



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

November 14, 2006

**MEMORANDUM**

**SUBJECT:** Audit of U.S. Chemical Safety and Hazard Investigation Board's  
Fiscal 2006 and 2005 Financial Statements

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

**TO:** Carolyn W. Merritt  
Chairman

This memorandum transmits the audit report on the U.S. Chemical Safety and Hazard Investigation Board's (CSB's) Fiscal 2006 and 2005 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 Leon Snead & Company, P.C., performed the audit of the CSB financial statements as of and for the years ended September 30, 2006 and 2005. 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 06-03, *Audit Requirements for Federal Financial Statements*; and the *Financial Audit Manual* of the Government Accountability Office/President's Council on Integrity and Efficiency.

Leon Snead & Company, P.C., is responsible for the attached auditor's report dated October 27, 2006, 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

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**United States Chemical Safety and Hazard  
Investigation Board**

**Audit of Financial Statements**

**As of and for the Years Ended  
September 30, 2006 and 2005**

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**Submitted By**

**Leon Snead & Company, P.C.**  
*Certified Public Accountants & Management Consultants*

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Inspector General, United States Chemical Safety and Hazard Investigation Board  
Chairperson, United States Chemical Safety and Hazard Investigation Board

### **Independent Auditor's Report**

We have audited the balance sheets of the Chemical Safety and Hazard Investigation Board (CSB), as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, and financing (the financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the internal control over financial reporting, and tested the CSB's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

#### **SUMMARY**

As stated in our opinion on the financial statements, we found that CSB's financial statements, as of and for the years ended September 30, 2006 and 2005, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, we noted no material weaknesses involving the internal control over financial reporting.

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

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

## **OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying balance sheets of the CSB, as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, and financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, budgetary resources, and financing of the CSB, as of and for the years ended September 30, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section 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 No. 136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information, and analysis of the information for consistency with the financial statements. However, we did not audit the information and, accordingly, we express no opinion on it.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. 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 that, in our judgment, could adversely affect the agency'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 caused by error or fraud, 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. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

We noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of

noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards*, and OMB Bulletin No. 06-03.

## **RESPONSIBILITIES**

### Management Responsibilities

Management of the CSB is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining and assessing internal control to provide reasonable assurance that the broad control objectives of the *Federal Managers' Financial Integrity Act* (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

### Auditor Responsibilities

Our responsibility is to express an opinion on the fiscal year 2006 and 2005 financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 06-03. Those standards 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: (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management; and (3) evaluating that our audits provide a reasonable basis for our opinion. We believe our audits provide a reasonable basis for our opinion.

In planning and performing our audit, we considered the CSB's internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not express an opinion, thereon.

As required by OMB Bulletin No. 06-03, with respect to internal control related to performance measures determined by management to be key and reported in Management's Discussion and Analysis, we obtained an understanding of the design of

significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether CSB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts, 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. 06-03. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the CSB. 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.

Under OMB Bulletin No. 06-03, auditors are generally required to report whether the agency's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level specified in *Federal Financial Management Improvement Act* (FFMIA). The Accountability of Tax Dollars Act, which requires CSB to prepare and submit audited financial statements to Congress, and the Director of OMB, did not extend to CSB the requirement to comply with FFMIA. Consequently, we did not test, nor are we reporting on, the CSB's compliance with FFMIA.

#### **DISTRIBUTION**

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

*Leon Snead & Company, P.C.*  
Leon Snead & Company, P.C.

October 27, 2006

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

**As of September 30, 2006 and 2005**

(In Dollars)

	2006	2005
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance With Treasury (Note2)	\$ 4,001,571	\$ 3,927,630
Total Intragovernmental	4,001,571	3,927,630
Accounts Receivable, Net (Note 4)		816
General Property, Plant and Equipment, Net (Note 3)	628,676	688,848
Other (Note 5)	59,000	59,000
Total Assets	\$ 4,689,247	\$ 4,676,294
 <b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable (Note 7)	\$ 6,274	\$ -
Other (Note 7)	38,524	32,495
Total Intragovernmental	44,798	32,495
Accounts Payable (Note 7)	192,408	187,321
Other (Note 7)	588,016	604,779
Total Liabilities	\$ 825,222	\$ 824,595
 <b>NET POSITION</b>		
Unexpended Appropriations	\$ 3,532,101	\$ 3,396,962
Cumulative Results of Operations	331,924	454,737
Total Net Position	\$ 3,864,025	\$ 3,851,699
Total Liabilities and Net Position	\$ 4,689,247	\$ 4,676,294

The accompanying notes are an integral part of these statements.



**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
STATEMENTS OF NET COST  
For the Fiscal Years Ended September 30, 2006 and 2005  
(In Dollars)**

	<b>2006</b>	<b>2005</b>
<b>PROGRAM COSTS</b>		
Salaries and Expenses		
Gross Costs	\$ 9,166,667	\$ 9,020,238
Net Program Costs	9,166,667	9,020,238
 Net Cost Of Operations (Note 9)	 \$ 9,166,667	 \$ 9,020,238

The accompanying notes are an integral part of these statements.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
STATEMENTS OF CHANGES IN NET POSITION  
For the Fiscal Years Ended September 30, 2006 and 2005  
(In Dollars)**

	<u>2006</u>	<u>2005</u>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ 454,737	\$ 515,574
<b>Budgetary Financing Sources:</b>		
Appropriations Used	8,788,373	8,699,783
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing	<u>255,481</u>	<u>259,618</u>
Total Financing Sources	9,043,854	8,959,401
Net Cost of Operations	<u>9,166,667</u>	<u>9,020,238</u>
Net Changes	<u>(122,813)</u>	<u>(60,837)</u>
<b>Cumulative Results of Operations</b>	<u>\$ 331,924</u>	<u>\$ 454,737</u>
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 3,396,962	\$ 2,779,739
<b>Budgetary Financing Sources:</b>		
Appropriations Received	9,200,000	9,500,000
Other Adjustments (recissions, etc)	(276,488)	(182,994)
Appropriations Used	<u>(8,788,373)</u>	<u>(8,699,783)</u>
Total Budgetary Financing Sources	<u>135,139</u>	<u>617,223</u>
<b>Total Unexpended Appropriations</b>	<u>3,532,101</u>	<u>3,396,962</u>
<b>Net Position</b>	<u><u>\$ 3,864,025</u></u>	<u><u>\$ 3,851,699</u></u>

The accompanying notes are an integral part of these statements.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
STATEMENTS OF BUDGETARY RESOURCES  
For the Fiscal Years Ended September 30, 2006 and 2005  
(In Dollars)**

<b>BUDGETARY RESOURCES:</b>	<u>2006</u>	<u>2005</u>
Unobligated Balance Brought Forward, October 1	\$ 1,953,311	\$ 1,475,917
Recoveries of Prior Year Unpaid Obligations	152,200	259,249
Budget Authority:		
Appropriations	<u>9,200,000</u>	<u>9,500,000</u>
Permanently Not Available	276,488	182,994
Total Budgetary Resources	<u><u>\$ 11,029,023</u></u>	<u><u>\$ 11,052,172</u></u>

**STATUS OF BUDGETARY RESOURCES:**

Obligations Incurred:		
Direct	\$ 9,142,037	\$ 9,098,861
Unobligated Balance:		
Apportioned	850,327	885,718
Unobligated Balance Not Available		
Other	1,036,659	1,067,593
Total Status of Budgetary Resources	<u><u>\$ 11,029,023</u></u>	<u><u>\$ 11,052,172</u></u>

**CHANGE IN OBLIGATED BALANCE:**

Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	<u>\$ 1,974,319</u>	<u>\$ 1,815,042</u>
Total Unpaid Obligated Balance, Net	1,974,319	1,815,042
Obligations Incurred	9,142,037	9,098,861
Gross Outlays	8,849,571	8,680,335
Recoveries of Prior-Year Unpaid Obligations, Actual	152,200	259,249
Obligated Balance, Net, End of Period		
Unpaid Obligations	<u>2,114,585</u>	<u>1,974,319</u>
Total Unpaid Obligated Balance, Net, End of Period	<u>\$ 2,114,585</u>	<u>\$ 1,974,319</u>

**NET OUTLAYS**

Net Outlays:		
Gross Outlays	\$ 8,849,571	\$ 8,680,335
Less: Offsetting collections	-	-
Net Outlays	<u><u>\$ 8,849,571</u></u>	<u><u>\$ 8,680,335</u></u>

The accompanying notes are an integral part of these statements.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
STATEMENTS OF FINANCING  
For the Fiscal Years Ended September 30, 2006 and 2005  
(In Dollars)**

	<u>2006</u>	<u>2005</u>
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,142,037	\$ 9,098,861
Less: Spending Authority from Offsetting Collections and Recoveries	152,200	259,249
Obligations Net of Offsetting Collections and Recoveries	<u>8,989,837</u>	<u>8,839,612</u>
Other Resources		
Imputed Financing from Costs Absorbed by Others	<u>255,481</u>	<u>259,618</u>
Net Other Resources Used to Finance Activities	<u>255,481</u>	<u>259,618</u>
Total Resources Used to Finance Activities	<u>\$ 9,245,318</u>	<u>\$ 9,099,230</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	\$ 201,463	\$ 139,829
Resources That Fund Expenses Recognized in Prior Periods	(816)	17,666
Resources That Finance the Acquisition of Assets	<u>193,607</u>	<u>171,658</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>394,254</u>	<u>329,153</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ 8,851,064</u>	<u>\$ 8,770,077</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	\$ 58,810	\$ -
Other	<u>3,016</u>	<u>-</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	61,826	-
Components Not Requiring or Generating Resources		
Depreciation and Amortization	253,777	250,977
Other	<u>-</u>	<u>(816)</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources	<u>253,777</u>	<u>250,161</u>
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	<u>315,603</u>	<u>250,161</u>
<b>NET COST OF OPERATIONS</b>	<u>\$ 9,166,667</u>	<u>\$ 9,020,238</u>

The accompanying notes are an integral part of these statements.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

**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, status and availability of budgetary resources, and the reconciliation between proprietary and budgetary accounts 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, and the Accountability of Tax Dollars Act of 2002. 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, Statement of Budgetary Resources, and the Statement of Financing. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all dollar 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.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

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

***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.

***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. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

The CSB recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on its 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.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

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

***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
Internal Use Software	3
Office Furniture	7
Office Equipment	5
Computer Equipment	3

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***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 on the Statement of Financing. 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. Each year, 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.



**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***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.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

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

***M. Use of Estimates***

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses, and in the note disclosures. Actual results could differ from these 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 2006 and 2005 to the extent directed by OMB.

***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.

**UNITED STATES CHEMICAL SAFETY  
AND HAZARD INVESTIGATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

***Q. Reclassification***

Certain fiscal year 2005 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation.

**NOTE 2. FUND BALANCE WITH TREASURY**

	<u>2006</u>	<u>2005</u>
Fund Balances		
Appropriated Funds	<u>\$4,001,571</u>	<u>\$3,927,630</u>
Total Fund Balance	<u>\$4,001,571</u>	<u>\$3,927,630</u>
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 850,327	\$ 885,718
Unavailable	1,036,659	1,067,593
Obligated Balance not yet Disbursed	<u>2,114,585</u>	<u>1,974,319</u>
Total	<u>\$4,001,571</u>	<u>\$3,927,630</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.

**UNITED STATES CHEMICAL SAFETY  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3. GENERAL PROPERTY, PLANT, AND EQUIPMENT**

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

<u>Description</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net 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	<u>76,892</u>	<u>(50,079)</u>	<u>26,813</u>
TOTALS	<u>\$ 2,098,068</u>	<u>\$ (1,469,392)</u>	<u>\$ 628,676</u>

Schedule of Property, Plant, and Equipment as of September 30, 2005

<u>Description</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold Improvements	\$ 711,505	\$ (355,752)	\$ 355,753
Office Furniture	520,021	(334,299)	185,722
Computer Equipment	596,043	(484,869)	111,174
Office Equipment	<u>76,892</u>	<u>(40,693)</u>	<u>36,199</u>
TOTALS	<u>\$ 1,904,461</u>	<u>\$ (1,215,613)</u>	<u>\$ 688,848</u>

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**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable balances as of September 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Receivable Due from Employee	\$ -	816
Total Accounts Receivable	<u>\$ -</u>	<u>\$ 816</u>

**NOTE 5. OTHER ASSETS**

	<u>2006</u>	<u>2005</u>
Deposit on Leased Space	\$ 59,000	\$ 59,000
Total Other Assets	<u>\$ 59,000</u>	<u>\$ 59,000</u>

**NOTE 6. 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.

Schedule of Future Minimum Lease Payments

2007	\$ 736,000
2008	751,000
2009	766,000
2010	<u>781,000</u>
Total Future Minimum Lease Payments	<u>\$3,034,000</u>

**UNITED STATES CHEMICAL SAFETY  
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**NOTE 7. LIABILITIES**

The accrued liabilities for CSB are comprised of program expense accruals, payroll accruals, and unfunded annual leave earned by employees. Program expense accruals represent expenses that were incurred prior to quarter-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to quarter-end but were not paid.

Schedule of Liabilities as of September 30,

	<u>2006</u>	<u>2005</u>
Intragovernmental		
Accounts Payable	\$ 6,274	\$ -
Unfunded FECA Liability	3,016	-
Payroll Taxes Payable	<u>35,508</u>	<u>32,495</u>
Total Intragovernmental	44,798	32,495
Accounts Payable	192,408	187,321
Payroll Accrual and Other	281,532	255,255
Unfunded Leave	293,736	234,926
Other Liabilities	<u>12,748</u>	<u>114,598</u>
Total Liabilities	<u>\$ 825,222</u>	<u>\$ 824,595</u>

**NOTE 8. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities on CSB's Balance Sheet as of September 30, 2006 and 2005, 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. Liabilities not covered by budgetary resources consist entirely of unfunded leave. Unfunded leave balances are \$293,736 and \$234,926 as of September 30, 2006 and 2005, respectively.

**UNITED STATES CHEMICAL SAFETY  
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**NOTE 9. 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>2006</u>	<u>2005</u>
Intragovernmental costs	\$ 1,997,614	\$ 1,605,451
Public costs	<u>7,169,053</u>	<u>7,414,787</u>
Total net cost	<u>\$ 9,166,667</u>	<u>\$ 9,020,238</u>

**NOTE 10. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

CSB's undelivered orders are \$1,645,114 and \$1,443,651 as of September 30, 2006 and 2005, respectively.

**NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

The 2008 Budget of the United States Government, with the Actual Column completed for fiscal year 2006, has not yet been published as of the date of these financial statements. The Budget is expected to be published and delivered to Congress in early February 2007. The 2007 Budget of the United States Government, with the Actual Column completed for 2005, has been reconciled.

**NOTE 12. CUSTODIAL ACTIVITY**

CSB's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are not primary to the mission of CSB nor material to the over all financial statements. CSB's total custodial collections are \$0 and \$1,282 for the fiscal years ended September 30, 2006, and 2005, respectively.