



FISCAL YEAR 2002
**FINANCIAL
STATEMENTS**



The National Transportation Safety Board is an independent Federal agency charged by Congress with investigating every civil aviation accident in the United States, most public-use aircraft accidents, and significant accidents in the other modes of transportation — railroad, highway, marine, pipeline, and hazardous materials — and issuing safety recommendations aimed at preventing future accidents.

A MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to submit the National Transportation Safety Board's Financial Report for FY 2002, prepared under the guidance of the Office of Management and Budget's (OMB) Bulletin No. 01-09. This Financial Report contains the Board's financial statements, as required by the Chief Financial Officers Act (CFO Act) and the Accountability of Tax Dollars Act of 2002; a selection of performance information, as required by the CFO Act; and a report on the Board's material weaknesses, as required by the Federal Managers' Financial Integrity Act (Integrity Act).

The information provided in this document serves as a mechanism for fiscal and programmatic accountability. It is an accounting to the American people on our stewardship of the funding we received from them in FY 2002 to fulfill our mission.

The NTSB strives to meet the highest standards of effectiveness, efficiency, and integrity. The Safety Board already is recognized as the world's premier accident investigation agency. The Board's reputation for impartiality and thoroughness has enabled it to achieve success in shaping transportation safety improvements in all modes of transportation for decades.

Although not required until FY 2003, the submission of these FY 2002 financial statements marks the first time in its history that the NTSB has issued financial statements. This achievement caps an extensive effort by the Board to produce timely, reliable, and auditable financial statements. Continuing to improve the Board's financial management performance, including our core financial systems, is a goal that we continue to pursue aggressively.

The financial data presented in this report is fundamentally complete and reliable, as outlined in the guidance from OMB. The Board's managers use financial data to carry out their responsibilities.

The NTSB is pleased to provide reasonable assurance that our management control and financial systems, taken as a whole meet the objectives of Sections 2 and 4 of the Integrity Act. While we have some material challenges, the Board is improving steadily in this area.

Just as the NTSB is the world's premier accident investigation agency, it is our vision that the Board becomes the premier financial management agency in the Federal government. The submission of these financial statements is a step toward that vision.

Steven E. Goldberg
Chief Financial Officer

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MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The National Transportation Safety Board (NTSB) is an independent Federal agency charged by Congress to investigate every civil aviation accident in the United States, most public-use aircraft accidents, and significant accidents in other modes of transportation (highway, marine, rail, hazardous materials, and pipeline), and to conduct special investigations and safety studies. NTSB investigators also serve as U.S. accredited representatives as specified in international treaties for aviation accidents overseas involving U.S.-registered and -manufactured aircraft or major components.

The Safety Board determines the probable cause of:

- all U.S. civil aviation accidents and certain public-use aircraft accidents;
- selected highway accidents;
- railroad accidents involving passenger trains or any train accident that results in at least one fatality or major property damage;
- major marine accidents and any marine accident involving a public and a nonpublic vessel;
- pipeline accidents involving a fatality or substantial property damage;
- releases of hazardous materials in all modes of transportation; and
- selected transportation accidents that involve problems of a recurring nature.

In addition to determining the probable cause(s) of transportation accidents and promoting transportation safety, the Board evaluates the effectiveness of other government agencies' transportation safety programs, maintains the government's official database of civil aviation accidents, coordinates Federal assistance to the families of victims of catastrophic transportation accidents, and serves as the "court of appeal" for airmen, mechanics, and mariners when certificate action has been taken by the Federal Aviation Administration (FAA) or the U.S. Coast Guard (USCG) Commandant, or when civil penalties have been assessed by the FAA.

Most importantly, the Safety Board makes safety recommendations, as a result of its investigations and safety studies, to Federal, state, and local government agencies and the transportation community regarding actions that should be taken to prevent accidents.

Safety recommendations are the focal point of the Board's efforts to improve the safety of the Nation's transportation system. Since 1967, the NTSB has issued almost 12,000 recommendations in all transportation modes to more than 2,200 recipients. Although it has no regulatory or enforcement powers, the Board's reputation for impartiality and thoroughness has enabled it to achieve an acceptance rate of more than 82 percent of its safety recommendations.

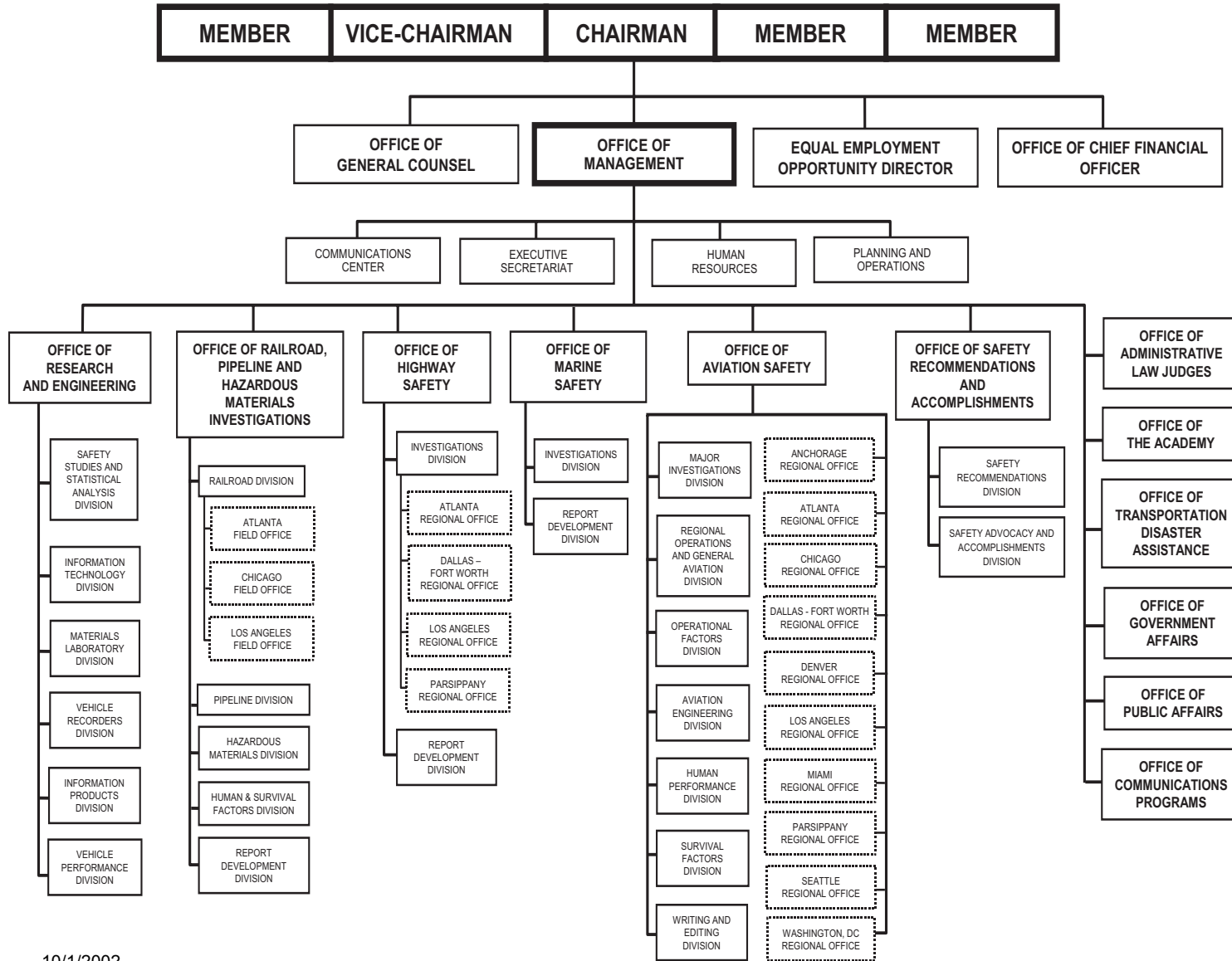
Many safety features currently incorporated into airplanes, automobiles, trucks, trains, pipelines marine vessels, and in the transportation of hazardous materials had their genesis in NTSB recommendations. Examples include floor-level aisle path lighting and ground proximity warning systems now installed on airliners, the installation of headshields, shelf couplers, and thermal protection on rail hazardous materials tank cars, redesign of the off-throttle steering systems on personal watercraft, smoke detectors and sprinklers aboard cruise ships, and rear-seat lap/shoulder belts and center high-mounted brake lights on automobiles.

History and Structure of the Board

The NTSB opened its doors on April 1, 1967, initially relying on the U.S. Department of Transportation (DOT) for funding and administrative support. Although its charter is the Independent Safety Board Act of 1974, the origins of the Safety Board can be found in the Air Commerce Act of 1926, in which Congress charged the Commerce Department with investigating the causes of aircraft accidents. The rules of the Board are located in Chapter VIII, Title 49 of the Code of Federal Regulations (CFR). Since its inception, the Board has investigated more than 114,000 aviation accidents, and at least 10,000 accidents in the surface transportation modes. In so doing, it has become one of the world's premier accident investigation agencies. On call 24 hours a day, 365 days a year, NTSB investigators travel throughout the country and to every corner of the world to investigate significant accidents and develop factual records and safety recommendations.

The NTSB has five Board Members, each nominated by the President and confirmed by the Senate to serve staggered five-year terms. One Member is designated by the President to be Chairman and another to be Vice Chairman, each for two-year terms. The chairmanship requires separate Senate confirmation. When there is no designated Chairman, the Vice Chairman serves as Acting Chairman.

NTSB Organizational Chart



10/1/2002

Mission

The basic components of the NTSB's mission are to:

- Maintain public confidence in the Nation's transportation systems by thoroughly and independently determining the probable cause(s) of transportation accidents and significant incidents and issuing timely and feasible safety recommendations to prevent future accidents, save lives, and reduce injuries and property damage.
- Ensure that survivors and families of victims of transportation accidents receive timely, compassionate assistance from the operator, other government agencies, and community service organizations.
- Provide aviators and mariners with fair, timely, independent appellate review of certificate actions taken by the FAA and the U.S. Coast Guard.
- Ensure effective stewardship of the resources provided.

The Safety Board's proactive approach in preventing and/or reducing the severity of future transportation accidents is unique. It independently addresses real world tangible problems, allows full industry participation in its investigations, issues safety recommendations instead of regulations, and disseminates its reports and findings to as wide an audience as possible. It also provides oversight of the regulatory agencies in transportation, helping to ensure the safety of millions of Americans traveling through our nation's skies, roads, rails, and waterways each day. As a small, manageable organization, the Board reacts quickly to changes in the transportation environment to meet the public's needs. The NTSB is the model for a government agency that works better and costs less.

Operation

Each year, the NTSB investigates more than 2,000 aviation accidents and incidents, and hundreds of accidents in the surface modes. The Board leverages its limited resources through the "party system" by which it designates government agencies, organizations, or corporations as parties to the investigation. By law, the FAA is always a party to each aviation accident investigation. The NTSB has wide discretion over which other organizations it designates as parties. Only those entities that can provide the expertise required for the investigation are granted party status and only

those persons who can provide the Board with needed technical or specialized expertise are permitted to serve on the investigative team. Individuals representing organizations in legal or litigation positions are not assigned to the investigation. All party members report to the NTSB.

In a major investigation, the Board establishes investigative groups made up of specialists from the parties led by a Safety Board investigator as group chairman. The groups vary depending on the mode of transportation and the nature of the accident, and examine areas such as company operations; aircraft structures, systems, and power plants; rail and highway vehicle operations; rail track and signals; pipeline operations; vehicle, bridge, highway and marine engineering; human factors; survival factors; hazardous materials; radar and recorder data; meteorology; and regulatory oversight. Eventually, investigative group chairmen prepare a factual report that is verified for accuracy by each of the party representatives in the group. The factual reports are placed in the public docket, and – after the completion of a formal technical review by the team – they constitute the factual record of the investigation.

Safety recommendations may be issued at any time during an investigation, and the Board also may hold a public hearing as part of a major transportation accident investigation. The purpose of the hearing is two-fold: first, to gather sworn testimony from subpoenaed witnesses on issues identified by the Board during the course of the investigation, and, second, to allow the public to observe the progress of the investigation.

Parties do not participate in the analytical or report-writing phases of NTSB investigations; however, they are invited to submit their proposed findings of probable cause and proposed safety recommendations directly to the Board. These submissions are made part of the public docket. The Board deliberates over reports during public "Sunshine Act" Board meetings in Washington, D.C. Non-Safety Board personnel, including parties and family members, may observe the proceedings, but they do not participate in the meetings.

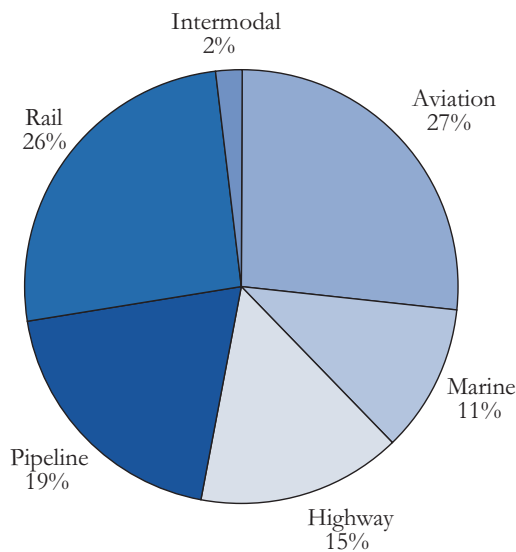
Performance Goals

Primary Mission Activity Accomplishments

The NTSB’s mission does not lend itself to traditional performance goals, outputs, and outcomes; However, the results of its efforts include the independent investigation of thousands of accidents in all modes of transportation and in the transportation of hazardous materials. Safety improvement recommendations emanating from these investigations ultimately produce the desired outcome for the Board’s mission activities: safer transportation for our citizens.

As mentioned previously, many safety features currently incorporated into airplanes, automobiles, trains, pipelines and marine vessels had their genesis in NTSB recommendations. During fiscal year 2002, the Safety Board closed 301 safety recommendations following acceptable action that had been taken by recommendation recipients in response to the Board’s prompting. The following chart depicts the transportation modes affected by these safety improvements.

Safety Recommendations Closed with Acceptable Action in FY2002 (Recommendations originally issued between 1980 and 2002)



Within these transportation modes, these implemented recommendations affected the following specific issue areas:

Aviation

- Low Level Windshear Alerting Systems
- Pilot Training for Jammed Rudders on Boeing 737
- Improvements to Procedures Used for Maintenance and Repair of Airliners
- Airplane Operations in Icing Conditions
- Aircraft Electrical Wiring Installation and Maintenance
- Emergency Response Preparedness at Guam International Airport
- Runway Incursions
- Fire Safety Standards for Cargo or Baggage Compartments in Certain Transport-Category Airplanes
- Lubrication Procedures for Critical Aircraft Systems

Highway

- Work Zone Safety
- Work Zone Accident Data
- Design of Child Restraint Systems
- Highway Event Recorders
- School Children Riding on Transit Buses- “Saw Tooth” Bus Parking Bays
- Cargo Loading and Unloading Procedures for Hazardous Materials Transportation
- Parking Areas for Truck Drivers

Marine

- Emergency Response Training of Cruise Ship Crews
- Marine Fire Protection Standards
- Safety Standards for Permanently-moored Vessels

Pipeline

- Excess Flow Valves
- Excavation Damage Prevention
- Common Pipeline Mapping System
- Gas Pipeline Emergency Response

Railroad

- Southeastern Pennsylvania Transit Authority Emergency Response
- Fatigue Education

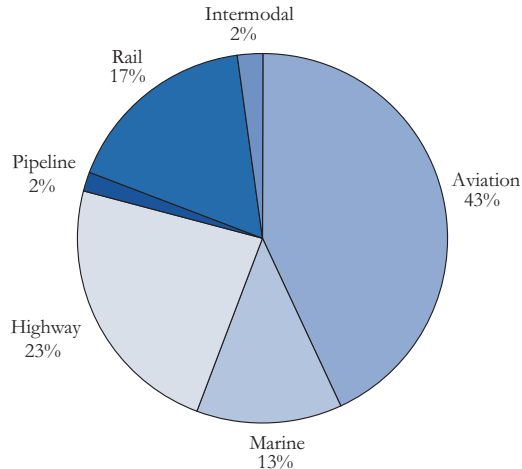
- Washington Metropolitan Area Transit Authority Operating Procedures, Training, and Emergency Response
- Event Recorders for Rail Transit Cars
- Intermodal Container Loading Procedures
- Track Classification Documentation

Intermodal

- Dedicated Radio Channels for Emergency Response Communications
- Pressure Relief Venting for Portable Tanks
- Criteria to Identify Materials Harmful to the Environment

The following chart shows the breakdown by transportation mode of the 183 new recommendations that were issued during FY 2002.

Safety Recommendations Issued in FY2002



In addition to its specific safety accomplishments and new recommendations of the past fiscal year, the Safety Board achieved significant positive results in other related areas as well, including:

- In its legal support of the Board, which is the second level of appeal for airmen, mechanics, and mariners when certificate action has been taken by the Federal Aviation Administration (FAA) or the U.S. Coast Guard (USCG) Commandant, or when civil penalties have been assessed by the FAA, the General Counsel eliminated its backlog of FAA enforcement cases and now works on cases as soon as they are ready for decision.

The Office of Transportation Disaster Assistance developed and presented two new courses at the NTSB Academy for law enforcement officers, air carriers, airports and other Federal agencies; and hosted a meeting with air carriers to discuss “lessons learned” from previous accidents to improve the response to future accidents.

The Office of Safety Recommendations and Accomplishments testified in 14 states on legislation to promote Safety Board recommendations and implemented a project to evaluate the status of 68 open safety recommendations to the states, which translates into the evaluation of 2,250 separate actions.

The Office of Research and Engineering completed 140 cases in the materials lab; performed readouts on 62 cockpit voice recorders, 69 flight data recorders, and 12 rail event recorders; expanded the aviation database to include 90,000 accident investigations conducted from 1962 to 1983; and processed almost 3,000 requests for public records and more than 300 FOIA requests. In addition, the office redesigned the Board’s home page. During the past fiscal year, the NTSB website received approximately 17,000 “hits” per day and provided more than 240,000 downloaded copies of its publications.

The Office of Highway Safety completed six major reports and launched on eight accidents.

The Office of Marine Safety completed five major reports and coordinated a new MOU with the US Coast Guard, which gives the Board the right to elect to lead major marine accident investigations.

The Office of Railroad, Pipeline, and Hazardous Materials Investigations completed 10 major accident reports; launched investigators to 20 accident sites; held a public hearing on the Minot, South Dakota, freight train accident; and helped coordinate an MOU between the Safety Board and the Chemical Safety and Hazards Investigation Board.

The Office of Aviation Safety held two public hearings and completed seven significant accident investigations.

These accomplishments came on the heels of the NTSB launching approximately one-third of its aviation investigative and technical staff to support the FBI's investigation of the September 11th terrorist attacks.

At the World Trade Center, NTSB personnel worked in pairs on one-week tours at Ground Zero and at Fresh Kills, the Staten Island landfill, until December 2001. The first month was extremely hazardous as the staff searched 12 to 16 hours a day for victims, aircraft parts, and evidence in the unlighted stairwells of the damaged buildings. Occasionally, they'd open a door to find that the rest of the building was missing. Glass shards and building fragments hung precariously over the area being examined. Because of the unsafe air quality, everyone had to wear goggles and breathing masks.

At the Pentagon, investigators began their search through the wreckage while it was still burning – not knowing if more planes were heading their way or if the building would collapse around them.

Although the Pennsylvania site seemed more like an aircraft accident, the knowledge of what had transpired that day made it unlike any other investigation that had been conducted before.

Other Mission and Support Activity Accomplishments

Although the NTSB's primary mission activities do not lend themselves to traditional performance goals, outputs, and outcomes, the following specific goals and accomplishments are provided for other areas:

Chief Financial Officer

Goal: Achieve 98% compliance with the Prompt Payment Act for the timely payment of vendors.

The Board achieved a Prompt Payment Act compliance rate of 99%. To ensure timely payment of vendors, the Board revamped its process for reviewing invoices when they were initially received.

Goal: Ensure that all reports to Treasury are submitted within the established timeframes.

The Board submitted its FACTS reports to Treasury within the specified timeframes. In order to meet the timeframes, the Board put into place a monthly closing process that included timely reconciliation of the fund balance with Treasury.

In addition to meeting its goals for fiscal year 2002, the Office of the Chief Financial Officer implemented a new financial management system and produced financial statements for the first time in the Board's history. A credible Federal Managers Financial Integrity Act review was completed for the second year in a row.

Administrative Law Judges

The Office of Administrative Law Judge serves as the "court of appeal" for airmen, mechanics, and mariners when the Federal Aviation Administration (FAA) or the U.S. Coast Guard (USCG) Commandant has taken certificate action, or when the FAA has assessed civil penalties.

Goal: Provide the notice of hearing to appellant at least 30 days prior to the hearing.

The Office of Administrative Law Judges met its goal to provide the notice of hearing at least 30 days prior to hearing. In FY 2002, the Office of Administrative Law Judges provided all 343 notices to appellants within 30 days.

Goal: Issue final NTSB decision on Emergency cases within 60 days of the filing of an appeal.

The Office of Administrative Law Judges met its goal and issued the final NTSB decision on Emergency cases within 60 days of the filing of an appeal. During FY 2002, the office issued final decisions on 115 cases.

NTSB Academy

Goal: Provide nine courses to NTSB and non-NTSB transportation professionals.

The NTSB Academy achieved its performance goal for fiscal year 2002 by offering 11 courses. These courses provided training for 55 NTSB employees and more than 250 transportation professionals from the United States and 24 other countries.

Limitations of the Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with NTSB management. The accompanying financial statements are prepared to report the financial policies and results of the operations of NTSB, pursuant to the requirements of Chapter 31, of the United States Code section 3515(b). While these statements have been prepared from the books and records of NTSB in accordance with formats prescribed in Office of Management and Budget guidance on *Form and Content of Agency Financial Statements*, these financial statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The financial statements should be read with the realization that NTSB is an agency of the Executive Branch of the United States Government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subject to the enactment of appropriations.

Analysis of Financial Statements

NTSB's FY 2002 financial statements report the Agency's financial position and results of operations on an accrual basis. These annual financial statements are comprised of a balance sheet, statement of net costs, statement of changes in net position, statement of budgetary resources, statement of financing, and related notes that provide a clear description of the Agency and its mission as well as the significant accounting policies used to develop the statements.

Consolidated Balance Sheet

The major components of the Consolidated Balance Sheet are assets, liabilities, and net position.

ASSETS. Assets represent Agency resources that have future economic benefits. NTSB's assets totaled \$42.7 million in FY 2002. Fund balances with Treasury—mostly undisbursed cash balances from appropriated funds—comprised over 96 percent of the total assets.

NTSB does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving or trust funds. About 3 percent of NTSB's assets were comprised of accounts receivable, which reflects funds owed to NTSB by other Federal agencies under reimbursable agreements, funds owed to NTSB by the public, and the value of equipment less accumulated depreciation.

LIABILITIES. Liabilities represent unfunded activities that require future budgetary resources. Relative to NTSB's assets, there are few liabilities. In FY 2002, NTSB had total liabilities of \$12.9 million. The largest components of NTSB's liabilities were due to Treasury at \$3.89 million, accounts payable at \$2.3 million, and accrued leave and payroll/benefit liabilities at \$5.7 million.

The amount due to Treasury represents the required reduction in amounts appropriated as a result of the \$3.89 million payment that the NTSB received from the Government of Egypt for amounts owed related to the investigation of the Egypt Air flight 990.

Accrual Basis of Accounting

Method of accounting that recognizes revenue when earned rather than when collected, and recognizes expenses when incurred rather than when paid.

When: The order is placed.

Then: The obligation is recorded as undelivered.

When: The materials are received and accepted.

Then: The obligational authority is expended and an account payable is created.

When: The payment is made.

Then: An outlay occurs and the account payable is cleared.

Accounts payable reflect funds owed primarily for contracts and other services. Accrued leave and payroll/benefit liabilities are the estimated payroll charges that have been earned but not paid.

NET POSITION. NTSB's net position, which reflects the difference between assets and liabilities and signifies the Agency's financial condition, totals \$29.8 million. This amount is broken into two categories: unexpended appropriations (amount of authority granted by Congress that has not been expended or used) at \$33.2 million and cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at \$(3.4) million.

The negative cumulative results of operation was primarily the result of the liabilities not covered by budgetary resources, including accrued FECA and leave.

Consolidated Statement of Net Cost

The Consolidated Statement of Net Cost represents the net cost to operate the Agency. Net costs, which are comprised of gross costs less earned revenues, recognize costs when incurred, regardless of the year the money was expended. The categories summarized on this statement reflect NTSB's major programs. NTSB's FY 2002 net cost of operations was \$72.4 million: \$72.6 million in gross costs less \$193 thousand in earned revenues.

Consolidated Statement of Changes in Net Position

The Consolidated Statement of Changes in Net Position reports how the net cost of operations was financed. NTSB ended FY 2002 with a consolidated net position total of \$(3.4) million. The negative cumulative results of operation was primarily the result of the liabilities not covered by budgetary resources, including accrued FECA and leave.

Combined Statement of Budgetary Resources

The Combined Statement of Budgetary Resources focuses on budgetary resources (appropriations and reimbursables), the status of those resources (obligated or unobligated), and the relationship between the budgetary resources and outlays (collections and disbursements). NTSB's FY 2002 budgetary resources totaled \$88.6 million and primarily were made up of current year budget authority (\$68.7 million) and unobligated balances from prior years (\$20.1 million).

This statement shows that about 99 percent (\$87.9 million) of the resources budgeted for FY 2002 were either spent or earmarked without restriction on the purpose of the obligation, other than to be in compliance with legislation underlying programs for which the resources were made available.

Consolidated Statement of Financing

The Combined Statement of Financing links proprietary and budgetary accounting information, and reconciles obligations incurred with the net cost of operations. While the budgetary accounting system tracks resources and the status of those resources on a cash basis, the financial accounting system facilitates the translation of the use of budgetary resources into financial statements on an accrual basis. Resources that do not fund operations include changes in undelivered orders and assets purchased during the period, while costs that do not require resources include depreciation.

For FY 2002, the resources used to finance NTSB activities totaled \$69.8 million, which was comprised chiefly of budgetary resources (obligations incurred less offsetting collections) as well as non-budgetary resources (costs incurred by others for NTSB without reimbursement). The resources used to finance the net cost of operations totaled \$67.4 million, while the net cost of operations totaled \$72.4 million, which agrees with the amount displayed on the Consolidated Statement of Net Cost.

National Transportation Safety Board
Consolidated Balance Sheet
As of September 30, 2002, unaudited
(in dollars)

Assets

Intragovernmental:	
Fund balance with Treasury (Note 2)	\$ 41,391,841
Accounts receivable	94,333
General property and equipment, net (Note 3)	\$ 1,259,566
	<u>1,353,899</u>

Total Assets **42,745,740**

Liabilities

Intragovernmental:	
Accounts Payable	71,257
Employer Contribution and Payroll Taxes Payable	501,494
Accrued FECA liability (Note 4)	434,508
Due to Treasury (Note 5)	3,890,000
Total Intragovernmental	<u>\$ 4,897,259</u>

Accounts payable	\$ 2,343,593
Accrued payroll and benefits	2,256,476
Accrued leave	3,441,777

Total Liabilities **\$ 12,939,105**

Contingencies (Note 1)

Net Position

Unexpended appropriations	\$ 33,196,758
Cumulative results of operations	<u>(3,390,123)</u>

Total Net Position **\$ 29,806,635**

Total Liabilities and Net Position **\$ 42,745,740**

The accompanying notes are an integral part of these statements.

National Transportation Safety Board
Consolidated Statement of Net Cost
For the Year Ended September 30, 2002, unaudited
(in dollars)

	Aviation Safety	Surface Transportation Safety	Research & Engineering	Totals
Intragovernmental gross costs	1,161,402	791,865	686,283	2,639,550
Less: Intragovernmental earned revenue	(75,997)	(51,816)	(44,907)	(172,720)
Intragovernmental net costs	1,085,405	740,049	641,376	2,466,830
Gross costs with the Public	30,795,691	20,997,062	18,197,454	69,990,207
Less: earned revenues from the public	(9,433)	(6,431)	(5,574)	(21,438)
Net costs with the public	30,786,258	20,990,631	18,191,880	69,968,769
Net Cost of Operations	\$ 31,871,663	\$ 21,730,680	\$ 18,833,256	\$ 72,435,599

The accompanying notes are an integral part of these statements.

National Transportation Safety Board
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2002, unaudited*
(in dollars)

	FY 2002 Cumulative Results of Operations	FY 2002 Unexpended Appropriations
Beginning Balances	\$ 765,206	28,251,095
Prior period adjustments (+/-)	797,611	1,624,321
Beginning balances, as adjusted	<u>\$ 1,562,817</u>	<u>29,875,416</u>
Budgetary Financing Sources:		
Appropriations received		68,650,000
Other adjustments (rescissions, etc) (+/-)		(51,000)
Appropriations used	\$ 65,277,658	(65,277,658)
Other Financing Sources:		
Imputed financing from costs absorbed by others	2,205,001	
Total Financing Sources	<u>\$ 67,482,659</u>	<u>3,321,342</u>
Net Cost of Operations (+/-)	<u>\$ (72,435,599)</u>	
Ending Balances	<u>\$ (3,390,123)</u>	<u>33,196,758</u>

* NTSB did not prepare financial statements for FY 2001.

The accompanying notes are an integral part of these statements.

National Transportation Safety Board
Combined Statement of Budgetary Resources
For the Year Ended September 30, 2002, unaudited
(in dollars)

Budgetary Resources:

Budget authority: Appropriations received	\$ 68,650,000
Unobligated balance: Beginning of period	20,083,154
Spending authority from offsetting collections:	
Earned: Receivable from Federal sources	52,759
Change in unfilled customer orders-without advance from Federal sources	(165,754)
Subtotal	<u>88,620,159</u>
Recoveries of prior year obligations	20,571,863
Permanently not available	83,075
Total Budgetary Resources	<u><u>\$ 109,275,097</u></u>

Status of Budgetary Resources

Obligations Incurred: Direct	
Category A	\$ 87,921,714
Category B	343,342
Subtotal	<u>88,265,056</u>
Unobligated balance: balance currently available	13,251,657
Unobligated balance not available	7,758,384
Total Status of Budgetary Resources	<u><u>\$ 109,275,097</u></u>

Relationship of Obligations to Outlays:

Obligated balance, net, beginning of period	\$ 13,366,490
Obligated balance transferred, net, end of period:	
Accounts receivable	172,720
Unfilled customer orders from Federal sources	
Undelivered orders	31,964,202
Accounts payable	5,146,291
Outlays:	
Disbursements	64,811,996
Subtotal	<u>64,811,996</u>
Less: Offsetting receipts	(194,158)
Net Outlays	<u><u>\$ 64,617,838</u></u>

The accompanying notes are an integral part of these statements.

National Transportation Safety Board
Consolidated Statement of Financing
For the Year Ended September 30, 2002, unaudited
(in dollars)

Resources Used to Finance Activities

Budgetary Resources Obligated	
Obligations Incurred	\$ 88,265,055
Less: Spending authority from offsetting collections and recoveries	(20,458,867)
Obligations net of offsetting collections and recoveries	\$ 67,806,188
Less: Offsetting receipts	(194,158)
Net obligations	\$ 67,612,030
Other Resources	
Imputed financing from costs absorbed by others	\$ 2,205,042
Net other resources used to finance activities	\$ 2,205,042
<i>Total resources used to finance activities</i>	\$ 69,817,072

Resources Used to Finance Items not Part of the Net cost of Operations

Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	\$ (2,796,870)
Resources that finance the acquisition of assets	1,259,566
Other resources or adjustments to net obligated resources that do not affect net cost of operations	(820,901)
<i>Total resources used to finance items not part of the net cost of operations</i>	\$ (2,358,205)
<i>Total resources used to finance the net cost of operations</i>	\$ 67,458,867

Components of the Net Cost of Operations that will not require or Generate Resources in the Current Period

Components Requiring or Generating Resources in Future Periods:	
Increase in annual leave liability	\$ 3,441,777
Change in accounts receivable balance	366,261
Unfunded FECA liability	434,508
Total components of Net Cost of Operations that will require or generate resources in future periods	\$ 4,242,546
Components not Requiring or Generating Resources:	
Depreciation and amortization	\$ 734,186
Total components of Net Cost of Operations that will not require or generate resources	\$ 734,186
<i>Total components of net cost of operations that will not require or generate resources in the current periods</i>	\$ 4,976,732

Net Cost of Operations	\$ 72,435,599
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The accompanying notes are an integral part of these statements.

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the National Transportation Safety Board (NTSB). The NTSB is an independent agency charged with determining the probable cause(s) of transportation accidents and promoting transportation safety. The financial activity presented relates primarily to the execution of the NTSB's Congressionally-approved budget. The NTSB began operations in 1967 and, although independent, it relied on the U.S. Department of Transportation (DOT) for funding and administrative support. The Independent Safety Board Act of 1974 severed all organizational ties to the DOT. As a result, the NTSB is not part of DOT, nor affiliated with any of its modal agencies. The laws specific to the Board are located in Chapter VIII, Title 49 of the Code of Federal Regulations.

Basis of Accounting and Presentation

These financial statements 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. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

These financial statements have been prepared from the books and reports of NTSB in accordance with generally accepted accounting principles (GAAP) for the Federal government, the Office of Management and Budget Bulletin No. 01-09, Form and Content of Agency Financial Statements. NTSB did not prepare financial statements for FY 2001 and therefore, there is no presentation of comparative information for the FY 2002 statements.

Assets

Intragovernmental assets are those assets that arise from transactions with other Federal entities. Entity assets are available for use by the entity in its operations while nonentity assets are assets held by the entity but not available for use by the entity in its operations.

Fund Balance with U.S. Treasury

The NTSB does not maintain cash in commercial bank accounts. The U.S. Treasury processes cash receipts and disbursements. Funds with the U.S. Treasury consist of appropriated and deposited funds that are available to pay current liabilities and finance authorized purchase commitments.

Accounts Receivable

NTSB's accounts receivable represent amounts due from current and former employees for salary overpayments. NTSB has deemed these receivables to be fully collectible. Accordingly, no allowance for uncollectible accounts is recognized.

General Property and Equipment

The Office of the Chief Financial Officer has established a capitalization policy for general property, plant and equipment (PP&E). General PP&E is reported at acquisition cost. The capitalization threshold is established at \$25,000. General PP&E consists of items that are used by NTSB to support its mission. Depreciation on these assets is calculated using the straight-line method with a half-year of depreciation taken in the year of acquisition.

The land and buildings in which the NTSB operates are primarily leased from commercial entities. The General Services Administration (GSA) provides some of the facilities occupied by the NTSB, GSA charges the NTSB an amount that approximates the commercial rental rates for similar properties.

Liabilities

Liabilities represent amounts that are likely to be paid by the NTSB as the result of transactions or events that have already occurred; however, except for liabilities not covered by budgetary resources, no liabilities are incurred by the NTSB without an appropriation. Intragovernmental liabilities arise from transactions with other Federal entities.

Accounts payable

Accounts payable consist of amounts owed for goods, services and other expenses received but not yet paid.

Accrued Payroll and Benefits

Accrued Payroll and Benefits represents salaries, wages, and benefits earned by employees, but not disbursed as of September 30, 2002. Accrued payroll and benefits are payable to employees and are therefore not classified as intergovernmental.

Annual, Sick, and Other Leave

Annual leave is recognized as an expense when paid and as a liability when it is earned; the liability is reduced as leave is taken. Each year, the balance in the accrued annual and compensatory leave account is adjusted to reflect current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Employee Retirement Plans

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) NTSB employees participate in one of two retirement programs, either CSRS or FERS, which became effective on January 1, 1987. Most NTSB employees hired after December 31, 1983, are automatically covered by FERS and Social Security.

For CSRS-covered employees, the NTSB withheld 8.51% of gross earnings for FY 2002. The NTSB matches the withholding, and both the withholding and the matching funds are transferred to the Civil Service Retirement System. This amount was reduced to 7.5% in October 2002 and to 7.0% in January 2003.

For each fiscal year OPM calculates the U.S. Government's service costs for covered employees, which is an estimate of the amount of funds that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. Government's estimated FY 2002 service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the NTSB and its employees. In FY 2002, NTSB recognized \$2.2 million as an imputed cost and as an imputed financing source for the difference between the estimated service cost and the contributions made by NTSB and its employees.

FERS contributions made by employer agencies and covered employees exceed the U.S. Government's estimated FY 2002 service cost. For FERS covered employees the NTSB made contributions of 10.7% of basic pay. Employees contributed 1.05% of gross earnings. Employees participating in FERS are covered under the Federal Insurance Contribution Act (FICA) for which the NTSB contributes a matching amount to the Social Security Administration.

Thrift Savings Plan (TSP)

Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's TSP, administered by the Federal Retirement Thrift Investment Board. The NTSB makes an automatic contribution of 1% of basic pay for FERS-covered employees. FERS employees are eligible to contribute up to 12% of basic pay to their TSP account. In addition, NTSB makes matching contributions of up to 4% of basic pay, for employees who contribute to the Thrift Savings Plan. Contributions are matched dollar for dollar for the first 3 percent of pay contributed each pay period and 50 cents on the dollar for the next 2 percent of pay. During calendar year 2002, CSRS participants could contribute up to 7% of their gross pay, with no governmental matching contribution. The maximum amounts that either FERS or CSRS employees may contribute to the plan in calendar year 2002 is \$11,000 for those under age fifty and \$12,000 for those fifty and older.

The NTSB financial statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to NTSB employees and funded by NTSB. Such reporting is the responsibility of OPM.

Contingencies

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability is recognized when a past event or exchange transaction has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is not disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are met but the chance of the future event or events occurring is remote. A contingency is disclosed in the Notes to the Financial Statements when any of the conditions for liability recognition are not met and the chance of the future confirming event or events occurring is more than remote but less than probable.

The NTSB is a party to two legal actions brought against the NTSB. NTSB management has determined that it is reasonably possible that one of these proceedings will result in the incurrence of liabilities. NTSB estimates the range of potential loss liability to be between \$150,000 to \$175,000. The amount is not material to the fair presentation of NTSB's financial statements and provision for the loss is not included in the financial statements.

Revenues and Other Financing Sources

Appropriations

Most of NTSB's operating funds are provided by Congressional appropriations. The NTSB receives appropriations on annual, multi-year and no-year bases. NTSB has received financial resources from the following appropriations:

Annual Salaries and Expenses Appropriation

Annual one-year appropriations are provided by Congress and are available for obligation in the fiscal year for which it was provided to fund the overall operation of the NTSB.

Supplemental Salaries and Expenses Appropriation

Supplemental appropriations provided by Congress to fund extraordinary investigations, such as those following the TWA Flight 800, Egypt Air Flight 990, and Alaska Airlines Flight 261.

No Year Emergency Fund Appropriation

A no-year Emergency Fund appropriation was provided by the Congress to fund extraordinary accident investigation costs. Emergency Fund disbursements are made at the discretion of the NTSB, but must be reported to the Congress. A no-year appropriation is available for obligation without fiscal year limitation. The NTSB's Emergency Fund currently is limited to \$2,000,000.

Emergency Response Fund Appropriation

In fiscal year 2002, as a result of the September 11, 2001 events, the NTSB received a multi-year appropriation for \$650,000 that was made available for fiscal years 2002 and 2003.

Earned Revenue

Earned revenues collected by NTSB represent amounts collected from the public and other Federal agencies for information provided under the Freedom of Information Act (FOIA), for Academy operations, and for rental of conference room space.

Imputed Financing Sources

In accordance with OMB Bulletin No. 01-09, all expenses should be reported by agencies whether or not these expenses would be paid by the agency that incurs the expense. The amounts for certain expenses of the NTSB, which will be paid by other Federal agencies, are recorded in the "Statement of Net Cost." A corresponding amount is recognized in the "Statement of Changes in Net Position" as an "Imputed Financing Source." These imputed financing sources primarily represent unfunded pension costs of NTSB employees.

Statement of Net Cost

Sub-Organization Program Costs

The NTSB Consolidating Statements of Net Cost and Changes in Net Position are presented by Responsibility Segment. These Responsibility Segments are based on the NTSB's mission and funding sources. The major programs that comprise the Responsibility Segments are: Aviation Safety, Surface Transportation Safety, and Research and Engineering.

Net Position

Net position is the residual difference between assets and liabilities and comprises Unexpended Appropriations and Cumulative Results of Operations.

Unexpended appropriations include appropriations not yet obligated or expended, represented by the unobligated balances and undelivered orders of NTSB's appropriated funds. Multi-year appropriations remain available to NTSB for obligation in future periods. Unobligated balances associated with an appropriation that expires at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is closed, five years after the appropriation expires. Cumulative Results of Operations is the net result of NTSB's operations since its inception.

Use of Estimates

The preparation of financial statements in accordance with the accounting principles described above requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Note 2**FUND BALANCES WITH THE U.S. TREASURY**

The NTSB cash receipts and disbursements are processed by the U.S. Treasury. Non-Federal receipts are deposited in commercial banks, which transfer the receipts to the U.S. Treasury. Funds with the U.S. Treasury represent appropriated funds available to finance expenditures.

The non-entity deposit fund balances represent the amounts received from the government of Egypt.

Funds	Entity	Non-Entity	Total
Intragovernmental Appropriated Funds	\$37,430,523	0	\$37,430,523
Intragovernmental Deposit Funds		71,318	71,318
Intragovernmental Deposit Funds-Suspense		3,890,000	3,890,000
Total	\$37,430,523	\$3,961,318	\$41,391,841

Status of Fund Balance with Treasury		
Unobligated Balance		
Available		\$13,251,657
Unavailable		7,758,384
Obligated Balance Not Yet Disbursed		20,381,800
Total	\$41,391,841	

Note 3**PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following as of September 30, 2002:

Property, Plant and Equipment

Classes of Fixed Assets	Service Life (Years)	Acquisition Value	Accumulated Depreciation	Net Book Value
Desktop and laptop computers and peripherals	3	\$1,358,323	\$747,039	\$611,284
Other ADP and Tele-comm equipment (servers, routers)	5	405,950	224,774	181,176
Furniture	5	558,617	162,606	396,011
Investigative equipment	5	109,350	60,525	48,825
Software	3	133,613	111,343	22,270
Totals		\$2,565,853	\$1,306,287	\$1,259,566

Note 4
ACCRUED FECA LIABILITY

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured 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. Claims incurred for benefits for NTSB employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the NTSB.

FECA liability includes two components: (1) the accrued liability which represents money owed for claims paid by the DOL through the current fiscal year, for which billing to and payment by the NTSB will occur in a subsequent fiscal year, and (2) the actuarial liability which represents the expected liability for approved compensation cases beyond the current fiscal year. DOL does not prepare an actuarial liability for the NTSB. Accordingly, there is no provision for actuarial liability made in these financial statements.

The NTSB accrues liabilities based on estimates of funds owed to other Federal government entities.

For services provided, but not yet billed. The accruals for Workers Compensation and Unemployment Compensation represent the estimated liability for the current fiscal year; for money owed, but not billed; and for claims, which were paid by the Department of Labor, but not yet billed to the NTSB.

Note 5
DUE TO TREASURY

The NTSB has received a \$3.89 million payment from the Government of Egypt for amounts owed related to the investigation of the Egypt Air flight 990. During fiscal year 2003, this amount will be credited to the NTSB's FY 2000 emergency supplemental no-year appropriation as an offsetting collection. Also during fiscal year 2003, pursuant to P.L. 106-246, a like amount will be reported to the U.S. Treasury as appropriations permanently not available.

Note 6
LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources result from the receipt of goods and services, or the occurrence of events, for which budgetary resources are not available. NTSB's liabilities not covered by budgetary resources are as follows:

Accrued FECA Liability	\$434,508
Accrued Annual Leave	3,441,777
Total Liabilities Not Covered by Budgetary Resources	\$3,876,285

Note 7
LEASES

The NTSB has commitments under cancelable leases for office space. These leases have terms that extend up to 10 years. The majority of buildings in which the NTSB operates are leased from commercial companies. Under its lease agreement with the General Services Administration (GSA), the NTSB is charged rent that is intended to approximate commercial rental rates.

In addition, the NTSB has a 20-year lease for the Training Academy building. The total future operating payments disclosed for the Academy include estimates for services and utilities.

The NTSB also has leases for copiers, postage meters and vehicles. Copiers and postage meters are leased on an annual basis and vehicles are leased from GSA for three years. Future payments due:

Future Operating Lease Payments

Fiscal Year	Space Rental	Copiers/Postage Meter	Vehicle	Totals
2003	\$9,753,021	\$31,547	\$4,000	\$9,788,568
2004	9,355,701		4,000	9,359,701
2005	9,378,962		4,000	9,382,962
2006	9,403,116			9,403,116
2007	9,428,199			9,428,199
2008 and beyond	74,426,910			74,426,910
Total Future Lease payments	\$121,745,909	\$31,547	\$12,000	\$121,789,456

Note 8

FOOTNOTE DISCLOSURE RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources compares budgetary resources with the status of those resources. As of September 30, 2002, budgetary resources were \$109.3 million and outlays for the year were \$64.6 million. The amount of direct obligations incurred against amounts apportioned under Category A was \$87,921,714 and the amount incurred against Category B was \$343,342.

Legal arrangements affecting the use of unobligated balances during FY 2002 include restriction on the use of certain unobligated balances. The restriction applies to the unobligated balance of \$7,758,384. The unobligated balance consists of \$7,749,933 in expired authority and \$8,450 in unapportioned authority.

Comparison to the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7 (SFFAS No. 7), *Accounting for Revenue and other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources and the related actual balances published in the *Budget of the United States Government*. There are no material differences between the information presented in the Statement of Budgetary Resources and the related actual balances published in the *Budget of the United States Government*.

WE WELCOME YOUR COMMENTS!

Thank you for your interest in the National Transportation Safety Board's FY 2002 Financial Statements. We welcome your comments on how we can make this report a more informative document for our readers. We are particularly interested in your comments on the usefulness of this information and the manner in which it is presented. Please send your comments to cfofeedback@ntsb.gov or write to:

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