PRINCIPAL FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Department of State

CONSOLIDATED BALANCE SHEET

As of September 30, 2000

[Dollars in Thousands]

ASSETS (Note 3)	
Intragovernmental Assets —	
Fund Balances With Treasury (Note 4)	$ 7,101,842
Investments, Net (Note 5)	10,669,382
Accounts Receivable (Note 6)	185,787
Interest Receivable	185,634
Total Intragovernmental Assets	18,142,645
Accounts Receivable, Net (Note 6)	42,505
Loans Receivable, Net (Note 7)	1,053
Cash and Other Monetary Assets (Note 8)	18,082
Inventory (Note 9)	6,684
Property and Equipment, Net (Note 10)	4,687,989
Other Assets (Note 11)	100,257
Total Assets	$ 22,999,215

The accompanying notes are an integral part of this financial statement.

Department of State

CONSOLIDATED BALANCE SHEET

As of September 30, 2000

[Dollars in Thousands]

LIABILITIES (Note 12)	
Intragovernmental Liabilities —	
Accounts Payable	$ 8,678
Other Liabilities	34,022
Total Intragovernmental Liabilities	42,700
Accounts Payable	602,448
Foreign Service Retirement Actuarial Liability (Note 13)	11,475,900
Liability to International Organizations (Note 14)	1,608,326
Capital Lease Liability (Note 15)	70,819
Funds Held in Trust (Note 8)	17,153
Federal Employees' Compensation Act Benefits	49,916
Other Liabilities	453,001
Total Liabilities	14,320,263
Commitments and Contingencies (Note 16)	
NET POSITION	
Unexpended Appropriations (Note 17)	5,690,201
Cumulative Results of Operations	2,988,751
Total Net Position	8,678,952
Total Liabilities and Net Position	$ 22,999,215

The accompanying notes are an integral part of this financial statement.

Department of State
CONSOLIDATING STATEMENT OF NET COST (Note 18)
For the Year Ended September 30, 2000
(Dollars in Thousands)

	Under Secretary for: Arms Control and International Security	Economic, Business and Agriculture	Global Affairs	Political Affairs	Public Diplomacy and Public Affairs	Management–Consular Affairs	Eliminations	Total
Diplomatic Relations and International Organizations								
Total Cost	$ 399,458	$ 39,941	$ 79,296	$ 3,312,905	$ 338,331	$ -	$ (152,594)	$ 4,017,337
Earned Revenue	(48,145)	(4,841)	(8,583)	(243,275)	(39,357)	(25)	152,594	(191,632)
Net Program Cost	351,313	35,100	70,713	3,069,630	298,974	(25)	-	3,825,705
American Citizens and U.S. Borders								
Total Cost	-	-	19	1,037,785	157,906	559,942	(211,984)	1,543,668
Earned Revenue	-	-	-	(210,580)	(26,691)	(1,083,519)	211,984	(1,108,806)
Net Program Cost	-	-	19	827,205	131,215	(523,577)	-	434,862
Humanitarian Response								
Total Cost	-	-	875,243	91	3,715	-	(3,500)	875,549
Earned Revenue	-	-	(6,859)	-	(58)	-	3,500	(3,417)
Net Program Cost	-	-	868,384	91	3,657	-	-	872,132
Law Enforcement								
Total Cost	-	-	482,862	14,916	6,989	-	(6,382)	498,385
Earned Revenue	-	-	(23,100)	(1,404)	(208)	-	6,382	(18,330)
Net Program Cost	-	-	459,762	13,512	6,781	-	-	480,055
Executive Direction and Other Costs Not Assigned								
Total Cost	3,520	2,955	44,824	2,688,019	275,258	3,102	(1,001,763)	2,015,915
Earned Revenue	(1,976)	(1,976)	(29,633)	(1,875,002)	(170,822)	(1,976)	979,230	(1,102,155)
Net Program Cost	1,544	979	15,191	813,017	104,436	1,126	(22,533)	913,760
Total Cost	**$ 402,978**	**$ 42,896**	**$ 1,482,244**	**$ 7,053,716**	**$ 782,199**	**$ 563,044**	**$ (1,376,223)**	**$ 8,950,854**
Total Revenue	**$ (50,121)**	**$ (6,817)**	**$ (68,175)**	**$ (2,330,261)**	**$ (237,136)**	**$ (1,085,520)**	**$ 1,353,690**	**$ (2,424,340)**
Total Net Cost	**$ 352,857**	**$ 36,079**	**$ 1,414,069**	**$ 4,723,455**	**$ 545,063**	**$ (522,476)**	**$ (22,533)**	**$ 6,526,514**

The accompanying notes are an integral part of this financial statement.

Department of State

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Year Ended September 30, 2000

[Dollars in Thousands]

Total Net Cost	$ (6,526,514)
Financing Sources (Other Than Exchange Revenue)—	
Appropriations Used	7,496,909
Donations and Other Non-Exchange Revenue	7,559
Imputed Financing (Note 18)	259,529
Transfers-in	22,885
Transfers-out	(535,542)
Net Results of Operations	724,826
Increase in Unexpended Appropriations	796,981
Change in Net Position	1,521,807
Net Position—Beginning of Year (Note 2)	7,157,145
Net Position—End of Year	$ 8,678,952

The accompanying notes are an integral part of this financial statement.

Department of State

COMBINED STATEMENT OF BUDGETARY RESOURCES (Note 19)

For the Year Ended September 30, 2000

[Dollars in Thousands]

Budgetary Resources —		
Budget Authority	$	9,612,954
Unobligated Balances — Beginning of Year (Note 2)		2,257,446
Net Transfers Prior-Year Balance		(2,970)
Spending Authority From Offsetting Collections		2,266,803
Adjustments		(818,947)
Total Budgetary Resources	$	13,315,286
Status of Budgetary Resources —		
Obligations Incurred	$	11,217,886
Unobligated Balances—Available		1,889,613
Unobligated Balances—Not Available		207,787
Total Status of Budgetary Resources	$	13,315,286
Outlays —		
Obligations Incurred	$	11,217,886
Less: Spending Authority From Offsetting Collections		(2,266,803)
Recoveries		(191,854)
Subtotal		8,759,229
Obligated Balance, Net — Beginning of Year (Note 2)		2,985,881
Obligated Balance Transferred, Net		—
Less: Obligated Balance, Net — End of Year		(4,263,379)
Total Outlays	$	7,481,731

The accompanying notes are an integral part of this financial statement.

Department of State

COMBINED STATEMENT OF FINANCING (Note 20)

For the Year Ended September 30, 2000

[Dollars in Thousands]

Obligations and Nonbudgetary Resources:	
Obligations Incurred	$11,217,886
Less: Other Spending Authority	(3,603,643)
Less: Exchange Revenue not in Budget	(522,755)
Financing Imputed from Cost Subsidies	259,529
Transfers-In, Net	10,099
Donations and Other Non-Exchange Revenue not in Budget	7,559
Other	318
Total Obligations as Adjusted and Nonbudgetary Resources	7,368,993
Resources that Do Not Fund Net Cost of Operations:	
Change in Amount of Goods/Services Ordered but not yet Received (Net Increase)	(870,997)
Decrease (Increase) in Unfilled Customer Orders	(47,731)
Costs Capitalized on the Balance Sheet (Increases):	
Property and Equipment	(324,213)
Purchase of Inventory	(3,739)
Loans	(23)
Less: Financing Sources that Fund Costs of Prior Periods	(1,537,645)
Total Resources that Do Not Fund Net Cost of Operations	(2,784,348)
Costs that Do Not Require Resources:	
Depreciation and Amortization	244,729
Loss on Disposition of Assets	21,994
Other, Net	(31)
Total Costs that Do Not Require Resources	266,692
Financing Sources Yet to be Provided	1,675,177
Net Cost of Operations	$ 6,526,514

The accompanying notes are an integral part of this financial statement.

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

ORGANIZATION

The U.S. Department of State ("Department of State" or "Department"), the senior executive department of the United States Government, was established by Congress in 1789, replacing the Department of Foreign Affairs established in 1781. The Department advises the President in the formulation and execution of foreign policy. As head of the Department, the Secretary of State is the President's principal advisor on foreign affairs. The Department's primary objective in the conduct of foreign relations is to promote the security and well-being of the United States.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Consolidation

The accompanying principal financial statements (statements) present the financial activity for the Department of State. The statements include the accounts of all funds under Department control that have been established and maintained to account for resources entrusted to Department management, or for which the Department acts as a fiscal agent or custodian. The Department maintains General Funds, Special Funds, Revolving Funds, Trust Funds, and Deposit Funds.

- General and Special Funds are used to record financial transactions under Congressional appropriations or other authorization to spend general revenues.
- Revolving Funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the Fund without further action by Congress.
- Trust Funds are credited with receipts generated by the terms of a trust agreement or statute. At the point of collection, these receipts are available immediately or unavailable depending upon statutory requirements. The largest trust fund is the Foreign Service Retirement and Disability Fund ("FSRDF").
- Deposit Funds are established for (1) amounts received for which the Department is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received, and (4) monies held awaiting distribution on the basis of a legal determination.

Pursuant to the *Foreign Affairs Reform and Restructuring Act of 1998* (Public Law 105-277), the United States Information Agency (USIA) was abolished and many of its functions transferred to the Department on October 1, 1999. Accordingly, amounts reported for fiscal year 2000 include accounts of the former USIA (see Note 2, "Foreign Affairs Agencies Consolidation").

All significant interfund balances and transactions within the Department have been eliminated (Intra-Departmental eliminations) in the Consolidated Balance Sheet, Consolidating Statement of Net Cost, and Consolidated Statement of Changes in Net Position. The Combined Statements of Budgetary Resources and Financing are prepared on a combined basis and do not include Intra-Departmental eliminations.

Basis of Presentation

The accompanying statements have been prepared to report the financial position and results of operations for the Department of State. These statements are prepared as required by the *Government Management* *and Reform Act* (GMRA) of 1994 and presented in accordance with form and content requirements contained in Office of Management and Budget (OMB) Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended. Bulletin 97-01 defines the form and content for annual financial statements that are required to be submitted to the Director of OMB. The statements presented herein are in addition to the financial reports prepared by the Department in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources.

The statements have been prepared from the Department's books and records and in accordance with the Department's accounting policies, of which the significant policies are summarized below in this Note. The Department's accounting policies follow generally accepted accounting principles (GAAP). GAAP for Federal entities is the hierarchy of accounting principles prescribed in the American Institute of CPAs' Statement of Auditing Standards No. 91, *Federal GAAP Hierarchy*.

Accounting Changes

The Department implemented new accounting standards and revised financial statement reporting requirements in 2000. None of the changes had a material effect on the Department's financial position or results of operations.

Three new Statement of Federal Financial Accounting Standards (SFFAS) are effective for reporting periods that begin after September 30, 1999.

- Statement of Federal Financial Accounting Standards No. 15, *Management's Discussion and Analysis*, requires that each general purpose federal financial report include a section devoted to management's discussion and analysis (MD&A). The MD&A is treated as required supplementary information for audit purposes. The MD&A is presented on pages 1 to 37.
- Statement of Federal Financial Accounting Standards No. 16, *Amendments to Accounting for Property, Plant, and Equipment,* amends accounting and reporting standards in SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, and SFFAS No. 8, *Supplementary Stewardship Reporting*, for heritage assets that serve a dual purpose. The Department does not have any heritage assets that serve a dual purpose.
- Statement of Federal Financial Accounting Standards No. 17, *Accounting for Social Insurance*, establishes accounting standards for certain Federal social insurance programs, none of which are managed or reported on by the Department.

In accordance with technical amendments to OMB Bulletin 97-01, reporting changes were made to the required supplementary information. Specifically, intragovernmental earned revenues and related costs from trade transactions are reported. Intragovernmental earned revenues are reported by trading partner, and the related gross costs which generated these revenues are reported by budget functional classification. Also, intragovernmental non-exchange revenues are reported by trading partner. See "Required Supplementary Information—Intragovernmental Amounts" on pages 101 to 103.

Basis of Accounting

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, exchange revenues are recognized when earned and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

Budgets and Budgetary Accounting

Congress annually enacts one-year appropriations that provide the Department with authority to obligate funds within the respective fiscal year for necessary expenses to carry out mandated program activities. In addition, Congress also enacts multi-year appropriations and appropriations that are available until expended. All appropriations are subject to OMB apportionment in addition to Congressional restrictions on the expenditure. Also, the Department places internal restrictions to ensure the efficient and proper use of all appropriations. One-year and multi-year appropriations are canceled and cannot be used for disbursements after five years have elapsed since the appropriation was last available for obligation.

Revenues and Other Financing Sources

Department operations are financed through appropriations, reimbursements for the provision of goods or services to other Federal agencies, proceeds of sales of property, certain consular-related and other fees, and donations. In addition, the Department collects passport, visa, and other consular fees that are not retained by the Department but are deposited directly to a Treasury account. These passport and visa fees are reported as earned revenues on the Statement of Net Cost and as a transfer-out of financing sources on the Statement of Changes in Net Position.

For financial statement purposes, appropriations are recorded as a financing source (i.e., Appropriations Used) and reported on the Statement of Changes in Net Position at the time they are recognized as an expenditure. Appropriations expended for capitalized property and equipment are recognized when the asset is purchased. The applicable depreciation expense is recorded over the asset's useful life as described below in *Property and Equipment — Real Property* and *Property and Equipment — Personal Property.*

Work performed for other Federal agencies under reimbursable agreements is initially financed through the account providing the service and subsequently reimbursed. Reimbursements are recognized as revenues when earned, i.e., goods have been delivered or services rendered, and the associated costs incurred.

Administrative support services at overseas posts are provided to other Federal agencies through the International Cooperative Administrative Support Services (ICASS). ICASS bills for the services it provides to agencies at overseas posts. These billings are recorded as revenues to ICASS and must be sufficient to cover all overhead costs, operating expenses and the replacement costs of capital assets necessary to carry on the operation.

Proceeds from the sale of real property, vehicles and other personal property are recognized as revenues when the proceeds are credited to the account from which the asset was funded. For non-capitalized property, the full amount realized is recognized as revenue. For capitalized property, revenue or loss is recognized based on whether the proceeds received were greater or less than the net book value of the asset sold. Proceeds of sale are retained by the Department and available for purchase of the same or similar category of property.

The Department is authorized to collect and retain specific user fees for machine-readable visas, expedited passport processing, and fingerprint checks on immigrant visa applicants. These revenues are recognized in the American Citizens and U.S. Borders Program as the fees are collected. The Department is also authorized to credit the respective appropriations with (1) fees for the use of Blair House, (2) lease payments and transfers from the International Center Chancery Fees held in Trust to the International Center Project, (3) registration fees for the Office of Defense Trade Controls, (4) reimbursements for international litigation related expenses, and (5) reimbursement for training of foreign government officials at the Foreign Affairs Service Institute.

Generally, donations received in the form of cash or financial instruments are recognized as revenues at their fair values in the period received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of works of art, historical treasures, and similar assets that are added to collections are not recognized at time of donation. If subsequently sold, proceeds from the sale of these collection items are recognized in the year of sale.

The Department receives the majority of the funding needed to support the Repatriation Loan Program through an annual appropriation and permanent, indefinite borrowing authority. The appropriation has two components: (1) the subsidy portion for the present value of long-term cash flows, and (2) estimated expenses to administer the program. Appropriations are recognized as used at the time the loans are obligated and administrative expenses are incurred.

Fund Balances with Treasury

The Fund Balances with Treasury are funds that are available to pay accrued liabilities and finance authorized commitments relative to goods, services, and benefits. The Department does not maintain cash in commercial bank accounts for the funds reported in the Consolidated Balance Sheet, except for the Emergencies in the Diplomatic and Consular Services, Office of Foreign Missions and the International Center (which maintains a commercial account for lease fees held in trust — see Note 8, "Cash and Other Monetary Assets"). Domestic receipts and disbursements are processed by the Treasury. The Department operates three Financial Service Centers which are located in Paris, Bangkok, and Charleston, South Carolina, that provide financial support for the Department and other Federal agencies' overseas operations. The U.S. Disbursing Officer at each Center is delegated authority to disburse funds on behalf of the Treasury.

Accounts Receivable

Intragovernmental Accounts Receivable are due principally from other Federal agencies for ICASS services, reimbursable agreements, and Working Capital Fund (WCF) services. Accounts Receivable from non-Federal entities are primarily the result of International Boundary and Water Commission (IBWC) receivables for Mexico's share of IBWC activities, Repatriation Loans, travel advances and for sales of overseas real property.

Accounts Receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms, e.g., salary offset, referral to collection agents and Treasury offset. In addition, Accounts Receivable from non-Federal entities are assessed interest, penalties and administrative fees if they become delinquent. Interest and penalties are assessed at the Current Value of Funds Rate established by Treasury. Any interest, penalties or fees collected are not retained but are treated as miscellaneous receipts and deposited directly to a Treasury account.

Allowances for uncollectible Accounts Receivable are based on criteria established for each type of receivable. Due to the relatively small number and dollar amount of non-Federal receivables, accounts are independently assessed to determine collectibility and the need for an offsetting allowance. All Intragovernmental Accounts Receivable are considered to be collectible. However, an allowance may be established to recognize billing disputes.

Interest Receivable

Interest earned on investments, but not received as of September 30, is recognized as interest receivable.

Loans Receivable

The Department provides Repatriation Loans for destitute American citizens overseas where the Department becomes the lender of last resort. These loans provide assistance to pay for return transportation, food and lodging, or medical expenses. A promissory note is executed by the borrower without collateral. Consequently, the loans are made anticipating a low rate of recovery. Interest, penalties and administrative fees are assessed if the loan becomes delinquent.

Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances or prepayments, and recognized as expenses when the related goods and services are received. Advances are principally to Department employees for official travel, miscellaneous prepayments and advances to other entities for future services, and salary advances to Department employees transferring to overseas assignments. Advances and prepayments are reported as Other Assets on the Consolidated Balance Sheet.

Valuation of Investments

The investments of the FSRDF consist solely of special issues of U.S. Government securities, which are redeemable on demand at par. Therefore, for financial statement purposes, the investments are valued at par. Interest on investments is paid semiannually on June 30 and December 31.

The investments of the Gift Funds consist of U.S. guaranteed securities. These investments are reported at the acquisition cost, which equals the face value plus or minus the unamortized premium or discount. Premiums and discounts are amortized over the life of the security using the effective interest method.

The Department administers the *Israeli-Arab Scholarship* and *Eisenhower Exchange Fellowship Programs.* The Israeli-Arab Scholarship Program provides grants and scholarships to Israeli-Arab students for degree programs at universities and colleges in the United States. The Eisenhower Exchange Fellowship Program honors the late president and increases educational opportunities for young leaders in preparation for and enhancement of their professional careers and advancement of peace through international understanding. The *Israel -Arab Scholarship Fund* and *Eisenhower Exchange Fellowship Program Trust Fund* investments consist of market-based U.S. Treasury Securities. Interest on investments is paid semiannually at various rates. Investments are valued at their par value, net of unamortized premiums and discounts. Premiums and discounts are amortized over the life of the security on an effective interest basis. See Note 5, "Investments."

Works of Art and High Value Furnishings

The Department has collections of art objects and furnishings that are held for public exhibition, education, and official entertainment of visiting Chiefs of State, Heads of Government, Foreign Ministers, as well as other distinguished foreign and American guests. There are five separate collections: the Diplomatic Reception Rooms, the Art Bank, Art in Embassies,

Richard Mayhew
Serenade
1990, oil on canvas
44 x 48 inches (111.8 x 121.9 cm) framed;
42 x 46 inches (106.7 x 116.8 cm) unframed
Lent by the artist, courtesy of ACA Galleries, New York, New York

Curatorial Services Program, and the Rare Books and Special Collections Rooms. The collections consist of items acquired as donations, purchased using donated or appropriated funds, or on loan from individuals, organizations, or museums. The Department provides protection and preservation services for these collections.

The items owned by the Department are considered to be heritage assets (see "Required Supplementary Stewardship Information — Heritage Assets"). In accordance with SFFAS No. 6, no value is assigned to these assets in the Consolidated Balance Sheet. Purchases of items for collections are recorded as an expense in the year of purchase. Proceeds from disposals are recognized as revenue in the year of sale and are designated for future collection acquisitions.

Inventories

The Department's Consolidated Balance Sheet reflects inventories held by WCF's Publishing Services, and Supply Services Center and Stock Account. The WCF inventory primarily consists of paper and ink used in the printing and reproduction services (Publishing Services), furniture held for sale to bureaus within the Department (Supply Services Center and Stock Account), and publications held for sale.

The WCF's Publishing Services inventory on hand is valued at latest acquisition cost. The Supply Services Center and Stock Account inventory is valued monthly using a weighted moving average. The inventory value of the publications held for sale is based on the cost of production. Recorded values are adjusted for the results of periodic physical inventories.

Property and Equipment—Real Property

Real property assets primarily consist of facilities used for U.S. diplomatic missions abroad and capital improvements to these facilities. They include unimproved land, residential and functional use buildings such as embassy/consulate office buildings, office annexes and support facilities as well as construction-in-progress. Title to these properties is held under various conditions including fee simple, restricted use, crown lease and deed of use agreement.

Since 1997, additions to the real property asset accounts are based on historical costs. Construction-in-Progress represents the costs incurred for new facilities, major rehabilitations or other improvements that are in the design or construction stage. When these projects are complete, costs are transferred to Buildings and Structures or Leasehold Improvements as appropriate. The Department capitalizes construction of new buildings and all building acquisitions regardless of cost, and capitalizes improvements greater than $250,000.

Oman Embassy

Prior to 1997, historical cost information for most of the Department's overseas properties was either unavailable or incomplete. Therefore, the Department estimated a value for overseas real property assets as of September 30, 1996.

The Department also owns several domestic real properties, including the National Foreign Affairs Training Center (Arlington, VA), the International Center (Washington, D.C.), the Charleston (SC) Financial Services Center, the Beltsville (MD) Information Management Center, the Florida Regional Center (Ft. Lauderdale) and consular centers in Charleston, Portsmouth (NH) and Williamsburg (KY). These properties have been recorded at either actual or estimated historical cost.

The International Boundary and Water Commission (IBWC) has buildings and structures related to its boundary preservation, flood control, and sanitation programs. IBWC's buildings and structures are capitalized at cost.

Depreciation of buildings and other structures is computed on a straight-line basis, and depreciated principally over a 30-year period.

Property and Equipment—Personal Property

In general, personal property and equipment with an acquisition cost of $25,000 or more and a useful life of two or more years is capitalized at cost. However, there are exceptions to this capitalization policy. All vehicles are capitalized, and commercial off-the-shelf ADP software costing over $100,000, and ADP software developed internally costing over $250,000 is capitalized. Depreciation of property and equipment is calculated on a straight-line basis over the asset's estimated life with a 5% salvage value. Depreciation is not recorded until the fiscal year after the item is put into service for all property except vehicles. Vehicles are depreciated over periods ranging from 3 to 6 years and depreciation begins when the vehicle is put into service. Other personal property and equipment is depreciated over periods generally ranging from 5 to 8 years. Telecommunication equipment is depreciated over 20 years.

Capital Leases

Leases are accounted for as capital leases if they meet one of the following criteria: (1) the lease transfers ownership of the property by the end of the lease term, (2) the lease contains an option to purchase the property at a bargain price, (3) the lease term is equal to or greater than 75% of the estimated useful life of the property, or (4) the present value of the minimum lease payments equals or exceeds 90% of the fair value of the leased property. The initial recording of the value of a lease (with a corresponding liability) is the lesser of the net present value of the lease payments or the fair value of the leased property. Capital leases are amortized over the term of the lease.

Grants

The Department awards educational and cultural exchange type grants to various not-for-profit organizations and universities. Budgetary obligations are recorded when grants are awarded. The disbursements of grant funds are made in two ways. Grantees draw funds commensurate with their immediate cash needs via the Department of Health and Human Services (HHS) Payments Management System (PMS). The second type of disbursement occurs when grantees submit invoices. In both cases, an expense is recorded upon disbursement.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities represent amounts accrued for employees' salaries, employee and annuitant benefits, contracts for goods and services received but unpaid at the end of the fiscal year, and unearned revenue from the sale of real property. For FY 2000, the Department changed its method of computing the fiscal yearend balance in accounts payable. The Department believes that the new method more accurately reflects financial position and results of operations.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. Current or prior year appropriations are not available to fund annual leave earned but not taken. Funding occurs in the year the leave is taken and payment is made. For FY 2000, the Department changed its method of computing the fiscal yearend balance in the accrued annual leave. The Department believes the new method more accurately reflects financial position and results of operation. Sick leave and other types of nonvested leave are expensed as taken.

Employee Benefit Plans

Retirement Plans. Civil Service employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Members of the Foreign Service participate in either the Foreign Service Retirement and Disability System (FSRDS) or the Foreign Service Pension System (FSPS).

Employees covered under CSRS make contributions of 7.40% of pay, with the Department making contributions of 8.51%. Employees covered under CSRS also contribute 1.45% of pay to Medicare insurance for which the Department makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 1.20% of pay with the Department making contributions of 10.70% for 2000. In addition, FERS employees contribute 6.20% to Social Security and 1.45% to Medicare insurance. The Department makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the Department automatically contributes 1% of pay and matches employee contributions up to an additional 4% of pay.

Foreign Service employees hired prior to January 1, 1984, participate in the FSRDS, with certain exceptions. FSPS was established pursuant to Section 415 of Public Law 99-335, which became effective June 6, 1986. Foreign Service employees hired after December 31, 1983, participate in FSPS, with certain exceptions. FSRDS employees contribute 7.40% of pay for which the Department makes a contribution of 8.51%. FSPS employees contribute 1.70% of pay for which the Department makes a contribution of 20.34%. Both FSRDS and FSPS employees contribute 1.45% of pay to Medicare, with the Department making matching contributions. Similar to FERS, a primary feature of FSPS is that it also offers the TSP described above.

Foreign Service Nationals (FSNs) and Third Country Nationals (TCNs) at overseas posts who were hired prior to January 1, 1984, are covered under CSRS. FSNs and TCNs hired after that date are covered under a variety of local governmental plans in compliance with host country laws and regulations. In a limited number of cases where no plans are mandated by the host country or such plans are inadequate, the employees are covered by a privately managed pension plan to conform with prevailing practices by comparable employers.

Health Insurance. Most American employees participate in the Federal Employees Health Benefits Program (FEHBP), a voluntary program providing protection for enrollees and eligible family members from the expense of illness and accident. Under FEHBP, the Department contributes the employer's share of the premium as determined by the U.S. Office of Personnel Management (OPM).

Life Insurance. Unless specifically waived, employees are covered by the Federal Employees Group Life Insurance Program (FEGLIP). FEGLIP automatically covers eligible employees for basic life insurance in amounts equivalent to an employee's annual pay rounded up to the next thousand dollars plus $2,000. The Department pays one-third and employees pay two-thirds of the premium. Enrolled individuals are eligible to elect additional optional insurance coverage for themselves and their family members, for which the enrollee pays the entire cost of the optional insurance elected.

Other Post Employment Benefits. The Department does not report CSRS, FERS, FEHBP or FEGLIP assets, accumulated plan benefits or unfunded liabilities applicable to its employees. This information is reported by OPM. As required by SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the Department reports the full cost of employee benefits for the programs administered by OPM. The Department recognizes an expense and imputed financing source for the annualized unfunded portion of CSRS, post-retirement health benefits and life insurance for employees covered by these programs. The Department recognized $55.5 million in 2000 for unfunded pension and post-retirement benefits. The additional costs are not actually owed or paid to OPM and thus are not reported on the Consolidated Balance Sheet as a liability, but instead are reported as an Imputed Financing Source on the Statement of Changes in Net Position.

Future Workers' Compensation Benefits

The *Federal Employees' Compensation Act* (FECA) provides income and medical cost protection to cover Federal employees injured on the job or who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to job related injury or occupational disease. The U.S. Department of Labor (DOL) administers the FECA program. DOL initially pays valid claims and bills the employing Federal agency. DOL calculates the actuarial liability for future workers' compensation benefits and reports to each agency its share of the liability.

The present value of the liability for 2000 was computed using a discount rate of 6.15% for the first year, 6.25% in the second year, and 6.30% for years thereafter. In 2000, the Department's liability decreased by $11.0 million. The total actuarial liability for which the Department is responsible totaled $49.9 million as of September 30, 2000.

Liabilities Not Covered by Budgetary Resources

These liabilities result from the receipt of goods and services or occurrence of eligible events in the current or prior periods, for which revenues or other source of funds to pay the liabilities have not been made available through appropriations or current earnings of the Department. The major liabilities in this category include assessments from international organizations, unfunded actuarial liability for FSRDF, future workers' compensation benefits, capital leases and accrued annual leave (see additional explanation in Notes 1, 12, 13, 14 and 15).

Valuation of FSN Separation Liability

Separation payments are made to eligible FSN employees who voluntarily resign, retire, or lose their jobs due to a reduction in force, and are in countries that require a voluntary separation payment. The amount required to finance the current and future costs of FSN separation pay is determined annually.

Actuarial Present Value of Projected Plan Benefits for the Foreign Service Retirement and Disability Program

The Department's financial statements present the Pension Actuarial Liability of the Foreign Service Retirement and Disability Program (the "Plan") as the actuarial present value of projected plan benefits, as required by the SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. The Pension Actuarial Liability represents those future periodic payments provided for current employee and retired Plan participants, less the future employee and employing Federal agency contributions, stated in current dollars. Future periodic payments includes benefits expected to be paid to (1) retired or terminated employees or their beneficiaries, (2) beneficiaries of employees who have died, and (3) present employees or their beneficiaries, including refunds of employee contributions as specified by Plan provisions. Total projected service is used to determine eligibility for retirement benefits. The value of voluntary, involuntary, and deferred retirement benefits is based on projected service and assumed salary increases. The value of benefits for disabled employees or survivors of employees is determined by multiplying the benefit the employee or survivor would receive on the date of disability or death, by a ratio of service at the valuation date to projected service at the time of disability or death.

The Pension Actuarial Liability is determined by an actuary from the Treasury. It is the amount that results from applying actuarial assumptions to adjust the projected Plan benefits to reflect the discounted time value of money and the probability of payment (by means of decrements such as death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. For 2000, the valuation included assumed average rates of return on investments of 7%, inflation of 4% and salary increases of 4.25%. The Plan uses the aggregate entry age normal actuarial cost method. The aggregate entry age normal is a method whereby the present value of projected benefits for each employee is allocated on a level basis (such as a constant percentage of salary) over the service of the employee between entry age and assumed exit age. The portion of the present value allocated to each year is referred to as the normal cost. The normal cost for 2000 was 28.31% for FSRDS and 21.64% for FSPS.

Actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminates, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Net Position

The Department's net position comprises the following components.

1. Unexpended Appropriations is the sum of undelivered orders and unobligated balances. Undelivered orders represent the amount of obligations incurred for goods or services ordered, but not yet received. Unobligated balances is the amount available after deducting cumulative obligations from total budgetary resources. As obligations for goods or services are incurred, the available balance is reduced.

2. Cumulative Results of Operations include (1) the accumulated difference between revenues and financing sources less expenses since inception, (2) the Department's investment in capitalized assets financed by appropriation, (3) donations, and (4) unfunded liabilities, whose liquidation may require future Congressional appropriations or other budgetary resources.

Foreign Currency

Accounting records for the Department are maintained in U.S. dollars, while a significant amount of the Department's overseas expenditures are in foreign currencies. For accounting purposes, overseas obligations and disbursements are recorded in U.S. dollars based on the rate of exchange as of the date of the transaction. The foreign currency payments are made by the U.S. Disbursing Officers located at the Department's three Financial Service Centers.

2. FOREIGN AFFAIRS AGENCIES CONSOLIDATION

To strengthen the coordination of U.S. foreign policy and the leading role of the Secretary of State in the formulation and articulation of U.S. foreign policy, and ensure that the U.S. maintains effective representation abroad within budgetary constraints, Congress enacted the *Foreign Affairs Reform and Restructuring Act of 1998* (the "Act", Public Law 105–277). Pursuant to the *Act,* the United States Information Agency (USIA) was abolished and its functions other than the Broadcasting Board of Governors and the International Broadcasting Bureau transferred to the Department effective October 1, 1999. The functions of the Broadcasting Board of Governors and the International Broadcasting Bureau were transferred to a new independent Federal agency — the Broadcasting Board of Governors (BBG) — effective October 1, 1999.

Change in Reporting Entity — USIA Merged with Department of State

The USIA's mission was to explain and support American foreign policy and promote U.S. national interests through a wide range of overseas information programs, as well as educational and cultural activities. Overseas, USIA was known as the U.S. Information Service (USIS).

Pursuant to the Act, certain functions of USIA were transferred to the Department effective October 1, 1999. The mission of public diplomacy — to understand, inform, and influence foreign audiences and broaden the dialogue between American citizens and institutions and their counterparts abroad — was established in the Department under the direction of a new Under Secretary for Public Diplomacy and Public Affairs. USIA's Bureau of Educational and Cultural Affairs remained a bureau in the Department, with responsibility for academic and professional exchanges and educational and cultural affairs. USIA's Bureau of Information became the Office of International Information Programs in the Department, with responsibility for producing information programs and services to advocate U.S. policy positions with foreign audiences. Also, USIA's Foreign Press Centers were incorporated into the Department's Bureau of Public Affairs, USIA's area offices were combined with the respective regional bureaus of the Department, and USIA's Research Office was combined with the Department's Bureau of Intelligence and Research.

The Act requires that all assets, liabilities (including liabilities arising from lawsuits continued with a substitution or addition of the Department), contracts, property, records, and unexpended balances of appropriations, authorizations, allocations and other funds available in connection with the functions be transferred to the Department. On October 1, 1999, the Department of State assumed ownership of the assets and responsibility for the liabilities and obligations of the former USIA. In addition, all personnel associated with the functions were transferred to the Department at the same grade or class and the same rate of basic pay or basic salary.

On October 1, 1999, the assets, liabilities and net position for USIA were combined with the Department's. The accounts for USIA were recorded at book value based on historical cost. The financial statements for 2000 are reported as though the combination occurred at the beginning of the year. Expenses relating to any costs incurred during 2000 to carry out the transfer of functions are included in the Consolidating Statement of Net Cost. The Department also incurred costs during 1999 to carry out consolidation activities. These amounts were included as expenses in the FY 1999 Consolidating Statement of Net Cost. The summarized assets, liabilities and net position of the Department and USIA (that were transferred to the Department) on October 1, 1999, were as follows (Dollars in Thousands).

	Department of State	USIA
Assets:		
Fund Balances with Treasury	$ 5,364,117	$ 461,308
Investments, Net	10,130,928	12,025
Accounts, Loans and Interest Receivable, Net	460,293	7,713
Inventory, Net	568	2,376
Property and Equipment, Net	4,624,322	6,787
Other Assets	100,537	1,421
Total Assets	20,680,765	491,630
Liabilities	(13,764,425)	(250,825)
Net Position	$ 6,916,340	$ 240,805

The net position of the Department and USIA (that were transferred to the Department) on October 1, 1999, consists of the following (Dollars in Thousands).

	Department of State	USIA
Net Position:		
Unexpended Appropriations:		
Unobligated:		
Available	$ 1,116,966	$ 27,093
Unavailable	1,051,574	69,179
Undelivered Orders	2,282,662	345,746
Total Unexpended Appropriations	4,451,202	442,018
Cumulative Results of Operations	2,465,138	(201,213)
Total Net Position	$ 6,916,340	$ 240,805

In addition to gaining assets, liabilities and net position balances for portions of the former USIA on October 1, 1999, the Department was also exposed to outstanding litigation relevant to functions transferred from USIA. In particular, a class action lawsuit was filed in 1977 against USIA by American and foreign women alleging discrimination on the basis of gender (Hartman v. Albright and Nathanson — see Note 16, "Commitments and Contingencies"). The $250.8 million in Liabilities and $201.2 million loss in Cumulative Results of Operations includes $203.0 million which was the estimated share of the lawsuit settlement transferred to the Department.

Adjustments to Beginning Balances — Consolidated Statement of Changes in Net Position

The effects of the USIA merger have been accounted for on the Consolidated Statement of Changes in Net Position as an adjustment to Net Position at the Beginning of Year to reflect the transfer of the USIA balances on October 1, 1999, as follows (Dollars in Thousands).

Net Position — Beginning of Year	$ 6,916,340
USIA Net Position balances transferred-in	240,805
Revised Net Position — Beginning of Year	$ 7,157,145

Adjustments to Beginning Balances — Combined Statement of Budgetary Resources

The effects of the merger have been accounted for on the Combined Statement of Budgetary Resources as an adjustment to Unobligated Balances – Beginning of Year and Obligated Balance, Net — Beginning of Year to reflect the transfer of the USIA balances on October 1, 1999, as follows (Dollars in Thousands).

Unobligated Balance — Beginning of Year	$ 2,144,097
USIA Unobligated Balance transferred-in	113,349
Revised Unobligated Balance — Beginning of Year	$ 2,257,446

Obligated Balance, Net — Beginning of Year	$ 2,635,418
USIA Obligated Balance, Net transferred-in	350,463
Revised Obligated Balance, Net — Beginning of Year	$ 2,985,881

The USIA Unobligated and Obligated Balances Transferred-in include $17.1 million and $3.3 million in Unobligated Balances and Undelivered Orders, respectively, for Trust Funds that were reported in Cumulative Results of Operations on October 1, 1999

3. ASSETS

The Department's assets are classified as entity assets and non-entity assets. Entity assets are those assets that the Department has authority to use in its operations. Non-entity assets are those held by the Department but which are not available for use in its operations. As detailed below, the vast majority of the Department's assets are entity assets. The non-entity assets consist primarily of lease fees collected by the Department for the International Chancery Center, amounts in the Bosnia Federation Defense Fund and the India Fund. These items are included in amounts reported as Cash and Other Monetary Assets (see Note 8, "Cash and Other Monetary Assets" for further information). The amounts of assets classified as entity and non-entity assets at September 30, 2000 are summarized below (Dollars in Thousands).

	Entity	Non-Entity	Total
Intragovernmental Assets:			
Fund Balances With Treasury	$ 7,101,842	$ -	$ 7,101,842
Investments, Net	10,669,382	-	10,669,382
Accounts Receivable, Net	185,787	-	185,787
Interest Receivable	185,634	-	185,634
Other Assets	-	-	-
Total Intragovernmental Assets	18,142,645	-	18,142,645
Accounts Receivable, Net	42,505	-	42,505
Loans Receivable	1,053	-	1,053
Cash and Other Monetary Assets	929	17,153	18,082
Inventory, Net	6,684	-	6,684
Property and Equipment, Net	4,687,989	-	4,687,989
Other Assets	100,257	-	100,257
Total Assets	$ 22,982,062	$17,153	$ 22,999,215

4. FUND BALANCES WITH TREASURY

Fund Balances with Treasury at September 30, 2000, are summarized below (Dollars in Thousands).

	Entity	Non-Entity	Total
Appropriated Funds	$ 6,771,277	$ -	$ 6,771,277
Revolving Funds	126,965	-	126,965
Trust Funds	116,163	-	116,163
Other Funds	87,437	-	87,437
Total	$ 7,101,842	$ -	$ 7,101,842

5. INVESTMENTS

The Department has activities that have the authority to invest excess cash resources. A description of the activities, investments made and a listing of the outstanding investments follow. Although funds in the Chancery Development Trust Account and the Bosnia Federation Defense Fund are invested, because they are considered non-entity assets, the investments for these funds are not shown in this section, but are described in Note 8, "Cash and Other Monetary Assets."

Foreign Service Retirement and Disability Fund (FSRDF)

FSRDF receipts are initially invested by the Treasury in special, non-marketable U.S. Government securities. These special issue Certificates of Indebtedness mature on the following June 30. On June 30, the Treasury rolls over the Certificates of Indebtedness into special, non-marketable bonds, with maturities spread over 15 years and a yield equaling the average of all marketable Treasury securities. All securities are purchased and redeemed at par, regardless of market conditions. Interest is paid semiannually on December 31 and June 30. Maturity dates on these securities range from 2001 through 2015, and interest rates range from 5.875% through 9.25%.

Israeli-Arab Scholarship and Eisenhower Exchage Fellowship Program Trust Funds

The Israeli-Arab Scholarship and Eisenhower Exchange Fellowship Program Trust Funds are invested in market-based securities, issued at either a premium or a discount and redeemable for par at maturity. The discounts and premiums on these investments are amortized over the life of the security using the effective interest method. Maturity dates on these securities range from 2000 to 2007, and interest rates range from 5.625% to 7.875%.

Gift Funds

The Gift Funds invest in U.S. Government non-marketable, market-based securities, issued at either a premium or a discount and redeemable for par at maturity. The discounts and premiums on these investments are amortized over the life of the security using the effective interest method. At September 30, 2000, there were no investments outstanding for these activities.

Summary of Investments

Investments at September 30, 2000, are summarized on the following page (Dollars in Thousands). All investments are classified as Intragovernmental Securities.

	Par	Unamortized Premium (Discount)	Investments (Net)	Market Value
Non-Marketable, Par Value:				
FSRDF Certificates of Indebtedness	$ 45,396	$ -	$ 45,396	$ 45,396
FSRDF Special Bonds	10,612,351	-	10,612,351	10,612,351
Total Non-Marketable, Par Value	10,657,747	-	10,657,747	10,657,747
Non-Marketable, Market-Based:				
Israeli-Arab Scholarship, Notes	$ 4,277	$ 274	$ 4,551	$4,549
Eisenhower Exchange Fellowship Program	7,521	(437)	7,084	7,550
Total Non-Marketable, Market-Based	11,798	(163)	11,635	12,099
Total Investments	$ 10,669,545	$ (163)	$ 10,669,382	$10,669,846

6. ACCOUNTS RECEIVABLE

The Department's Accounts Receivable at September 30, 2000, are summarized below (Dollars in Thousands).

	Entity Accounts Receivable	Non-entity Accounts Receivable	Allowance for Uncollectable Accounts Receivable	Net Receivables
Intragovernmental	$ 185,787	$ -	$ -	$ 185,787
Governmental	43,429	-	(924)	42,505
Total	$ 229,216	$ -	$ (924)	$ 228,292

7. LOANS RECEIVABLE

Repatriation Direct Loan Program

Repatriation loan obligations made prior to 1992, and the resulting direct loans, are reported net of an allowance for uncollectible loans or estimated losses. The loss allowance represents estimates of amounts the Department does not expect to recover on the loans made prior to 1992. These allowances are based upon historical experience.

Repatriation loan obligations made after 1991, and the resulting direct loans, are governed by the *Federal Credit Reform Act*. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows) associated with the loans be recognized as a cost in the year the loan is disbursed. An analysis of loans receivable, the nature and amounts of the subsidy, and the administrative costs associated with the loans are summarized below.

Repatriation Loans Obligated Prior to 1992 (Dollars in Thousands)

At September 30, 2000:

Loans Receivable, Gross	$ 500
Allowance for Uncollectible Loans	(477)
Loans Receivable, Net	$ 23

Repatriation Loans Obligated after 1991 (Dollars in Thousands)

At September 30, 2000:

Fiscal Year	Loans Receivable Gross	Interest Penalty and Administrative Charges Receivable	Allowance for Subsidy Cost	Net Present Value of Assets Related To Direct Loans
1992	$ 131	$ 24	$ 109	$ 46
1993	108	52	112	48
1994	84	31	80	35
1995	184	50	164	70
1996	555	97	456	196
1997	513	132	451	194
1998	593	102	486	209
1999	430	41	329	142
2000	279	21	210	90
Total	$ 2,877	$ 550	$ 2,397	$ 1,030

The Department uses a subsidy rate of 80%. However, because the Department has complied with the provisions of the *Debt Collection Improvement Act*, it has experienced collections much greater than anticipated.

Subsidy Expense for Post-1991 Repatriation Loans

The subsidy expense for the loan program for 2000 is comprised of the following components (Dollars in Thousands).

Interest Differential	Defaults	Fees	Other	Total
$ -	$430	$ -	$ -	$430

Administrative Expenses

Total administrative expense was approximately $604,000 in 2000.

Accounts Payable to Treasury

The Department estimates a subsidy rate based upon collections of 20%. Over the past several years, however, the actual collection rate has been closer to 40%. As a result, the subsidy allowance, established at 80%, understated the net credit programs receivable. A re-estimate of the subsidy rate will correct this by reducing the amount of subsidy allowance. The Department, however, has not yet completed the re-estimation of the subsidy. For financial reporting purposes, the Department reduced the subsidy allowance by $3.6 million in 2000 and established that amount as a payable to Treasury. Although the Department has not re-estimated, the reduction of the subsidy allowance is consistent with the reporting requirements of SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees.*

Accounts Payable also includes a payable to Treasury of $0.6 million resulting from the collection of Pre-Credit Reform loans.

Borrowings from Treasury *(Dollars in Thousands)*

Beginning Balance, October 1, 1999	$ 248
Borrowings, Net of Repayments	93
Ending Balance, September 30, 2000	$ 341

8. CASH AND OTHER MONETARY ASSETS

The Cash and Other Monetary Assets at September 30, 2000, are summarized below (Dollars in Thousands).

	Entity Assets	Non-Entity Assets	Total
Bosnia Federation Defense Fund	$ -	$ 6,869	$ 6,869
Chancery Development			
Trust Account:			
Cash	-	1	1
Treasury Bills, at par	-	10,394	10,394
Unamortized Discount	-	(559)	(559)
U.S.-India Fund	-	448	448
Cash-Imprest and Other Funds	929	-	929
Total	$ 929	$ 17,153	$ 18,082

The Bosnia Federation Defense Fund is a depository account containing funds that have been donated by various foreign governments to assist the Federation of Bosnia and Herzegovina in establishing a military balance to promote lasting peace in the region. A corresponding liability for these amounts is reflected as Funds Held in Trust.

Lease fees collected from foreign governments by the Department for the International Chancery Center are deposited into an escrow account—the Chancery Development Trust Account. The funds are unavailable to the Department at time of deposit, and do not constitute expendable resources until funds are necessary for additional performance of work on the Center project. The Chancery Development Trust account invests in one-year marketable Treasury bills issued at discount and redeemable for par at maturity. A corresponding liability for these amounts is reflected as Funds Held in Trust.

The U.S.-India Fund was established with excess foreign currencies to provide grants and other assistance for cultural, educational and scientific programs of mutual interest. The funds are held in trust for the Government of India. A corresponding liability for these amounts is reflected as Funds Held in Trust.

9. INVENTORY

Inventory held at September 30, 2000, is summarized below (Dollars in Thousands).

Publishing Services — Raw Materials	$ 3,191
Publishing Services — Publications for Sale	2,200
Inventory for Resale	1,293
Total	$ 6,684

The inventories of Raw Materials are valued using latest acquisition cost and Publications for Sale are valued at cost of production. Inventories for resale are valued at cost for items held in the European Logistics Support Office's Expedited Logistics Program and the weighted moving average method for items in the Material Management Branch.

10. PROPERTY AND EQUIPMENT, NET

Property and equipment balances at September 30, 2000, are shown in the following table (Dollars in Thousands).

	Cost	Accumulated Depreciation	Net Value
Real Property:			
Overseas —			
Land and Land Improvements	$ 1,826,329	$ 14	$ 1,826,315
Buildings and Structures	3,610,594	1,871,135	1,739,459
Construction-in-Progress	323,039	-	323,039
Assets Under Capital Lease	102,221	46,514	55,707
Leasehold Improvements	45,884	7,804	38,080
Domestic —			
Structures, Facilities and Leaseholds	505,408	138,484	366,924
Construction-in-Progress	49,216	-	49,216
Land and Land Improvements	80,654	3,211	77,443
Subtotal — Real Property	6,543,345	2,067,162	4,476,183
Personal Property:			
Vehicles	186,609	86,095	100,514
Communication Equipment	49,117	13,870	35,247
ADP Equipment	42,529	32,242	10,287
Reproduction Equipment	13,107	8,537	4,570
Other Equipment	93,980	32,792	61,188
Subtotal — Personal Property	385,342	173,536	211,806
Total	$ 6,928,687	$ 2,240,698	$ 4,687,989

11. OTHER ASSETS

The Department's other assets are summarized below (Dollars in Thousands).

Salary Advances to Employees	$ 7,176
Travel Advances to Employees	11,848
Prepayments on Real Property Leases/Purchases	31,482
Other Advances	49,751
Total Other Assets	$ 100,257

12. LIABILITIES

The Department's liabilities are classified as covered by budgetary resources or not covered by budgetary resources. Other Liabilities primarily consists of accrued salaries and employee benefits. It also includes other items such as deposits received for the sale of real property, advances received for work to be performed by the Department, funds awaiting distribution, and funds received for which the Department is acting as a fiscal agent or custodian. Liabilities, intragovernmental or public, categorized as covered or not covered by budgetary resources at September 30, 2000, are summarized below (Dollars in Thousands).

	Covered by Budgetary Resources			Not Covered by Budgetary Resources		
Liabilities	Intra-governmental	Public	Total	Intra-governmental	Public	Total
Accounts Payable	$ 8,678	$ 602,448	$ 611,126	$ -	$ -	$ -
Foreign Service Retirement Actuarial Liability (Note 13)	-	$10,806,363	10,806,363	-	669,537	669,537
Liability to International Organizations (Note 14)	-	-	-	-	1,608,326	1,608,326
Capital Lease Liability (Note 15)	-	-	-	-	70,819	70,819
Funds Held in Trust (Note 8)	-	-	-	-	17,153	17,153
Federal Employees' Compensation Act Benefits	-	-	-	-	49,916	49,916
Other Liabilities	16,974	281,845	298,819	17,048	171,156	188,204
Total	$ 25,652	$11,690,656	$ 11,716,308	$ 17,048	$ 2,586,907	$ 2,603,955

13. FOREIGN SERVICE RETIREMENT ACTUARIAL LIABILITY

The Foreign Service Retirement and Disability Fund finances the operations of the FSRDS and the FSPS. The FSRDS and FSPS are defined-benefit single-employer plans. FSRDS was originally established in 1924. FSPS was established in 1986.

FSRDS is a single-benefit retirement plan. Retirees receive a monthly annuity from FSRDS for the rest of their lives. FSPS provides benefits from three sources: a basic benefit (annuity) from FSPS, Social Security, and Thrift Savings Plan.

The following table presents the calculation of the combined FSRDS and FSPS Pension Actuarial Liability and the assumptions used in computing it for the year ended September 30, 2000 (Dollars in Millions).

Pension Actuarial Liability, September 30, 1999	**$**	**11,170.9**
Add Pension Expense:		
Normal Cost		179.1
Interest on Pension Liability		768.6
Prior Service Costs		26.1
Actuarial Losses/(Gains)		(108.2)
Total Pension Expense		865.6
Less Payments to Beneficiaries (annuities and refunds)		(560.6)
Pension Actuarial Liability, September 30, 2000		**11,475.9**
Less: Net Assets Available for Benefits		(10,806.4)
Actuarial Unfunded Pension Liability for Projected Plan Benefits	$	669.5
Actuarial Assumptions:		
Rate of Return on Investments		7.00%
Rate of Inflation		4.00%
Pay Increase		4.25%

Net Assets Available for Benefits at September 30, 2000, consist of the following (Dollars in Thousands).

Fund Balances with Treasury	$	11
Receivables		195,146
Investments in USG Securities		10,657,747
Total Assets		10,852,904
Less: FSRDF Liabilities		(46,541)
Net Assets Available for Benefits	$	10,806,363

14. LIABILITIES TO INTERNATIONAL ORGANIZATIONS

The Department reports an unfunded liability for the accumulated arrears assessed by the United Nations (UN), its affiliated agencies and other international organizations in the amount of $900.2 million for regular budget assessments and international peacekeeping. These financial commitments mature into obligations as that term is used in domestic law only when funds are authorized and appropriated by Congress. In 1999 and 2000, Public Laws 105-277 and 106-113 appropriated $475 and $244 million, respectively, for arrearage payments. Public Law 106-113 also provides that up to $107 million that is owed to the United States by the UN which may be used to forgive or reduce any amount owed to the UN. However, provisions of these and other laws prescribe that arrearage payments are not available as budgetary resources until certain conditions are met. Among other things, these provisions generally require that any member's share of the total contributions assessed by the UN for the regular UN budget, specialized agencies, and peacekeeping activities does not exceed 22%, 22%, and 25%, respectively. Until such time as these conditions are met or are amended, the amounts of $475 and $244 million provided under Public Laws 105-277 and 106-113 are considered unavailable and the financial commitments are reported as an unfunded liability together with other arrearage amounts.

The financial statements also report an unfunded liability of $708.1 million at September 30, 2000, for the current (i.e., year 2000) annual assessments from the United Nations, its affiliated agencies and several other international organizations as well as for peacekeeping. It has been the Department's policy to pay annual assessments for the UN and certain international organizations out of the following fiscal year's appropriation in the last quarter of the calendar year of the assessment (i.e., the 2000 calendar year assessment is paid in the fourth quarter of calendar year 2000 from the Department's 2001 appropriation). The Liability to International Organizations at September 30, 2000, is summarized below (Dollars in Thousands).

Accumulated Arrears	$	900,204
Unfunded Annual Assessments		708,122
Liability to International Organizations	$	1,608,326

15. LEASES

The Department is committed to over 9,000 leases covering office and functional properties and residential units at diplomatic missions overseas. The vast majority of these leases are short-term, operating leases. In most cases, management expects that the leases will be renewed or replaced by other leases.

Personnel from other U.S. Government agencies occupy some of the leased facilities (both residential and non-residential). These agencies reimburse the Department for the use of the properties. Reimbursements are received for approximately $50 million of the lease costs.

Capital Leases

The Department has various long-term leases (more than 10 years) for overseas real property that meet the criteria as a capital lease in accordance with SFFAS No. 6, *Accounting for Property, Plant and Equipment*. Assets that meet the definition of a capital lease, and their related lease liability, are initially recorded at the present value of the future minimum lease payments, or fair market value, whichever is less. In general, capital assets are depreciated over the estimated remaining life of the asset and the related liability is amortized over the term of the lease, which can result in a different value in the asset versus the liability.

Following is a summary of Net Assets Under Capital Leases and future minimum lease payments as of September 30, 2000 (Dollars in Thousands).

Net Assets Under Capital Leases:		
Land and Buildings	$	102,221
Accumulated Depreciation		(46,514)
Net Assets under Capital Leases	$	55,707

Future Minimum Lease Payments (Dollars in Thousands):

Fiscal Year	Lease Payments
2001	$ 6,936
2002	5,563
2003	5,489
2004	4,738
2005	4,738
2006 and thereafter	125,207
Total Minimum Lease Payments	$ 152,671
Less: Amount Representing Interest	(81,852)
Obligations under Capital Leases	$ 70,819

Operating Leases

Following is a summary of the estimated operating lease amounts for the next five years for overseas real property based on total estimated lease obligations and the future minimum lease payments for capital leases (Dollars in Thousands).

Due in Fiscal Year	Estimated Operating Lease Payments
2001	$ 172,764
2002	196,437
2003	196,511
2004	197,262
2005	197,262

16. COMMITMENTS AND CONTINGENCIES

Commitments

In addition to the future lease commitments discussed in Note 15, "Leases," the Department is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders — see Note 17, "Unexpended Appropriations" and Note 19, "Statement of Budgetary Resources") at fiscal yearend.

Contingencies

The Department conducts Counter-Terrorism, Counternarcotics, and War Criminals rewards programs. The Counter-Terrorism Rewards Program offers rewards up to $5 million for information preventing acts of international terrorism against United States persons or property, or leading to the arrest or conviction of terrorist criminals responsible for such acts. The Counternarcotics Rewards Program offers rewards up to

$2 million. The War Criminals Rewards Program offers rewards up to $5 million for information leading to the arrest and/or conviction of war criminals from the former Yugoslavia.

The Department is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by and against it. Some of the actions are not related directly to Department programs but the Department is involved because of its status as the foreign policy agency. In the opinion of management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of the Department.

Claims Filed in Response to Embassy Bombings. Nearly 4,000 Kenyan nationals have filed administrative tort claims against the Department alleging that the Department's negligence was responsible for damages they suffered when terrorists bombed the American Embassy in Nairobi, Kenya, on August 7, 1998. These claims are for sums ranging from $150 to $10,000,000 and total approximately $1.5 billion. Two lawsuits arising from these tort claims are currently pending in Federal District Court in Washington, D.C. In addition, the families of eleven Americans killed in the bombing also filed administrative tort claims with the Department alleging that the Department's negligence led to the death of their family members in Nairobi. These claims, including those by the estates of the deceased, are for a total of $117 million. The Department is vigorously defending all of the tort claims and lawsuits. Any settlements or judgements in excess of $2,500 would be paid from the Judgement Fund appropriation maintained by the Treasury.

Hartman v. Albright and Nathanson. In addition to gaining assets, liabilities and net position amounts for portions of the former USIA on October 1, 1999, the Department was also exposed to outstanding litigation relevant to functions transferred from USIA. In particular, a Title VII class action lawsuit was filed in 1977 against USIA by American and foreign women alleging discrimination on the basis of gender. After the merger (see Note 2, "Foreign Affairs Agency Consolidation"), the Department was substituted for USIA as co-defendant along with the BBG. During FY 2000 the U.S. Attorney's Office has agreed to a settlement with class counsel to pay $508 million (with approximately 40% covering claims against the Department and 60% for claims against BBG). The amount will be paid out of the Judgment Fund maintained by the Treasury.

North American Free Trade Agreement (NAFTA) Arbitrations. NAFTA allows Canadian and Mexican investors to bring arbitration proceedings against the United States for breaches of certain NAFTA provisions. These cases raise allegations of expropriation as well as other claims of treatment inconsistent with international law or specific treaty commitments providing for investment protection. Within the U.S. Government, the Department has unique experience with international arbitration, in particular with respect to these types of claims. The Department is not named as a respondent in these arbitrations and it is the understanding of the Department's Office of Legal Advisor that payment of any award against the U.S. Government would be made out of the Judgment Fund maintained by the Treasury. The U.S Government intends to vigorously contest these claims. The total amount of these claims approximates $1.8 billion.

Certain legal matters to which the Department is a party are administered and, in some instances, litigated and paid by other U.S. Government agencies. Generally, amounts to be paid under any decision, settlement, or award pertaining to these legal matters are funded from the Judgment Fund. None of the amounts paid under the Judgment Fund on behalf of the Department in 2000 had a material effect on the financial position or results of operations of the Department.

17. UNEXPENDED APPROPRIATIONS

Unexpended Appropriations include the amount of unobligated appropriations and undelivered orders outstanding for Congressional appropriations provided to the Department. As these accounts incur obligations, the available balance of the appropriation is reduced. Unobligated balances are the amount of appropriations or other authority remaining after deducting cumulative obligations. The unobligated balance is classified as unavailable for all expired accounts and for amounts appropriated subject to certain conditions. As discussed in Note 14, “Liability to International Organizations,” $719 million has been appropriated but is unavailable until the United Nations, its affiliated agencies and other international organizations meet specific conditions. Undelivered orders represent the amount of obligations incurred for goods or services ordered but not yet received. Unexpended Appropriations at September 30, 2000, are summarized below (Dollars in Thousands).

Unexpended Appropriations	
(1) Unobligated	
(a) Available	$ 1,271,038
(b) Unavailable	926,786
(2) Undelivered Orders	3,492,377
Total	$ 5,690,201

18. STATEMENT OF NET COST

The Statement of Net Cost reports the Department’s gross and net cost for its major programs by organization(s) responsible for carrying out those programs. The net cost of operations is the gross (i.e., total) cost incurred by the Department less any exchange (i.e., earned) revenue.

The Statement of Net Cost categorizes costs and revenues by major program and responsibility segment. A responsibility segment is a component responsible for carrying out a mission or major line of activity, and whose managers report directly to top management. For the Department, a Bureau (e.g., Bureau of African Affairs) is considered a responsibility segment. For presentation purposes, Bureaus have been summarized and reported at the Under Secretary level (e.g., Under Secretary for Political Affairs). For 2000, a new responsibility segment has been added for the Under Secetary for Public Diplomacy and Public Affairs as a result of the merger of the former USIA (see Note 2, “Foreign Affairs Agencies Consolidation”). Information on the Bureaus (or equivalent) reporting to each Under Secretary can be found on the Organization Chart for the Department.

The presentation of major programs is based on the Department's Strategic Plan established pursuant to the *Government Performance and Results Act of 1993*. As outlined in the Strategic Plan, the United States conducts relations with foreign governments and others to pursue U.S. national interests, and create a more secure, prosperous and democratic world. These national interests consist of the following.

- **National Security** — Secure peace, deter aggression, prevent, diffuse, and manage crises, halt the proliferation of weapons of mass destruction, and advance arms control and disarmament.

- **Economic Prosperity** — Expand exports, open markets, assist American business, foster economic growth, and promote sustainable development.

- **Democracy** — Increase foreign government adherence to democratic practices and respect for human rights.

- **Global Issues** — Improve the global environment, stabilize world population growth, and protect human health.

- **Humanitarian Response** — Provide humanitarian assistance to victims of crisis and disaster.

- **American Citizens and U.S. Borders** — Protect American citizens abroad and safeguard the borders of the United States.

- **Law Enforcement** — Combat international terrorism, crime, and narcotics trafficking.

To the extent practicable, national interests are reported as programs. An exception is for the national interests of National Security, Economic Prosperity, Democracy and Human Rights, and Global Issues. These national interests are primarily carried out through the Department's **Diplomatic Relations and International Organizations** programs, which have been combined and are reported as such on the Statement of Net Cost. Diplomatic Readiness relates to the Department's responsibilities for managing infrastructure, information and human resources. The ability of the Department to advance national and foreign policy interests depends upon the quality of these items—the two largest and most visible of which are for Diplomatic Security and Foreign Buildings Operations.

Executive Direction and Other Costs Not Assigned relate to high level executive direction (e.g., Office of the Secretary, Office of the Legal Advisor), international commissions, general management and certain administrative support costs that cannot be directly traced or reasonably allocated to a particular program. For the year ended September 30, 2000, these consist of costs and earned revenue for the following (Dollars in Thousands).

Program	Total Prior to Eliminations	Intra-Departmental Elimination	Total
Costs:			
Executive Direction	$ 1,147,179	$ 77,509	$ 1,069,670
FSRDF	1,027,773	293,561	734,212
ICASS	766,949	629,733	137,216
International Commissions	75,777	960	74,817
Total Costs	3,017,678	1,001,763	2,015,915
Earned Revenue:			
Executive Direction	159,547	77,509	82,038
FSRDF	1,098,443	271,028	827,415
ICASS	806,682	629,733	176,949
International Commissions	16,713	960	15,753
Total Earned Revenue	2,081,385	979,230	1,102,155
Total Net Cost for Executive Direction and Other Costs Not Assigned	$ 936,293	$ 22,533	$ 913,760

Program Costs

These costs include the full costs of resources consumed by a program, both direct and indirect, to carry out its activities. Direct costs are costs that can be specifically identified with a program. Indirect costs are costs of resources that are commonly used to support two or more programs, and are not specifically identifiable with any program. Indirect costs are assigned to programs through allocations. Full costs also include the costs of goods or services received from other Federal entities, referred to as inter-entity costs, regardless of whether the Department reimburses that entity.

Indirect Costs. Indirect costs allocated to programs primarily consist of Diplomatic Readiness costs for central support functions performed by the following organizations under the Under Secretary for Management (Dollars in Thousands).

Bureau (or equivalent)	
Bureau of Diplomatic Security	$ 658,317
Office of Foreign Buildings Operations	558,243
Bureau of Administration	527,077
Bureau of Information Resource Management	210,862
Bureau of Personnel	196,313
Bureau of Financial Management and Policy	167,578
Foreign Service Institute	74,191
Medical Services and Other	100,856
Total Central Support Costs	$ 2,493,437

These support costs were distributed to programs on the basis of a program's total base salaries for its full-time employees as a percentage of total base salaries for all full-time employees, except for Office of Foreign Buildings Operations. Since the Office of Foreign Buildings Operations supports overseas operations, its costs were allocated on the basis of percentage of budgeted cost by program for the regional bureaus. The distribution of support costs to programs was as follows (Dollars in Thousands).

Program Receiving Allocation	
Diplomatic Relations	$ 1,071,783
American Citizens and U.S. Borders	668,445
Executive Direction and Other Costs not Assigned	594,731
International Organizations	96,821
Law Enforcement	41,777
Humanitarian Assistance	19,880
Total	$ 2,493,437

Since the cost incurred by the Under Secretary for Management and the Secretariat are primarily support costs, these costs were distributed to the other Under Secretaries to show the full costs under the responsibility segments that have direct control over the Department's programs. One exception within the Under Secretary for Management is the Bureau of Consular Affairs, which is the bureau with the principal responsibility for the **American Citizens and U.S. Borders** program. As a result, these costs were not allocated and continue to be reported as the Under Secretary for Management.

The Under Secretary for Management/Secretariat costs, except for those of the Bureau of Consular Affairs, were allocated to the other Department responsibility segments based on the percentage of total costs by organization for each program. The allocation of these costs to the other Under Secretaries and to the Bureau of Consular Affairs segment of the Under Secretary for Management was as follows (Dollars in Thousands).

Under Secretary	
Political Affairs	$ 3,003,653
Public Diplomacy	415,093
Under Secretary for Management (Bureau of Consular Affairs)	291,456
Arms Control, International Security Affairs	199,943
Global Affairs	125,492
Economic, Business and Agriculture Affairs	21,744
Total	$ 4,057,381

Inter-Entity Costs and Imputed Financing. The Department is an agency of the U.S. Government and in this capacity performs many services on behalf of other U.S. Government agencies, especially overseas. Conversely, other U.S. Government agencies make financial decisions and report certain financial matters on behalf of the U.S. Government as a whole, including matters to which the Department may be an interested party. To measure the full costs of activities, SFFAS No. 4, *Managerial Cost Accounting*, requires that total costs of programs include, if material, costs that are paid by other U.S. Government entities. As provided for by SFFAS No. 4, OMB issued a Memorandum in April 1998, entitled "Technical Guidance on the Implementation of Managerial Cost Accounting Standards for the Government." In that Memorandum, OMB established that reporting entities should recognize inter-entity costs for (1) employees' pension benefits, (2) health, life insurance, and other benefits for retired employees, (3) other post-retirement benefits for retired, terminated and inactive employees, which include severance payments, training and counseling, continued health care, and unemployment and workers' compensation under the *Federal Employees' Compensation Act*, and (4) payments made in litigation proceedings. This requirement to recognize specific inter-entity costs was extended in September 2000 to FY 2000 financial statements by OMB Memorandum M-00-14, "Technical Amendments to OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*."

The Department recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position for the value of inter-entity costs ultimately paid by other U.S. Government entities. This consists of all inter-entity amounts as reported below except for amounts for the Federal Workers' Compensation Benefits (FWCB). For FWCB, the Department recognizes its share of the change in the actuarial liability for FWCB as determined by the Department of Labor (DoL). The Department reimburses DoL for FWCB paid to current and former Department employees.

The following inter-entity costs and imputed financing sources were recognized in the Consolidating Statement of Net Cost and Consolidated Statement of Changes in Net Position, respectively, for the year ended September 30, 2000 (Dollars in Thousands).

Inter-Entity Cost

Other Post-Employment Benefits:	
Civil Service Retirement Program	$ 15,640
Federal Employees Health Benefits Program	38,707
Federal Employees Group Life Insurance Program	182
Litigation funded by Treasury Judgment Fund	205,000
Subtotal — Imputed Financing Source	$ 259,529
Future Workers' Compensation Benefits	(10,958)
Total Inter-Entity Costs	$ 248,571

Intra-Departmental Eliminations. Intra-departmental eliminations of cost and revenue were recorded against the program providing the service, thereby reporting the full program cost by leaving the reporting of cost in the program receiving the service.

Earned Revenues

Earned revenues occur when the Department provides goods or services to the public or another Federal entity. Earned revenues are reported regardless of whether the Department is permitted to retain the revenues in whole or in part. Specifically, the Department collects but does not retain passport, visa, and certain other consular fees. Earned revenues for the year ended September 30, 2000, consist of the following (Dollars in Thousands):

Source of Earned Revenue	Total Prior To Eliminations	Intra-Departmental Eliminations	Total
Consular Fees:			
Passport, Visa and Other Consular Fees	$ 522,755	$ –	$ 522,755
Machine Readable Visa	398,260	–	398,260
Expedited Passport	66,505	–	66,505
Fingerprint Processing and Diversity Lottery	4,162	–	4,162
Subtotal –- Consular fees	991,682	–	991,682
FSRDF	1,098,443	271,028	827,415
ICASS	806,682	629,733	176,949
Reimbursable Agreements With Federal Agencies	721,209	330,669	390,540
Working Capital Fund	144,777	122,260	22,517
Other	15,237	–	15,237
Total	$3,778,030	$1,353,690	$2,424,340

Pricing Policies

Generally, a Federal agency may not earn revenues from outside sources without specific statutory authority. Accordingly, the pricing policy for any earned revenue depends on the nature of the revenue including the statutory authority under which the Department is allowed to earn and retain (or not retain) the revenue. Earned revenue that the Department does not have the authority to retain is deposited into the Treasury's General Fund.

The FSRDF finances the operations of the Foreign Service Retirement and Disability System (FSRDS) and the Foreign Service Pension System (FSPS). FSRDF receives revenues from employee/employer contributions, a U.S. Government contribution, and interest on investments. By law, FSRDS participants contribute 7.40% of basic pay and each employing agency contributes 8.51% of basic pay, and FSPS participants contribute 1.70% of basic pay and each employing agency contributes 20.34% of basic pay. Employing agencies report employee/employer contributions biweekly. Total employee/employer contributions for 2000 were $157.0 million. FSRDF also receives a U.S. Government contribution to finance (1) FSRDS benefits not funded by employee/employer contributions, (2) interest on the FSRDS unfunded liability, and (3) FSRDS disbursements attributable to military service. The U.S. Government contribution for 2000 was $206.0 million. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury. Total interest earned on these investments in 2000 was $735.0 million.

Consular Fees are established primarily on a cost recovery basis and are determined based on periodic cost studies. Reimbursable Agreements with Federal agencies are established and billed on a cost recovery basis. ICASS billings are computed on a cost recovery basis; billings are calculated to be sufficient to cover all operating, overhead, and replacement of capital assets based on budget submissions, budget updates, and other factors. In addition to services covered under ICASS, the Department provides administrative support to other agencies overseas for which the Department does not charge. Areas of support primarily include buildings and facilities, diplomatic security (other than the local guard program), overseas employment, communications, diplomatic pouch, receptionist and selected information management activities. The Department receives direct appropriations to provide this support and individual costs for these activities have not been determined.

Gross Cost and Earned Revenue by Budget Functional Classification (BFC)

The Department's costs and revenue are included in the *Financial Report of the United States Government — Fiscal 2000* (formerly, the Consolidated Financial Statements of the United States Government) published by the Department of the Treasury. The *Financial Report of the United States Government – Fiscal 2000* presents gross costs and earned revenue by BFC. Following is the Department's gross cost and earned revenue by BFC for the year ended September 30, 2000 (Dollars in Thousands and reported net of intra-departmental eliminations).

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
International Affairs	$ 8,019,617	$ 1,585,068	$ 6,434,549
Income Security	868,278	827,415	40,863
Natural Resources	62,959	11,857	51,102
Total	$ 8,950,854	$ 2,424,340	$ 6,526,514

19. STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources reports information on how budgetary resources were made available and their status as of September 30, 2000. Intra-departmental transactions have not been eliminated in the amounts presented.

The Budgetary Resources section presents the total budgetary resources available to the Department. For 2000, the Department received approximately $13.3 billion in budgetary resources. The budget authority of $9.6 billion consisted of approximately $8.5 billion for direct or related appropriations and $1.1 billion of authority financed from trust funds. In addition, the Department realized $2.3 billion of authority from offsetting collections as reimbursements for providing goods and services to others and other income. The Department received permanent indefinite appropriations of $33.6 million for 2000. The permanent indefinite appropriation provides payments to the Foreign Service Retirement and Disability Fund to finance the interest on the unfunded pension liability for the year and disbursements attributable to military service. Pursuant to Public Law 106-113, *Department of State and Related Agency Appropriations Act, 2000*, the Department transferred $26.0 million in rescinded authority to the U.S. Treasury during 2000.

Information on U.S. Government agencies' budgets will be reported in the *Budget of the United States Government, Fiscal Year 2002 – Appendix (Appendix),* once published. The *Appendix* will include for each agency (including the Department), among other things, budget schedules for the agency's accounts. Information on budgetary resources and their status will be displayed in the *Program and Financing (P&F) Schedule* under each account. Amounts to be presented in the *P&F Schedules* are in millions of dollars. Each agency is responsible for submitting the data presented in the *P&F Schedules* via the MAX system. Although the *Appendix* is not available for reconciliation with the Statement of Budgetary Resources, the information submitted for "2000 Actual" via MAX has been reconciled with the information presented in the Statement. Amounts shown on the Combined Statement of Budgetary Resources will differ from "2000 Actual" reported in the *P&F Schedules* for the Department's accounts as follows.

- The Budget Authority reported on the Combined Statement of Budgetary Resources includes $520 million the Department received for 2000 to administer programs related to International Security Assistance. Amounts for these programs will not be presented under the Department in the *Appendix*. Instead, these amounts will be reported in the *Appendix* under the section entitled International Assistance Programs.

- The Unobligated Balances—Beginning of Year reported on the Combined Statement of Budgetary Resources includes a $275 million adjustment (increase) pertaining to undelivered orders that will not be reported in the *Appendix*.

- The Unobligated Balances—Beginning of Year reported on the Combined Statement of Budgetary Resources includes a $557 million of unavailable unobligated balances (primarily for expired annual accounts) that will not be reported in the *Appendix*. These unavailable unobligated balances in expired accounts (e.g., 1999 and prior) remain available for adjustment and liquidation of obligations, and other purposes authorized by law, until such accounts are closed as required by law (Public Law 101-510), at which time any remaining amounts will be returned to the General Fund of the U.S. Treasury. However, they are not available to incur new obligations as their period of availability to do such has expired. Consequently, the *P&F Schedule* reports only available unobligated balances (versus unavailable) as budgetary resources available for obligation.

- The Obligated Balance, Net—Beginning of Year reported on the Combined Statement of Budgetary Resources includes a $275 million adjustment (decrease) pertaining to undelivered orders that will not be reported in the *Appendix*.

The *Appendix* will be organized by major subordinate organizations or program area within the agency, and then by the nature of the account(s) (e.g., general, special, revolving, trust, etc.) within organization or program area. The Department's section consists of the following areas: Administration of Foreign Affairs, International Organizations and Conferences, International Commissions, and Other. The Combining Schedule of Budgetary Resources appearing as Required Supplementary Information on page 100 presents amounts in the Combined Statement of Budgetary Resources by these areas.

Under the *Foreign Affairs Reform and Restructuring Act of 1998* (Public Law 105-277), major portions of the USIA were merged into the Department effective October 1, 1999. The effects of the merger have been accounted for on the Combined Statement of Budgetary Resources as an adjustment to Unobligated Balances – Beginning of Year and Obligated Balance, Net – Beginning of Year to reflect the transfer of the USIA balances on October 1, 1999 (see Note 2, "Foreign Affairs Agencies Consolidation").

The amount of budgetary resources obligated for undelivered orders for all activities was approximately $3.9 billion as of September 30, 2000. This includes amounts for revolving and trust funds of $336 million.

20. COMBINED STATEMENT OF FINANCING

Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. The Statement of Financing for the year ended September 30, 2000, presents information to reconcile these different measures. In doing so, the Statement of Financing provides assurance that the financial information presented is consistent with similar amounts presented in budget reports. The Statement of Financing reconciles obligations of budget authority to the accrual based net cost of operations. The Net Cost of Operations as presented on the Statement of Financing is determined by netting the "obligations as adjusted and nonbudgetary resources" and making adjustments for the total "resources that do not fund net cost of operations," the total "costs that do not require resources," and "financing sources yet to be provided." The Net Cost of Operations resulting from the reconciliation on the Statement of Financing equals the Net Cost of Operations reported on the Statement of Net Cost. Intra-departmental transactions have not been eliminated in the amounts presented.

21. CUSTODIAL ACTIVITY

The Department administers certain activities associated with the collection of nonexchange revenues that are deposited and recorded directly to the General Fund of the Treasury. The Department does not retain the amounts collected. Accordingly, these amounts are not considered, nor reported as, financial or budgetary resources for the Department. At the end of each fiscal year, the accounts are closed and the balances brought to zero by Treasury. Specifically, the Department collects interest, penalties and handling fees on accounts receivable, fines for Munitions Control violations, international contributions for ice patrol activities, and other miscellaneous receipts. In 2000, the Department collected $3.7 million in custodial revenues that were transferred to the Treasury.

22. DEDICATED COLLECTIONS

The Department administers nine Trust Funds that receive dedicated collections. In the U.S. Government budget, Trust Funds are accounted for separately and used only for specified purposes. A brief description of these Funds and their purpose follows.

Foreign Service Retirement and Disability Fund (19X8186)

The Foreign Service Retirement and Disability Fund (FSRDF) was established in 1924 to provide pensions to retired and disabled members of the Foreign Service. FSRDF's revenues consist of contributions from active participants and their U.S. Government agency employers, appropriations, and interest on investments. Monthly annuity payments are made to eligible retired employees or their survivors. Separated employees without title to an annuity may take a refund of their contributions. P.L. 96-465 limits the amount of administrative expense that can be charged to the fund to $5,000. The total costs for administering FSRDF were $2.9 million in 2000. Cash is invested in U.S. Treasury securities until needed for disbursement.

Foreign Service National Separation Liability Trust Fund (FSNSLTF) (19X8340)

The purpose of FSNSLTF is to fund separation liabilities to foreign service national (FSNs) and personal service contractor (PSCs) employees who voluntarily resign, retire, or lose their jobs due to a reduction in force. The liability is applicable only in those countries that, due to local law, require a lump-sum voluntary separation payment based on years of service. FSNSLTF was authorized in 1991 and initially capitalized with a transfer from the Department. Contributions are made to the FSNSLTF by the Department's appropriations from which the FSNs and PSCs are paid. Once the liability to the separating FSN or PSC is computed in accordance with the local compensation plan, the actual disbursement is made from FSNSLTF.

Conditional and Unconditional Gift Funds (19X8121 and 19X8122)

The Department maintains two Trust Funds for the receipt and disbursement of donations. The Department has the authority to accept gifts from private organizations and individuals in the form of cash, gifts-in-kind and securities. Gifts are classified as Restricted or Unrestricted Gifts. Restricted Gifts are those given to the Department, provided the Department agrees to use the gift in the manner specified by the donor. Unrestricted Gifts can be used for any expense normally covered by an appropriation, such as representational purposes and embassy refurbishment.

Israeli-Arab Scholarship Program (19X8271)

The Israeli-Arab Scholarship Program provides grants and scholarships to Israeli-Arab students for degree programs at universities and colleges in the United States. This program was authorized by Section 214 of the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993 (P.L. 102-138). A permanent endowment of $4.9 million was established in 1992.

Eisenhower Exchange Fellowship Program Trust Fund (95X8276)

The Eisenhower Exchange Fellowship Act of 1990 (P.L. 101-454) authorized a permanent endowment for the Eisenhower Exchange Fellowship Program to honor the late president by increasing educational opportunities for young leaders in preparation for and enhancement of their professional careers and advancement of peace through international understanding. The 1992 Department of State and Related Agencies Appropriations Act provided $5.0 million to establish a permanent endowment for the Program, and appropriated the interest and earnings. The 1995 Department of State and Related Agencies Appropriations Act made an additional payment of $2.5 million to the endowment.

Miscellaneous Trust Funds, Information and Exchange Programs (19X8166, 19X8167, and 19X8272)

Funds advanced by other governments, business concerns, and private organizations to the Department are used to send experts abroad to perform requested services, to give foreign nationals scientific, technical, or other training, to purchase films and other products owned or controlled by the Department, and for international exhibitions.

Financial data of the Trust Funds as of and for the year ending September 30, 2000, are summarized below (Dollars in Thousands). These amounts do not include intradepartmental eliminations.

	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc. Trust Funds
Assets:						
Fund Balances with Treasury	$ 11	$ 95,339	$ 15,609	$ 978	$ (94)	$ 4,322
Investments	10,657,747	---	---	4,551	7,084	---
Other Assets	195,147	84	100	110	---	4
Total Assets	10,852,905	95,423	15,709	5,639	6,990	4,326
Liabilities:						
Payable to Beneficiaries	37,550	---	---	---	---	---
Actuarial Liability	11,475,900	---	---	---	---	---
Other Liabilities	8,991	7,034	3,062	29	---	9
Total Liabilities	11,522,441	7,034	3,062	29	---	9
Net Position (Deficit)	(669,536)	88,389	12,647	5,610	6,990	4,317
Total Liabilities and Net Position	10,852,905	95,423	15,709	5,639	6,990	4,326
Revenues and Financing:						
Exchange - Intragovernmental	1,070,408	16,590	---	---	---	---
Exchange - Governmental	28,035	---	---	---	---	---
Non Exchange - Intragovernmental	---	---	111	174	462	---
Non Exchange - Governmental	---	---	1,920	---	---	---
Other Financing Sources	---	---	---	226	---	---
Total Revenues and Financing	1,098,443	16,590	2,031	400	462	---
Expenses:						
Program Expenses	---	2,647	1,147	286	829	1,219
Actuarial Expenses	865,631	---	---	---	---	---
Total Expenses	$ 865,631	$ 2,647	$ 1,147	$ 286	$ 829	$ 1,219

Department of State
Required Supplementary Stewardship Information
Heritage Assets
For the Fiscal Year Ended September 30, 2000

The Department has collections of art objects and furnishings that are considered heritage assets. These collections are housed in the Diplomatic Reception Rooms, senior staff offices in the Secretary's suite, in offices, reception areas, conference rooms, the cafeteria, and related areas, and embassies located throughout the world. The items have been acquired as donations, on loan from the owners, or purchased using gift and appropriated funds. The assets are in five separate collections —the Diplomatic Reception Rooms, Art Bank, Art in Embassies, Curatorial Services Program, and Library Rare & Special Book Collection.

Diplomatic Reception Rooms

Under the management of the Curator's Office, the Diplomatic Reception Room collection is made up of museum-caliber American furnishings of the period 1750 to 1825. These items are used to decorate the Diplomatic Reception Rooms located on the 8th floor of the Department of State, and 19 offices on the 7th floor used by the Secretary of State and the Secretary's senior staff. These items have been acquired through donations, or purchases funded through gifts from private citizens, foundations, and corporations. No tax dollars have been used to acquire or maintain the collection.

Philadelphia mahogany table-desk on which Thomas Jefferson drafted the Declaration of Independence. photo: *Richard Cheek*

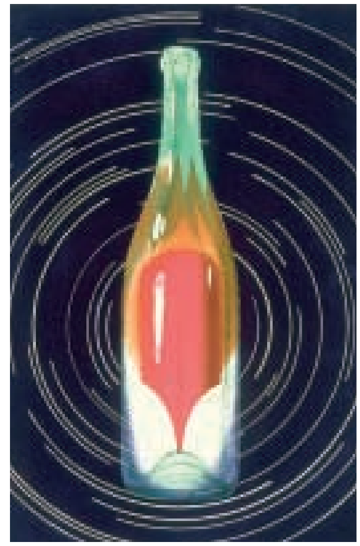
The Benjamin Franklin State Dining Room.
photo: *Richard Cheek*

Thomas Jefferson State Reception Room.

Suzanne Wiggin
Winter Sky
Oil-based Monotype
2000

Art Bank

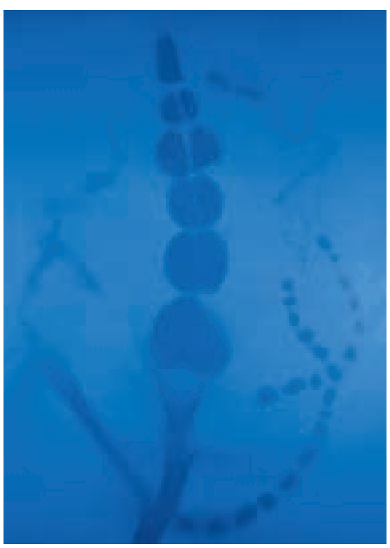
The Art Bank was established in 1984 as a way to acquire artworks to display throughout the Department's offices and annexes. The artworks are displayed in staff offices, reception areas, conference rooms, the cafeteria, and related public areas. The collection consists of original works on paper (watercolors and pastels) and limited edition prints (lithographs, woodcuts, intaglios, and silk-screens). These items are acquired through purchases funded by contributions from each participating bureau.



James Rosenquist
While the Earth Revolves at Night
Etching/Spit-bite aquatint
1982

Art in Embassies

The Art in Embassies program was established in 1964 to promote national pride and a sense of the distinct cultural identity of America's arts and its artists. The program provides original U.S. works of art for the representational rooms of United States ambassadorial residences worldwide. The works of art in the program were purchased or are on loan from individuals, organizations, or museums.



1

2

3

1 Maria Martinez-Canas
Traces of Nature
diazzo print
42 x 30 inches
Courtesy of the artist and the Julie Saul Gallery, New York, New York

2 Judith Trager
Lifelines
quilt
47 x 42 inches
Courtesy of the artist, Boulder, Colorado

3 Valentina Dubasky
Rainforest
oil on paper
25 x 39 inches
Courtesy of the artist, New York, New York

Curatorial Services Program

The Curatorial Services Program, under the management of the Foreign Buildings Operations' Interior Design and Furnishings Division, is responsible for antiques, works of art and high-value furnishings owned by the Department abroad. These objects are significant based on their historic importance, antiquity, rare quality, or high dollar value. These items may have been donated or obtained as part of the furnishings acquired with a building.

Rare & Special Book Collection

In recent years, the Library has identified books in the collection which require special care or preservation. Many of these have been placed in the Rare Books and Special Collections Room, located off the Reading Room in the Harry S Truman Main State Building. Among the treasures are a copy of the Nuremberg Chronicles, that was printed in 1493, volumes signed by Thomas Jefferson, and books by Foreign Service authors.

	Diplomatic Reception Rooms Collection	Art Bank	Art in Embassies Program	Curatorial Services Program	Library Rare & Special Book Collection
Description	Collectibles – Art and furnishings from the period 1750 to 1825.	Collectibles – American works of art.	Collectibles – American works of art.	Collectibles – Art and furnishings of cultural or historic value.	Collectibles – Rare Books and other Publications of historic value.
Acquisition and Withdrawal	Acquired through donation or purchase using donated funds. Excess items are sold.	Acquired through purchase. Excess items are sold.	Acquired through purchase or donation. Excess items are sold.	Acquired through purchase or donation. Excess items are sold.	Acquired through purchase or donation. Excess items are sold.
Condition	Good to excellent	Good to excellent	Good to excellent	Good to excellent	Good to excellent
Number of Items at 09/30/1999	3,362	1,844	848	930	—
Acquisitions	2	67	5	—	91[1]
Adjustments	33[2]	—	—	3,220[3]	—
Disposals	—	—	—	(79)	—
Number of Items at 09/30/2000	3,397	1,911	853	4,071	91

[1] Rare Library and Special Book Collection was not included in last year's report. Balance is as of September 30, 2000. Acquisition and disposal data will be disclosed next year.

[2] Adjustments due to physical inventories.

[3] Adjustments due to receipt of more detailed reports from posts that identified additional items meeting the Heritage Asset definition.

Cost of Acquisitions

The cost of acquiring items for the collections in 2000 was $108,285. The remaining items acquired were donated.

Department of State

Required Supplementary Information

COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2000

[Dollars in Thousands]

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Resources:						
Budget Authority	$ 5,410,544	$ 1,955,518	$ 48,858	$ 2,133,339	$ 64,695	$ 9,612,954
Unobligated Balance Beginning of Year	1,750,323	13,846	8,877	461,408	22,992	2,257,446
Net Transfers Prior Year Balances	(2,732)	(238)	-	-	-	(2,970)
Spending Authority from Offsetting Collections	2,172,028	9,000	13,219	56,432	16,124	2,266,803
Adjustments	(591,107)	(256,438)	569	22,400	5,629	(818,947)
Total Budgetary Resources	$ 8,739,056	$ 1,721,688	$ 71,523	$ 2,673,579	$ 109,440	$13,315,286
Status of Budgetary Resources:						
Obligations Incurred	$ 7,189,814	$ 1,701,927	$58,223	$ 2,193,312	$ 74,610	$11,217,886
Unobligated Balances-Available	1,406,481	17,280	11,450	419,572	34,830	1,889,613
Unobligated Balances-Unavailable	142,761	2,481	1,850	60,695	-	207,787
Total Status of Budgetary Resources	$ 8,739,056	$ 1,721,688	$ 71,523	$ 2,673,579	$109,440	$13,315,286
Outlays						
Obligations Incurred	$ 7,189,814	$ 1,701,927	$ 58,223	$ 2,193,312	$ 74,610	$11,217,886
Less: Spending Authority from Offsetting Collections	(2,172,028)	(9,000)	(13,219)	(56,432)	(16,124)	(2,266,803)
Recoveries	(144,457)	670	(1,189)	(33,672)	(13,206)	(191,854)
Subtotal	4,873,329	1,693,597	43,815	2,103,208	45,280	8,759,229
Obligated Balance, Beginning of Year	1,679,008	298,366	10,717	944,506	53,284	2,985,881
Obligated Balance, Transferred, net	-	-	-	-	-	-
Less: Obligated Balance, Net - End of Year	(2,159,913)	(490,663)	(13,129)	(1,562,798)	(36,876)	(4,263,379)
Total Outlays	$ 4,392,424	$ 1,501,300	$ 41,403	$ 1,484,916	$ 61,688	$ 7,481,731

Department of State
Required Supplementary Information
Intragovernmental Amounts
As of and For the Fiscal Year Ended September 30, 2000

Intragovernmental amounts represent transactions between federal entities included in the *Financial Report of the United States Government – Fiscal Year 2000* (formerly the *Consolidated Financial Statements of the United States Government*) published by the U.S. Department of the Treasury. All amounts presented are net of intradepartmental eliminations.

The amounts of **intragovernmental assets and liabilities** classified by trading partner at September 30, 2000, are summarized below (Dollars in Thousands).

Trading Partner	Fund Balances With Treasury	Investments	Interest Receivable	Accounts Receivable, Net
Department of Agriculture	–	–	–	$ 2,644
Department of Commerce	–	–	–	4,593
Department of Justice	–	–	–	7,100
Department of the Treasury	$7,101,842	$10,669,382	$185,634	3,799
Agency for International Development	–	–	–	13,645
Department of Defense	–	–	–	43,998
Other Agencies	–	–	–	110,008
TOTAL	**$7,101,842**	**$10,669,382**	**$185,634**	**$185,787**

Trading Partner	Accounts Payable	Other Liabilities
Department of Justice	$ –	$ 722
Department of Labor	–	17,048
Department of the Treasury	21	6,186
Office of Personnel Management	–	6,300
Environmental Protection Agency	–	3,766
Agency for International Development	32	–
Other Agencies	8,625	–
TOTAL	**$ 8,678**	**$ 34,022**

The amounts of **intragovernmental earned revenues** classified by trading partner **and related gross costs that generated this revenue** classified by budget functional classification for the year ended September 30, 2000, are summarized below (Dollars in Thousands).

Trading Partner	Earned Revenue
Executive Office of the President	$ 1,650
Department of Agriculture	17,137
Department of Commerce	28,420
Department of Justice	51,813
Department of the Treasury	748,351
Social Security Administration	7,382
Environmental Protection Agency	6,831
Department of Transportation	3,931
Agency for International Development	124,437
Department of Health and Human Services	3,797
Department of Energy	3,108
Department of Defense	153,820
Other Agencies	271,672
TOTAL	**$1,422,349**

Budget Functional Classification	Gross Cost to Generate Revenue	Earned Revenue	Net Cost
International Affairs	$ 605,060	$ 614,960	$ (9,900)
Income Security	734,212	799,459	(65,247)
Natural Resources	7,930	7,930	-
TOTAL	$ 1,347,202	$ 1,422,349	$ (75,147)

The amounts of **intragovernmental non-exchange revenues** classified by trading partner for the year ended September 30, 2000, are summarized below (Dollars in Thousands).

Trading Partner	Non-exchange Revenue
Department of the Treasury	$746

The amounts of **intragovernmental expenses** classified by trading partner and by budget functional classification for the year ended September 30, 2000, are summarized below (Dollars in Thousands).

Trading Partner	Expenses
Government Printing Office	$ 14,260
Department of Agriculture	3,636
Department of Commerce	5,304
Department of Justice	58,513
Department of Labor	5,677
U.S. Postal Service	7,909
Department of the Treasury	19,370
Office of Personnel Management	155,530
General Services Administration	201,654
Department of Energy	10,521
Department of Defense	42,487
Other Agencies	14,804
TOTAL	$ 539,665

Budget Functional Classification	Expenses
International Affairs	$ 531,179
Natural Resources	8,486
TOTAL	$ 539,665

Department of State
Required Supplementary Information
Deferred Maintenance
For the Fiscal Year Ended September 30, 2000

The Department occupies over 3,000 government-owned or long-term leased real properties at over 260 overseas locations. The Department uses a condition assessment survey method to evaluate asset condition and determine the repair and maintenance requirements for its overseas buildings.

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, requires that deferred maintenance, measured using the condition survey method, and the description of the requirements or standards for acceptable operating condition be disclosed. Fundamentally, the Department considers that all of its overseas facilities in operation are in an "acceptable condition" in that they serve their required mission. Adopting standard criteria for a classification of acceptable condition is difficult in the complex environment in which the Department operates.

From a budgetary perspective, funding for maintenance and repair has been insufficient over the years. As a result, the Department has identified current repair and maintenance requirements of $102.5 million for more than 690 buildings overseas that have not been funded. The 2000 total is less than the $123.6 million reported in 1999, primarily due to a reclassification of certain fire alarm system projects previously categorized as deferred maintenance. The repair and maintenance requirements were determined during periodic fire/safety/security inspections and global condition surveys.

In addition, total life-cycle cost method of determining deferred maintenance is used for generators and uninterrupted power supply equipment (UPS). Deferred maintenance on this facilities-related equipment is estimated at $12.3 million, compared to $8.8 million in 1999.

Department of State
Required Supplementary Information
Working Capital Fund
For the Fiscal Year Ended September 30, 2000

The Working Capital Fund (WCF) is a revolving fund, authorized within the *Foreign Assistance Act of 1963* (P.L. 88-205) as an amendment to the Department of State Basic Authorities Act. It was created to finance a continuing cycle of business-type operations for the Department. The WCF balance sheet at September 30, 2000, is presented below (Dollars in Thousands).

Assets:	
Fund Balances with Treasury	$124,169
Accounts Receivable, Net	130,718
Plant, Property and Equipment, Net	50,574
Other Assets	9,163
Total Assets	**$314,624**
Liabilities:	
Accounts Payable	$ 31,525
Deferred Revenue	585
Other Liabilities	54,261
Total Liabilities	**$ 86,371**
Cumulative Results of Operations	**$228,253**

The WCF serves bureaus and offices within the Department of State, U.S. Government agencies operating abroad, foreign governments and international organizations located in the U.S. WCF consists of three lines of business. The products/services provided by each business line are as follows.

- **WCF Operations** - Provides centralized management for equipment, services and maintenance of unclassified voice/data telecommunications; arranges ocean and airfreight shipment of personal property and official supplies from points within the U.S. to overseas posts; provides permanent storage of household belongings for employees assigned to overseas posts; provides printing and editorial services; procures all publications, periodicals, books and newspapers for the Department; assists overseas posts with procuring local supplies and materials; provides motor vehicle transportation; moving and delivery services.

- **Office of Foreign Missions** - Regulates foreign government activities undertaken within the U.S.; registers and licenses motor vehicles belonging to the foreign mission or its staff; administers travel restrictions and controls on members of a foreign mission; reviews and approves/denies all foreign mission real property acquisitions, leases, and sales; and protects and preserves foreign mission properties that belong to countries that no longer maintain diplomatic relations with the U.S.

- **International Cooperative Administrative Support Service (ICASS)** - Manages the interagency administrative support services for overseas posts which includes services such as computer and financial management services, guard service, mail and messenger service, motor pool and health services.

The cost of providing services and the exchange revenue earned for 2000 are presented below (Dollars in Thousands). These amounts do not include intradepartmental eliminations.

	WCF Operations	Office of Foreign Missions	ICASS
Costs	$ 136,105	$ 6,531	$ 766,949
Exchange Revenue	(136,928)	(7,849)	(806,682)
Net Cost (Revenues in excess of costs)	$ (823)	$ (1,318)	$ (39,733)

Houdon sculpture of Benjamin Franklin at the
National Foreign Affairs Training Center.