UNITED STATES DEPARTMENT OF STATE

Principal Financial Statements and Supplementary information

DEPARTMENT OF STATE
CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

As of September 30,	Notes	2001	2000
ASSETS	3		
Intragovernmental Assets:			
Fund Balances With Treasury	4	$ 7,652,119	$ 7,101,842
Investments, Net	5	11,206,403	10,669,382
Accounts Receivable, Net	6	170,385	185,787
Interest Receivable		189,677	185,634
Total Intragovernmental Assets		19,218,584	18,142,645
Accounts Receivable, Net	6	42,111	42,505
Loans Receivable, Net	7	1,156	1,053
Cash and Other Monetary Assets	8	12,472	18,082
Inventory	9	6,927	6,684
Property and Equipment, Net	10	4,870,466	4,687,989
Other Assets	11	72,117	100,257
Total Assets		$ 24,223,833	$ 22,999,215

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

DEPARTMENT OF STATE
CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

As of September 30,	**Notes**	**2001**	**2000**
LIABILITIES	12		
Intragovernmental Liabilities:			
Accounts Payable		$ 5,962	$ 8,678
Other Liabilities		37,001	34,022
Total Intragovernmental Liabilities		42,963	42,700
Accounts Payable		817,856	602,448
Foreign Service Retirement Actuarial Liability	13	11,766,900	11,475,900
Liability to International Organizations	14	1,650,006	1,608,326
Capital Lease Liability	15	63,058	70,819
Funds Held in Trust	8	11,073	17,153
Federal Employees' Compensation Act Benefits		56,645	49,916
Other Liabilities		401,976	453,001
Total Liabilities		14,810,477	14,320,263
Commitments and Contingencies	16		
NET POSITION			
Unexpended Appropriations	17	5,961,844	5,690,201
Cumulative Results of Operations		3,451,512	2,988,751
Total Net Position		9,413,356	8,678,952
Total Liabilities and Net Position		$ 24,223,833	$ 22,999,215

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

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF NET COST (NOTE 18)

(Dollars in Thousands)

For the year ended September 30,	2001	2000
PROGRAM		
Diplomatic Relations and International Organizations		
Total Cost	$ 4,714,729	$ 4,017,337
Earned Revenue	(189,359)	(191,632)
Net Program Costs	4,525,370	3,825,705
American Citizens and U.S. Borders		
Total Cost	1,345,440	1,543,668
Earned Revenue	(1,095,100)	(1,108,806)
Net Program Costs	250,340	434,862
Humanitarian Response		
Total Cost	745,259	875,549
Earned Revenue	(1,119)	(3,417)
Net Program Costs	744,140	872,132
Law Enforcement		
Total Cost	839,416	498,385
Earned Revenue	(32,443)	(18,330)
Net Program Costs	806,973	480,055
EXECUTIVE DIRECTION AND OTHER COSTS NOT ASSIGNED		
Total Cost	2,341,999	2,015,915
Earned Revenue	(1,197,681)	(1,102,155)
Net Program Costs	1,144,318	913,760
Total Cost	**9,986,843**	**8,950,854**
Total Revenue	**(2,515,702)**	**(2,424,340)**
Total Net Cost	**$ 7,471,141**	**$ 6,526,514**

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

DEPARTMENT OF STATE
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

(Dollars in Thousands)

For the Year Ended September 30,	Notes	2001	2000
Total Net Cost		$ (7,471,141)	$ (6,526,514)
Financing Sources (Other Than Exchange Revenue):			
Appropriations Used		8,371,594	7,496,909
Donations and Other Non-Exchange Revenue		20,463	7,559
Imputed Financing	18	70,614	259,529
Transfers-in		23,455	22,885
Transfers-out		(552,224)	(535,542)
Net Results of Operations		462,761	724,826
Increase in Unexpended Appropriations		271,643	796,981
Change in Net Position		734,404	1,521,807
Net Position - Beginning of Year	2	8,678,952	7,157,145
Net Position - End of Year		$ 9,413,356	$ 8,678,952

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

DEPARTMENT OF STATE
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 19)

(Dollars in Thousands)

For the Year Ended September 30,	Notes	2001	2000
Budgetary Resources:			
Budget Authority		$ 9,215,209	$ 9,612,954
Unobligated Balances – Beginning of Year	2	2,097,400	2,257,446
Net Transfers Prior-Year Balance		(1,918)	(2,970)
Spending Authority From Offsetting Collections		2,268,150	2,266,803
Adjustments		385,484	(818,947)
Total Budgetary Resources		$ 13,964,325	$ 13,315,286
Status of Budgetary Resources:			
Obligations Incurred		$ 11,592,572	$ 11,217,886
Unobligated Balances-Available		2,119,274	1,889,613
Unobligated Balances-Not Available		252,479	207,787
Total, Status of Budgetary Resources		$ 13,964,325	$ 13,315,286
Outlays:			
Obligations Incurred		$ 11,592,572	$ 11,217,886
Less: Spending Authority From Offsetting Collections		(2,268,150)	(2,266,803)
Recoveries		(454,623)	(191,854)
Subtotal		8,869,799	8,759,229
Obligated Balance, Net - Beginning of Year	2	4,263,379	2,985,881
Obligated Balance Transferred, Net		(3,918)	—
Less: Obligated Balance, Net – End of Year		(4,641,548)	(4,263,379)
Total Net Outlays		$ 8,487,712	$ 7,481,731

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

DEPARTMENT OF STATE
COMBINED STATEMENT OF FINANCING (NOTE 20)

(Dollars in Thousands)

For the Year Ended September 30,	2001	2000
Obligations and Nonbudgetary Resources:		
Obligations Incurred	$ 11,592,572	$ 11,217,886
Less: Other Spending Authority	(3,772,705)	(3,603,643)
Less: Exchange revenue not in Budget	(1,073,724)	(522,755)
Financing Imputed from Cost Subsidies	70,614	259,529
Transfers-In, Net	23,455	10,099
Donations and Other Non-Exchange Revenue Not in Budget	20,463	7,559
Other	311	318
Total Obligations as Adjusted and Nonbudgetary Resources	6,860,986	7,368,993
Resources That Do Not Fund Net Cost of Operations:		
Change in Amount of Goods/Services Ordered But Not Yet Received Decrease (Increase)	285,871	(870,997)
Decrease (Increase) in Unfilled Customer Orders	103,751	(47,731)
Costs Capitalized on the Balance Sheet (Increases):		
Property and Equipment	(413,731)	(324,213)
Purchase of Inventory	835	(3,739)
Loans	(91)	(23)
Less: Financing Sources That Fund Costs of Prior Periods	(1,314,124)	(1,537,645)
Total Resources that Do Not Fund Net Cost of Operations	(1,337,489)	(2,784,348)
Costs that Do Not Require Resources:		
Depreciation and Amortization	231,254	244,729
Loss on Disposition of Assets	38,332	21,994
Other, Net	4,575	(31)
Total Costs that Do Not Require Resources	274,161	266,692
Financing Sources Yet to be Provided	1,673,483	1,675,177
Net Cost of Operations	$ 7,471,141	$ 6,526,514

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

DEPARTMENT OF STATE NOTES TO PRINCIPAL FINANCIAL STATEMENTS

ORGANIZATION

Congress established the U.S. Department of State ("Department of State" or "Department"), the senior executive department of the United States Government in 1789, replacing the Department of Foreign Affairs, which was 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 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 the 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 for spending general revenues.
- Revolving Funds are established by law to finance a continuing cycle of operations. Receipts derived from such operations are usually available in their entirety for the Fund to use without further action by Congress.
- Trust Funds are credited with receipts that are generated by the terms of a trust agreement or statute. At the point of collection, these receipts are either 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. Most of its functions transferred to the Department on October 1, 1999. Accordingly, amounts reported for fiscal year 2000 and beyond 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, Consolidated 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. 01-09, *Form and Content of Agency Financial Statements.* OMB Bulletin No. 01-09 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 are in accordance with the Department's accounting policies (the significant policies are summarized below in this Note). The Department's accounting policies follow accounting principles generally accepted in the United States of America (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

Changes Implemented

In 2001 and 2000, the Department implemented revised financial statement reporting requirements and new Statements of Federal Financial Accounting Standards (SFFAS). The changes did not have a material effect on the Department's financial position, results of operations, or how it reports on its programs.

On September 25, 2001, OMB issued Bulletin 01-09, *Form and Content of Agency Financial Statements*, which provides guidance for preparing agency financial statements. It supersedes OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements,* as amended, and contains significant changes. The requirements contained in OMB Bulletin No. 01-09 are phased in beginning with FY 2001 and are effective in their entirety for the preparation of financial statements for fiscal years beginning after September 30, 2001 (i.e., FY 2002 and beyond). As constructed, OMB Bulletin No. 01-09 allows agencies to continue to report under the requirements established under OMB Bulletin No. 97-01, as amended, until the applicable requirements in OMB Bulletin No. 01-09 are phased in and effective. Earlier implementation of the requirements is permitted. While permitted, except as noted below under **Comparative Reporting**, the Department has elected not to implement the requirements early.

The major changes that the OMB Bulletin No. 01-09 requires for FY 2001 reporting and that the Department has implemented are as follows.

- **Accelerated Reporting.** The due date for stand-alone financial statements and accountability reports to OMB and the Congress is February 27, 2002 (versus the previous requirement of March 1, 2002).

- **Comparative Reporting.** The preparation of comparative financial statements is required. A comparative Balance Sheet, Statement of Net Cost, and Statement of Custodial Activity are required for reporting periods beginning with FY 2001. However, comparative Statements of Changes in Net Position, Budgetary Resources, and Financing are not required until fiscal year 2003 and beyond. The Department has elected to show comparative years and amounts for all statements and related footnotes. In doing so, the Department now presents the Statement of Net Cost on a consolidated (versus consolidating) basis and presents a consolidating schedule of net cost in the related note (see Note 18 – Statement of Net Cost).

In addition, information presented in the Financial Highlights Section (pages 87 to 93) of the Management's Discussion and Analysis, Required Supplementary Stewardship Information (Pages 158 to 162) and Required Supplementary Information (Pages 163 to 168) is presented on a comparative basis when the information is meaningful to the user of the financial report.

- **Financial Statement Format.** Labeling and formatting of line items on the Consolidated Balance Sheet are streamlined to improve usefulness for readers.

On September 11, 2000, OMB issued Memorandum M-00-14, technical amendments to OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements,* which were effective for the FY 2000 reporting period. Under M-00-14, reporting changes were made to the Required Supplementary Information (RSI). Specifically, intragovernmental earned revenue and related costs from trade transactions are reported. Intragovernmental earned revenues are reported by trading partner, and the related gross costs that 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 164 to 166.

New SFFASs

SFFAS	Effective Reporting Period	Description
SFFAS No. 10 Accounting for Internal Use Software	FY 2001	SFFAS No. 10 provides accounting standards for internal use software. It classifies internal use software as "general property, plant, and equipment" as defined in SFFAS No. 6, *Accounting for Property, Plant and Equipment,* and requires software costs meeting certain criteria to be capitalized whether purchased as commercial off-the-shelf (COTS), or developed by a contractor or internally developed. SFFAS No. 10 provides guidance regarding the types of cost elements to capitalize, the timing of capitalization, and other issues. Under SFFAS No. 10, agencies are to determine their own dollar value capitalization thresholds. The Department established a threshold of $500 thousand.
SFFAS No. 18 Amendments to Accounting Standards for Direct Loans and Loan Guarantees	FY 2001	SFFAS No. 18 amends certain portions of SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*, by adding the following requirements: (a) report subsidy reestimates in two components: interest rate reestimates and technical/default reestimates, (b) display in a note to the financial statements a reconciliation between the beginning and ending balances of loan guarantee liability and the subsidy cost allowance for direct loans, and (c) provide disclosure and discussion for changes in program subsidy rates, subsidy expense, and subsidy reestimates.
SFFAS No. 15 Management's Discussion and Analysis	FY 2000	SFFAS 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 5 to 94.
SFFAS No. 16 Amendments to Accounting for Property, Plant, and Equipment	FY 2000	SFFAS 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.
SFFAS No. 17 Accounting for Social Insurance	FY 2000	SFFAS 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.

The Department has adopted the following new SFFASs:

Changes to be Implemented

As indicated above, the requirements contained in OMB Bulletin No. 01-09 are phased in beginning with FY 2001, and are effective in their entirety for preparing financial statements for fiscal years 2002 and beyond. None of the changes are expected to have a material effect on the Department's financial position or results of operations. However, they will significantly affect how the Department reports on its programs. Significant changes that the Department will implement in the future are:

- **Integrated Reporting.** Performance and accountability reports that present both performance and financial reports will be required for FY 2002 and subsequent years.

- **Accelerated Reporting.** For FY 2002, performance and accountability reports must be submitted to OMB and Congress by February 1, 2003 (versus March 1, 2003). OMB plans to accelerate further the due dates for subsequent years.

- **Budget Integration.** The Statement of Budgetary Resources will be revised to improve the link between this statement and the Budget of the United States Government.

- **Financial Statement Formats.** Significant changes in labeling and formatting of line items on the Statement of Changes in Net Position, the Statement of Budgetary Resources, and the Statement of Financing will facilitate understanding of the information flow between statements.

- **Interim Financial Reporting.** Unaudited interim financial statements are to be submitted to OMB by May 31, 2002, for the six-month period ending March 31, 2002. In FY 2003, unaudited financial statements will be prepared and submitted to OMB on a quarterly basis (i.e., December 31, March 31, and June 30), no more than 45 days after the end of the reporting period.

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 the authority to obligate funds within the respective fiscal year for necessary expenses to carry out mandated program activities. In addition, Congress enacts multi-year appropriations and appropriations that are available until expended. All appropriations are subject to OMB apportionment as well as Congressional restrictions. The Department also implements internal restrictions to ensure efficient and proper use of all appropriations. One-year and multi-year appropriations are canceled and cannot be used for disbursements if five years have passed since the appropriation was last available for obligation.

Revenues and Other Financing Sources

Department operations are financed through appropriations, reimbursement for the provision of goods or services to other Federal agencies, proceeds from the sale 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. The 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 expenditures. 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 is subsequently reimbursed. Reimbursements are recognized as revenue when earned, i.e., goods have been delivered or services rendered, and the associated costs have been 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 revenue to ICASS and must cover all overhead costs, operating expenses, and replacement costs for capital assets needed to carry on the operation.

Proceeds from the sale of real property, vehicles, and other personal property are recognized as revenue 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 determined by whether the proceeds received were more or less than the net book value of the asset sold. The Department retains proceeds of sale, which are 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) reimbursement for international litigation expenses; and (5) reimbursement for training foreign government officials at the Foreign Affairs Service Institute.

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

The Department receives most of the funding it needs to support the Repatriation Loan Program through an annual appropriation and permanent, indefinite borrowing authority. The appropriation has two components: (1) a subsidy portion for the present value of long-term cash flow, 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 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". Treasury processes domestic receipts and disbursements. The Department operates three Financial Service Centers, which are located in Paris, Bangkok, and Charleston, South Carolina, and provide financial support for the Department and other Federal agencies' operations overseas. The U.S. Disbursing Officer at each Center has the 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, and travel advances.

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. Except for amounts assessed on FSRDF accounts, any interest, penalties or fees collected are not retained but are treated as miscellaneous receipts and are deposited directly to a Treasury account. Amounts assessed on FSRDF accounts are credited to the FSRDF.

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 whether they are collectible and need an offsetting allowance. All Intragovernmental Accounts Receivable are considered collectible. However, an allowance may be established to recognize billing disputes. Similar to non-Federal receivables, Intragovernmental receivables are independently assessed to determine collectibility and the need for an offsetting allowance.

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 whereby the Department becomes the lender of last resort. These loans provide assistance to pay for return transportation, food and lodging, or medical expenses. The borrower executes a promissory note 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 made 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 made 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 FSRDF investments consist solely of special issues of U.S. Government securities, which are redeemable on demand at par. For financial statement purposes, the investments are therefore valued at par. Interest on investments is paid semi-annually 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 Treasury bill using the straight-line 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 Israeli-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 and furnishings that are held for public exhibition, education, and official entertainment for visiting Chiefs of State, Heads of Government, Foreign Ministers, and other distinguished foreign and American guests. The Department has five separate collections: the Diplomatic Reception Rooms, the Art Bank, Art in Embassies, Curatorial Services Program, and the Library Rare and Special Book Collection. The collections consist of items that were donated, purchased using donated or appropriated funds, or are on loan from individuals, organizations, or museums. The Department provides protection and preservation services for these collections.

Judith Miller
Water Lillies|Greenbrook Sanctuary #1

The items that the Department owns are considered 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 the Supply Services Center and Stock Account. The WCF inventory consists primarily of paper and ink used for printing and reproduction services (Publishing Services), furniture held for sale to bureaus in the Department (Supply Services Center and Stock Account), and publications held for sale.

The WCF's Publishing Services inventory is valued at the 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, including unimproved land; residential and functional-use buildings such as embassy/consulate office buildings; office annexes and support facilities; and construction-in-progress. Title to these properties is held under various conditions including fee simple, restricted use, crown lease, and deed of use agreement. Some of these properties are considered historical treasures and are considered multi-use heritage assets. These items are reported on the Balance Sheet and included on the Required Supplemental Information—Heritage Assets.

The Tangier Old Legation, the first property that the United States Government acquired for a diplomatic mission, was presented as a gift to the American people by Sultan Moulay Suliman in 1821.

Since 1997, additions to the real property asset accounts have been based on historical costs. Construction-in-Progress represents the costs incurred for new facilities, major rehabilitations, or other improvements in the design or construction stage. After these projects are completed, 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. The Department also capitalizes improvements greater than $250,000.

Prior to 1997, historical cost information for most of the Department's overseas properties was either unavailable or incomplete. The Department therefore estimated the value of 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 Financial Services Center (S.C.); the Beltsville Information Management Center (Md.); the Florida Regional Center (Ft. Lauderdale); and consular centers in Charleston (S.C.); Portsmouth (N.H.) 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 ADP software costing over $500,000 with a useful life of two or more years 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. For all property except vehicles, depreciation is not recorded until the fiscal year after the item is put into service. 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. ADP software is amortized over the lesser of its estimated useful life or seven 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 payment equals or exceeds 90% of the fair value of the leased property. The initial recording of the lease's value (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, cultural exchange, and refugee assistance grants to various individuals, universities, and not-for-profit organizations. Budgetary obligations are recorded when grants are awarded. Grant funds are disbursed 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); or grantees submit invoices. In both cases, the expense is recorded upon disbursement.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities represent the 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. The Department changed its method for computing the value of overseas and domestic accounts payable for FY 2001 and FY 2000, respectively. Overseas accounts payable are now estimated based upon historical experience. Domestic accounts payable are based upon actual disbursements. The Department believes the new methodology more accurately reflects the 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 year-end balance for accrued annual leave. The Department believes the new method more accurately reflects financial position and results of operation. Sick leave and other types of non-vested leave are expensed as taken.

Employee Benefit Plans

Retirement Plans: Civil Service employees participate in either 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 contribute 7.00% (7.40% prior to January 14, 2001) of their salary; the Department contributes 8.51%. Employees covered under CSRS also contribute 1.45% of their salary to Medicare insurance; 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 0.80% (1.20% prior to January 14, 2001) of their salary, with the Department making contributions of 10.70%. FERS employees also 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%.

Foreign Service employees hired prior to January 1, 1984, participate in 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 7.00% (7.40% prior to January 14, 2001) of their salary; the Department contributes 8.51%. FSPS employees contribute 1.30% (1.70% prior to January 14, 2001) of their salary; the Department contributes 20.34%. Both FSRDS and FSPS employees contribute 1.45% of their salary to Medicare; the Department matches their contributions. Similar to FERS, FSPS 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 government plans in compliance with the host country's laws and regulations. In cases where the host country does not mandate plans or the plans are inadequate, employees are covered by a privately managed pension plan that conforms to the prevailing practices of comparable employers.

Health Insurance: Most American employees participate in the Federal Employees Health Benefits Program (FEHBP), a voluntary program that provides protection for enrollees and eligible family members in case of illness and/or 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. Enrollees and their family members are eligible for additional insurance coverage but the enrollee is responsible for the cost of the additional coverage.

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; OPM reports this information. 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 that OPM administers. 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 $61.0 million and $55.5 million in 2001 and 2000, respectively, 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 2001 was computed using a discount rate of 5.21% for all years; 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 2001 and 2000, the Department's liability changed by $6.7 million and ($11.0) million, respectively. The total actuarial liability that the Department is responsible for totaled $56.6 million as of September 30, 2001 and $49.9 million as of September 30, 2000.

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 the 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 include 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.

An actuary from the Treasury determines the Pension Actuarial Liability. The Pension Actuarial Liability is calculated by 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 2001, the valuation included assumed average rates of return on investments of 6.75%, inflation of 3.75%, and salary increases of 4.25%. The Plan uses the aggregate entry age normal actuarial cost 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 employee's service between entry age and assumed exit age. The portion of the present value allocated to each year is referred to as the normal cost.

In March 2001, the Board of Actuaries announced a change in the dynamic economic assumptions used to calculate the actuarial liability. The economic assumptions reflect predictions about the long-term relationships among inflation, interest on investments, and salary adjustments. The new assumptions reflect recent financial experience and indicate a less optimistic view of the Board regarding long-term interest earnings in relation to the other two factors.

The calculation of normal cost considers both economic and demographic assumptions. Based on the new economic assumptions, the plan actuary revised the normal cost percentages. The table below presents the assumptions and normal costs for FY 2001 and FY 2000.

	FY 2001	FY 2000
Assumptions:		
Inflation	3.75%	4.00%
Return on Investments	6.75%	7.00%
Salary Increase	4.25%	4.25%
Normal Cost:		
FSRDS	27.43%	28.31%
FSPS	21.04%	21.64%

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 for determining the actuarial present value of accumulated plan benefits.

Net Position

The Department's net position contains the following components:

1. **Unexpended Appropriations** — 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. An unobligated balance 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. 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 Secretary of State's leading role in the formulation and articulation of U.S. foreign policy, and to 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, and 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 to 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, and was responsible for producing information programs and services that advocate U.S. policy positions with foreign audiences. USIA's Foreign Press Centers were also 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 integrated 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 therefore 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, at 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 are included in the Consolidated Statement of Net Cost. The Department also incurred costs during 1999 to carry out consolidation activities. 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 was 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 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. Powell 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 — 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 for its operations. Non-entity assets are those held by the Department but are not available for use in its operations. 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 U.S.-India Fund. Total non-entity assets at September 30, 2001 and 2000 were $11.7 million and $17.2 million, respectively. These items are included in amounts reported as Cash and Other Monetary Assets (See Note 8, "Cash and Other Monetary Assets" for further information).

4 FUND BALANCES WITH TREASURY

Fund Balances with Treasury at September 30, 2001 and 2000, are summarized below (Dollars in Thousands).

	2001	2000
Appropriated Funds	$ 7,387,602	$ 6,771,277
Revolving Funds	125,769	126,965
Trust Funds	103,752	116,163
Other Funds	34,996	87,437
Total	$ 7,652,119	$ 7,101,842

5 INVESTMENTS

The Department has activities that have the authority to invest excess cash resources. A description of those activities, the 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)

Treasury initially invests FSRDF receipts 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 semi-annually on December 31 and June 30. Maturity dates on these securities range from 2002 through 2016, and interest rates range from 5.125% to 9.25%.

Israeli-Arab Scholarship and Eisenhower Exchange 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 are 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 2004 to 2006; interest rates range from 7% to 7.875%.

Gift Funds

The Gift Funds invest in U.S. Government non-marketable, market-based securities, which are issued at either a premium or a discount, and are redeemable for par at maturity. The discounts and premiums on these investments are amortized over the life of the Treasury bill using the straight-line method. Maturity dates on these securities range from 2001 to 2002; interest rates range from 3.258% to 4.525%.

Summary of Investments

Investments at September 30, 2001 and 2000, are summarized below (Dollars in Thousands). All investments are classified as Intragovernmental Securities.

	Par	Amortization Method	Unamortized (Discount)	Investments (Net)	Market Value
At September 30, 2001:					
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	$ 46,054	N/A	$ —	$ 46,054	$ 46,054
FSRDF Special Bonds	11,145,560	N/A	—	11,145,560	11,145,560
Subtotal	$ 11,191,614		$ —	$ 11,191,614	$ 11,191,614
Non-Marketable, Market Based:					
Israeli-Arab Scholarship, Notes	4,277	Interest	238	4,515	4,834
Eisenhower Exchange Fellowship, Notes	7,512	Interest	(428)	7,084	8,013
Conditional Gift Fund, Bills	3,200	Straight-line	(43)	3,157	3,126
Unconditional Gift Fund, Bills	33	Straight-line	—	33	32
Subtotal	$ 15,022		$ (233)	$ 14,789	$ 16,005
Total Investments	$ 11,206,636		$ (233)	$ 11,206,403	$ 11,207,619
At September 30, 2000:					
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	$ 45,396	N/A	$ —	$ 45,396	$ 45,396
FSRDF Special Bonds	10,612,351	N/A	—	10,612,351	10,612,351
Subtotal	$ 10,657,747		$ —	$ 10,657,747	$ 10,657,747
Non-Marketable, Market Based:					
Israeli-Arab Scholarship, Notes	$ 4,277	Interest	$ 274	$ 4,551	$ 4,549
Eisenhower Exchange Fellowship, Notes	7,521	Interest	(437)	7,084	7,550
Subtotal	$ 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, 2001 and 2000, are summarized below (Dollars in Thousands):

	2001			2000		
	Accounts Receivable	Allowance for Estimated Uncollectible	Net Receivables	Accounts Receivable	Allowance for Estimated Uncollectible	Net Receivables
Intragovernmental	$ 174,956	$ (4,571)	$ 170,385	$ 185,787	$ —	$ 185,787
Non-Federal	43,039	(928)	42,111	43,429	(924)	42,505
Total	$ 217,995	$ (5,499)	$ 212,496	$ 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 estimates amounts that the Department does not expect to recover on loans made prior to 1992. These allowances are based upon historical experience.

The *Federal Credit Reform Act* governs Repatriation loan obligations made after 1991, and the resulting direct loans. The Act requires 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:

	2001	2000
Loans Receivable Gross	$430	$417
Interest and Penalty Receivable	85	83
Allowance for Uncollectible Loans	(490)	(477)
Net Loans Receivable	$ 25	$ 23

Repatriation Loans Obligated after 1991 (Dollars in Thousands)

At September 30, 2001:

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	$ 106	$ 39	$ 101	$ 44
1993	110	21	91	40
1994	79	17	67	29
1995	178	43	155	66
1996	549	206	529	226
1997	449	105	388	166
1998	591	69	462	198
1999	393	40	303	130
2000	393	31	297	127
2001	328	20	243	105
Total	**$ 3,176**	**$ 591**	**$ 2,636**	**$ 1,131**

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**

Total Amount of Direct Loans Disbursed (Post-1991)

In 2001, the Department disbursed approximately $642,000 in repatriation loans. In 2000, it disbursed approximately $538,000.

Subsidy Expense for Post-1991 Repatriation Loans

The subsidy expense for the 2001 and 2000 loan program contains the following components (Dollars in Thousands):

	2001	2000
Interest Differential	—	—
Default	$ 514	$ 430
Fees	—	—
Other	—	—
Total	$ 514	$ 430

Subsidy Rates for Direct loans

The Department uses a subsidy rate of 80%. Because the Department has complied with the provisions of the Debt Collection Improvement Act, however, it has received collections much higher than anticipated.

Schedule for Reconciling Subsidy Cost Allowance Balances (Dollars in Thousands)

Beginning balance of the subsidy cost allowance – October 1, 2000	$ 2,397
Add: subsidy expense for loans disbursed during 2001	514
Adjustments	—
Ending balance for the subsidy cost allowance before re-estimates	2,911
Effect of subsidy re-estimate by component:	
Interest rate re-estimate	—
Technical/default re-estimate	(275)
Ending balance of the subsidy cost allowance	$ 2,636

The above schedule reflects the effect of re-estimates; however, the Department has not performed re-estimates as part of its budget process. The above re-estimates are for financial reporting purposes only, and are more fully described below under the Accounts Payable to Treasury section.

Administrative Expenses

Total administrative expense was approximately $607,000 in 2001, and $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 program 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 approximately $275,000 in 2001, and established that amount as a payable to Treasury. The total amount payable to Treasury is approximately $4.1 million, which represents the cumulative effect of subsidy re-estimates since 1992. Although the Department has not re-estimated, the subsidy allowance reduction is consistent with the reporting requirements of the Federal Financial Accounting Standards.

Accounts payable also includes a payable to Treasury of $0.7 million resulting from the collection of Pre-Credit Reform loans.

Borrowings from Treasury (Dollars in Thousands)

	2001	2000
Beginning Balance, October 1	$ (341)	$ (248)
Borrowings, Net of Repayments	150	(93)
Ending Balance, September 30	$ (191)	$ (341)

8 CASH AND OTHER MONETARY ASSETS

The Cash and Other Monetary Assets at September 30, 2001 and 2000, are summarized below (Dollars in Thousands). There are no restrictions on entity cash. Non-Entity cash is restricted as discussed below.

	2001			2000		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Bosnia Federation Defense Fund	$ —	$ 672	$ 672	$ —	$ 6,869	$ 6,869
Chancery Development						
Trust Account:						
Cash	—	2	2	—	1	1
Treasury Bills, at par	—	10,745	10,745	—	10,394	10,394
Unamortized Discount	—	(346)	(346)	—	(559)	(559)
U.S.-India Fund	—	—	—	—	448	448
Cash-Imprest and Other Funds	1,399	—	1,399	929	—	929
Total	$ 1,399	$ 11,073	$ 12,472	$ 929	$ 17,153	$ 18,082

The Bosnia Federation Defense Fund is a depository account, which contains funds that have been donated by various foreign governments to assist the Federation of Bosnia and Herzegovina in establishing a military balance that will 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 called 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 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 were held in trust for the Government of India. A corresponding liability for these amounts was reflected as Funds Held in Trust. This fund was liquidated during FY 2001 by transferring the balance in the account to the Government of India.

9 INVENTORY

Inventory held at September 30, 2001 and 2000, is summarized below (Dollars in Thousands).

	2001	2000
Inventory Held for Current Sale:		
Publishing Services – Raw Materials	$ 961	$ 3,191
Publishing Services – Publications for Sale	3,278	2,200
Inventory for Resale	2,688	1,293
Total	$ 6,927	$ 6,684

The inventories of Raw Materials are valued using the latest acquisition cost. 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 is used for items in the Material Management Branch.

10 PROPERTY AND EQUIPMENT, NET

Property and equipment balances at September 30, 2001 and 2000, are shown in the following table (Dollars in Thousands):

	2001			2000		
Major Classes	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
Real Property:						
Overseas —						
Land and Land Improvements	$ 1,864,051	$ (45)	$1,864,006	$ 1,826,329	$ (14)	$ 1,826,315
Buildings and Structures	3,702,237	(2,045,870)	1,656,367	3,610,594	(1,871,135)	1,739,459
Construction-in-Progress	512,379	—	512,379	323,039	—	323,039
Assets Under Capital Lease	94,342	(46,876)	47,466	102,221	(46,514)	55,707
Leasehold Improvements	50,474	(10,890)	39,584	45,884	(7,804)	38,080
Domestic —						
Structures, Facilities and Leaseholds	510,134	(155,679)	354,455	505,408	(138,484)	366,924
Construction-in-Progress	56,484	—	56,484	49,216	—	49,216
Land and Land Improvements	80,654	(3,523)	77,131	80,654	(3,211)	77,443
Subtotal — Real Property	$ 6,870,755	$(2,262,883)	$ 4,607,872	$ 6,543,345	$(2,067,162)	$ 4,476,183
Personal Property:						
Vehicles	$ 172,337	$ (97,384)	$ 74,953	$ 186,609	(86,095)	$ 100,514
Communication Equipment	43,632	(9,879)	33,753	49,117	(13,870)	35,247
ADP Equipment	20,307	(12,640)	7,667	42,529	(32,242)	10,287
Reproduction Equipment	12,970	(9,268)	3,702	13,107	(8,537)	4,570
Software-in-Development	37,073	—	37,073	—	—	—
Other Equipment	140,208	(34,762)	105,446	93,980	(32,792)	61,188
Subtotal — Personal Property	$ 426,527	$ (163,933)	$ 262,594	$ 385,342	$ (173,536)	$ 211,806
Total	$ 7,297,282	$(2,426,816)	$ 4,870,466	$ 6,928,687	$(2,240,698)	$ 4,687,989

11 OTHER ASSETS

The Department's other assets at September 30, 2001 and 2000, are summarized below (Dollars in Thousands).

	2001	2000
Salary Advances to Employees	$ 5,221	$ 7,176
Travel Advances to Employees	14,048	11,848
Prepayments	12,009	31,482
Other Advances	40,839	49,751
Total Other Assets	$ 72,117	$ 100,257

12 LIABILITIES

The Department's liabilities are classified as covered by budgetary resources or not covered by budgetary resources. Liabilities not covered by budgetary resources result from the receipt of goods and services, or occurrence of eligible events in the current or prior periods, for which revenue or other 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. Liabilities not covered by budgetary resources at September 30, 2001 and 2000, are summarized below (Dollars in Thousands).

	2001	2000
Intragovernmental Liabilities –		
Accounts Payable	$ —	$ —
Other Liabilities	17,929	17,048
Total Intragovernmental Liabilities	$ 17,929	$ 17,048
Foreign Service Retirement Actuarial Liability	424,884	669,537
Liability to International Organizations	1,650,006	1,608,326
Capital Lease Liability	63,058	70,819
Funds Held in Trust	11,073	17,153
Federal Employees' Compensation Act Benefits	56,645	49,916
Accrued Annual Leave	171,950	162,480
Other Liabilities	8,621	8,676
Total Liabilities not Covered by Budgetary Resources	$2,404,166	$2,603,955

Other Liabilities consists primarily of accrued employee benefits.

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 the FSPS are defined-benefit single-employer plans. FSRDS was originally established in 1924; FSPS in 1986.

The 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 the 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 years ended September 30, 2001 and 2000 (Dollars in Millions).

For the Year Ended September 30,	2001	2000
Pension Actuarial Liability, Beginning of Year	$11,475.9	$11,170.9
Add Pension Expense:		
Normal Cost	185.9	179.1
Interest on Pension Liability	789.1	768.6
Prior Service Costs	—	26.1
Actuarial Losses/(Gains)	(92.3)	(108.2)
Total Pension Expense	882.7	865.6
Less Payments to Beneficiaries (annuities and refunds)	(591.7)	(560.6)
Pension Actuarial Liability, End of Year	11,766.9	11,475.9
Less: Net Assets Available for Benefits	(11,342.0)	(10,806.4)
Actuarial Unfunded Pension Liability for Projected Plan Benefits	$ 424.9	$ 669.5
Actuarial Assumptions:		
Rate of Return on Investments	6.75%	7.00%
Rate of Inflation	3.75%	4.00%
Salary Increase	4.25%	4.25%

Net Assets Available for Benefits at September 30, 2001 and 2000, consist of the following (Dollars in Thousands):

	2001	2000
Fund Balances with Treasury	$ 6	$ 11
Receivables	199,501	195,146
Investments in USG Securities	11,191,614	10,657,747
Total Assets	11,391,121	10,852,904
Less: FSRDF Liabilities	(49,105)	(46,541)
Net Assets Available for Benefits	$ 11,342,016	$ 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 $895.1 million and $900.2 million for 2001 and 2000, respectively, 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. As of September 30, 2001, a total of $926 million had been appropriated by Congress for payment of U.S. arrearage. These amounts, however, were made available subject to certifications by the Secretary of State that certain legislative requirements were met. A payment of $100 million in arrearages was made in FY 2000; a payment of $475 million and a credit of $107 million were made in early FY 2002.

Thus, $244 million in arrearage payments remains; we have sought additional legislation to enable payment of this third tranche of arrearage payments.

The financial statements also report an unfunded liability of $755.0 and $708.1 million at September 30, 2001 and 2000, respectively, for the current year 2001 and 2000 unfunded or restricted 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 (i.e., the 2001 calendar year assessment is paid in the fourth quarter of calendar year 2001 from the Department's 2002 appropriation). The Liability to International Organizations at September 30, 2001 and 2000, is summarized below (Dollars in Thousands).

	2001	2000
Accumulated Arrears	$ 895,054	$ 900,204
Unfunded Annual Assessments	754,952	708,122
Liability to International Organizations	$1,650,006	$1,608,326

15 LEASES

The Department is committed to over 9,000 leases, which cover office and functional properties, and residential units at diplomatic missions overseas. The 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 $28 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 (Dollars in Thousands).

	2001	2000
Net Assets Under Capital Leases:		
Land and Buildings	$ 94,342	$ 102,221
Accumulated Depreciation	(46,876)	(46,514)
Net Assets under Capital Leases	$ 47,466	$ 55,707

Future Minimum Lease Payments:

	2001		2000	
	Fiscal Year	Lease Payments	Fiscal Year	Lease Payments
			2001	$ 6,936
	2002	$ 5,944	2002	5,563
	2003	5,250	2003	5,489
	2004	4,466	2004	4,738
	2005	4,466	2005	4,738
	2006	4,192	2006 and thereafter	125,207
	2007 and thereafter	125,529		
Total Minimum Lease Payments		$ 149,847		$ 152,671
Less: Amount Representing Interest		(86,789)		(81,852)
Obligations under Capital Leases		$ 63,058		$ 70,819

Operating Leases

The Department leases real property in overseas locations under operating leases. These leases expire in various years. Minimum future rental payments under operating leases having remaining terms in excess of one year as of September 30, 2001 for each of the next 5 years and in aggregate are as follows (Dollars in Thousands).

Year Ended September 30	Operating Lease Amounts
2002	$ 238,626
2003	168,678
2004	102,748
2005	63,151
2006	38,307
2007 and thereafter	58,096
Total Minimum Future Lease Payments	$ 669,606

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 that have been ordered but not received (undelivered orders — see Note 17, "Unexpended Appropriations" and Note 19, "Statement of Budgetary Resources") at fiscal year-end.

Contingencies

Rewards for Justice Program: The Department conducts Counter-Terrorism, Counternarcotics, and War Criminals rewards programs. Under these programs, rewards may be offered for information leading to the arrest or conviction of individuals who commit, attempt to commit, conspire to commit, or aid and abet the commission of acts of international terrorism against United States persons or property, or certain major narcotics-related offenses; for information leading to the prevention, frustration, or favorable resolution of such acts, including by dismantling an organization in whole or significant part; and for information leading to the identification or location of an individual who holds a key leadership position in a terrorist organization. Rewards may also be offered for the arrest or conviction of individuals indicted by the International Criminal Tribunal for the Former Yugoslavia or the International Criminal Tribunal for Rwanda for serious violations of international humanitarian law. The Secretary of State has the authority to personally authorize rewards greater than $5 million if he determines it is necessary to combat terrorism or defend the Nation against terrorist acts. A wide variety of rewards have been offered under this authority. For example, rewards of up to $25 million have been offered for information that prevents an act of international terrorism against U.S. persons or property, or brings to justice persons who have committed one. Rewards of up to

$25 million have also specifically been offered for information leading to the capture of bin Laden or other key al-Queda leaders. Rewards of up to $2 million have been offered for information leading to the arrest or conviction of certain major narcotics traffickers. Rewards of up to $5 million have been offered for information leading to the arrest or conviction of certain indicted war criminals. Actual reward payments are determined by an interagency committee subject to Secretary of State approval and, in certain cases, Attorney General concurrence.

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. 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 Department's financial position or results of operations.

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 damage 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 11 Americans killed in the Nairobi bombing filed administrative tort claims with the Department alleging that the Department's negligence led to the death of their family members. These claims, including those by the estates of the deceased, total $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 Judgment Fund appropriation maintained by the Treasury.

Hartman v. Powell and Nathanson: In addition to gaining assets, liabilities and net position amounts from 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 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 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). All appeals having been exhausted, the $508 million plus interest will be paid in FY 2002 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 that provide investment protection. The United States is currently defending itself against four claims submitted to arbitration and two claims not yet submitted. The Department has unique experience with international arbitration, particularly with respect to these types of claims. The Department is not named as a respondent in these arbitrations, and according to the Department's Office of Legal Adviser, payment of any award against the U.S. Government would be made out of the Judgment Fund, which the Treasury maintains. The U.S Government intends to vigorously contest these claims, which total approximately $2.15 billion.

In some cases, other U.S. Government agencies administer, litigate and pay for certain legal matters to which the Department is a party. Generally, amounts to be paid under any decision, settlement, or award pertaining to such legal matters are funded by the Judgment Fund. None of the amounts paid under the Judgment Fund on behalf of the Department in 2001 and 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 that remains 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," $826 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, 2001 and 2000, are summarized below (Dollars in Thousands).

	2001	2000
Unexpended Appropriations:		
(1) Unobligated		
(a) Available	$ 1,795,905	$ 1,271,038
(b) Unavailable	962,017	926,786
(2) Undelivered Orders	3,203,922	3,492,377
Total	$ 5,961,844	$ 5,690,201

18 STATEMENT OF NET COST

The Consolidated Statement of Net Cost reports the Department's gross and net cost for its major 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 Consolidating Schedule of Net Cost categorizes costs and revenues by major program and responsibility segment. A responsibility segment is the component that carries 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 and beyond, a new responsibility segment has been added for the Under Secretary 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) that report to each Under Secretary can be found on the Organization Chart for the Department provided in the MD&A Section of this report.

DEPARTMENT OF STATE
CONSOLIDATING SCHEDULE OF NET COST

For the year ended September 30, 2001
(Dollars in Thousands)

	Under Secretary for							
PROGRAM	**Arms Control, Int'l 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	$ 390,660	$ 38,889	$ 89,917	$ 4,007,857	$ 328,366	$ 18	$ (140,978)	$ 4,714,729
Earned Revenue	(35,805)	(3,418)	(7,745)	(253,612)	(29,729)	(28)	140,978	(189,359)
Net Program Costs	354,855	35,471	82,172	3,754,245	298,637	(10)	0	4,525,370
American Citizens and U.S. Borders								
Total Cost	0	0	273	720,389	225,934	666,467	(267,623)	1,345,440
Earned Revenue	(1)	0	(51)	(167,147)	(44,033)	(1,151,491)	267,623	(1,095,100)
Net Program Costs	(1)	0	222	553,242	181,901	(485,024)	0	250,340
Humanitarian Response								
Total Cost	0	0	746,078	52	3	0	(874)	745,259
Earned Revenue	0	0	(1,993)	0	0	0	874	(1,119)
Net Program Costs	0	0	744,085	52	3	0	0	744,140
Law Enforcement								
Total Cost	0	0	800,337	38,256	3,609	0	(2,786)	839,416
Earned Revenue	0	0	(29,648)	(5,371)	(210)	0	2,786	(32,443)
Net Program Costs	0	0	770,689	32,885	3,399	0	0	806,973
Executive Direction and Other Costs Not Assigned								
Total Cost	2,976	2,509	51,314	2,894,746	420,322	4,183	(1,034,051)	2,341,999
Earned Revenue	(1,020)	(859)	(979,712)	(1,072,951)	(151,932)	(1,433)	1,010,226	(1,197,681)
Net Program Costs	1,956	1,650	(928,398)	1,821,795	268,390	2,750	(23,825)	1,144,318
Total Cost	**393,636**	**41,398**	**1,687,919**	**7,661,300**	**978,234**	**670,668**	**(1,446,312)**	**9,986,843**
Total Revenue	**(36,826)**	**(4,277)**	**(1,019,149)**	**(1,499,081)**	**(225,904)**	**(1,152,952)**	**1,422,487**	**(2,515,702)**
Total Net Cost	**$ 356,810**	**$ 37,121**	**$ 668,770**	**$ 6,162,219**	**$ 752,330**	**$ (482,284)**	**$ (23,825)**	**$ 7,471,141**

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, democratic world. These national interests are:

- **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: Environment, Population and Health** — 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.

National interests are reported as programs to the extent that it is practicable. Exceptions include National Security, Economic Prosperity, Democracy, 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 on the quality of these items—the two largest and most visible of which are Diplomatic Security and Overseas 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 Adviser), 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, 2001 and 2000, these consist of costs and earned revenue for the following table (Dollars in Thousands) on page 148.

Program	2001 Total Prior to Eliminations	2001 Intra-Departmental Eliminations	2001 Total	2000 Total Prior to Eliminations	2000 Intra-Departmental Eliminations	2000 Total
Costs:						
Executive Direction	$ 1,443,466	$ 95,253	$ 1,348,213	$ 1,147,179	$ 77,509	$ 1,069,670
FSRDF	1,048,597	309,143	739,454	1,027,773	293,561	734,212
ICASS	798,319	625,548	172,771	766,949	629,733	137,216
International Commissions	85,668	4,107	81,561	75,777	960	74,817
Total Costs	$ 3,376,050	$ 1,034,051	$ 2,341,999	$ 3,017,678	$ 1,001,763	$ 2,015,915
Earned Revenue:						
Executive Direction	$ 205,239	$ 95,253	$ 109,986	$ 159,547	$ 77,509	$ 82,038
FSRDF	1,127,325	285,318	842,007	1,098,443	271,028	827,415
ICASS	854,320	625,548	228,772	806,682	629,733	176,949
International Commissions	21,023	4,107	16,916	16,713	960	15,753
Total Earned Revenue	$ 2,207,907	$ 1,010,226	$ 1,197,681	$ 2,081,385	$ 979,230	$ 1,102,155
Total Net Cost for Executive Direction and Other Costs Not Assigned	$ 1,168,143	$ 23,825	$ 1, 144,318	$ 936,293	$ 22,533	$ 913,760

Program Costs

These costs include the full cost of resources consumed by a program, both direct and indirect, to carry out its activities. Direct costs can be specifically identified with a program. Indirect costs include resources that are commonly used to support two or more programs, and are not specifically identified 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), whether or not the Department reimburses that entity.

Indirect Costs: Indirect costs consist primarily of Diplomatic Readiness charges for central support functions performed in 2001 and 2000 under the Under Secretary for Management by the following organizations (Dollars in Thousands):

Bureau (or equivalent)	2001	2000
Bureau of Diplomatic Security	$ 730,771	$ 658,317
Office of Overseas Buildings Operations	634,550	558,243
Bureau of Administration	432,687	527,077
Bureau of Information Resource Management	187,592	210,862
Bureau of Personnel	216,416	196,313
Bureau of Resource Management	241,122	167,578
Foreign Service Institute	87,861	74,191
Medical Services and Other	194,672	100,856
Total Central Support Costs	$ 2,725,671	$ 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 the Office of Overseas Buildings Operations. Since the Office of Overseas Buildings Operations supports overseas operations, its costs were allocated based on the percentage of budgeted cost by program for the regional bureaus. The distribution of support costs to programs in 2001 and 2000 was as follows (Dollars in Thousands):

Program Receiving Allocation	2001	2000
Diplomatic Relations	$ 1,009,655	$ 1,071,783
American Citizens and Border Security	671,127	668,445
Executive Direction and Other Costs not Assigned	806,809	594,731
International Organizations	198,655	96,821
Law Enforcement	39,412	41,777
Humanitarian Response	13	19,880
Total	$ 2,725,671	$ 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 responsible 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 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 was as follows (Dollars in Thousands):

Under Secretary	2001	2000
Political Affairs	$ 3,118,384	$ 3,003,653
Public Diplomacy	505,136	415,093
Management (Consular Affairs)	361,051	291,456
Arms Control, International Security Affairs	164,841	199,943
Global Affairs	110,010	125,492
Economic, Business and Agriculture Affairs	17,782	21,744
Total	$ 4,277,204	$ 4,057,381

Inter-Entity Costs and Imputed Financing: The Department is an agency of the U.S. Government, which performs many services for 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 cost of activities, SFFAS No. 4, *Managerial Cost Accounting,* requires that total costs of programs include costs that are paid by other U.S. Government entities, if material. As provided 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 insurance, life insurance, and other benefits for retired employees; (3) other post-retirement benefits for retired, terminated and inactive employees, including 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 2001 and September 2000 to FY 2001 and 2000 financial statements by Bulletin 01-09 and OMB Memorandum M-00-14, "Technical Amendments to OMB Bulletin 97-01, *Form and Content of Agency Financial Statements,*" respectively.

The Department recognizes an imputed financing source on the Consolidated Statement of Changes in Net Position for the value of inter-entity costs paid by other U.S. Government entities. This consists of all inter-entity amounts as reported below except 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 Consolidated Statement of Net Cost and Consolidated Statement of Changes in Net Position, respectively, for the year ended September 30, 2001 and 2000 (Dollars in Thousands):

Inter-Entity Cost	**2001**	**2000**
Other Post-Employment Benefits:		
Civil Service Retirement Program	$ 17,245	$ 15,640
Federal Employees Health Benefits Program	43,574	38,707
Federal Employees Group Life Insurance Program	195	182
Litigation funded by Treasury Judgment Fund	9,600	205,000
Subtotal – Imputed Financing Source	$ 70,614	$259,529
Future Workers' Compensation Benefits	6,729	(10,958)
Total Inter-Entity Costs	$ 77,343	$248,571

Intra-departmental Eliminations. Intra-departmental eliminations of cost and revenue were recorded against the program that provided the service. Therefore the full program cost was reported by leaving the reporting of cost with the program that received 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 all or part of the revenue. Specifically, the Department collects but does not retain passport, visa, and certain other consular fees. Earned revenues for the year ended September 30, 2001 and 2000, consist of the following (Dollars in Thousands):

	2001			2000		
Program	**Total Prior to Eliminations**	**Intra-Departmental Eliminations**	**Total**	**Total Prior to Eliminations**	**Intra-Departmental Eliminations**	**Total**
Consular Fees:						
Passport, Visa and Other Consular Fees	$ 535,568	$ —	$ 535,568	$ 522,755	$ —	$ 522,755
Machine Readable Visa	417,517	—	417,517	398,260	—	398,260
Expedited Passport	65,950	—	65,950	66,505	—	66,505
Fingerprint Processing and Diversity Lottery	4,091	—	4,091	4,162	—	4,162
Subtotal – Consular Fees	$ 1,023,126	$ —	$ 1,023,126	$ 991,682	$ —	$ 991,682
FSRDF	$ 1,127,325	$ 285,318	$ 842,007	$ 1,098,443	$ 271,028	$ 827,415
ICASS	854,320	625,548	228,772	806,682	629,733	176,949
Reimbursable Agreements With Federal Agencies	769,694	377,066	392,628	721,209	330,669	390,540
Working Capital Fund	159,497	134,555	24,942	144,777	122,260	22,517
Other	4,227	—	4,227	15,237	—	15,237
Total	$ 3,938,189	$ 1,422,487	$ 2,515,702	$ 3,778,030	$ 1,353,690	$ 2,424,340

Pricing Policies

Generally, a Federal agency may not earn revenue from outside sources unless it obtains specific statutory authority. Accordingly, the pricing policy for any earned revenue depends on the revenue's nature, and the statutory authority under which the Department is allowed to earn and retain (or not retain) the revenue. Earned revenue that the Department is not authorized 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). The FSRDF receives revenue from employee/employer contributions, a U.S. Government contribution, and interest on investments. By law, FSRDS participants contribute 7.00% (7.40% prior to January 14, 2001) of their base salary, and each employing agency contributes 8.51%; FSPS participants contribute 1.30% (1.70% prior to January 14, 2001) of their base salary and each employing agency contributes 20.34%. Employing agencies report employee/employer contributions biweekly. Total employee/employer contributions for 2001 and 2000 were $160.6 million and $157.0 million, respectively.

The FSRDF also receives a U.S. Government contribution to finance (1) FSRDS benefits not funded by employee/employer contributions; (2) interest on FSRDS unfunded liability; and (3) FSRDS disbursements attributable to military service. The U.S. Government contributions for 2001 and 2000 were $210.4 million and $206.0 million, respectively. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury. Total interest earned on these investments in 2001 and 2000 was $755.8 million and $735.0 million, respectively.

Consular Fees are established primarily on a cost recovery basis and are determined by 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 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; 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 2001* (formerly the Consolidated Financial Statements of the United States Government), which is published by the Department of the Treasury. The *Financial Report of the United States Government – Fiscal 2001* presents gross costs and earned revenue by BFC. Following is the Department's gross cost and earned revenue by BFC for the years ended September 30, 2001 and 2000 (Dollars in Thousands and reported net of intra-departmental eliminations):

	2001			2000		
Budget Functional Classification	**Gross Cost**	**Earned Revenue**	**Net Cost**	**Gross Cost**	**Earned Revenue**	**Net Cost**
International Affairs	$ 9,024,425	$ 1,652,795	$ 7,371,630	$ 8,019,617	$ 1,585,068	$ 6,434,549
Income Security	890,635	849,341	41,294	868,278	827,415	40,863
Natural Resources	71,783	13,566	58,217	62,959	11,857	51,102
Total	$ 9,986,843	$ 2,515,702	$ 7,471,141	$ 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, 2001 and 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 2001 and 2000, the Department received approximately $14.0 billion and $13.3 billion in budgetary resources, respectively, primarily consisting of the following:

Source of Budgetary Resources	**2001**	**2000**
Budget Authority:		
Direct or related appropriations	$ 8.6 billion	$ 8.5 billion
Authority financed from Trust Funds	0.6 billion	1.1 billion
Spending authority from providing goods and services	2.3 billion	2.3 billion
Unobligated Balances – Beginning of Year	2.1 billion	2.2 billion
Adjustments	0.4 billion	(0.8 billion)
Total Budgetary Resources	$14.0 billion	$13.3 billion

The Department received permanent indefinite appropriations of $34.7 million and $33.6 million for 2001 and 2000, respectively. 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. The Department transferred $12.5 million and $26.0 million in rescinded authority to the U.S. Treasury during 2001 and 2000 pursuant to Public Laws 106-554 , *Consolidated Appropriations Act, 2001* and 106-113, *Department of State and Related Agency Appropriations Act, 2000*.

Information on U.S. Government agencies' budgets is reported in the *Budget of the United States Government, Fiscal Year 2003* – Appendix (Appendix). The Appendix includes 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 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. The information submitted for "2001 Actual" via MAX has been reconciled with the information presented in the Combined Statement of Budgetary Resources. Amounts shown on the Combined Statement of Budgetary Resources will differ from "2001 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 $749 million the Department received for 2001 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 $200 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 $246 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., 2000 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 since 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 $200 million adjustment (decrease) pertaining to undelivered orders that will not be reported in the *Appendix*.

- The Unobligated Balance, Available and Unavailable – End of Year reported on the Combined Statement of Budgetary Resources includes a $305 million adjustment (increase) pertaining to undelivered orders that will not be reported in the *Appendix*.

- The Obligated Balance, Net – End of Year reported on the Combined Statement of Budgetary Resources includes a $305 million adjustment (decrease) pertaining to undelivered orders that will not be reflected in the *Appendix*.

The *Appendix* is organized by major subordinate organizations or program areas within the agency, and then by the nature of 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 163 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 FY 2000 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 $3.6 billion and $3.9 billion as of September 30, 2001 and 2000, respectively. This includes amounts for revolving and trust funds of $392 million and $336 million for 2001 and 2000, respectively.

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 years ended September 30, 2001 and 2000, presents information to reconcile these different measures. In doing so, the Statement of Financing provides assurance that the financial information is consistent with similar amounts found 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 non-budgetary 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 that results 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 non-exchange revenues, which 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 or reported as financial or budgetary resources for the Department. At the end of each fiscal year, the accounts are closed and the balances are 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 2001 and 2000, the Department collected $4.3 million and $3.7 million, respectively, 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. The 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 was $2.9 million in both 2001 and 2000. Cash is invested in U.S. Treasury securities until it is needed for disbursement.

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

FSNSLTF funds 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. The 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 the FSNSLTF.

Conditional and Unconditional Gift Funds (19X8821 and 19X8822)

The Department maintains two Trust Funds for receiving and disbursing donations. It is authorized 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 must be used in the manner specified by the donor. Unrestricted Gifts can be used for any expense normally covered by an appropriation, such as representational purposes or 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 who wish to prepare for and enhance their professional careers and advance 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; give foreign nationals scientific, technical, or other training; 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 years ending September 30, 2001 and 2000, are summarized below (Dollars in Thousands). These amounts do not include intra-departmental eliminations.

	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc. Trust Funds
For the year ending September 30, 2001:						
Assets:						
Fund Balances with Treasury	$ 6	$ 91,770	$ 8,046	$ 608	$ 1	$ 3,321
Investments	11,191,614	—	3,190	4,515	7,083	—
Other Assets	199,501	84	23	105	—	4
Total Assets	11,391,121	91,854	11,259	5,228	7,084	3,325
Liabilities:						
Payable to Beneficiaries	39,459	—	—	—	—	—
Actuarial Liability	11,766,900	—	—	—	—	—
Other Liabilities	9,646	2,613	3,011	—	—	27
Total Liabilities	11,816,005	2,613	3,011	0	0	27
Net Position (Deficit)	(424,884)	89,241	8,248	5,228	7,084	3,298
Total Liabilities and Net Position	$11,391,121	$ 91,854	$ 11,259	$ 5,228	$ 7,084	$ 3,325
Revenues and Financing:						
Exchange Revenue:						
Intragovernmental	$ 1,101,795	$ 8,814	$ —	$ —	$ —	$ —
Governmental	25,530	—	—	—	—	—
Non Exchange Revenue:						
Intragovernmental	—	—	127	466	476	18
Governmental	—	—	2,703	—	—	—
Other Financing Sources	—	—	—	(466)	—	—
Total Revenues and Financing	1,127,325	8,814	2,830	—	476	18
Expenses:						
Program Expenses	—	7,962	7,229	382	382	1,037
Actuarial Expenses	882,673	—	—	—	—	—
Other Expenses	—	—	—	—	—	—
Total Expenses	$ 882,673	$ 7,962	$ 7,229	$ 382	$ 382	$ 1,037

	FSRDF	FSNSLTF	Gift Funds	Israeli-Arab Scholarship	Eisenhower Exchange Fellowship	Misc Trust Funds
For the year ending September 30, 2000:						
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 Revenue:						
Intragovernmental	$ 1,070,408	$ 16,590	$ —	$ —	$ —	$ —
Governmental	28,035	—	—	—	—	—
Non Exchange Revenue:						
Intragovernmental	—	—	111	174	462	—
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	—	—	—	—	—
Other Expenses	—	—	—	—	—	—
Total Expenses	$ 865,631	$ 2,647	$ 1,147	$ 286	$ 829	$ 1,219

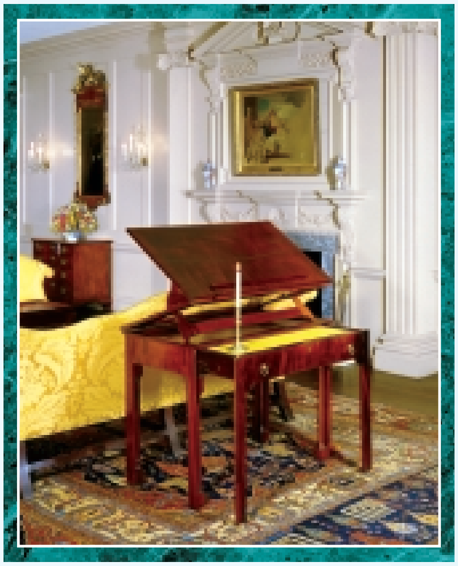
DEPARTMENT OF STATE
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
HERITAGE ASSETS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2001 AND 2000

The Department has collections of art objects, furnishings, books, and buildings that are considered heritage or multi-use heritage assets. These collections are housed in the Diplomatic Reception Rooms, senior staff offices in the Secretary's suite, offices, reception areas, conference rooms, the cafeteria and related areas, and embassies throughout the world. The items have been acquired as donations, are on loan from the owners, or were purchased using gift and appropriated funds. The assets are classified into six categories: the Diplomatic Reception Rooms, Art Bank, Art in Embassies, Curatorial Services Program, Library Rare & Special Book Collection, and Register of Culturally Significant Property. Items in the Register of Culturally Significant Property category are classified as multi-use heritage assets due to their use in general government operations.

Diplomatic Reception Rooms

Under the management of the Curator's Office, the Diplomatic Reception Room collection is made up of museum-caliber American furnishings from the 1750 to 1825 period. These items are used to decorate the Diplomatic Reception Rooms located on the 8th floor of the Department of State, as well as 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. Tax dollars have not been used to acquire or maintain the collection.



Philadelphia mahogany table-desk on which Thomas Jefferson drafted the Declaration of Independence.

Photo: Richard Cheek

Thomas Jefferson State Reception Room.

Photo: Richard Cheek

The Benjamin Franklin State Dining Room.

Art Bank

The Art Bank was established in 1984 to acquire artworks that could be displayed throughout the Department's offices and annexes. The works of art 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) as well as limited edition prints, such as lithographs, woodcuts, intaglios, and silk-screens. These items are acquired through purchases funded by contributions from each participating bureau.




Volkwup Wertzel
(clockwise from top left)
U.S. Capitol
The Washington Monument
Q Street Bridge
Pennsylvania Avenue

Rare & Special Book Collection

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

Curatorial Services Program

The Curatorial Services Program, which is managed by the Overseas Buildings Operations' Interior Planning, Design and Furnishings Division, is responsible for antiques, works of art, and high-value furnishings that the Department owns abroad. These objects are important due to their historical significance, antiquity, rare quality, or high dollar value. These items may have been donated or obtained as part of the furnishings acquired with a building.

Art in Embassies

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

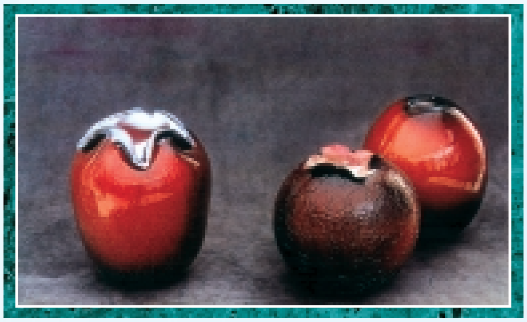
1

1. Mary Sheppard Burton Fantasia 1975 (132x96 cm) hooked and hand-dyed wool on linen mounted board. Courtesy of the artist, Germantown, Maryland

2. Jerry Hovanec, Persimmon with Pulled Stem-Cap 1998, Persimmon with Copper Stem-Cap 1997, and Untitled|Persimmon Vessel 1997, (17 x 13 x 13 cm) blown glass. Courtesy of the artist, Lusby, Maryland

3. Barbara Cooper Hanson, Federal Hill, 1992 (180 x 81 cm) oil on canvas. Courtesy of the artist, Baltimore, Maryland

3



2

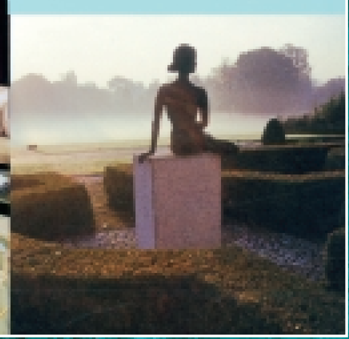
"There are many ways to conduct diplomacy. The Art in Embassies Program is a special way. Works of American art, on display around the world, share our beloved country, our values, our history, our culture, our deep belief in freedom of expression, and in the creative power of the individual. Each work of art becomes a diplomatic instrument, each artist an ambassador. It is an outstanding program."

Colin L. Powell

U.S. Secretary of State

Register of Culturally Significant Property

The Register of Culturally Significant Property was established in January 2001 to recognize the Department's owned properties overseas, which have historical, architectural, or cultural significance. Properties in this category include chanceries, consulates, and residences. All these properties are used predominantly in general government operations and are thus classified as multi-use heritage assets. Financial information for multi-use heritage assets is presented in the principal statements.



Above: The Estate
Left to Right: Entrance Hall, Garden Room with eighteenth century hand-painted Chinese wallpaper, statue of Barbara Hutton in the garden.

Situated adjacent to Regent's Park in London, England, Winfield House is the residence of the U.S. Ambassador to the Court of St. James. Heiress Barbara Hutton built this country manor in 1936, and named it after her grandfather F.W. (Winfield) Woolworth, who had founded the famous Woolworth stores where any item could be purchased for five or ten cents. After World War II, Hutton offered the building to the United States Government to use as the ambassador's residence for the price of one American dollar.

	Diplomatic Reception Rooms Collection	Art Bank	Art in Embassies Program	Curatorial Services Program	Library Rare & Special Book Collection	Culturally Significant Property
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	Noncollection – Buildings of historic, cultural, or architectural significance
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.	Acquired through purchase. Excess items are sold.
Condition	Good to excellent	Good to excellent	Good to excellent	Good to excellent	Good to excellent	Poor to Excellent
Number of Items – 10/01/1999	3,362	1,844	848	930	---	---
Acquisitions	2	67	5	---	91[1]	---
Adjustments	33[2]	---	---	3,220 [3]	---	---
Disposals	---	---	---	(79)	---	---
Number of Items – 09/30/2000	3,397	1,911	853	4,071	91	---
Acquisitions	8	103	42	24	---	8 [4]
Adjustments	(1)[5]	---	---	(8) [2]	88 [2]	---
Disposals	(2)	(3)	---	(42)	---	---
Number of Items – 09/30/2001	3,402	2,011	895	4,045	179	8
Deferred Maintenance	N/A	N/A	N/A	N/A	N/A	$3,368,000

1 Rare Library and Special Book Collection was not included prior to 2000. Balance is as of September 30, 2000.
2 Adjustments due to physical inventories.
3 Adjustments due to more detailed reports that identified additional items that meet the Heritage Asset definition.
4 Register of Culturally Significant Property was not included in last year's report. Balance is as of September 30, 2001. Acquisition and disposal data will be disclosed next year.
5 Adjustments due to item either on loan or not owned by the Department.

DEPARTMENT OF STATE
REQUIRED SUPPLEMENTARY INFORMATION

DEPARTMENT OF STATE
COMBINING SCHEDULE OF BUDGETARY RESOURCES
For the Year Ended September 30, 2001
(Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Resources:						
Budget Authority	$ 5,604,557	$ 1,716,833	$ 56,225	$ 737,175	$ 1,100,419	$ 9,215,209
Unobligated Balance Beginning of Year	1,549,243	2,356	13,299	78,703	453,799	2,097,400
Net Transfers Prior Year Balances	(388)	0	0	0	(1,530)	(1,918)
Spending Authority from Offsetting Collections	2,196,663	(3,010)	20,679	49,239	4,579	2,268,150
Adjustments	307,953	1,656	4,164	24,272	47,439	385,484
Total Budgetary Resources	$ 9,658,028	$ 1,717,835	$ 94,367	$ 889,389	$ 1,604,706	$ 13,964,325
Status of Budgetary Resources:						
Obligations Incurred	$ 7,790,235	$ 1,586,449	$ 84,955	$ 829,720	$ 1,301,213	$ 11,592,572
Unobligated Balances – Available	1,666,260	131,168	7,332	54,248	260,266	2,119,274
Unobligated Balances – Unavailable	201,533	218	2,080	5,421	43,227	252,479
Total Status of Budgetary Resources	$ 9,658,028	$ 1,717,835	$ 94,367	$ 889,389	$ 1,604,706	$ 13,964,325
Outlays:						
Obligations Incurred	$ 7,790,235	$ 1,586,449	$ 84,955	$ 829,720	$ 1,301,213	$ 11,592,572
Less: Spending Authority from Offsetting Collections	(2,196,663)	3,010	(20,679)	(49,239)	(4,579)	(2,268,150)
Recoveries	(354,244)	(10,745)	(5,369)	(27,016)	(57,249)	(454,623)
Subtotal	$ 5,239,328	$ 1,578,714	$ 58,907	$ 753,465	$ 1,239,385	$ 8,869,799
Obligated Balance, Net – Beginning of Year	2,159,913	389,017	13,129	253,061	1,448,259	4,263,379
Obligated Balance, Transferred, Net	–	–	–	–	(3,918)	(3,918)
Less: Obligated Balance, Net – End of Year	(2,634,767)	(668,440)	(21,723)	(187,896)	(1,128,722)	(4,641,548)
Total Outlays	$ 4,764,474	$ 1,299,291	$ 50,313	$ 818,630	$ 1,555,004	$ 8,487,712

Intragovernmental Amounts

As of and for the Fiscal Years Ended September 30, 2001 and 2000

Intragovernmental amounts represent transactions between federal entities included in the *Financial Report of the United States Government – Fiscal Year 2001* (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 intra-departmental eliminations.

The amount of intragovernmental assets and liabilities classified by trading partner at September 30, 2001 and 2000, are summarized below (Dollars in Thousands).

As of September 30, 2001:

Trading Partner	Fund Balance With Treasury (ASSETS)	Investments (ASSETS)	Interest Receivable (ASSETS)	Accounts Receivable, Net (ASSETS)	Accounts Payable (LIABILITIES)	Other Liabilities (LIABILITIES)
Department of Agriculture				$ 2,770	$ —	$ —
Department of Commerce				5,406	8	
Department of Defense				49,440	5,534	
Department of Justice				23,671	20	
Department of Labor						18,015
Department of the Treasury	$ 7,652,119	$11,206,403	$ 189,677	4,160	1	7,391
Agency for International Development				9,733	53	
General Service Administration					37	
Office of Personnel Management						6,359
Other Agencies				75,205	309	5,236
Total	$ 7,652,119	$11,206,403	$ 189,677	$ 170,385	$ 5,962	$ 37,001

As of September 30, 2000:

Trading Partner	Fund Balance With Treasury (ASSETS)	Investments (ASSETS)	Interest Receivable (ASSETS)	Accounts Receivable, Net (ASSETS)	Accounts Payable (LIABILITIES)	Other Liabilities (LIABILITIES)
Department of Agriculture				$ 2,644	$ —	$ —
Department of Commerce				4,593		
Department of Defense				43,998		
Department of Justice				7,100		722
Department of Labor						17,048
Department of the Treasury	$ 7,101,842	$10,669,382	$ 185,634	3,799	21	6,186
Agency for International Development				13,645	32	
Environmental Protection Agency						3,766
Office of Personnel Management						6,300
Other Agencies				110,008	8,625	
Total	$ 7,101,842	$10,669,382	$ 185,634	$ 185,787	$ 8,678	$ 34,022

The amounts of intragovernmental earned revenues classified by trading partner and related gross costs, which generated this revenue, categorized by budget functional classification for the years ended September 30, 2001 and 2000, are summarized below (Dollars in Thousands). The gross cost to generate intragovernmental revenue represents costs, for both federal and non-federal vendors, the Department incurred to provide goods and services to other Federal entities. This differs from the intra-governmental expenses presented on page 166. Intragovernmental expenses represent costs the Department incurred for goods and services received from other federal entities.

Intragovernmental Earned Revenues

For the Year Ended September 30,	2001	2000
Trading Partner	**Earned Revenue**	**Earned Revenue**
Executive Office of the President	$ 5,165	$ 1,650
Department of Agriculture	16,490	17,137
Department of Commerce	28,902	28,420
Department of Defense	150,983	153,820
Department of Energy	2,344	3,108
Department of Health and Human Services	10,117	3,797
Department of Justice	58,784	51,813
Department of Transportation	3,941	3,931
Department of the Treasury	769,329	748,351
Agency for International Development	118,476	124,437
Environmental Protection Agency	8,383	6,831
Social Security Administration	4,537	7,382
Other Agencies	345,273	271,672
Total	$ 1,522,724	$1,422,349

For the Year Ended September 30,	2001			2000		
Budget Functional Classification	**Gross Cost to Generate Revenue**	**Earned Revenue**	**Net Cost**	**Gross Cost to Generate Revenue**	**Earned Revenue**	**Net Cost**
International Affairs	$ 683,044	$ 689,234	$ (6,190)	$ 605,060	$ 614,960	$ (9,900)
Income Security	818,692	823,807	(5,115)	734,212	799,459	(65,247)
Natural Resources	9,683	9,683	—	7,930	7,930	—
Total	$1,511,419	$1,522,724	$ (11,305)	$1,347,202	$1,422,349	$ (75,147)

The amounts of intragovernmental non-exchange revenues classified by trading partner for the years ended September 30, 2001and 2000 are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2001	2000
Trading Partner	**Non-Exchange Revenue**	**Non-Exchange Revenue**
Department of the Treasury	$ 887	$ 746

The amounts of intragovernmental expenses classified by trading partner and by budget functional classification for the years ended September 30, 2001 and 2000, are summarized below (Dollars in Thousands).

For the Year Ended September 30,	2001	2000
Trading Partner	**Expenses**	**Expenses**
Department of Agriculture	$ 1,401	$ 3,636
Department of Commerce	1,218	5,304
Department of Defense	21,205	42,487
Department of Energy	9,085	10,521
Department of Justice	51,401	58,513
Department of Labor	9,693	5,677
Department of the Treasury	19,998	19,370
General Services Administration	280,310	201,654
Government Printing Office	12,646	14,260
Office of Personnel Management	179,899	155,530
U.S. Postal Service	6,888	7,909
Other Agencies	68,174	14,804
Total	$ 661,918	$ 539,665

For the Year Ended September 30,	2001	2000
Budget Functional Classification	**Expenses**	**Expenses**
International Affairs	$ 656,371	$ 531,179
Natural Resources	5,547	8,486
Total	$ 661,918	$ 539,665

Deferred Maintenance
For the Fiscal Year Ended September 30, 2001

The Department occupies more than 3,000 government-owned or long-term leased real properties at more than 260 overseas locations. It uses a condition assessment survey method to evaluate the asset's 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 all of its overseas facilities to be in an "acceptable condition" in that they serve their required mission. Adopting standard criteria for a classification of acceptable condition is difficult due to the complex environment in which the Department operates.

From a budgetary perspective, funding for maintenance and repair has been insufficient in the past. As a result, the Department has identified current repair and maintenance requirements of $104.4 million for more than 690 buildings overseas, which have not been funded. The 2001 total is slightly more than the $102.5 million for 2000.

In addition to the deferred maintenance on overseas buildings, deferred maintenance for generators and uninterrupted power supply equipment (UPS) is also computed. In FY 2001, the Department redefined the deferred maintenance requirements for facilities-related equipment, changing from a lifecycle cost to a condition assessment method of calculating deferred maintenance. Deferred maintenance on this facilities-related equipment is estimated at $17.9 million, compared to $12.3 million in 2000.

Working Capital Fund
For the Fiscal Years Ended September 30, 2001 and 2000

The Working Capital Fund (WCF) is a revolving fund, which was authorized in 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 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 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; and provides moving and delivery services.
- Office of Foreign Missions — Regulates foreign government activities undertaken in the U.S.; registers and licenses motor vehicles belonging to a foreign mission or its staff; administers travel restrictions and controls on members of foreign missions; 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, and motor pool and health services.

The WCF balance sheet at September 30, 2001 and 2000, is presented below (Dollars in Thousands).

	2001				2000			
	WCF Operations	Office of Foreign Missions	ICASS	Total	WCF Operations	Office of Foreign Missions	ICASS	Total
Assets:								
Fund Balances with Treasury	$ (7,146)	$ 11,247	$ 121,668	$ 125,769	$ (17,428)	$ 13,933	$ 127,664	$ 124,169
Accounts Receivable, Net	21,596	0	210,218	231,814	9,098	0	121,620	130,718
Plant, Property and Equipment, Net	22,412	0	35,291	57,703	15,675	0	34,899	50,574
Other Assets	6,977	0	3,009	9,986	6,723	0	2,440	9,163
Total Assets	43,839	11,247	370,186	425,272	14,068	13,933	286,623	314,624
Liabilities:								
Accounts Payable	26,994	1,174	73,052	101,220	3,197	794	27,534	31,525
Deferred Revenue	0	0	0	0	585	0	0	585
Other Liabilities	5,635	427	54,240	60,302	4,363	0	49,898	54,261
Total Liabilities	32,629	1,601	127,292	161,522	8,145	794	77,432	86,371
Cumulative Results of Operations	$ 11,210	$ 9,646	$ 242,894	$ 263,750	$ 5,923	$ 13,139	$ 209,191	$ 228,253

The cost of providing services and the exchange revenue earned for the years ended September 30, 2001 and 2000 are presented below (Dollars in Thousands). These amounts do not include intra-departmental eliminations.

	WCF Operations	Office of Foreign Missions	ICASS	Total
2001				
Costs	$ 173,430	$ 11,313	$ 796,672	$ 981,415
Exchange Revenue	(174,960)	(9,176)	(821,632)	(1,005,768)
Net Cost (Revenue)	$ (1,530)	$ 2,137	$ (24,960)	$ (24,353)
2000				
Costs	$ 136,105	$ 6,531	$ 766,949	$ 909,585
Exchange Revenue	(136,928)	(7,849)	(806,682)	(951,459)
Net Cost (Revenue)	$ (823)	$ (1,318)	$ (39,733)	$ (41,874)

UNITED STATES DEPARTMENT OF STATE

Supplemental information and Other Reporting Requirements

FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT ACT

The Federal Civil Penalties Inflation Adjustment Act of 1990 established annual reporting requirements for civil monetary penalties assessed and collected by Federal agencies. Civil penalties are defined as any non-criminal penalty, fine or other sanction for which a given dollar amount or maximum amount is specified by Federal law, and that is assessed or enforced by an agency as a result of an administrative proceeding or civil action in the Federal courts. The Department has assessed fines on individuals and companies for exporting defense materials without required approvals and for misrepresenting facts on export applications.

COMPANY NAME	VIOLATION	DATE ASSESSED	AMOUNT ASSESSED	PAYMENTS
DELFT INSTRUMENTS	Concealing a material fact that involves the transfer of U.S.origin defense articles to Iraq and Jordan.	8/22/1997	$300,000	$200,000 initially, then $20,000 for five subsequent years
BOEING COMPANY	Reportedly exporting defense articles (technical data) and defense services to Russia, the Ukraine, Norway, and Germany without the required approvals from the Department.	9/29/1998	$7,500,000	$3,500,000 initially, then $800,000 for five subsequent years
SECURITY ASSISTANCE INTERNATIONAL	Misrepresenting the facts on an export application by falsifying the signature of an empowered official; failing to maintain necessary records; aiding, abetting and permitting others to avoid the registration requirement; and failing to register as a broker.	6/3/1999	$10,000	$4,000 initially, then $3,000 for the next two years
A&C INTERNATIONAL TRADE, INC.	Knowingly and willfully exporting a defense article (pressurized pepper gas system) to the People's Republic of China without applying or obtaining the required approval from the Department.	3/14/2000	$100,000	$33,333.34 initially, then $33,333.33 for the next two years
LOCKHEED MARTIN CORPORATION	Exporting defense articles and defense services in violation of the terms or conditions of other approvals that were provided by the Department; making proposals for the transfer of defense services; and omitting material facts from export license applications.	6/13/2000	$8,000,000	$1,500,000 for four years and $2,000,000 due in year five
BOEING COMPANY	Violating the items and conditions of the Department's munitions licenses; exporting defense articles and services without a munitions license; and omitting material facts from its applications for munitions licenses.	3/30/2001	$3,800,000	$1,000,000 for three years and $800,000 in year four.
MOTOROLA, INC.	Exporting controlled technical data to Germany and Russia (Eurokot, the Khrunichev Institute and Daimler/Chrysler Aerospace) for a feasibility study on the launch of Iridium satellites.	5/3/2001	$600,000	$600,000
TOTAL		–	$20,310,000	---

COMPANY NAME	Balance Outstanding September 30, 2000	Fiscal Year 2001 Assessments	Fiscal Year 2001 Collections	Balance Outstanding September 30, 2001
DELFT INSTRUMENTS	$40,000	---	$20,000	$20,000
BOEING COMPANY	$2,400,000	---	$800,000	$1,600,000
SECURITY ASSISTANCE INTERNATIONAL	$3,000	---	$3,000	---
A&C INTERNATIONAL TRADE, INC.	$66,666.66	---	---	$66,666.66
LOCKHEED MARTIN CORPORATION	$6,500,000	---	$1,500,000	$5,000,000
BOEING COMPANY	---	$3,800,000	$1,000,000	$2,800,000
MOTOROLA, INC.	---	$600,000	$600,000	---
TOTAL	$9,009,666.66	$4,400,000	$3,923,000	$9,486,666.66

DEBT MANAGEMENT

Outstanding debt from non-Federal sources (net of allowances) decreased from $42.5 million in 2000 to $42.1 million in 2001. Refer to Notes to the Principal Financial Statements, Note 6, for an analysis of Accounts Receivable balances. Non-Federal receivables consist of debts owed to the International Boundary and Water Commission, and amounts owed for Repatriation Loans, medical costs, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

Of the delinquent receivables over 365 days old, the majority ($3 million) is for the Repatriation Loan Program. These are loans given to destitute American citizens stranded overseas to allow them to return to the United States. The loans are given only if the individual cannot obtain funds from relatives, friends, employers, or another source. The Department acts as the lender of last resort. The loan becomes delinquent 60 days after repatriation to the United States. Due to their poor economic situation, most of these individuals are unable to repay the loans on-time.

The Department uses installment agreements, salary offset, and restrictions on passports as tools to collect its receivables. It also receives collections through its cross-servicing agreement with the Department of the Treasury (Treasury). In 1998, the Department entered into a cross-servicing agreement with the Department of the Treasury for collection of delinquent receivables. In accordance with the agreement and the Debt Collection Improvement Act of 1996 (Public Law 104-134), the Department referred $795,000 to Treasury for cross-servicing in 2001. Of the current and past debts referred to Treasury, $303,889 was collected in 2001.

Receivables Referred to the Department of the Treasury for Cross-Servicing

	FY 2001	FY 2000	FY 1999
Number of Accounts	677	572	1,678
Amounts Referred (In Thousands)	$795	$680	$1,885

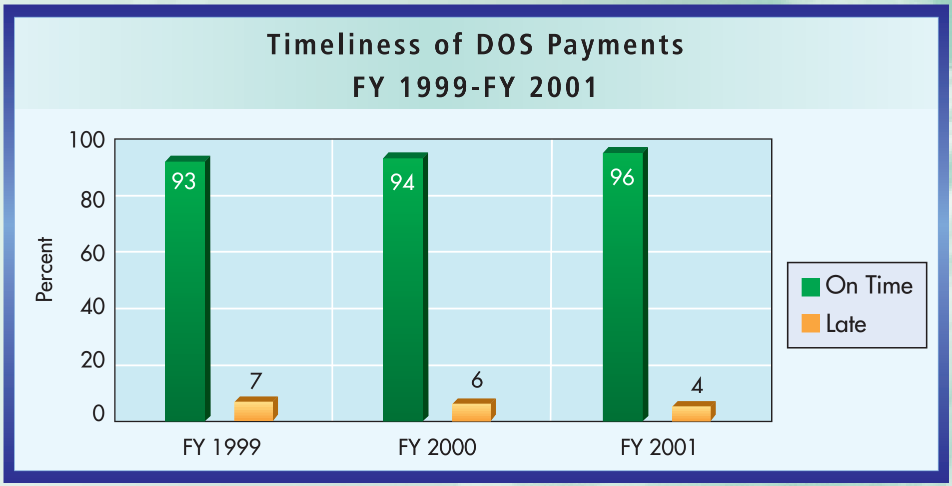
PROMPT PAYMENT ACT

TIMELINESS OF PAYMENTS

The Prompt Payment Act (PPA) requires Federal agencies to pay their bills on time or, an interest penalty must be paid to vendors. The Department continues to show improvement in paying its bills on time.

96% of invoices were paid on time versus 94% in 2000.

2% of invoices required interest penalties versus 3% in 2000.



SELECTED PAYMENT DATA

	2001	2000	1999
Interest Paid ($000)	774	1,559	1,346
Interest Under $1 Not Due ($000)	8	10	10
Interest Due But Not Paid ($000)	-	-	18
Number of Procurement Card Transactions			
Domestic	47,032	42,016	34,088
Overseas	38,298	22,000	5,874

ELECTRONIC PAYMENTS

The Department successfully increased the number and percentage of payments it makes electronically. In 2001, 74% of all payments were made by electronic funds transfer (EFT). Domestically, 94% of payments were made electronically, exceeding the 71% EFT goal that Treasury established for 2001. The Department processed 56% of its 2001 overseas payments by EFT, an 11% increase from 2000.

EFT AND CHECK PAYMENT VOLUMES

	2001		2000		1999	
Payment Type	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
EFT:						
Domestic	1,137,510		1,132,299		991,544	
Overseas	780,418		609,234		490,914	
EFT Subtotal	1,917,928	74	1,741,533	69	1,482,458	67
Checks:						
Domestic	74,811		46,396		54,230	
Overseas	606,128		749,598		668,567	
Checks Subtotal	680,939	26	795,994	31	722,797	33
Total Payments	**2,598,867**	**100**	**2,537,527**	**100**	**2,205,255**	**100**

Appendix

DIRECTORY OF KEY OFFICIALS AND SENIOR MANAGEMENT

Colin L. Powell

Secretary of State

Richard L. Armitage

Deputy Secretary of State

John Negroponte

United States Permanent Representative to the United Nations

F. William Smullen III

Chief of Staff

Maura Harty

Executive Secretariat

Richard Haass

Policy Planning Staff

Christopher B. Burnham

Chief Financial Officer

William H. Taft, IV

Legal Adviser

Clark Kent Ervin

Inspector General

Barbara S. Pope

Office of Civil Rights

Paul V. Kelly

Bureau of Legislative Affairs

Carl W. Ford

Bureau of Intelligence and Research

Donald B. Ensenat

Office of Protocol

Francis X. Taylor

Coordinator for Counterterrorism

Pierre R. Prosper

Office of War Crimes Issues

Counselor – Vacant

Arms Control and International Security

John R. Bolton
Under Secretary

- Bureau of Arms Control – *Avis T. Bohlen*
- Bureau of Political Military Affairs – *Lincoln P. Bloomfield*
- Bureau of Non-Proliferation – *John Stern Wolf*
- Bureau of Verification and Compliance – *Edward J. Lacey, Acting*

Economic, Business and Agricultural Affairs

Alan P. Larson
Under Secretary

- Bureau of Economic and Business Affairs – *E. Anthony Wayne*

Global Affairs

Paula J. Dobriansky
Under Secretary

- Bureau of Democracy, Human Rights and Labor – *Lorne W. Craner*
- Bureau for International Narcotics and Law Enforcement Affairs– *Rand Beers*
- Bureau of Oceans and Environmental and Scientific Affairs – *John F. Turner*
- Bureau of Population, Refugees and Migration – *Alan J. Kreczko*

Management

Grant S. Green
Under Secretary

- Director General of Foreign Service and Director of Personnel – *Ruth A. Davis*
- Bureau of Administration – *William A. Eaton*
- Bureau of Consular Affairs – *Mary A. Ryan*
- Bureau of Diplomatic Security – *David G. Carpenter*
- Overseas Building Operations – *Charles E. Williams*
- Bureau of Information Resource Management, Chief Information Officer – *Fernando Burbano*
- Foreign Service Institute – *Katherine Peterson*

Political Affairs

Marc Grossman
Under Secretary

- Bureau of African Affairs – *Walter H. Kansteiner, III*
- Bureau of East Asian and Pacific Affairs –*James A. Kelly*
- Bureau of European and Eurasian Affairs – *A. Elizabeth Jones*
- Bureau of Near Eastern Affairs - *William J. Burns*
- Bureau of South Asian Affairs – *Christina B. Rocca*
- Bureau of Western Hemisphere Affairs – *Otto J. Reich*
- Bureau of International Organizational Affairs – *William B. Wood, Acting*

Public Diplomacy and Public Affairs

Charlotte Beers
Under Secretary

- Bureau of Public Affairs – *Richard A. Boucher*
- Bureau of Educational and Cultural Affairs – *Patricia De Stacy Harrison*
- Office of International Information Programs – *John P. Dwyer*

DEPARTMENT OF STATE LOCATIONS

EMBASSY

Abidjan, Côte d'Ivoire
(Formerly Ivory Coast)
Abu Dhabi, United Arab Emirates
Abuja, Nigeria
Accra, Ghana
Addis Ababa, Ethiopia
Algiers, Algeria
Almaty, Kazakhstan
Amman, Jordan
Ankara, Turkey
Antananarivo, Madagascar
Apia, Samoa
Ashgabat, Turkmenistan
Asmara, Eritrea
Asuncion, Paraguay
Athens, Greece
Baku, Azerbaijan
Bamako, Mali
Bandar Seri Begawan, Brunei
Bangkok, Thailand
Bangui, Central African Republic
Banjul, The Gambia
Beijing, China
Beirut, Lebanon
Belgrade, Yugoslavia
Belize City, Belize
Berlin, Germany
Bern, Switzerland
Bishkek, Kyrgyzstan
Bissau, Guinea-Bissau
Bogota, Colombia
Brasilia, Brazil
Bratislava, Slovakia
Brazzaville, Republic of the Congo
Bridgetown, Barbados
Brussels, Belgium
Bucharest, Romania
Budapest, Hungary
Buenos Aires, Argentina
Bujumbura, Burundi
Cairo, Egypt
Canberra, Australia
Caracas, Venezuela
Chisinau, Moldova
Colombo, Sri Lanka
Conakry, Guinea
Copenhagen, Denmark
Cotonou, Benin
Dakar, Senegal
Damascus, Syria
Dar es Salaam, Tanzania
Dhaka, Bangladesh
Djibouti, Djibouti
Doha, Qatar
Dublin, Ireland
Dushanbe, Tajikistan
Freetown, Sierra Leone
Gaborone, Botswana
Georgetown, Guyana
Guatemala City, Guatemala
Hanoi, Vietnam
Harare, Zimbabwe
Helsinki, Finland
Islamabad, Pakistan
Jakarta, Indonesia
Kabul, Afghanistan
Kampala, Uganda
Kathmandu, Nepal
Khartoum, Sudan
Kiev, Ukraine
Kigali, Rwanda
Kingston, Jamaica
Kinshasa, Democratic Republic
of the Congo (formerly Zaire)
Kolonia, Micronesia
Koror, Palau
Kuala Lumpur, Malaysia
Kuwait, Kuwait
La Paz, Bolivia
Libreville, Gabon
Lilongwe, Malawi
Lima, Peru
Lisbon, Portugal
Ljubljana, Slovenia
Lome, Togo
London, England, United Kingdom
Luanda, Angola
Lusaka, Zambia
Luxembourg, Luxembourg
Madrid, Spain
Majuro, Marshall Islands
Managua, Nicaragua
Manama, Bahrain
Manila, Philippines

Maputo, Mozambique
Maseru, Lesotho
Mbabane, Swaziland
Mexico City, Mexico
Minsk, Belarus
Monrovia, Liberia
Montevideo, Uruguay
Moscow, Russia
Muscat, Oman
Nairobi, Kenya
Nassau, The Bahamas
N'Djamena, Chad
New Delhi, India
Niamey, Niger
Nicosia, Cyprus
Nouakchott, Mauritania
Oslo, Norway
Ottawa, Canada
Ouagadougou, Burkina Faso
Panama City, Panama
Paramaribo, Suriname
Paris, France
Phnom Penh, Cambodia
Port-au-Prince, Haiti
Port Louis, Mauritius
Port Moresby, Papua New Guinea
Port-of-Spain, Trinidad and Tobago
Prague, Czech Republic
Praia, Cape Verde
Pretoria, South Africa
Quito, Ecuador
Rabat, Morocco
Rangoon, Burma
Reykjavik, Iceland
Riga, Latvia
Riyadh, Saudi Arabia
Rome, Italy
St. George's, Grenada
San Jose, Costa Rica
San Salvador, El Salvador
Sanaa, Yemen
Santiago, Chile
Santo Domingo, Dominican Republic
Sarajevo, Bosnia and Herzegovina
Seoul, South Korea
Singapore, Singapore
Skopje, Macedonia, the former Yugoslav Republic of
Sofia, Bulgaria
Stockholm, Sweden
Suva, Fiji
Tallinn, Estonia
Tashkent, Uzbekistan
Tbilisi, Georgia
Tegucigalpa, Honduras
Tel Aviv, Israel
The Hague, Netherlands
Tirana, Albania
Tokyo, Japan
Tunis, Tunisia
Ulaanbaatar, Mongolia
Valletta, Malta
Vatican City, Holy See
Vienna, Austria
Vientiane, Laos
Vilnius, Lithuania
Warsaw, Poland
Wellington, New Zealand
Windhoek, Namibia
Yaounde, Cameroon
Yerevan, Armenia
Zagreb, Croatia

The Seoul Old American Legation, built in 1883 and now used as a guesthouse. Lucius Foote, on steps on left and Mrs. Foote, the first resident envoy from the West to arrive in Korea, purchased this house one year after its construction. Among the first American legations, and the first in Korea, this house has been in possession of the U.S. Government longer than any other U.S. residence. The property was once part of what is now the Duksoo Palace, and is said to be the first property in Korea to have been sold to a foreigner.

CONSULATE GENERAL

Amsterdam, Netherlands
Auckland, New Zealand
Barcelona, Spain
Belfast, Northern Ireland, United Kingdom
Calcutta, India
Calgary, Alberta,Canada
Cape Town, South Africa
Casablanca, Morocco
Chengdu, China
Chennai, India
Chiang Mai, Thailand
Ciudad Juarez, Mexico
Curaçao, Netherlands Antilles
Dhahran, Saudi Arabia
Dubai, United Arab Emirates
Durban, South Africa
Düsseldorf, Germany
Edinburgh, Scotland, United Kindom
Florence, Italy
Frankfurt Am Main, Germany
Guadalajara, Mexico
Guangzhou, China
Guayaquil, Ecuador
Halifax, Nova Scotia, Canada
Hamburg, Germany
Hamilton, Bermuda
Ho Chi Minh City, Vietnam
Hong Kong, Hong Kong
Istanbul, Turkey
Jeddah, Saudi Arabia
Jerusalem, Israel
Johannesburg, South Africa
Karachi, Pakistan
Krakow, Poland
Lagos, Nigeria
Leipzig, Germany
Marseille, France
Melbourne, Australia
Milan, Italy
Monterrey, Mexico
Montreal, Quebec, Canada
Mumbai (Bombay), India
Munich, Germany
Naha Okinawa, Japan
Naples, Italy
Osaka-Kobe, Japan
Perth, Australia
Quebec, Quebec, Canada
Rio de Janeiro, Brazil
St. Petersburg, Russia
São Paulo, Brazil
Sapporo, Japan
Shanghai, China
Shenyang, China
Strasbourg, France
Surabaya, Indonesia
Sydney, Australia
Thessaloniki, Greece
Tijuana, Mexico
Toronto, Ontario, Canada
Vancouver, British Columbia, Canada
Vladivostok, Russia
Yekaterinburg, Russia

CONSULATE

Adana, Turkey
Bordeaux, France
Fukuoka, Japan
Hermosillo, Mexico
Lahore, Pakistan
Lille, France
Lyon, France
Matamoros, Mexico
Merida, Mexico
Nagoya, Japan
Nogales, Sonora, Mexico
Nuevo Laredo, Mexico
Peshawar, Pakistan
Ponta Delgada, Azores, Portugal
Recife, Brazil
Rennes, France
Toulouse, France

BRANCH OFFICE

Banja Luka, Bosnia and Herzegovina
Cluj-Napoca, Romania
Douala, Cameroon
Mostar, Bosnia and Herzegovina

INTEREST SECTION

Havana, Cuba

LIAISON OFFICE

Pristina, Yugoslavia

MISSION

U.S. Mission to the United Nations, *New York, New York*

U.S. Mission to the Organization of American States, *Washington, D.C.*

U.S. Mission to the European Union,
Brussels, Belgium

U.S. Mission to the International Civil Aviation Organization,
Montreal, Canada

U.S. Mission to the North Atlantic Treaty Organization,
Brussels, Belgium

U.S. Mission to the United Nations Agencies for Food and Agriculture,
Rome, Italy

U.S. Mission to the Organization for Economic Cooperation and Development,
Paris, France

U.S. Mission to the International Organizations in Vienna,
Vienna, Austria

U.S. Mission to the United Nations Environmental Program,
Nairobi, Kenya

U.S. Mission to the European Office of the United Nations and Other International Organizations,
Geneva, Switzerland

U.S. Delegation to the Organization for Security and Cooperation in Europe,
Vienna, Austria

U.S. Observer Mission to the United Nations Educational, Scientific, and Cultural Organization,
Paris, France

CONSULAR AGENCIES

Acapulco, Mexico

Antigua, Antigua & Barbuda

Bali, Indonesia

Baranquilla, Colombia

Belém, Brazil

Bremen, Germany

Cabo San Lucas, Mexico

Cancun, Mexico

Cebu, Philippines

Cochabamba, Bolivia

Cozumel, Mexico

Cuzco, Peru

Fortaleza, Brazil

Fuengirola, Spain

Funchal, Portugal

Galapagos, Equador

Geneva, Switzerland

Genoa, Italy

George Town, Cayman Islands

Haifa, Israel

Honiara, Solomon Islands

Ixtapa, Mexico

Izmir, Turkey

La Coruña, Spain

Las Palmas, Spain

Malabo, Equitorial Guinea

Manaus, Brazil

Maracaibo, Venezuela

Martinique, French Caribbean

Mazatlan, Mexico

Montego Bay, Jamaica

Nice, France

Oaxaca, Mexico

Palermo, Italy

Palma de Mallorca, Spain

Porto Alegre, Brazil

Poznan, Poland

Puerta Plata, Dominican Republic

Puerto Vallarta, Mexico

Salvador da Bahia, Brazil

Salzburg, Austria

San Luis Potosi, Mexico

San Miguel de Allende, Mexico

San Pedro Sula, Honduras

Santa Cruz, Bolivia

Seville, Spain

Trieste, Italy

Valencia, Spain

Victoria, Seychelles

Zurich, Switzerland

PASSPORT AND VISA CENTERS

National Passport Center,
Portsmouth, New Hampshire

National Visa Center,
Portsmouth, New Hampshire

Kentucky Consular Center,
Williamsburg, Kentucky

Boston Passport Agency

Charleston Passport Center

Chicago Passport Agency

Honolulu Passport Agency

Houston Passport Agency

Los Angeles Passport Agency

Miami Passport Agency

New York Passport Agency

New Orleans Passport Agency

Norwalk Passport Agency

Philadelphia Passport Agency

San Francisco Passport Agency

Seattle Passport Agency

Special Issuance Agency

Washington Passport Agency

GLOSSARY OF ACRONYMS

ABM	Anti-Ballistic Missile
ACDA	Arms Control and Disarmament Agency
ACRI	African Crisis Response Initiative
ACS	American Citizens Services
A&D	Accounting and Disbursing
ADP	Automated Data Processing
AEP	Alternate Exam Program
AICPA	American Institute of Certified Public Accountants
ALMA	A Logical Management Approach (computer modernization program)
ATA	Antiterrorist Assistance Program
BBG	Broadcasting Board of Governors
BCC	Border Crossing Card
BFC	Budget Functional Classification
BIT	Bilateral Investment Treaty
CA	Consular Affairs (Department Bureau)
CAR	Corrective Action Review
CCD	Consular Consolidated Database
CCP	Classified Connectivity Program
CD	Community of Democracies
CFMS	Central Financial Management System
CFO	Chief Financial Officer
CFPS	Central Financial Planning System
CFSC	Charleston Financial Service Center
CIO	Chief Information Officer
CISSO	Corporate Information Systems Security Officer
CLASP	Consular Lost and Stolen Passport (database)
CLASS	Consular Lookout and Support System
CMR	Crude Mortality Rates
CNP	Colombia National Police
CPA	Certified Public Accountant
CPR	Contraceptive Prevalence Rates
CS	Civil Service
CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
CST	Caribbean Support Tender
CTR	Cooperative Threat Reduction
CWC	Chemical Weapons Convention
DOD	Department of Defense
DOL	U.S. Department of Labor
DS	Diplomatic Security
DV	Diversity Visa
ECA	Educational and Cultural Affairs (Department Bureau)
EIPC	Enhanced International Peacekeeping Capabilities
EFT	Electronic Funds Transfer

EPA	Environmental Protection Agency
ESDI	European Security Defense Identity
EU	European Union
EVIS	Exchange Visitor Information System
EXBS	Export Control/Border Security
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation, U.S. Department of Justice
FECA	Federal Employees Compensation Act
FEGLIP	Federal Employees Group Life Insurance Program
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMP	Bureau of Financial Management and Policy
FS	Foreign Service
FSC	Financial Service Center
FSI	Foreign Service Institute
FSN	Foreign Service National
FSNSLTF	Foreign Service National Separation Liability Trust Fund
FSPS	Foreign Service Pension System
FSRA	Foreign Service Retirement Actuarial
FSRDF	Foreign Service Retirement and Disability Fund
FSRDS	Foreign Service Retirement and Disability System
FSWE	Foreign Service Written Exam
FTA	Free Trade Agreement
FTAA	Free Trade Agreement for the Americas
FWCB	Federal Workers' Compensation Benefits
GAAP	Generally Accepted Accounting Principles
GAO	U.S. General Accounting Office
GDIN	Global Disaster Information Network
GDF	Global Drug Facility
GFA	Good Friday Accord
GMRA	Government Management Reform Act of 1994
GMSC	Grants Management Steering Committee
GPRA	Government Performance and Results Act of 1993
GPS	Global Positioning System
GSA	General Services Administration
HHS	Department of Health and Human Services
IAEA	International Atomic Energy Agency
IASP	International Affairs Strategic Plan
IBIS	Interagency Border Inspection System
IBWC	International Boundary and Water Commission
ICAO	International Civil Aviation Organization

ICASS	International Cooperative Administrative Support Services
ICP	Internal Compliance Program
IDP	Internally Displaced Persons
IF	Integrated Framework
ILEA	International Law Enforcement Academies
IM	Information Management
IMS	International Monitoring System
INR	Intelligent and Research (Department Bureau)
INS	Immigration and Naturalization Service, U.S. Department of Justice
IRA	Irish Republican Army
ISSO	Information Systems Security Officer
IT	Information Technology
IV	Immigrant Visa
JFMIP	Joint Financial Management Improvement Program
LMS	Leadership and Management School, Foreign Service Institute
MCAS	Managerial Cost Accounting Standard
MCSC	Management Control Steering Committee
MD&A	Management's Discussion and Analysis
MMR	Maternal Mortality Rates
MOU	Memorandum of Understanding
NAFTA	North America Free Trade Agreement
NATO	North Atlantic Treaty Organization
NFATC	National Foreign Affairs Training Center
NGO	Non Governmental Organizations
NIDS	Network Intrusion Detection System
NIS	New Independent States of the former Soviet Union
NIV	Non-immigrant Visa
NMD	National Missile Defense
NPT	Non-Proliferation Treaty
NVC	National Visa Center
OAS	Organization of American States
OAU	Organization of African Unity
OBO	Overseas Buildings Operations
OECD	Organization for Economic Cooperation and Development
OEF	Operation Enduring Freedom
OIG	Office of Inspector General, U.S. Department of State
OMB	Office of Management and Budget
OPCW	Organization for Prohibition of Chemical Weapons
OpenNet	Department's large-scale network
OPM	Office of Personnel Management
OSCE	Organization for Security and Cooperation in Europe
OSM	Overseas Staffing Model
PK	Peacekeeping
PKO	Peacekeeping Operations
PLO	Palestine Liberation Organization
PLOTS	Passport Lookout Tracking System

PNTR	Permanent Normal Trade Relations
PPA	Prompt Pay Act
PRC	People's Republic of China
PSC	Personal Services Contractor
RFMS	Regional Financial Management System
RSI	Required Supplementary Information
SEED	Support for Eastern European Democracy
SFFAS	Statement of Federal Financial Accounting Standards
START	Strategic Arms Reductions Treaty
TCN	Third Country National
TIPOFF	A terrorist database and lookout system used by U.S. to prevent entry of terrorists into the U.S.
TSP	Thrift Savings Plan
UN	United Nations
UNCHR	United Nations Commission on Human Rights
UNGA	United Nations General Assembly
UNHCR	United Nations High Commission for Refugees
UNMIK	United Nations Interim Administration in Kosovo
UNMOVIC	UN Monitoring, Verification and Inspection Commission
UNSCR	UN Security Resolution
UPS	Uninterrupted Power Supply
USAID	United States Agency for International Development
USDA	United State Department of Agriculture
USG	United States Government
USIA	United States Information Agency
USIS	U.S. Information Service (USIA overseas)
USUN	U.S. Permanent Representative to the United Nations
VEGAS	Video Entry Guard Alarm System
VOA	Voice of America
VWP	Visa Waiver Program
WCF	Working Capital Fund
WMD	Weapons of Mass Destruction
WTO	World Trade Organization
Y2K	Year Two Thousand

MAJOR DEPARTMENT OF STATE PUBLICATIONS

All publications can be accessed from the Department's Home Page at www.state.gov

Key Officers of Foreign Service Posts

This directory lists key officers and their telephone and fax numbers from the Departments of State and Commerce, and other U.S. agencies at Foreign Service posts who assist American business representatives around the world.

Diplomatic List

This publication contains the names of the members of the diplomatic staffs of all missions and their spouses. Members of the diplomatic staff are the members of the staff of the mission having diplomatic rank. These persons, with the exception of those identified, enjoy full immunity under provisions of the Vienna Convention on Diplomatic Relations.

Foreign Relations of the United States

This historical record of American foreign policy is produced by the State Department's Office of the Historian. First published in 1861, Foreign Relations of the United States preserves a key part of American history in more than 350 individual volumes. Each volume documents the major foreign policy decisions and diplomatic activity of the U.S. Government and contains declassified records from the White House, the Department of State, and other foreign affairs agencies.

State Magazine

Published monthly by the Department to facilitate communication between management and employees at home and abroad and to acquaint employees with developments that may affect operations or personnel.

Dispatch Magazine

The United States Department of State Dispatch provided key speeches and testimony by senior State Department officials as well as current U.S. treaty actions from 1990 to December 1999. As the Internet has become a more popular source of current, timely information, the magazine ended with the December 1999 issue. Back issues from January 1993 through December 1996 are available on the Department's archive through the federal depository library of the University of Illinois at Chicago at http://dosfan.lib.uic.edu/. Issues released between January 1997 and ending with December 1999 are available on the Department's archive web site at http://www.state.gov/www/publications/dispatch/index.html.

The U.S. Department of State: A Guide to Doing Business

Lists useful information concerning the Department's procurement opportunities, points of contact, subcontracting opportunities, etc. This can be obtained in hard copy from the Superintendent of Documents.

Country Background Notes

These handy guides provide information on a country's leaders, politics, economy, and relations with the U.S. Note: Background Notes appear on the Department's web site before they are sent to press for GPO subscribers.

America's Overseas Presence in the 21st Century

The Overseas Presence Advisory Panel (OPAP) is evaluating how best to organize and manage the United States overseas presence represented by thirty Federal agencies (excluding military) to reflect recent changes in technology, world politics and economy. Only extensive and fundamental reform of America's overseas presence will enable the U.S. to maintain the global presence necessary to protect its interests and promote its values.

Patterns of Global Terrorism

Annual report submitted to the Congress on detailed assessments of foreign countries where significant terrorist acts occurred, and countries about which Congress was notified pursuant to the Export Administration Act of 1979 (the so-called terrorism list countries that have repeatedly provided state support for international terrorism).

Battling International Bribery

Annual report by the Department of State on enforcement and monitoring of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the Organization for Economic Cooperation and Development (OECD).

Country Commercial Guides

Country Commercial Guides (CCG's) are prepared annually by U.S. embassies with the assistance of several U.S. government agencies. These reports present a comprehensive look at countries' commercial environments, using economic, political and market analysis. The CCG's were established by recommendation of the Trade Promotion Coordinating Committee, a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community.

Country Reports on Human Rights Practices

Annual report submitted to the Congress by the Department of State regarding the status of internationally recognized human rights practices.

International Narcotics Control Strategy Report

Annual report submitted to the Congress by the Department of State, in accordance with the Foreign Assistance Act, which describes the efforts of countries, including those that received U.S. assistance, in the fight against drugs, and on Presidential narcotics certification determinations on drug producing and transit countries.

International Religious Freedom Report

The Annual Report to Congress on International Religious Freedom describes the status of religious freedom in each foreign country, and government policies violating religious belief and practices of groups, religious denominations and individuals, and U.S. policies to promote religious freedom around the world. It is submitted in compliance with P.L. 105-292 (105th Congress) and is cited as the International Religious Freedom Act of 1998.

Country Reports On Economic Policy and Trade Practices

Annual report submitted to the Congress with economic policy and trade practices of countries with which the United States has significant economic or trade relationships.

Consular Notification and Access

Instructions for Federal, state, and other local law enforcement and other officials regarding foreign nationals in the United States and the rights of consular officials to assist them.

Foreign Consular Offices in the U.S.

This publication contains a complete and official listing of the foreign consular offices in the United States, and recognized consular officers.

Annual Budget Requests

Summary and Highlights provides information about the International Affairs category of the federal budget, called Function 150, which includes funding for the programs and activities of four cabinet departments, seven independent agencies, three foundations, and numerous other international organizations. Budget in Brief provides more specific information about the Department of State budget. Congressional Budget Justification provides detailed information about the Foreign Operations portion of Function 150.

The Great Seal of the United States

A publication on the history and official use of The Great Seal of the United States. (Note: You will need to use Adobe Acrobat Reader to access this 980KB .pdf file.) This publication, No. 10411, also is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

ACKNOWLEDGMENTS

This Accountability Report was produced with the energies and talents of Department staff in Washington, D.C., and our offices and posts around the world. To these dedicated individuals we would like to offer our sincerest thanks and acknowledgement.

In particular, we would like to recognize the following individuals for their contributions:

Van Tran, Bruce Crippin, Mark Kelley, Lynne Baronoff, Arnold Lee, Cathy Roberts.

Cy Alba, Thomas Baker, John Bargeron, Gerda Bart, Anthony Belliotti, Donna Bordley, Sally Brennan, Alvin Brown, Carlton Brown, Lori Brutten, Don Covington, Lynne Davidson, Jane Dekay, Bob Dickson, William Dilday, Cohn Drennan, Cheryl Easley, Delores Fairbanks, Jim Fishenden, Mike Foughty, Laura Hall, Janey Hatcher, Eric Hembree, John Hotchner, Don Hunter, Dilnaz Husain, Elaine John, June Johnston, Adlet Kegley, Lorna Kivlehan, Ed Kloth, Mike Kraft, Lisa Kuhn, Paula Lader, Malcolm Lawrence, Priscilla Linn, Jennifer Loynd, Mark Lundi, Chauncey Lynch, Tracy Mahaffey, Bob Mahiques, Charles Massey, Jim Miller, Robert Obenstine, Margaret Pollack, Juan Santos, Dan Schuman, Dan Sheerin, Neila Sheahan, David G. Smith, Elizabeth Soyster, Mark Stafford, Frank Sullivan, Lynn Turner, Regina Van Valkenburgh, Mark Walkup, Wardell Wanza, Tom Washburn, John White and Jaime Young.

We'd like to give special recognition to Ms. Troy Ann Scaptura, Director for Financial Reporting and Analysis. Without her diligent efforts, the financial statements would not have been possible.

We would also like to acknowledge the Office of Inspector General and Leonard G. Birnbaum and Company for the professional manner in which they conducted the audit of the Fiscal Year 2001 Financial Statements.

We offer special thanks to The DesignPond, and in particular Michael James and Sheri Beauregard, for their outstanding contributions to design and produce this Accountability Report.

United States Department of State

2201 C Street, N.W.
Washington, D.C. 20520
(202) 647-4000

www.state.gov