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# *Office of Inspector General*

# *Audit Report*

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## **QUALITY CONTROL REVIEW OF AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011**

*National Transportation Safety Board*

*Report Number: QC-2013-010*

*Date Issued: November 8, 2012*





**U.S. Department of  
Transportation**  
Office of the Secretary  
of Transportation

Office of Inspector General  
Washington, DC 20590

November 8, 2012

The Honorable Deborah A. P. Hersman  
Chairman  
National Transportation Safety Board  
490 L'Enfant Plaza SW  
Washington, D.C. 20594

Dear Chairman Hersman:

I respectfully submit our report on the quality control review (QCR) of the National Transportation Safety Board's (NTSB) audited financial statements for fiscal years 2012 and 2011.

The audit of NTSB's financial statements as of and for the years ended September 30, 2012, and September 30, 2011, was completed by Leon Snead & Company, P.C., of Rockville, Maryland (see Enclosure), under contract to the Office of Inspector General. The contract required the audit to be performed in accordance with generally accepted Government auditing standards and Office of Management and Budget Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended.

Leon Snead & Company, P.C. concluded that the financial statements present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of NTSB, as of and for the years ended September 30, 2012, and September 30, 2011, in conformity with U.S. generally accepted accounting principles. The report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested.

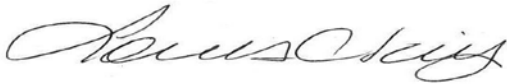
We performed a QCR of Leon Snead & Company, P.C.'s report and related documentation. Our QCR, as differentiated from an audit performed in accordance with generally accepted Government auditing standards, was not intended for us to

Report Number QC-2013-010

express, and we do not express, an opinion on NTSB's financial statements or conclusions about the effectiveness of internal controls or compliance with laws and regulations. Leon Snead & Company, P.C. is responsible for its report dated November 5, 2012, and the conclusions expressed in that report. However, our QCR disclosed no instances in which Leon Snead & Company, P.C. did not comply, in all material respects, with generally accepted Government auditing standards. Because Leon Snead & Company, P.C. did not make any recommendations, a response to this report is not required.

We appreciate the cooperation and assistance of representatives of NTSB and Leon Snead & Company, P.C. If we can answer any questions, please call me at (202) 366-1407, or George Banks, Project Manager, at (410) 962-0186.

Sincerely,



Louis C. King  
Assistant Inspector General for Financial and  
Information Technology Audits

Enclosure

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**National Transportation Safety Board**

**Audit of Financial Statements**

**As of and for the Years Ended  
September 30, 2012 and 2011**

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

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**LEON SNEAD  
& COMPANY, P.C.**

Inspector General, U. S. Department of Transportation  
Chairman, National Transportation Safety Board

**Independent Auditor's Report**

We have audited the balance sheets of the National Transportation Safety Board (NTSB) as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the NTSB's internal control over financial reporting and tested the NTSB'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 the NTSB's financial statements as of and for the years ended September 30, 2012 and 2011, 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 deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified no material weaknesses in financial reporting.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instance of noncompliance that is 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. 07-04, *Audit Requirements for Federal Financial Statements* (as amended).

The following sections discuss in more detail our opinion on the NTSB's financial statements, our consideration of the NTSB's internal control over financial reporting, our tests of the NTSB'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 NTSB as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the NTSB as of and for the years ended September 30, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information and required supplementary stewardship information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **RESPONSIBILITIES**

### Management Responsibilities

Management of the NTSB 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 financial statements based on our audit. 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 07-04, *Audit Requirements for Federal Financial Statements* (as amended). 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered the NTSB'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 07-04 (as amended) and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

As part of obtaining reasonable assurance about whether the agency'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, 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 07-04, (as amended). We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the NTSB. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements of the NTSB as of and for the years ended September 30, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the NTSB's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NTSB's internal control. Accordingly, we do not express an opinion on the effectiveness of the NTSB's internal control.

Because of inherent limitations in internal controls, including the possibility of management override of controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable



possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance of the NTSB.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider 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 instance of noncompliance with laws and regulations that is required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04, (as amended).

#### **AGENCY COMMENTS**

The Chief Financial Officer, National Transportation Safety Board advised in a response, dated November 5, 2012, that the agency has reviewed the draft fiscal years 2012 and 2011 financial statement audit report, and the agency concurs with the facts and conclusions in the report.

#### **DISTRIBUTION**

This report is intended solely for the information and use of the management, the NTSB Board, the Office of Inspector General, and others within the NTSB, 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.*  
November 5, 2012



National Transportation Safety Board  
Washington, D.C. 20594

Office of the Chief Financial Officer

November 5, 2012

TO: Leon Snead  
Partner

FROM: Steven E. Goldberg  
Chief Financial Officer

SUBJECT: DRAFT AUDIT REPORT  
Fiscal Year 2012 and 2011 Financial Statement Audit Report

The National Transportation Safety Board (NTSB) has reviewed the draft fiscal years 2012 and 2011 Financial Statement Audit Report and we concur with the facts and conclusions in the report. We will share the final audit report with senior officials, other interested program managers and staff.

Please convey my appreciation to everyone on your staff who worked diligently on our financial statement audit. If you have any questions or comments, please contact me or Edward Benthall at (202) 314-6241.

cc: George Banks, Program Director,  
Financial Audits, DOT OIG

**NATIONAL TRANSPORTATION SAFETY BOARD**

**Balance Sheet**

**As of September 30, 2012 and 2011**

<b>Assets</b>	<b>FY 2012</b>	<b>FY 2011</b>
Intragovernmental:		
Fund balance with Treasury	\$ 40,789,655	\$ 38,861,943
<b>Total Intragovernmental Assets</b>	<b>\$ 40,789,655</b>	<b>\$ 38,861,943</b>
Accounts receivable	\$ 5,355	\$ 4,366
Property and equipment, net	15,037,419	15,425,571
	<b>\$ 15,042,774</b>	<b>\$ 15,429,937</b>
<b>Total Assets</b>	<b>\$ 55,832,429</b>	<b>\$ 54,291,880</b>
<b>Liabilities</b>		
Intragovernmental:		
Accounts payable	\$ 54,929	\$ 149,202
Other liabilities	1,581,327	1,363,332
<b>Total Intragovernmental</b>	<b>\$ 1,636,256</b>	<b>\$ 1,512,534</b>
Accounts payable	\$ 464,667	\$ 2,222,021
Federal Employee Benefits	6,855,243	6,743,644
Capital lease liability	16,285,725	16,937,062
Other Liabilities	6,214,278	6,138,326
<b>Total Liabilities</b>	<b>\$ 31,456,169</b>	<b>\$ 33,553,587</b>
<b>Net Position</b>		
Unexpended appropriations	\$ 33,189,773	\$ 29,354,347
Cumulative results of operations	(8,813,513)	(8,616,054)
<b>Total Net Position</b>	<b>\$ 24,376,260</b>	<b>\$ 20,738,293</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 55,832,429</b>	<b>\$ 54,291,880</b>

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

**NATIONAL TRANSPORTATION SAFETY BOARD**  
**Statement of Net Cost**  
**For the Months Ending September 30, 2012 and 2011**

	<b>FY 2012</b>		<b>FY 2011</b>
	<b>Aviation Safety</b>		<b>Aviation Safety</b>
Gross costs	51,535,796	\$	50,580,075
Less: Earned Revenue	(1,190,882)		(1,333,074)
Net Costs	\$ 50,344,914	\$	49,247,001
	<b>Surface Transportation Safety</b>		<b>Surface Transportation Safety</b>
Gross costs	\$ 30,131,844	\$	29,691,860
Less: Earned Revenue	(625,189)		(663,138)
Net Costs	\$ 29,506,655	\$	29,028,722
	<b>Research &amp; Engineering</b>		<b>Research &amp; Engineering</b>
Gross costs	\$ 19,542,161	\$	18,570,778
Less: Earned Revenue	(398,303)		(405,674)
Net Costs	\$ 19,143,858	\$	18,165,104
<b>Net Cost of Operations</b>	<b>\$ 98,995,427</b>	<b>\$</b>	<b>96,440,827</b>

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

**NATIONAL TRANSPORTATION SAFETY BOARD**  
**Consolidated Statement of Changes in Net Position**  
**For the Months Ending September 30, 2012 and 2011**

	<b>FY 2012</b>	<b>FY 2011</b>
	<b>Cumulative Results of</b>	<b>Cumulative Results of</b>
	<b>Operations</b>	<b>Operations</b>
<b>Beginning Balances</b>	(\$8,616,054)	(\$9,090,865)
Prior period adjustments (+/-)	-	-
<b>Beginning balances, as adjusted</b>	(\$8,616,054)	(\$9,090,865)
<b>Budgetary Financing Sources:</b>		
Appropriations used	\$95,346,330	\$93,208,249
<b>Other Financing Sources:</b>		
Imputed financing from costs absorbed by others	3,451,638	3,707,389
<b>Total Financing Sources</b>	\$98,797,968	\$96,915,638
<b>Net Cost of Operations (+/-)</b>	(\$98,995,427)	(\$96,440,827)
<b>Net Change</b>	(\$197,459)	\$474,811
<b>Cumulative Results of Operations</b>	<b>(\$8,813,513)</b>	<b>(\$8,616,054)</b>

	<b>FY 2012</b>	<b>FY 2011</b>
	<b>Unexpended Appropriations</b>	<b>Unexpended Appropriations</b>
<b>Beginning Balances</b>	\$29,354,347	\$25,889,307
Prior period adjustments (+/-)	-	-
<b>Beginning balances, as adjusted</b>	\$29,354,347	\$25,889,307
<b>Budgetary Financing Sources:</b>		
Appropriations received	\$102,400,000	\$97,853,900
Other adjustments (rescissions, etc) (+/-)	(3,218,244)	(1,180,611)
Appropriations used	(95,346,330)	(93,208,249)
<b>Total Budgetary Financing Sources</b>	\$3,835,426	\$3,465,040
<b>Total Unexpended Appropriations</b>	<b>\$33,189,773</b>	<b>\$29,354,347</b>
<b>Net Position</b>	<b>\$24,376,260</b>	<b>\$20,738,293</b>

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

**NATIONAL TRANSPORTATION SAFETY BOARD**  
**Statement of Budgetary Resources**  
**For the Months Ending September 30, 2012 and 2011**

	<b>FY12</b>	<b>FY11</b>
<b>Budgetary Resources</b>		
Unobligated balance brought forward, October 1	20,542,555	18,476,412
Recoveries of prior year obligations	1,968,875	2,548,137
Other changes in unobligated balance	(3,218,243)	(1,180,611)
Unobligated balance from prior year budget authority, net	19,293,187	19,843,938
Appropriations	102,400,000	97,853,900
Spending authority from offsetting collections:	2,338,229	2,524,076
<b>Total Budgetary Resources</b>	<b>124,031,416</b>	<b>120,221,914</b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	105,935,302	99,679,359
Unobligated balance		
Apportioned	7,464,230	8,906,028
Unapportioned	10,631,884	11,636,527
<b>Unobligated balance, end of year</b>	<b>124,031,416</b>	<b>120,221,914</b>
<b>Change in Obligated Balances</b>		
Unpaid obligations, brought forward, October 1	18,319,388	20,090,160
Obligations Incurred	105,935,302	99,679,359
Gross outlays	(99,592,273)	(98,901,994)
Recoveries of prior year unpaid obligations, net	(1,968,875)	(2,548,137)
Unpaid obligations, end of year	<b>22,693,542</b>	<b>18,319,388</b>
<b>Budget Authority and Outlays, net</b>		
Budget Authority, Gross	104,738,229	100,323,753
Actual offsetting collections	(2,338,229)	(2,469,853)
Budget Authority, Net	<b>102,400,000</b>	<b>97,853,900</b>
Gross Outlays	99,592,273	98,901,994
Actual offsetting collections	(2,338,229)	(2,524,077)
<b>Net Outlays</b>	<b>97,254,044</b>	<b>96,377,917</b>

*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 and budgetary resources 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. In 1975, under the Independent Safety Board Act, all organizational ties to DOT were severed. The NTSB is not part of DOT, or 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 as 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 U.S. generally accepted accounting principles (GAAP) for the Federal government and the Office of Management and Budget (OMB) Circular A-136.

**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 overpayments to current and non-current employees and from vendors. NTSB maintains an allowance for doubtful accounts for public receivables based on past collection experience. The allowance for doubtful accounts is reviewed and adjusted quarterly.

## **Property and Equipment**

### ***General Property and Equipment***

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

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 a Standard Level Users Charge (SLUC) that approximates the commercial rental rates for similar properties.

### ***Leasehold Improvements***

The NTSB capitalization policy for leasehold improvements has established a capitalization threshold of \$100,000. A leasehold improvement is an improvement of a leased asset that increases the asset's value. Depreciation on these assets is calculated using the straight-line method with ten years as the estimated useful life of the improvements or the remaining term of the lease, whichever is less.

### ***Capital Lease Assets***

Any Lease-to-Ownership Plans (LTOP) leases are classified as capital leases. The NTSB has two capital leases. One lease is for space rental on the building that houses the NTSB Ashburn facility. This is a twenty-year lease. Depreciation on the capital lease is calculated using the straight-line method with twenty years, the term of the lease, as the estimated useful life of the capital lease.

The second lease is for copy machines used at all NTSB locations nationwide. This is a five-year lease. Depreciation on the capital lease is calculated using the straight-line method with five years, the term of the lease, as the estimated useful life of the capital lease.



### ***Internal Use Software***

The capitalization threshold of internal use software is established at \$250,000. Only the costs associated with the software development phase including labor are subject to capitalization. Software development phase activities generally include the design of chosen path, including software configuration and software interfaces, coding, installation to hardware and testing, including the parallel processing phase. Internal use software includes software to operate NTSB programs and software used to produce NTSB goods and services. Depreciation on these assets is calculated using the straight-line method with three years as the estimated useful life of the asset.

### **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, no liabilities are paid 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, 2012. Accrued payroll and benefits are payable to employees and are therefore not classified as intragovernmental.

### **Annual, Sick, and Other Leave**

Annual leave is recognized as an expense and as a liability as it is earned; the liability is reduced as leave is taken. Each year, the balance in the accrued annual, restored, 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 the CSRS or the 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 7.0% of gross earnings. The NTSB matches the withholding, and the sum of the withholding and the matching funds is transferred to the Civil Service Retirement System.

For each fiscal year the Office of Personnel Management (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 2012 service cost exceeds contributions made by employer agencies and covered employees, the plan is not fully funded by the NTSB and its employees. As of September 30, 2012, NTSB recognized \$3.5 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 2012 service cost. For FERS covered employees the NTSB made contributions of 11.9% of basic pay. Employees contributed .80% 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 a mandatory contribution of 1% of basic pay for FERS-covered employees. In addition, NTSB makes matching contributions, of up to 5% 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. There are no percentage limits on contributions for FERS participants. There are no percentage limits for CSRS participants, but there is no governmental matching contribution. The maximum amounts that either FERS or CSRS employees may contribute to the plan in calendar year 2012 is \$17,000.

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 a future event 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 not a party to any legal actions that are likely to result in a material liability. Accordingly, no provision for loss is included in the financial statements.

## **Revenues and Other Financing Sources Appropriations**

Most of NTSB's operating funds are provided by congressional appropriations of budget authority. The NTSB receives appropriations on annual, multi-year, and no-year bases. NTSB receives 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.

### ***Two Year Appropriation for Lease Renewal Expenses***

For FY 2010, Congress appropriated \$2,416,000 to fund one-time expenses associated with renewing the lease for NTSB's Washington, DC headquarters. The funding was available for obligation in FY2010 and FY2011.

### ***Two Year Appropriation***

For FY2011 Congress appropriated \$2.4 million. The funding is available for obligation in FY2011 and FY2012.

### ***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 appropriated at \$1,997,884.

## **Imputed Financing Sources**

In accordance with OMB Bulletin No. A-136, 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 Statement of Net Cost is 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.

### ***Earned Revenue***

Earned revenues collected by NTSB include amounts collected for training programs, rental of conference room space, subleasing of office space, and for investigative related services.

### **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 appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not for new obligations, until that account is closed, five years after the appropriations expire. Cumulative Results of Operations is the Net Result of NTSB's operations since 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**

U.S. Treasury processes NTSB cash receipts and disbursements. 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 and funds received in exchange for providing services. These funds are available to finance expenditures.

**Fund Balance with the U.S. Treasury**

<b>Funds</b>	<b>Entity FY 2012</b>	<b>Non-Entity FY 2012</b>	<b>Total FY 2012</b>	<b>Entity FY 2011</b>	<b>Non-Entity FY 2011</b>	<b>Total FY 2011</b>
Intragovernmental:						
Appropriated Funds	\$ 40,789,655	\$ -	\$ 40,789,655	\$ 38,861,943	\$ -	\$ 38,861,943
Unavailable Receipts	-	-	-	-	-	-
<b>Total</b>	<b>\$ 40,789,655</b>	<b>\$ -</b>	<b>\$ 40,789,655</b>	<b>\$ 38,861,943</b>	<b>\$ -</b>	<b>\$ 38,861,943</b>

<b>Status of Fund Balance with Treasury</b>	<b>FY 2012</b>	<b>FY 2011</b>
Unobligated Balance		
Available	\$7,464,230	\$8,906,028
Unavailable	10,631,883	11,636,527
Obligated Balance Not Yet Disbursed	22,693,542	18,319,388
<b>Total</b>	<b>\$40,789,655</b>	<b>\$38,861,943</b>

**Note 3**

**ACCOUNTS RECEIVABLE**

NTSB's accounts receivable represent amounts due from overpayments to current and non-current employees and from vendors. NTSB maintains an allowance for doubtful accounts for public receivables based on past collection experience. NTSB estimates the allowance for doubtful accounts based on the following agency schedule.

<b>Days Outstanding</b>	<b>Percentage</b>
0-120	0%
Over 120 Days	100%

The allowance for doubtful accounts is reviewed and adjusted quarterly.

	Interagency FY 2012	Public FY 2012	Total FY 2012	Interagency FY 2011	Public FY 2011	Total FY 2011
Gross Receivables	\$ -	\$ 97,819	\$ 97,819	\$ -	\$ 99,027	\$ 99,027
Allowance for Loss	\$ -	\$ 92,464	\$ 92,464	\$ -	\$ 94,661	\$ 94,661
Net Receivables	\$ -	\$ 5,355	\$ 5,355	\$ -	\$ 4,366	\$ 4,366

**Note 4****PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following as of September 30, 2012 and 2011:

**Property and Equipment**

Classes of Fixed Assets	Service Life (Years)	Acquisition Value FY 2012	Accumulated Depreciation FY 2012	Net Book Value FY 2012	Acquisition Value FY 2011	Accumulated Depreciation FY 2011	Net Book Value FY 2011
Desktop and laptop computers and peripherals	3	\$ 544,220	\$ 463,629	\$ 80,591	\$ 544,220	\$ 281,891	\$ 262,329
Other ADP and Tele-comm equipment (servers, routers)	5	\$ 320,223	\$ 238,651	\$ 81,572	\$ 480,073	\$ 332,867	\$ 147,206
Furniture	5	\$ 731,128	\$ 731,128	\$ -	\$ 731,128	\$ 731,128	\$ -
Investigative equipment	5	\$ 2,284,663	\$ 775,959	\$ 1,508,704	\$ 1,266,502	\$ 420,913	\$ 845,589
Internal Use Software	3	\$ 2,178,105	\$ 2,165,620	\$ 12,485	\$ 2,178,105	\$ 2,149,355	\$ 28,750
Leasehold Improvements	10	\$ 628,163	\$ 628,163	\$ -	\$ 628,163	\$ 628,163	\$ -
Capital lease (building)	20	\$ 23,731,941	\$ 10,779,261	\$ 12,952,680	\$ 23,731,941	\$ 9,590,244	\$ 14,141,697
Capital lease (Office Equipment)	5	\$ 437,833	\$ 36,446	\$ 401,387	\$ -	\$ -	\$ -
<b>Totals</b>		<b>\$ 30,856,276</b>	<b>\$ 15,818,857</b>	<b>\$ 15,037,419</b>	<b>\$ 29,560,132</b>	<b>\$ 14,134,561</b>	<b>\$ 15,425,571</b>

*Note 5*

**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 liability for future costs which represents the expected liability for approved compensation cases beyond the current fiscal year. Estimated future costs have been actuarially determined, and are regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL. FECA liability is included in Liabilities Not Covered by Budgetary Resources, as described in Note 7.

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 6**

**ACCRUED ANNUAL LEAVE**

Accrued annual leave consists of employees' unpaid leave balances at September 30, 2012 and reflects wage rates in effect at quarter end. Accrued annual leave is included in Liabilities Not Covered by Budgetary Resources, as covered in Note 7.

**Note 7**

**LIABILITIES COVERED AND 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 appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriation. These include FECA and annual leave liability. Liabilities Covered by Budgetary Resources are those for which budgetary resources are available in the current fiscal year. NTSB's liabilities covered and not covered by budgetary resources are as follows:

**Liabilities Covered and Not Covered by Budgetary Resources**

<b>Liabilities Covered by Budgetary Resources</b>	<b>FY 2012</b>	<b>FY 2011</b>
Employer Contribution and Payroll Taxes Payable	\$259,931	\$244,460
Accounts Payable	519,596	2,371,223
Accrued Payroll	1,117,113	971,467
Capital Lease Liability	403,076	-
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>\$2,299,716</b>	<b>\$3,587,150</b>
<b>Liabilities Not Covered by Budgetary Resources</b>		
Capital Lease Liability	15,882,649	16,937,062
Accrued Unfunded Annual Leave	5,057,766	4,922,399
Actuarial FECA Liability	6,855,243	6,743,644
Accrued Unfunded FECA Liability	1,360,795	1,363,332
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>29,156,453</b>	<b>29,966,437</b>
<b>Total Liabilities Covered and Not Covered by Budgetary Resources</b>	<b>\$31,456,169</b>	<b>\$33,553,587</b>

**Liabilities Covered and Not Covered by Budgetary Resources  
Intragovernmental and Non-Intragovernmental**

<b>Intragovernmental</b>	<b>FY 2012</b>	<b>FY 2011</b>
Accounts Payable	\$ 54,929	\$ 149,202
Other Liabilities	1,581,327	1,363,332
<b>Total Intragovernmental</b>	<b>\$ 1,636,256</b>	<b>\$ 1,512,534</b>
Accounts Payable	\$ 464,667	\$ 2,222,021
Accrued Payroll	1,117,113	971,467
Employer Contribution and Payroll Taxes Payable	39,399	244,460
Capital Lease Liability	16,285,725	16,937,062
Accrued Unfunded Annual Leave	5,057,766	4,922,399
Actuarial FECA Liability	6,855,243	6,743,644
<b>Total Non-Intragovernmental</b>	<b>29,819,913</b>	<b>32,041,053</b>
<b>Total Liabilities Covered and Not Covered by Budgetary Resources</b>	<b>\$ 31,456,169</b>	<b>\$ 33,553,587</b>

**Note 8**  
**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 their lease agreement with the General Services Administration (GSA), the NTSB is charged rent that is intended to approximate commercial rental rates.

The NTSB has a 20-year capital lease for the Ashburn facility space which was entered into during 2001. The total future payments disclosed for the Ashburn facility include estimates for services and utilities.

The NTSB also has a 5-year capital lease for Lexmark copy machines which was entered into during 2012. The total future payments disclosed for the copy machines include estimates for service.

**Future Capital Lease Payments**

<b>Fiscal Year</b>	<b>Space Rental FY 2012</b>	<b>Space Rental FY 2011</b>
2012	\$ -	2,521,440
2013	2,694,984	2,521,440
2014	2,694,984	2,521,440
2015	2,694,985	2,521,440
2016	2,694,985	2,521,440
2017	2,622,674	2,521,440
2018 and beyond	14,708,400	14,708,400
<b>Total Future Lease Payments</b>	<b>\$28,111,012</b>	<b>\$29,837,040</b>
Less: Imputed Interest	(5,105,367)	(5,965,833)
Less: Executory Costs (Maintenance)	(6,719,920)	(6,934,145)
<b>Net Capital Lease Liability</b>	<b>\$16,285,725</b>	<b>\$16,937,062</b>

In 2003 NTSB determined that the Ashburn facility lease should be recorded as a capital lease. Capitalizing the full net present value of the Ashburn facility lease created a deficiency in 2001 funds. This deficiency was reported to OMB and Congress. OMB has provided guidance on future funding and reporting of this liability. With the cancellation of the FY 2001 appropriation at September 30, 2006, the budgetary accounts no longer reflect a deficiency situation. The related asset, liability, and amortization will remain on the general ledger until the lease is fully liquidated. Annual Appropriation acts now include language to provide funds to make lease payments due in the current fiscal year.

The lease liability not covered by budgetary resources at September 30, 2012 is \$15,882,649.

The NTSB has operating leases for postage meters and vehicles. Postage meters are leased on an annual basis. These leases are cancelable or renewable on an annual basis at the option of NTSB. They do not impose binding commitments on NTSB for future rental payments on leases with terms longer than one year.

Future operating payments due are as follows:

**Future Operating Lease Payments at September 30, 2012**

Fiscal Year	Space Rental- Headquarters and Regional Offices FY 2012	Space Rental- Headquarters and Regional Offices FY 2011
2012	\$ -	8,895,327
2013	8,962,976	8,794,920
2014	8,877,218	8,709,162
2015	8,687,670	8,600,249
2016	8,733,909	8,646,488
2017	8,827,691	8,740,270
2018 and beyond	28,655,868	28,284,328
<b>Total Future Lease payments</b>	<b>\$ 72,745,332</b>	<b>\$ 80,670,744</b>

NTSB signed a new ten year lease in August 2010.

GSA vehicle leases are cancelable at any time without penalty and are not included in Future Operating Lease Payments information.

**Future Lease Receipts**

In August 2007, NTSB signed two sub-lease agreements to provide certain office space beginning in September 2007.

The first is with the Transportation Security Administration (TSA) for a period of ten years beginning October 1, 2008. The Sub-Lessee may cancel this agreement after the first twelve months with 120 days notice without penalty. This agreement will result in the receipt of \$597,746 over the twelve-month lease term in accordance with amendment #4, paid quarterly. The Sub-Lessee rental rate will be annually adjusted by a reconciliation of Operating costs and taxes corresponding with increases to the Consumer Price Index (CPI) Cost of Living index.

In June 2008, NTSB signed a sub-lease agreement with the Department of Homeland Security (DHS) to provide certain office space beginning June 16, 2008.

This sub-lease was for the initial period of June 16, 2008 to September 30, 2008 with four option years, paid quarterly in advance. This agreement resulted in the receipt of \$327,200 over the twelve-month lease term. The Sub-Lessee rental rate will be annually adjusted by a reconciliation of Operating costs and taxes corresponding with increases to the Consumer Price Index (CPI) Cost of Living index.

**Future Lease Receipts at September 30, 2012**

<b>Fiscal Year</b>	<b>TSA</b>
2013	\$ 597,746
2014	597,746
2015	597,746
2016	597,746
2017	597,746
2018 and beyond	-
<b>Total Future Lease Receipts</b>	<b>\$ 2,988,730</b>

**Future Lease Receipts at September 30, 2011**

<b>Fiscal Year</b>	<b>TSA</b>	<b>DHS</b>
2012	\$ 564,015	\$ 327,200
2013	564,015	-
2014	564,015	-
2015	564,015	-
2016	564,015	-
2017 and beyond	564,015	-
<b>Total Future Lease Receipts</b>	<b>\$ 3,384,090</b>	<b>\$ 327,200</b>

*Note 9***STATEMENT OF NET COST****Intragovernmental and Public Costs**

<b>Fiscal Year 2012</b>	<b>Aviation Safety</b>	<b>Surface Safety</b>	<b>Research &amp; Engineering</b>	<b>Consolidated Totals</b>
Intragovernmental Gross Costs	\$ 13,879,962	\$ 8,631,069	\$ 5,376,854	\$ 27,887,885
Less: Intragovernmental Earned Revenue	(739,963)	(367,079)	(228,677)	(1,335,719)
Intragovernmental Net Costs	\$ 13,139,999	\$8,263,990	\$5,148,177	\$26,552,166
Gross Costs with the Public	\$ 37,655,834	\$ 21,500,775	\$ 14,165,307	\$ 73,321,916
Less: Earned Revenues from the Public	(450,919)	(258,110)	(169,626)	(878,655)
Net Costs with the Public	\$ 37,204,915	\$ 21,242,665	\$ 13,995,681	\$ 72,443,261
<b>Net Cost of Operations</b>	<b>\$ 50,344,914</b>	<b>\$29,506,655</b>	<b>\$ 19,143,858</b>	<b>\$ 98,995,427</b>

<b>Fiscal Year 2011</b>	<b>Aviation Safety</b>	<b>Surface Safety</b>	<b>Research &amp; Engineering</b>	<b>Consolidated Totals</b>
Intragovernmental Gross Costs	\$ 12,036,882	\$ 7,292,962	\$ 4,337,932	\$ 23,667,776
Less: Intragovernmental Earned Revenue	(927,337)	(386,593)	(229,950)	(1,543,880)
Intragovernmental Net Costs	\$ 11,109,545	\$6,906,369	\$4,107,982	\$22,123,896
Gross Costs with the Public	\$ 38,543,193	\$ 22,398,898	\$ 14,232,845	\$ 75,174,936
Less: Earned Revenues from the Public	(405,737)	(276,545)	(175,723)	(858,005)
Net Costs with the Public	\$ 38,137,456	\$ 22,122,353	\$ 14,057,122	\$ 74,316,931
<b>Net Cost of Operations</b>	<b>\$ 49,247,001</b>	<b>\$29,028,722</b>	<b>\$ 18,165,104</b>	<b>\$ 96,440,827</b>

**Note 10**

**STATEMENT OF BUDGETARY RESOURCES**

The Statement of Budgetary Resources compares budgetary resources with the status of those resources. For September 30, 2012, and September 30, 2011, respectively, budgetary resources were \$124 million and \$120 million; net outlays for the year were \$97 million and \$96 million; direct obligations incurred against amounts apportioned under Category A were \$104 million and \$98 million; and the amount of direct obligations incurred against amounts apportioned under Category B were \$2 million and \$2 million.

	<b>FY 2012</b>	<b>FY 2011</b>
Budgetary Resources	\$124,031,416	\$120,221,914
Net Outlays	97,254,044	96,337,917
Category A Apportionments	103,773,736	97,842,472
Reimbursable Category B	2,161,566	1,836,887

The total of undelivered orders at September 30, 2012 and 2011 were \$20.4 million and \$14.7 million.

*Note 11*

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

<b>FY 2011 Dollars in millions</b>	<b>Budgetary Resources</b>	<b>Obligations Incurred</b>	<b>Offsetting Receipts</b>	<b>Net Outlays</b>
<b>Statement of Budgetary Resources</b>	\$120	\$99	\$-	\$96
<b>Unobligated Balance Brought Forward</b>	\$(20)	-	-	-
<b>Budget of the U.S. Government</b>	\$100	\$99	-	\$96
<b>Differences</b>	\$-	\$-	\$-	\$-

**Source: Appendix, United States Budget**

FY 2011 is the latest year for which actual figures are available. The President's Budget with actual figures for FY 2012 has not yet been published. Actual figures for FY 2012 are expected to be available in January 2013 and are expected to be found at <http://www.whitehouse.gov/omb/>.



*Note 12*

**NET COST OF OPERATIONS VS. BUDGET**

	<b>FY 2012</b>	<b>FY 2011</b>
<b>Resources Used to Finance Activities</b>		
Obligations Incurred	\$105,935,302	\$99,679,359
Less: spending authority from offsetting collections and recoveries	(4,307,104)	(5,072,214)
Net obligations	101,628,198	94,607,145
Imputed financing from costs absorbed by others	3,451,638	3,707,389
Total resources used to finance activities	<b>\$105,079,836</b>	<b>\$98,314,534</b>
<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	(5,661,589)	(1,738,479)
Resources that fund expenses recognized in prior periods	(653,875)	(1,061,910)
Resources that finance the acquisition of assets	(1,563,419)	(865,725)
Total resources used to finance items not part of the net cost of operations	<b>(7,878,883)</b>	<b>(3,666,114)</b>
Total resources used to finance the net cost of operations	<b>\$97,200,953</b>	<b>\$94,648,420</b>
<b>Components of the Net Cost of Operations that will not require or generate Resources in the Current Period</b>		
Other	(157,097)	76,349
Depreciation and Amortization	1,951,571	1,716,058
Total components of Net Cost of Operations that will not require or generate resources in the current period	<b>1,794,474</b>	<b>1,792,407</b>
<b>Net Cost of Operations</b>	<b>\$98,995,427</b>	<b>\$96,440,827</b>