b>9</b>  |
| <b>NOTES TO THE FINANCIAL STATEMENTS. ....</b>  | <b>10</b> |

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Office of the Inspector General  
Board Member with Interim Executive and Administrative Authority  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

We have audited the accompanying balance sheet of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of September 30, 2007 and the related statements of net cost, changes in net position, and budgetary resources for the year then ended. The balance sheet as of September 30, 2006 and the related statements of net cost, changes in net position and financing, and the combined statement of budgetary resources for the year then ended were audited by other auditors, whose report dated October 27, 2006 expressed an unqualified opinion on those statements. These financial statements are the responsibility of the CSB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirement for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 07-04, we have also issued a report dated November 9, 2007 on our consideration of the CSB's internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the management of the CSB, OMB, the Office of the Inspector General of the CSB, and Congress, and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in black ink that reads "Bean & Company". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Largo, Maryland  
November 9, 2007

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Office of Inspector General  
Board Member with Interim Executive and Administrative Authority  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2007 and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in U.S Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the CSB's internal control over financial reporting by obtaining an understanding of the CSB's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses as defined above.

In addition, with respect to internal control objective related to the performance measures included in the "Management's Discussion & Analysis," we obtained an understanding of the design of internal controls relating to the existence and completeness assertions, and determined whether they have been placed in operation as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide opinion on internal control over reported performance measures, and, accordingly, we do not express an opinion on such controls.

This report is intended solely for the information and use of the management of the CSB, OMB, the Office of the Inspector General of the CSB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Bean & Company". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Largo, Maryland  
November 9, 2007

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS**

Office of the Inspector General  
Board Member with Interim Executive and Administrative Authority  
U.S. Chemical Safety and Hazard Investigation Board  
Washington, D.C.

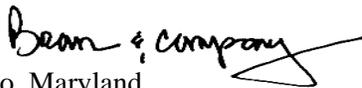
We have audited the financial statements of the U.S. Chemical Safety and Hazard Investigation Board (CSB) as of and for the year ended September 30, 2007, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The management of the CSB is responsible for complying with laws and regulations applicable to the CSB. As part of obtaining reasonable assurance about whether the CSB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the CSB.

The results of our tests of compliance disclosed no reportable instances of noncompliance with other laws and regulations discussed in the preceding paragraph that are required to be reported under U.S. Government Auditing Standards or OMB Bulletin No. 07-04.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the CSB, OMB, the Office of the Inspector General of the CSB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Largo, Maryland  
November 9, 2007

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
BALANCE SHEET  
As of September 30, 2007 and 2006**

|   | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                       |                     |                     |
| Intragovernmental:                                  |                     |                     |
| Fund Balance With Treasury (Note 2)                 | \$ 3,642,323        | \$ 4,001,571        |
| Total Intragovernmental                             | <u>3,642,323</u>    | <u>4,001,571</u>    |
| Accounts Receivable, Net (Note 3)                   | 1,419               | -                   |
| General Property, Plant and Equipment, Net (Note 4) | 371,705             | 628,676             |
| Other (Note 5)                                      | <u>59,000</u>       | <u>59,000</u>       |
| Total Assets  | <u>\$ 4,074,447</u> | <u>\$ 4,689,247</u> |
| <br><b>LIABILITIES</b>                              |                     |                     |
| Intragovernmental:                                  |                     |                     |
| Accounts Payable                                    | \$ 16,456           | \$ 6,274            |
| Unfunded FECA Liability (Note 6)                    | 3,016               | 3,016               |
| Payroll Taxes Payable                               | <u>51,354</u>       | <u>35,508</u>       |
| Total Intragovernmental                             | <u>70,826</u>       | <u>44,798</u>       |
| Accounts Payable                                    | 215,973             | 192,408             |
| Payroll and Benefits Accrual                        | 300,692             | 294,280             |
| Unfunded Leave (Note 6)                             | <u>312,034</u>      | <u>293,736</u>      |
| Total Liabilities                                   | <u>\$ 899,525</u>   | <u>\$ 825,222</u>   |
| <br><b>NET POSITION</b>                             |                     |                     |
| Unexpended Appropriations                           | \$ 3,116,848        | \$ 3,532,101        |
| Cumulative Results of Operations                    | <u>58,074</u>       | <u>331,924</u>      |
| Total Net Position                                  | <u>\$ 3,174,922</u> | <u>\$ 3,864,025</u> |
| Total Liabilities and Net Position                  | <u>\$ 4,074,447</u> | <u>\$ 4,689,247</u> |

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

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
STATEMENT OF NET COST  
For the fiscal years ended September 30, 2007 and 2006**

|                                       | <u>2007</u>                    | <u>2006</u>                    |
|---------------------------------------|--------------------------------|--------------------------------|
| <b>PROGRAM COSTS</b>                  |                                |                                |
| Salaries and Expenses                 |                                |                                |
| Gross Costs                           | <u>\$ 9,400,124</u>            | <u>\$ 9,166,667</u>            |
| Net Program Costs                     | <u>9,400,124</u>               | <u>9,166,667</u>               |
| <br>Net Cost Of Operations (Note 8&9) | <br><u><u>\$ 9,400,124</u></u> | <br><u><u>\$ 9,166,667</u></u> |

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

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
STATEMENT OF CHANGES IN NET POSITION  
For the fiscal years ended September 30, 2007 and 2006**

|  | <u>2007</u>         | <u>2006</u>         |
|--|---------------------|---------------------|
| <b>Cumulative Results of Operations:</b>       |                     |                     |
| Beginning Balances                             | \$ 331,924          | \$ 454,737          |
| <b>Budgetary Financing Sources:</b>            |                     |                     |
| Appropriations Used                            | 8,859,787           | 8,788,373           |
| <b>Other Financing Sources (Non-Exchange):</b> |                     |                     |
| Imputed Financing                              | <u>266,487</u>      | <u>255,481</u>      |
| Total Financing Sources                        | 9,126,274           | 9,043,854           |
| Net Cost of Operations                         | <u>9,400,124</u>    | <u>9,166,667</u>    |
| Net Changes                                    | <u>(273,850)</u>    | <u>(122,813)</u>    |
| <b>Cumulative Results of Operations</b>        | <u>\$ 58,074</u>    | <u>\$ 331,924</u>   |
| <b>Unexpended Appropriations:</b>              |                     |                     |
| Beginning Balances                             | \$ 3,532,101        | \$ 3,396,962        |
| <b>Budgetary Financing Sources:</b>            |                     |                     |
| Appropriations Received                        | 9,113,053           | 9,200,000           |
| Other Adjustments (Recissions, etc)            | (668,519)           | (276,488)           |
| Appropriations Used                            | <u>(8,859,787)</u>  | <u>(8,788,373)</u>  |
| Total Budgetary Financing Sources              | <u>(415,253)</u>    | <u>135,139</u>      |
| <b>Total Unexpended Appropriations</b>         | <u>3,116,848</u>    | <u>3,532,101</u>    |
| <b>Net Position</b>                            | <u>\$ 3,174,922</u> | <u>\$ 3,864,025</u> |

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

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
STATEMENT OF BUDGETARY RESOURCES  
For the fiscal years ended September 30, 2007 and 2006**

|  | <u>2007</u>          | <u>2006</u>          |
|--|----------------------|----------------------|
| <b>BUDGETARY RESOURCES:</b>                    |                      |                      |
| Unobligated Balance Brought Forward, October 1 | \$ 1,886,986         | \$ 1,953,311         |
| Recoveries of Prior Year Unpaid Obligations    | 440,815              | 152,200              |
| Budget Authority:                              |                      |                      |
| Appropriations                                 | 9,113,053            | 9,200,000            |
| Permanently Not Available                      | <u>668,519</u>       | <u>276,488</u>       |
| Total Budgetary Resources                      | <u>\$ 10,772,335</u> | <u>\$ 11,029,023</u> |

**STATUS OF BUDGETARY RESOURCES:**

|                                     |                      |                      |
|-------------------------------------|----------------------|----------------------|
| Obligations Incurred:               |                      |                      |
| Direct                              | \$ 8,982,596         | \$ 9,142,037         |
| Unobligated Balance:                |                      |                      |
| Apportioned                         | 1,015,410            | 850,327              |
| Unobligated Balance Not Available   |                      |                      |
| Other                               | <u>774,329</u>       | <u>1,036,659</u>     |
| Total Status of Budgetary Resources | <u>\$ 10,772,335</u> | <u>\$ 11,029,023</u> |

**CHANGE IN OBLIGATED BALANCE:**

|   |                  |                  |
|---|------------------|------------------|
| Obligated Balance, Net                              |                  |                  |
| Unpaid Obligations, Brought Forward, October 1      | \$ 2,114,585     | \$ 1,974,319     |
| Total Unpaid Obligated Balance, Net                 | 2,114,585        | 1,974,319        |
| Obligations Incurred                                | 8,982,596        | 9,142,037        |
| Gross Outlays                                       | 8,803,782        | 8,849,571        |
| Recoveries of Prior-Year Unpaid Obligations, Actual | 440,815          | 152,200          |
| Obligated Balance, Net, End of Period               |                  |                  |
| Unpaid Obligations                                  | <u>1,852,584</u> | <u>2,114,585</u> |
| Total Unpaid Obligated Balance, Net, End of Period  | \$ 1,852,584     | \$ 2,114,585     |

**NET OUTLAYS:**

|               |                     |                     |
|---------------|---------------------|---------------------|
| Net Outlays:  |                     |                     |
| Gross Outlays | <u>\$ 8,803,782</u> | <u>\$ 8,849,571</u> |
| Net Outlays   | <u>\$ 8,803,782</u> | <u>\$ 8,849,571</u> |

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

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the Chemical Safety and Hazard Investigation Board (CSB). The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Accountability of Tax Dollars Act of 2002, and the Office of Management and Budget (OMB) Bulletin Number 07-04, *Audit Requirements for Federal Financial Statements*. They have been prepared from, and are fully supported by, the books and records of CSB in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and CSB accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control CSB's use of budgetary resources.

The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

**B. Reporting Entity**

The United States Chemical Safety and Hazard Investigation Board (CSB) is an independent Federal agency with the mission of ensuring the safety of workers and the public by promoting chemical safety and accident prevention. CSB was established by the Clean Air Act Amendments of 1990, and is responsible for advising the President and Congress on key issues related to chemical safety and evaluating the effectiveness of other Government agencies on safety requirements. The CSB receives all of its funding through appropriations.

CSB has rights and ownership of all assets reported in these financial statements. CSB does not possess any non-entity assets.

**C. Basis of Accounting**

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal requirements on the use of federal funds.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Revenues & Other Financing Sources**

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating and capital expenditures. Appropriations are recognized as a financing source when expended.

The CSB recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

**E. Fund Balance with Treasury**

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. CSB does not maintain cash in commercial bank accounts. See Note 2 for additional information.

**F. Accounts Receivable**

Accounts receivable owed to CSB include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when either (1) based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay, or (2) an account for which no allowance has been established is submitted to the Department of the Treasury for collection, which takes place when it becomes 180 days delinquent.

**G. Property, Plant and Equipment (PP&E), Net**

CSB's property, plant and equipment are recorded at original acquisition cost and are depreciated using the straight-line method over the estimated useful life of the asset. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. CSB's capitalization threshold is \$10,000 for individual purchases and \$50,000 for bulk purchases. The useful life classifications for capitalized assets are as follows:

| <u>Description</u>     | <u>Useful Life (years)</u> |
|------------------------|----------------------------|
| Leasehold Improvements | 9                          |
| Office Furniture       | 7                          |
| Office Equipment       | 5                          |
| Computer Equipment     | 3                          |
| Internal Use Software  | 3                          |

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Advances and Prepaid Charges**

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

**I. Liabilities**

Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding. Intragovernmental liabilities are claims against CSB by other Federal agencies. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as Components requiring or generating resources in the Reconciliation of Net Cost of Operations to Budget (Note 13). Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

**J. Accounts Payable**

Accounts payable consists of amounts owed to other Federal agencies and the public.

**K. Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employee's Retirement System (FERS)-covered employees.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Retirement Plans**

CSB employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). The employees who participate in CSRS are beneficiaries of CSB's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability.

FERS and Social Security cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1987 elected to join FERS and Social Security, or remain in CSRS. Employees hired as of January 1, 1987 are automatically covered by FERS. FERS offers a savings plan to which CSB automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, CSB also contributes the employer's matching share of Social Security.

CSB recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicates these factors to CSB for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. CSB recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

CSB does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

**M. Use of Estimates**

Management has made certain estimates when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**N. Imputed Costs/Financing Sources**

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. CSB recognized imputed costs and financing sources in fiscal years 2007 and 2006 to the extent directed by OMB.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Expired Accounts and Cancelled Authority**

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

**P. Contingencies**

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. CSB recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. CSB discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to CSB for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made. There are no contingencies that require disclosure.

**Q. Reclassification**

Certain fiscal year 2006 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation. Under SFFAS 7, OMB has reclassified the Statement of Financing to be presented in a note as Reconciliation of Net Cost of Operations to Budget.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 2. FUND BALANCE WITH TREASURY**

|   | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|
| <b>Fund Balances</b>                        |                     |                     |
| Appropriated Funds                          | \$ 3,642,323        | \$ 4,001,571        |
| Total Fund Balance with Treasury            | <u>\$ 3,642,323</u> | <u>\$ 4,001,571</u> |
| <br>  |                     |                     |
| <b>Status of Fund Balance with Treasury</b> |                     |                     |
| Unobligated Balance                         |                     |                     |
| Available                                   | \$ 1,015,410        | \$ 850,327          |
| Unavailable                                 | 774,329             | 1,036,659           |
| Obligated Balance not yet Disbursed         | <u>1,852,584</u>    | <u>2,114,585</u>    |
| Total                                       | <u>\$ 3,642,323</u> | <u>\$ 4,001,571</u> |

Restricted unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

**NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable balances as of September 30, 2007 and 2006 were as follows:

|                              | <u>2007</u>     | <u>2006</u> |
|------------------------------|-----------------|-------------|
| Receivable Due from Employee | \$ 1,419        | \$ -        |
| Total Accounts Receivable    | <u>\$ 1,419</u> | <u>\$ -</u> |

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 4. GENERAL PROPERTY, PLANT, AND EQUIPMENT**

Schedule of Property, Plant, and Equipment as of September 30, 2007

| <u>Description</u>     | <u>Acquisition Cost</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net<br/>Book Value</u> |
|------------------------|-------------------------|-------------------------------------|---------------------------|
| Leasehold Improvements | \$ 711,505              | \$ (513,865)                        | \$ 197,640                |
| Internal Use Software  | 20,800                  | (12,711)                            | 8,089                     |
| Office Furniture       | 520,021                 | (482,877)                           | 37,144                    |
| Computer Equipment     | 716,098                 | (606,484)                           | 109,614                   |
| Office Equipment       | 76,892                  | (57,674)                            | 19,218                    |
| <b>TOTALS</b>          | <u>\$ 2,045,316</u>     | <u>\$ (1,673,611)</u>               | <u>\$ 371,705</u>         |

Schedule of Property, Plant, and Equipment as of September 30, 2006

| <u>Description</u>     | <u>Acquisition Cost</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net<br/>Book Value</u> |
|------------------------|-------------------------|-------------------------------------|---------------------------|
| Leasehold Improvements | \$ 711,505              | \$ (434,809)                        | \$ 276,696                |
| Internal Use Software  | 20,800                  | (5,778)                             | 15,022                    |
| Office Furniture       | 520,021                 | (408,588)                           | 111,433                   |
| Computer Equipment     | 768,850                 | (570,138)                           | 198,712                   |
| Office Equipment       | 76,892                  | (50,079)                            | 26,813                    |
| <b>TOTALS</b>          | <u>\$ 2,098,068</u>     | <u>\$ (1,469,392)</u>               | <u>\$ 628,676</u>         |

**NOTE 5. OTHER ASSETS**

Advances and prepayment account balances as of September 30, 2007 and 2006 were as follows:

|                           | <u>2007</u>     | <u>2006</u>     |
|---------------------------|-----------------|-----------------|
| Deposit on Leased Space   | \$59,000        | \$59,000        |
| <b>Total Other Assets</b> | <u>\$59,000</u> | <u>\$59,000</u> |

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities on CSB's Balance Sheet as of September 30, 2007 and 2006, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. Unfunded FECA liability is an intragovernmental liability not covered by budgetary resources. Unfunded FECA liabilities are \$3,016 and \$3,016 as of September 30, 2007 and 2006, respectively. Other liabilities not covered by budgetary resources consist of unfunded leave. Unfunded leave balances are \$312,034 and \$293,736 as of September 30, 2007 and 2006, respectively.

**NOTE 7. OPERATING LEASE**

CSB occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on October 1, 2000 and expires on September 30, 2010, with the renewal rights for an additional five years. Lease payments are increased annually based on the adjustments for operating cost and real estate taxes not to be increased by an amount greater than 2 percent of the Base Rental rate in effect for the prior lease year. In the sixth year of the lease the Base Rental Rate shall increase \$2.00 per square foot.

| <u>Schedule of Future Minimum Lease Payments</u> |                    |
|--|--------------------|
| 2008   | \$ 758,000         |
| 2009   | 773,000            |
| 2010   | 789,000            |
| Total Future Minimum Lease Payments              | <u>\$2,320,000</u> |

**NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE**

Intragovernmental costs represent exchange transactions made between two reporting entities within the Federal government. Intragovernmental expenses relate to the source of goods and services purchased by CSB and are defined on a transaction by transaction basis.

|                         | <u>2007</u>         | <u>2006</u>         |
|-------------------------|---------------------|---------------------|
| Intragovernmental costs | \$ 2,026,448        | \$ 1,997,614        |
| Public costs            | 7,373,676           | 7,169,053           |
| Total net cost          | <u>\$ 9,400,124</u> | <u>\$ 9,166,667</u> |

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 9. OPERATING/PROGRAM COSTS**

Costs by major budgetary object classification as of September 30, 2007 and 2006 are as follows:

| <u>Budgetary Object Classifications</u> | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|
| Personnel and Benefits                  | \$ 5,613,482        | \$ 5,542,112        |
| Travel and Transportation               | 320,339             | 255,516             |
| Rents, Communication & Utilities        | 860,510             | 816,111             |
| Printing and Contractual Services       | 2,214,262           | 2,170,843           |
| Supplies and Materials                  | 119,795             | 128,281             |
| Equipment                               | 192,680             | 174,748             |
| Miscellaneous                           | 79,056              | 79,056              |
| Total                                   | <u>\$ 9,400,124</u> | <u>\$ 9,166,667</u> |

**NOTE 10. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget that will include FY07 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2008 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb>.

The 2008 Budget of the United States Government, with the Actual Column completed for 2006, has been reconciled with the Statement of Budgetary Resources, and there are no material differences.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Beginning with FY 2006, the format of the Statement of Budgetary Resources has changed and the amount of undelivered orders at the end of the period is no longer required to be reported on the face of the statement. Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2007 and 2006, undelivered orders amounted to \$1,327,110 and \$1,645,114 respectively.

**NOTE 12. CUSTODIAL ACTIVITY**

CSB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of CSB nor material to the overall financial statements. CSB's total custodial collections are \$1,204 and \$0 for the fiscal years ended September 30, 2007, and 2006, respectively.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**

**NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

CSB has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

|   | <u>2007</u>                    | <u>2006</u>                    |
|---|--------------------------------|--------------------------------|
| <b>RESOURCES USED TO FINANCE ACTIVITIES</b>   |                                |                                |
| Budgetary Resources Obligated   |                                |                                |
| Obligations Incurred  | \$ 8,982,596                   | \$ 9,142,037                   |
| Less: Spending Authority from Offsetting Collections and Recoveries   | <u>440,815</u>                 | <u>152,200</u>                 |
| Obligations Net of Offsetting Collections and Recoveries  | 8,541,871                      | 8,989,837                      |
| Other Resources   |                                |                                |
| Imputed Financing from Costs Absorbed by Others   | <u>266,487</u>                 | <u>255,481</u>                 |
| Net Other Resources Used to Finance Activities  | <u>266,487</u>                 | <u>255,481</u>                 |
| <br>Total Resources Used to Finance Activities  | <br><u>\$ 8,808,268</u>        | <br><u>\$ 9,245,318</u>        |
| <b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>                                     |                                |                                |
| Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided             | \$ (318,004)                   | \$ 201,463                     |
| Resources That Fund Expenses Recognized in Prior Periods  | -                              | (816)                          |
| Resources That Finance the Acquisition of Assets  | <u>14,765</u>                  | <u>193,607</u>                 |
| Total Resources Used to Finance Items Not Part of the Net Cost of Operations                                      | <u>(303,239)</u>               | <u>394,254</u>                 |
| <br>Total Resources Used to Finance the Net Cost of Operations  | <br><u>\$ 9,111,507</u>        | <br><u>\$ 8,851,064</u>        |
| <b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b> |                                |                                |
| Components Requiring or Generating Resources in Future Periods  |                                |                                |
| Increase in Annual Leave Liability  | \$ 18,298                      | \$ 58,810                      |
| Other   | <u>-</u>                       | <u>3,016</u>                   |
| Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period      | 18,298                         | 61,826                         |
| Components Not Requiring or Generating Resources  |                                |                                |
| Depreciation and Amortization   | 271,736                        | 253,777                        |
| Other   | <u>(1,417)</u>                 | <u>-</u>                       |
| Total Components of Net Cost of Operations That will not Require or Generate Resources                            | <u>270,319</u>                 | <u>253,777</u>                 |
| <br>Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period  | <br><u>288,617</u>             | <br><u>315,603</u>             |
| <b>NET COST OF OPERATIONS</b>   | <br><u><u>\$ 9,400,124</u></u> | <br><u><u>\$ 9,166,667</u></u> |

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the fiscal years ended September 30, 2007 and 2006**