Fiscal Year 1999 Principal Financial Statements and Notes to the Statements

PRINCIPAL FINANCIAL STATEMENTS

Introduction to Principal Financial Statements

The following principal financial statements have been prepared to report the financial position and results of operations of the U.S. Department of State (Department), pursuant to the requirements of 31 U. S. C. 3515b. The statements have been prepared from the books and records of the Department in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*, as amended.

These principal statements are in addition to 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, which are prepared from the same books and records. The principal financial statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The Department has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation.

The **Consolidated Balance Sheets** provide information on assets, liabilities, and net position, similar to balance sheets reported in the private sector.

The **Consolidating Statements of Net Cost** report the components of the net costs of the Department's operations for the period. The net costs of operations consist of the gross cost incurred by the Department less any exchange (i.e., earned) revenue from the Department's activities, reported by program and responsibility segment (Under Secretary).

The **Consolidated Statements of Changes in Net Position** report the beginning net position, a summary of the Department's transactions that affect its net position for the period, and the ending net position.

The **Combined Statements of Budgetary Resources** provide information on how budgetary resources were made available and their status at the end of the year. Information in this Statement is reported on the budgetary basis of accounting.

The **Statements of Financing** reconciliation (contained in Note 19) ensure a proper relationship between budgetary transactions and financial transactions. OMB Bulletin 97-01 allows agencies to report this information in a footnote to the financial statements, and the Department has elected to do so.

Required Supplementary Stewardship Information provides information on the Department's Heritage Assets. **Required Supplementary Information** contains information on the Working Capital Fund, Intragovernmental amounts, and Deferred Maintenance.

The Department received an "Unqualified Opinion" on its financial statements for 1997 through 1999. The opinions were from an independent public accounting firm engaged by the Department's Office of the Inspector General. The Department also issues audited financial statements for its Foreign Service Retirement and Disability Fund (FSRDF) and International Cooperative Administrative Support Services (ICASS). FSRDF (which comprises over 50% of the Department's assets, liabilities and net position) received "Unqualified Opinions" on its financial statements for 1994 through 1999. ICASS, which began worldwide operations for 1997, received "Unqualified Opinions" on its financial statements for 1997 through 1999.

The complete, separately-issued, FSRDF and ICASS Annual Financial Reports are available from the Department's Bureau of Finncial Management and Policy, Office of Financial Policy, Reporting and Analysis, 2401 E Street, Room H1500, Washington, D.C. 20037, (202) 261-8620. The Reports are also available at www.state.gov.

Department of State
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

As of September 30,	1999	1998
ASSETS (Note 2)		
Intragovernmental Assets -		
Fund Balances With Treasury (Note 3)	$ 5,364,117	$ 2,954,523
Investments, Net (Note 4)	10,130,928	9,553,109
Accounts Receivable, Net (Note 5)	257,180	256,893
Interest Receivable	178,580	175,244
Other Assets	-	111
Total Intragovernmental Assets	$ 15,930,805	$ 12,939,880
Accounts Receivable, Net (Note 5)	23,719	28,564
Loans Receivable, Net (Note 6)	814	753
Cash and Other Monetary Assets (Note 7)	24,018	59,306
Inventory, Net (Note 8)	568	907
Property and Equipment, Net (Note 9)	4,624,322	4,434,797
Other Assets	76,519	89,669
Total Assets	$ 20,680,765	$ 17,553,876

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

Department of State
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

As of September 30,	1999	1998
LIABILITIES (Note 12)		
Intragovernmental Liabilities -		
Accounts Payable	$ 72,711	$ 63,050
Other Liabilities (Note 12)	22,950	29,406
Total Intragovernmental Liabilities	$ 95,661	$ 92,456
Accounts Payable	377,877	221,168
Foreign Service Retirement Actuarial Liability (Note 11)	11,170,900	10,736,700
Liability to International Organizations (Note 13)	1,707,255	1,735,446
Capital Lease Liability (Note 10)	78,131	76,843
Funds Held in Trust (Note 7)	22,559	59,136
Federal Employees' Compensation Act Benefits	60,874	46,881
Other Liabilities (Note 12)	251,168	233,374
Total Liabilities	$ 13,764,425	$ 13,202,004
Commitments and Contingencies (Note 15)		
NET POSITION		
Unexpended Appropriations (Note 14)	$ 4,451,202	$ 2,399,562
Cumulative Results of Operations	2,465,138	1,952,310
Total Net Position	$ 6,916,340	$ 4,351,872
Total Liabilities and Net Position	$ 20,680,765	$ 17,553,876

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

U.S. Department of State
Statements of Net Cost (Note 16)
For the Years Ended September 30, 1999 and 1998
(Dollars in Thousands)

	Under Secretary for							
	Arms Control, Int'l Security	Economic, Business and Agriculture	Global Affairs	Political Affairs	Secretariat/ Management	Intra-Dept Eliminations	TOTAL 1999	TOTAL 1998
Diplomatic Relations								
Total Costs	$ 158,888	$ 23,187	$ 23,704	$ 636,187	$ 940,963	$ (193)	$ 1,782,736	$ 1,003,400
Earned Revenue	(6,524)	(102)	(32)	(313)	(178,444)	193	(185,222)	(84,849)
Net Program Costs	$ 152,364	$ 23,085	$ 23,672	$ 635,874	$ 762,519	$ -	$ 1,597,514	$ 918,551
International Organizations								
Total Costs	$ -	$ -	$ -	$ 1,387,230	$ 61,686	$ (85)	$ 1,448,831	$ 1,166,666
Earned Revenue	-	-	-	(5,320)	(13,249)	85	(18,484)	(10,884)
Net Program Costs	$ -	$ -	$ -	$ 1,381,910	$ 48,437	$ -	$ 1,430,347	$ 1,155,782
American Citizens and Border Security								
Total Costs	$ -	$ -	$ 5	$ 255,888	$ 799,805	$ (135,658)	$ 920,040	$ 609,920
Earned Revenue	-	-	-	(185)	(1,104,447)	135,658	(968,974)	(800,653)
Net Program Costs	$ -	$ -	$ 5	$ 255,703	$ (304,642)	$ -	$ (48,934)	$ (190,733)
Humanitarian Response								
Total Costs	$ -	$ -	$ 783,022	$ 297	$ 13,445	$ (537)	$ 796,227	$ 699,078
Earned Revenue	-	-	(2,959)	-	(2,978)	537	(5,400)	(2,207)
Net Program Costs	$ -	$ -	$ 780,063	$ 297	$ 10,467	$ -	$ 790,827	$ 696,871
Law Enforcement								
Total Costs	$ -	$ -	$ 320,293	$ 13,359	$ 31,517	$ -	$ 365,169	$ 235,878
Earned Revenue	-	-	(22,204)	(11)	(10,395)	-	(32,610)	(21,780)
Net Program Costs	$ -	$ -	$ 298,089	$ 13,348	$ 21,122	$ -	$ 332,559	$ 214,098
Diplomatic Readiness								
Total Costs	$ -	$ -	$ -	$ 5,989	$ 234,801	$ (240,790)	$ -	$ 1,079,010
Earned Revenue	-	-	-	(5,989)	(234,801)	240,790	-	(220,734)
Net Program Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 858,276
Executive Direction and Other Costs Not Assigned								
Total Cost	$ 413	$ 1,757	$ 15,788	$ 1,016,948	$ 1,876,153	$ (812,108)	$ 2,098,951	$ 1,505,699
Earned Revenue	-	-	-	(531,282)	(1,437,192)	788,494	(1,179,980)	(1,245,500)
Total Costs	$ 159,301	$ 24,944	$ 1,142,812	$ 3,315,898	$ 3,958,370	$ (1,189,371)	$ 7,411,954	$ 6,299,651
Total Revenue	(6,524)	(102)	(25,195)	(543,100)	(2,981,506)	1,165,757	(2,390,670)	(2,386,607)
Total Net Costs	$ 152,777	$ 24,842	$ 1,117,617	$ 2,772,798	$ 976,864	$ (23,614)	$ 5,021,284	$ 3,913,044

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

Department of State

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

(Dollars in Thousands)

For the Year Ended September 30,	1999	1998
Total Net Costs of Operating	$ (5,021,284)	$ (3,913,044)
Financing Sources (Other Than Exchange Revenue) -		
Appropriations Used	5,972,596	4,863,695
Donations and Miscellaneous	2,951	3,885
Imputed Financing	56,589	43,859
Transfers-in	17,145	1,720
Transfers-out	(503,217)	(524,597)
Net Results of Operations	$ 524,780	$ 475,518
Prior Period Adjustments (Note 17)	(11,951)	(53,624)
Net Change in Cumulative Results of Operations	$ 512,829	$ 421,894
Increase in Unexpended Appropriations	2,051,639	307,047
Change in Net Position	$ 2,564,468	$ 728,941
Net Position - Beginning of Year	4,351,872	3,622,931
Net Position - End of Year	$ 6,916,340	$ 4,351,872

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

Department of State

COMBINED STATEMENTS OF BUDGETARY RESOURCES (Note 18)

(Dollars in Thousands)

For the Year Ended September 30,	1999	1998
Budgetary Resources -		
Budget Authority	$ 9,211,787	$ 6,328,501
Unobligated Balances - Beginning of Year	934,723	670,240
Net Transfers Prior-Year Balance	10,773	165
Spending Authority from Offsetting Collections	1,964,724	1,748,301
Adjustments	(790,336)	(411,619)
Total Budgetary Resources	$ 11,331,671	$ 8,335,588
Status of Budgetary Resources -		
Obligations Incurred	$ 9,187,574	$ 7,400,865
Unobligated Balances-Available	1,667,523	614,992
Unobligated Balances-Not Available	476,574	319,731
Total Status of Budgetary Resources	$ 11,331,671	$ 8,335,588
Outlays -		
Obligations Incurred	$ 9,187,574	$ 7,400,865
Less: Spending Authority From Offsetting Collections	(1,964,724)	(1,748,301)
Recoveries	(307,263)	(303,048)
Subtotal	$ 6,915,587	$ 5,349,516
Obligated Balance, Net - Beginning of Year	1,950,129	1,659,871
Obligated Balance transferred, net	21,604	-
Less: Obligated Balance, Net - End of Year	(2,635,418)	(1,950,129)
Total Outlays	$ 6,251,902	$ 5,059,258

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

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

ORGANIZATION

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Consolidation

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

- General and Special Funds are used to record financial transactions under Congressional appropriations or other authorization to spend general revenues.
- Revolving Funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the Fund without further action by Congress.
- Trust Funds are credited with receipts generated by the terms of a trust agreement or statute. At the point of collection, these receipts are available immediately or unavailable depending upon statutory requirements.
- 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 Arms Control and Disarmament Agency (ACDA) was abolished and its functions transferred to the Department on April 1, 1999. Accordingly, amounts reported for 1999 include ACDA accounts (see Note 22, "Agency Consolidation").

All significant interfund balances and transactions within the Department have been eliminated (Intra-Entity Eliminations) in the Consolidated Balance Sheets, Statements of Net Cost, and Consolidated Statements of Changes in Net Position. The Combined Statements of Budgetary Resources are prepared on a combined basis which does not include Intra-Entity Eliminations.

Basis of Presentation

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

The financial statements have been prepared from the Department's books and records and in accordance with the Department's accounting policies, of which the significant policies are summarized below in this Note. The Department's accounting policies follow generally accepted accounting principles (GAAP). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is designated as the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

Accounting Changes

The Department implemented new accounting standards and revised financial statement reporting requirements in 1999. None of the changes had a material effect on the Department's financial position or results of operations. Pursuant to Statement of Federal Financial Accounting Standards (SFFAS) No. 14, *Amendments to Deferred Maintenance Reporting*, deferred maintenance is presented as required supplementary information rather than as a note disclosure and line item on the Statement of Net Cost with a reference to the note disclosure. Also, in accordance with technical amendments to OMB Bulletin 97-01, several reporting changes were made to the principal financial statements, footnotes and required supplementary information. On the Consolidated Balance Sheet, entity and non-entity assets as well as liabilities covered and not covered by budgetary resources have been combined. Notes 2 and 12, respectively, disclose this information. Also, intragovernmental amounts and the related Federal trading partners for assets and liabilities are presented as required supplementary information.

The Department implemented new accounting standards in 1998. Beginning in 1998, the Department adopted the following standards. None of these standards had a material effect on the financial position of the Department. The standards, however, did have a material effect on the manner in which the Department reports the cost of its programs and activities.

a) SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*. SFFAS No. 4 establishes managerial cost accounting standards for Federal agencies to report the full cost of their programs, activities and outputs. See Note 16, "Statements of Net Cost," for further information.

b) SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. SFFAS No. 6 establishes standards for categorizing and reporting Federally owned property, plant and equipment (PP&E), deferred maintenance on PP&E, and cleanup costs. Major changes from standards followed in previous years include (1) categorizing PP&E as general PP&E, Federal mission PP&E, heritage assets, and stewardship land, and (2) disclosing deferred maintenance on PP&E. See *Works of Art and High Value Furnishings, Property and Equipment – Real Property and Property and Equipment – Personal Property* in Note 1 below, Note 9, "Property and Equipment, Net," "Required Supplementary Information - Deferred Maintenance," and "Supplementary Stewardship Information – Heritage Assets" for further information.

c) SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. SFFAS No. 7 establishes standards for classifying, recognizing, and measuring inflows of resources to the U.S. Government and its component reporting entities (e.g., the Department). Major changes include (1) classifying and categorizing inflows of resources as exchange (i.e., earned) revenues versus nonexchange revenues and other financing resources, (2) providing information about budgetary resources, the status of those resources, and outlays, and (3) providing information that reconciles budgetary and financial accounting. See Note 16, "Statements of Net Cost," Note 18, "Statements of Budgetary Resources," Note 19, "Statements of Financing," and Note 21, "Dedicated Collections" for further information.

d) SFFAS No. 8, *Supplementary Stewardship Reporting*. SFFAS No. 8 establishes standards for reporting on the U.S. Government's stewardship over (1) certain resources entrusted to it, identified as stewardship PP&E and stewardship investments, and (2) certain responsibilities assumed by it, identified as a current service assessment. SFFAS No. 8 did not have a material effect on the financial position or net cost of operations of the Department. In accordance with SFFAS No. 8, the Department reports its collections of art objects and high value furnishings as Heritage Assets. See *Works of Art and High Value Furnishings* in Note 1 below, and "Supplementary Stewardship Reporting – Heritage Assets" for further information.

e) OMB Bulletin 97-01, as amended. Bulletin 97-01 incorporated the concepts and standards contained in the Statements of Federal Financial Accounting Concepts (SFFACs) and SFFASs. Due to the number of new SFFACs and SFFASs effective for 1998, the principal financial statements, with the exception of the Consolidated Balance Sheet, differ substantially from statements published for years prior to FY 1998. Effective for FY 1998, Bulletin 97-01 required the following new principal statements: Statement of Net Cost (see Note 16), Statement of Changes in Net Position, Statement of Budgetary Resources (see Note 18), Statement of Financing (see Note 19), and Statement of Custodial Activity (see Note 20). Bulletin 97-01 allows Federal agencies the option of presenting the Statement of Financing in a footnote to the financial statements, and the Department has elected to do so. In addition, as allowed for by Bulletin 97-01, the Department has not prepared a Statement of Custodial Activity because the amounts involved are immaterial and are incidental to the Department's operations and mission. Along with changes to the principal financial statements, Bulletin 97-01 also required a number of new footnote disclosures.

Basis of Accounting

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

Budgets and Budgetary Accounting

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

Revenues and Other Financing Sources

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

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

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

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

Proceeds from the sale of real property, vehicles and other personal property are recognized as revenues when the proceeds are credited to the account from which the asset was funded. For non-capitalized property, the full amount realized is recognized as revenue. For capitalized property, revenue or loss is recognized based on whether the proceeds received were greater or less than the net book value of the asset sold. Proceeds of sale are 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 Border Security Programs account when the fees are collected. The Department is also authorized to credit the respective appropriations with (1) fees for the use of Blair House, (2) lease payments and transfers from the International Center Chancery Fees held in Trust to the International Center Project, (3) registration fees for the Office of Defense Trade Controls, (4) reimbursements for international litigation related expenses, and (5) reimbursement for training of foreign government officials at the Foreign Service Institute.

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

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

Fund Balances with Treasury

The Fund Balances with Treasury are funds that are available to pay accrued liabilities and finance authorized commitments relative to goods, services, and benefits. The Department does not maintain cash in commercial bank accounts for the funds reported in the Consolidated Balance Sheet, except for the Emergencies in the Diplomatic and Consular Services, Office of Foreign Missions and the International Center (which maintains a commercial account for lease fees held in trust – see Note 7). Domestic receipts and disbursements are processed by the Treasury. The Department operates three Financial Service Centers in Paris, Bangkok, and Charleston, South Carolina, that provide financial support for the Department and other Federal agencies' overseas operations. The U.S. Disbursing Officer at each Center is delegated authority to disburse funds on behalf of the Treasury.

Accounts Receivable

Intragovernmental Accounts Receivable are due principally from other Federal agencies for ICASS services, reimbursable agreements and Working Capital Fund (WCF) services. Accounts Receivable from non-Federal entities are primarily the result of International Boundary and Water Commission (IBWC) receivables for Mexico's share of costs for IBWC activities, Repatriation Loans, travel advances and for sales of overseas real property. Accounts receivable from non-Federal entities are subject to the full debt collection cycle and mechanisms, e.g., salary offset, referral to collection agents and Treasury offset.

Allowances for Accounts Receivable are based on criteria established for each type of receivable. Allowances for Accounts Receivable primarily consist of amounts for the Foreign Service Retirement and Disability Fund (FSRDF) and WCF. The allowance amount for FSRDF is computed based on amounts owed for annuity overpayments that are for inactive accounts that are greater than 120 days overdue. The allowance amount for WCF is based on overdue employee receivables.

Interest Receivable

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

Loans Receivable

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

Advances and Prepayments

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

Valuation of Investments

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

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

Works of Art and High Value Furnishings

The Department has collections of art objects and furnishings that are held for public exhibition, education, and official entertainment of visiting Chiefs of State, Heads of Government, Foreign Ministers, as well as other distinguished foreign and American guests. There are four separate collections: the Diplomatic Reception Rooms, the Art Bank, Art in Embassies, and Curatorial Services Program. The collections consist of items acquired as donations, purchased using donated or appropriated funds, or on loan from

"Symphony" by Frank Stella, lithograph. Collection of Art in Embassies Program.

"Westport, Massachusetts" by Gretchen Dow Simpson, silkscreen. Collection of Art Bank Program.

individuals, organizations, or museums. The Department provides protection and preservation services for these collections.

The items which are owned by the Department are considered to be heritage assets (see "Required Supplementary Stewardship Information – Heritage Assets"). In accordance with SFFAS No. 6, no value is assigned to these assets in the Consolidated Balance Sheets. 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 the Working Capital Fund's (WCF) Publishing Services, and Supply Services Center and Stock Account. The WCF inventory primarily consists of paper and ink used in the printing and reproduction services (Publishing Services), and furniture held for sale to bureaus within the Department (Supply Services Center and Stock Account).

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

Property and Equipment - Real Property

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

Architect's drawing of American Embassy in Berlin, Germany.

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

American Embassy in Santiago, Chile.

Prior to 1997, historical cost information for most of the Department's overseas properties was either unavailable or incomplete. Therefore, the Department estimated a value for overseas real property assets as of September 30, 1996. Assets valued through the estimation technique comprise most of the reported values of real property assets as of September 30, 1999 and 1998.

The Department also owns several domestic real properties, including the National Foreign Affairs Training Center (Arlington, VA), the International Center (Washington, DC), the Charleston (SC) Financial Services Center, the Beltsville (MD) Information Management Center, the Florida Regional Center (Ft. Lauderdale), and the Portsmouth (NH) Consular Center. Except for the International Center, these properties have been recorded at their estimated historical cost, based on available information maintained by the Department's Office of Real Property Management. The value for the International Center is reconstructed 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, some items are capitalized using different amounts. All vehicles are capitalized. In addition, commercial off-the-shelf ADP software costing over $100,000, and ADP software developed internally costing over $250,000 is capitalized. Depreciation of property and equipment is calculated on a straight-line basis over the asset's estimated life with a 5% salvage value. Depreciation is not recorded until the fiscal year after the item is put into service for all property except vehicles. Vehicles are depreciated over periods ranging from 3 to 6 years and depreciation begins the day after the vehicle is put into service. Other personal property and equipment is depreciated over periods generally ranging from 5 to 8 years. Telecommunication equipment is depreciated over 20 years.

Capital Leases

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

Accounts Payable and Other Liabilities

Accounts payable and other liabilities represent amounts accrued for employees' salaries, employee and annuitant benefits, contracts for goods and services received but unpaid at the end of the year, and unearned revenue from the sale of real property.

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. Funding for annual leave earned but not taken, will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

Employee Benefit Plans

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

Employees covered under CSRS make contributions of 7.25% (7% prior to January 1, 1999) of pay, with the Department making contributions of 8.51%. Employees covered under CSRS also contribute 1.45% of pay to Medicare insurance for which the Department makes a matching contribution. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were allowed to join FERS or remain in CSRS. Employees participating in FERS contribute 1.05 % (0.8% prior to January 1, 1999) of pay with the Department making contributions of 10.7% for FY 1999 and 1998, respectively. In addition, FERS employees contribute 6.2% to Social Security and 1.45% to Medicare insurance. The Department makes matching contributions to both. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the Department automatically contributes 1% of pay and matches employee contributions up to an additional 4% of pay.

Foreign Service employees hired prior to January 1, 1984, participate in the FSRDS, with certain exceptions. FSPS was established pursuant to Section 415 of Public Law 99-335, which became effective June 6, 1986. Foreign Service employees hired after December 31, 1983, participate in FSPS, with certain exceptions. FSRDS employees contribute 7.25% (7% prior to January 1, 1999) of pay for which the Department makes a contribution of 8.51%. FSPS employees contribute 1.55% (1.3% prior to January 1, 1999) of pay for which the Department makes a contribution of 20.34%. Both FSRDS and FSPS employees contribute 1.45% of pay to Medicare, with the Department making matching contributions. Similar to FERS, a primary feature of FSPS is that it offers a Thrift Savings Plan (TSP) into which the Department automatically contributes 1% of pay and matches employee contributions up to an additional 4% of pay.

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

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

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

Other Post Employment Benefits. The Department does not report CSRS, FERS, FEHBP or FEGLIP assets, accumulated plan benefits or unfunded liabilities applicable to its employees. This information is reported by the OPM. As required by SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the Department reports the full cost of employee benefits for the programs administered by OPM. The Department recognizes an expense and imputed financing source for the annualized unfunded portion of CSRDF pensions, post-retirement health benefits and life insurance for employees covered by these programs. The Department recognized $47.5 million and $43.5 million in 1999 and 1998, 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 Sheets as a liability, but instead are reported as an Imputed Financing Source on the Statements 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 1998 was computed using a discount rate of 5.6% for all years. For 1999, the present value of the liability was computed using a discount rate of 5.5% for the first and second years, 5.55% for the third year, and 5.6% for years thereafter. In 1999, the Department's liability increased by $14.1 million. The total actuarial liability for which the Department is responsible totaled $60.9 million as of September 30, 1999, and $46.8 million as of September 30, 1998.

Liabilities Not Covered by Budgetary Resources

These liabilities result from the receipt of goods and services in the current or prior periods, or occurrence of eligible events in the current or prior periods, for which revenues or other source of funds to pay the liabilities have not been made available through appropriations or current earnings of the Department. The major liabilities in this category include assessments from international organizations, unfunded actuarial liability for FSRDF, future workers' compensation benefits, capital leases and accrued annual leave (see additional explanation in Notes 1, 10, 11, 12 and 13).

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. The Pension Actuarial Liability represents those future periodic payments provided for current employee and retired Plan participants, less the future employee and employing Federal agency contributions, stated in current dollars. Future periodic payments 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.

The Pension Actuarial Liability is determined by an actuary from the Department of the Treasury. It is the amount that results from applying actuarial assumptions to adjust the projected Plan benefits to reflect the discounted time value of money and the probability of payment (by means of decrements such as death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. For 1999 and 1998, the valuation included assumed average rates of return on investments of 7%, inflation of 4% and salary increases of 4.25%. The Plan uses the aggregate entry age normal actuarial cost method. The aggregate entry age normal is a method whereby the present value of projected benefits for each employee is allocated on a level basis (such as a constant percentage of salary) over the service of the employee between entry age and assumed exit age. The portion of the present value allocated to each year is referred to as the normal cost. The normal cost for 1999 and 1998 was 28.31% for FSRDS and 21.64% for FSPS.

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

Net Position

The Department's net position comprises the following components.

1. Unexpended Appropriations include the amount of unobligated appropriations and undelivered orders outstanding for Congressional appropriations. As these accounts incur obligations for goods or services, the available balance of the appropriation is reduced. Unobli-

gated appropriations are the amount of original appropriations or other authority remaining after deducting cumulative obligations. Undelivered orders represent the amount of obligations incurred for goods or services ordered, but not yet received.

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 appropriations, (3) donations, and (4) unfunded liabilities, whose liquidation may require future Congressional appropriations or other budgetary resources.

Foreign Currency

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

2. ASSETS

The Department's assets are classified as entity assets and non-entity assets. Entity assets are those assets that the Department has authority to use in its operations. Non-entity assets are those held by the Department but which are not available for use, e.g., to spend, in its operations. As detailed below, the vast majority of the Department's assets are entity assets. The non-entity assets consist of lease fees collected for the International Chancery Center and amounts in the Bosnia Federation Defense Fund. Both of these items are included in amounts reported as Cash and Other Monetary Assets (see Note 7, "Cash and Other Monetary Assets" for further information). The amounts of assets classified as entity and non-entity assets at September 30, 1999 and 1998, are summarized below (Dollars in Thousands).

	1999			1998		
	Entity	Non-Entity	Total	Entity	Non-Entity	Total
Intragovernmental Assets:						
Fund Balances With Treasury	$ 5,364,117	$ -	$ 5,364,117	$ 2,954,523	$ -	$ 2,954,523
Investments, Net	10,130,928	-	10,130,928	9,553,109	-	9,553,109
Accounts Receivable, Net	257,180	-	257,180	256,893	-	256,893
Interest Receivable	178,580	-	178,580	175,244	-	175,244
Other Assets	-	-	-	111	-	111
Total Intragovernmental Assets	$ 15,930,805	$ -	$15,930,805	$12,939,880	$ -	$ 12,939,880
Accounts Receivable, Net	23,719	-	23,719	28,564	-	28,564
Loans Receivable	814	-	814	753	-	753
Cash and Other Monetary Assets	1,459	22,559	24,018	170	59,136	59,306
Inventory, Net	568	-	568	907	-	907
Property and Equipment, Net	4,624,322	-	4,624,322	4,434,797	-	4,434,797
Other Assets	76,519	-	76,519	89,669	-	89,669
Total Assets	$20,658,206	$ 22,559	$20,680,765	$17,494,740	$ 59,136	$17,553,876

3. FUND BALANCES WITH TREASURY

Fund Balances with Treasury at September 30, 1999 and 1998, are summarized below (Dollars in Thousands).

	1999			1998		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Appropriated Funds	$5,071,857	$ -	$5,071,857	$2,769,517	$ -	$2,769,517
Trust Funds	97,725	-	97,725	92,770	-	92,770
Revolving Funds	89,207	-	89,207	54,271	-	54,271
Other Funds	105,328	-	105,328	37,965	-	37,965
Total	$5,364,117	$ -	$5,364,117	$2,954,523	$ -	$2,954,523

4. INVESTMENTS

The Department has two activities that have the authority to invest excess cash resources. A description of the investments made and a listing of the outstanding investments follow. Although funds in the Chancery Development Trust Fund 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 7.

Foreign Service Retirement and Disability Fund (FSRDF)

FSRDF receipts are invested by the Treasury in special, non-marketable U.S. Government securities. These special issue Certificates of Indebtedness mature on the following June 30. On June 30, the Treasury rolls over the Certificates of Indebtedness into special, non-marketable bonds issued by the Department of the Treasury, with maturities spread over 15 years and a yield equaling the average of all marketable Treasury securities. All securities are purchased and redeemed at par, regardless of market conditions. Interest is paid semiannually on December 31 and June 30. Maturity dates on these securities range from 2000 through 2014, and interest rates range from 5.875 % through 10.375 %.

Gift Funds

The Gift Funds invest in U.S. Government non-marketable, market-based securities, issued at either a premium or a discount and redeemable for par at maturity. The discounts on these investments are amortized over the life of the security using the effective interest method.

Investments at September 30, 1999 and 1998, 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, 1999:					
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	$ 143,885	N/A	$ -	$ 143,885	$ 143,885
FSRDF Special Bonds	9,987,043	N/A	-	9,987,043	9,987,043
Total Investments	$10,130,928		$ -	$ 10,130,928	$ 10,130,928
At September 30, 1998:					
Non-Marketable, Par Value:					
FSRDF Certificates of Indebtedness	$ 59,948	N/A	$ -	$ 59,948	$ 59,948
FSRDF Special Bonds	9,490,201	N/A	-	9,490,201	9,490,201
Subtotal	$ 9,550,149		$ -	$ 9,550,149	$ 9,550,149
Non-Marketable, Market Based:					
Conditional Gift Fund, Bills	$ 2,950	Interest	$ (54)	$ 2,896	$ 2,902
Unconditional Gift Fund, Bills	65	Interest	(1)	64	65
Subtotal	$ 3,015		$ (55)	$ 2,960	$ 2,967
Total Investments	$ 9,553,164		$ (55)	$ 9,553,109	$ 9,553,116

5. ACCOUNTS RECEIVABLE

The Department's Accounts Receivable at September 30, 1999 and 1998, are summarized below (Dollars in Thousands).

	Entity Accounts Receivable	Non-Entity Accounts Receivable	Allowance for Loss on Accounts Receivable	Net Receivables
At September 30, 1999:				
Intragovernmental	$ 257,180	$ -	$ -	$ 257,180
Governmental	24,141	-	(422)	23,719
Total	$ 281,321	$ -	$ (422)	$ 280,899
At September 30, 1998:				
Intragovernmental	$ 256,893	$ -	$ -	$ 256,893
Governmental	28,876	-	(312)	28,564
Total	$ 285,769	$ -	$ (312)	$ 285,457

6. DIRECT LOANS, NON-FEDERAL BORROWERS

Repatriation Direct Loan Program

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

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

Repatriation Loans Obligated Prior to 1992 (Dollars in Thousands)

September 30,	1999	1998
Loans Receivable, Gross	$ 1,235	$ 1,233
Allowance for Uncollectible Loans	(1,233)	(1,219)
Loans Receivable, Net	$ 2	$ 14

Repatriation Loans Obligated after 1991 (Dollars in Thousands)

September 30,	1999			1998		
Fiscal Year	Loans Receivable, Gross	Allowance For Subsidy Cost	Net Present Value of Assets Related to Direct Loans	Loans Receivable, Gross	Allowance For Subsidy Cost	Net Present Value of Assets Related to Direct Loans
1992	$ 129	$ 78	$ 51	$ 173	$ 100	$ 73
1993	75	45	30	100	58	42
1994	56	34	22	75	43	32
1995	146	88	58	195	113	82
1996	331	198	133	443	257	186
1997	346	207	139	462	268	194
1998	742	445	297	837	707	130
1999	437	355	82			
Total	$ 2,262	$1,450	$ 812	$ 2,285	$ 1,546	$ 739

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

Subsidy Expense for Post-1991 Repatriation Loans

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

Fiscal Year	Interest Differential	Defaults	Fees	Other	Total
1999	$ -	$ 407	$ -	$ -	$ 407
1998	$ -	$ 740	$ -	$ -	$ 740

Subsidy and Administrative Expenses

Total administrative expense was approximately $607,000 annually in 1999 and 1998.

Accounts Payable to Treasury

The Department estimates a subsidy rate based upon collections of 20%. Over the past several years, however, the actual collection rate has been closer to 40%. As a result, the subsidy allowance, established at 80%, understated the net credit programs receivable. A re-estimate of the subsidy rate will correct this by reducing the amount of subsidy allowance. The Department, however, has not yet re-estimated the subsidy. For financial reporting purposes, the Department reduced the subsidy allowance by $3.2 million in 1998 and established that amount as a payable to Treasury.

Accounts Payable in 1999 and 1998 is also comprised of a $0.5 million payable to Treasury from collections of Pre-Credit Reform loans.

Borrowings from Treasury *(Dollars in Thousands)*

Beginning Balance, September 30, 1997	$ 64
Borrowings, Net of Repayments	185
Ending Balance, September 30, 1998	$ 249
Borrowings, Net of Repayments	(1)
Ending Balance, September 30, 1999	$ 248

7. CASH AND OTHER MONETARY ASSETS

The Cash and Other Monetary Assets at September 30, 1999 and 1998, are summarized below (Dollars in Thousands).

	1999			1998		
	Entity Assets	Non-Entity Assets	Total	Entity Assets	Non-Entity Assets	Total
Bosnia Federation Defense Fund	$ -	$ 13,135	$13,135	$ -	$ 49,015	$ 49,015
International Chancery Center:						
Cash	-	2	2	-	1	1
Treasury Bills, at par	-	9,877	9,877	-	10,298	10,298
Unamortized Discount	-	(455)	(455)	-	(178)	(178)
Cash – Imprest and Other Funds	1,459	-	1,459	170	-	170
Total	$1,459	$ 22,559	$24,018	$ 170	$ 59,136	$ 59,306

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

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

8. INVENTORY, NET

Inventory held for sale at September 30, 1999 and 1998, is summarized below (Dollars in Thousands).

	1999	1998
Inventory Held for Current Sale:		
Publishing Services	$ 231	$ 166
Other Services	337	741
Total	$ 568	$ 907

9. PROPERTY AND EQUIPMENT, NET

Property and equipment balances at September 30, 1999 and 1998, are shown in the following table (Dollars in Thousands).

	1999			1998
	Cost	Accumulated Depreciation	Net Value	Net Value
Real Property:				
Overseas -				
Land	$ 1,840,658	$ -	$ 1,840,658	$ 1,823,571
Buildings and Structures	3,241,606	1,723,382	1,518,224	1,546,380
Construction-in-Progress	523,929	-	523,929	327,083
Assets Under Capital Lease	111,717	49,177	62,540	76,843
Leasehold Improvements	26,012	5,453	20,559	19,586
Domestic -				
Structures, Facilities and Leaseholds	363,515	121,685	241,830	250,681
Construction-in-Progress	180,539	-	180,539	202,940
Land	70,184	-	70,184	69,708
Land Improvements	9,378	2,898	6,480	6,793
Subtotal – Real Property	$ 6,367,538	$1,902,595	$ 4,464,943	$ 4,323,585
Personal Property:				
Communication Equipment	$ 86,208	$ 50,378	$ 35,830	$ 45,450
Vehicles	120,037	71,297	48,740	39,069
ADP Equipment	39,569	30,277	9,292	12,031
Reproduction Equipment	7,628	3,827	3,801	2,728
Other Equipment	91,051	29,335	61,716	11,934
Subtotal – Personal Property	$ 344,493	$ 185,114	$ 159,379	$ 111,212
Total	$ 6,712,031	$2,087,709	$ 4,624,322	$ 4,434,797

10. LEASES

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

Personnel from other U.S. Government agencies occupy some of the buildings under lease (both residential and non-residential). These agencies reimburse the Department for the use of the properties. Reimbursements are received for over 25% 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 for accounting purposes.

Following is a summary of Net Assets Under Capital Leases and future minimum lease payments as of September 30, 1999 and 1998 (Dollars in Thousands).

	1999	1998
Land and Buildings	$ 111,717	$ 129,312
Accumulated Depreciation	(49,177)	(52,469)
Net Assets under Capital Leases	$ 62,540	$ 76,843

Future minimum capital lease payments follows (Dollars in Thousands).

	1999		1998	
	Fiscal Year	Lease Payments	Fiscal Year	Lease Payments
	2000	$ 8,776	1999	$ 9,791
	2001	8,619	2000	9,307
	2002	6,482	2001	9,149
	2003	6,412	2002	7,250
	2004	5,372	2003	7,180
	2005 and thereafter	130,967	2004 and thereafter	161,954
Total Minimum Lease Payments		$166,628		$ 204,631
Less: Amount Representing Interest		(88,497)		(127,788)
Obligations under Capital Leases		$ 78,131		$ 76,843

Operating Leases

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

Due in Fiscal Year	Estimated Operating Lease Payments
2000	$136,233
2001	136,391
2002	138,528
2003	138,598
2004	138,638

11. FOREIGN SERVICE RETIREMENT ACTUARIAL LIABILITY

The Foreign Service Retirement and Disability Fund finances the operations of the FSRDS and the FSPS. The FSRDS and FSPS are defined-benefit single-employer plans. FSRDS was originally established in 1924. FSPS was established in 1986. FSRDS and FSPS are excluded from major provisions of Public Law 93-406, The Employee Retirement Income Security Act of 1974 (ERISA), relating to reporting, disclosure, fiduciary, and vesting standards. However, the status of FSRDS and FSPS is reported annually under provisions of Public Law 95-595, which requires Federal pension plans to report under ERISA standards in such form as prescribed by the President, in consultation with the Comptroller General. The actuarial present value of projected plan benefits shown is consistent with amounts reported in the Public Law 95-595 report.

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

The following table presents the calculation of the combined FSRDS and FSPS Pension Actuarial Liability and the assumptions used in computing it for 1999 and 1998 (Dollars in Millions).

For the Period Ended September 30,	1999	1998
Pension Acturarial Liability, Beginning of Year	$ 10,736.7	$ 10,488.2
Add Pension Expense:		
Normal Cost	173.1	166.3
Interest on Pension Liability	738.7	721.8
Prior Service Costs	-	-
Actuarial (Gains)/Losses	62.1	(119.8)
Total Pension Expense	973.9	768.3
Less Payments to Beneficiaries		
(annuities and refunds)	(539.7)	(519.8)
Pension Actuarial Liability, End of Year	$ 11,170.9	$ 10,736.7
Less: Net Assets Available for Benefits	(10,268.6)	(9,689.4)
Actuarial Unfunded Pension Liability		
for Projected Plan Benefits	$ 902.3	$ 1,047.3
Actuarial Assumptions:		
Rate of Return on Investments	7.00%	7.00%
Rate of Inflation	4.00%	4.00%
Pay Increase	4.25%	4.25%

12. LIABILITIES

The Department's liabilities are classified as covered by budgetary resources or not covered by budgetary resources. Other Liabilities primarily consists of accrued salaries and employee benefits. It also includes other items such as deposits for the sale of real property, advances received from other entities for work to be performed by the Department, funds awaiting distribution, and funds received for which the Department is acting as a fiscal agent or custodian.

Liabilities by category of covered or not covered by budgetary resources at September 30, 1999 and 1998, are summarized below (Dollars in Thousands).

	1999			1998		
Liabilities	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Total	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Total
Accounts Payable	$ 450,588	$ -	$ 450,588	$ 267,818	$ 16,400	$ 284,218
Foreign Service Retirement Actuarial Liability (Note 11)	10,268,552	902,348	11,170,900	9,689,364	1,047,336	10,736,700
Liability to International Organizations (Note 13)	-	1,707,255	1,707,255	-	1,735,446	1,735,446
Capital Lease Liability (Note 10)	-	78,131	78,131	-	76,843	76,843
Funds Held in Trust (Note 7)	-	22,559	22,559	-	59,136	59,136
Federal Employee's Compensation Act Benefits	-	60,874	60,874	-	46,881	46,881
Other Liabilities	38,849	235,269	274,118	129,341	133,439	262,780
Total	$ 10,757,989	$ 3,006,436	$13,764,425	$ 10,086,523	$ 3,115,481	$13,202,004

13. LIABILITIES TO INTERNATIONAL ORGANIZATIONS

The Department has recognized as an unfunded liability the amount of accumulated arrears assessed by the United Nations, its affiliated agencies and other international organizations in the amount of $1,022.7 million for regular budget assessments and international peacekeeping. This unfunded liability matures into obligations as that term is used in domestic law only when Congress appropriates the funds. In 1999 and 1998, $575 million was appropriated to pay some of the arrears, subject to enactment of applicable authorizing legislation. The Department has also received an additional appropriation of $244 million in 2000 to pay the arrears. The financial statements also report a liability for the current annual assessments from the United Nations and several other international organizations of $684.6 million at September 30, 1999. It has been the Department's policy to pay the annual assessments for these organizations out of the following fiscal year's appropriation (i.e., the 1999 calendar year assessment is paid from the 2000 appropriation). The Liability to International Organizations at September 30, 1999 and 1998, is summarized below (Dollars in Thousands).

	1999	1998
Accumulated Arrears	$1,022,651	$1,020,833
Unfunded Annual Assessments	684,604	714,613
Liability to International Organizations	$1,707,255	$1,735,446

14. UNEXPENDED APPROPRIATIONS

Unexpended Appropriations include the amount of unobligated appropriations and undelivered orders outstanding for Congressional appropriations provided to the Department. As these accounts incur obligations, the available balance of the appropriation is reduced. Unobligated balances are the amount of appropriations or other authority remaining after deducting cumulative obligations, or undelivered orders. The unobligated balance is classified as unavailable for all expired accounts. Undelivered orders represent the amount of obligations incurred for goods or services ordered but not yet received. Unexpended Appropriations at September 30, 1999 and 1998, are summarized below (Dollars in Thousands).

	1999	1998
Unexpended Appropriations:		
(1) Unobligated		
(a) Available	$ 1,116,966	$ 311,688
(b) Unavailable	1,051,574	319,003
(2) Undelivered Orders	2,282,662	1,768,871
Total	$ 4,451,202	$ 2,399,562

15. COMMITMENTS AND CONTINGENCIES

Commitments

In addition to the future lease commitments discussed in Note 10, the Department is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders) at fiscal year-end.

Contingencies

The Department conducts Counter-Terrorism, Counternarcotics, and War Criminals rewards programs. The Counter-Terrorism Rewards Program offers rewards up to $5 million for information preventing acts of international terrorism against United States persons or property, or leading to the arrest or conviction of terrorist criminals responsible for such acts. The Counternarcotics Rewards Program offers rewards up to $2 million dollars. The War Criminals Rewards Program offers rewards up to $5 million for information leading to the arrest and/or conviction of war criminals from the former Yugoslavia.

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

- *Claims Filed in Response to Embassy Bombings.* Since February 1999, one class action lawsuit and a number of administrative claims have been filed against the Department alleging that the Department's negligence was responsible for the personal injuries and property and business losses incurred in Nairobi, Kenya. The class action suit demanded $1 billion as well as attorney costs and fees. It was dismissed on November 18, 1999, but a smaller group of individuals have filed a new lawsuit. In addition, nearly 1,000 administrative claims have been filed by Kenyan nationals. As for the administrative claims filed, they request sums ranging from $10,000 to $1,500,000, and the total dollar amount of these claims approximates $120 million. The Department is vigorously contesting these claims. Any payments in connection with the lawsuit or the administrative claims would be funded from a special Judgment Fund appropriation maintained by the Treasury.

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

  - *Loewen Arbitration*. The first case against the United States was filed in October 1998 by a Canadian funeral services firm, The Loewen Group, Inc., and one of its shareholders. Claimants contend they were damaged as a result of alleged breaches by the U.S. Government of its obligations under NAFTA arising out of certain actions of the Mississippi courts. The total amount claimed has been as high as $725 million plus interest and costs, as well as "further damages as appropriate." A three-member arbitration panel has been selected, and a preliminary hearing has been held. Claimants submitted their memorials in October 1999, and the U.S. Government submitted its memorial objecting to jurisdiction in February 2000.

  - *Mondev Arbitration*. Mondev International Ltd., a Canadian corporation and real estate developer, alleges that its indirectly-owned U.S. subsidiary was denied national treatment in accordance with international law and suffered expropriation without compensation in connection with a decision against the subsidiary by the Supreme Judicial Court of Massachusetts (SJC). Mondev contends that the SJC violated the NAFTA by reversing a jury verdict in the subsidiary's favor against the City of Boston and the Boston Redevelopment Authority. Mondev alleges damages in the amount of $50 million. At an April 2000 organizational hearing the tribunal ordered briefing on whether to address the U.S. objections before the merits.

  - *Methanax Arbitration*. The Methanax Corporation, a Canadian producer and marketer of methanol, submitted a claim alleging that it and its U.S. subsidiaries were denied treatment in accordance with international law and suffered expropriation without compensation as a result of an executive order issued by the Governor of California pursuant to a California statute. The executive order required that a gasoline additive made from methanol and known as MTBE be phased out of use in gasoline by 2002. Methanax claims losses of $970 million. The arbitral tribunal has not yet been constituted.

  - *Potential ADF Group Arbitration*. In March 2000, ADF, a Canadian fabricator of structural steel, provided notice of its intent to submit a claim against the U.S. to arbitration under the provisions of the investment chapter of NAFTA. ADF alleges that the U.S. Federal Highway Administration (FHWA) imposed and conditioned the receipt of an advantage on an impermissible performance requirement by mandating that the Virginia Department of Transportation include a "Buy America" clause in a federally funded contract for the construction of a highway interchange. ADF contends that its U.S. subsidiary, a subcontractor in the project, was adversely affected by the clause. It further asserts that the FHWA's action denied the subsidiary national treatment and treatment in accordance with international law. ADF claims damages of $90 million. Under the NAFTA, ADF may not submit a claim to arbitration until the end of May 2000.

Certain legal matters to which the Department is a party are administered and, in some instances, litigated and paid by other Federal agencies. Generally, amounts to be paid under any decision, settlement, or award pertaining to these litigations are funded from the Judgment Fund. None of the amounts paid under the Judgment Fund on behalf of the Department in 1999 and 1998 had a material effect on the financial position or results of operations of the Department.

16. STATEMENTS OF NET COST

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

The Statements of Net Cost categorize costs and revenues by major program and responsibility segment. A responsibility segment is a component responsible for carrying out a mission or major line of activity, and whose managers report directly to top management. For the Department, a Bureau (e.g., Bureau of African Affairs) is considered a responsibility segment. For presentation purposes, Bureaus have been summarized and reported at the Under Secretary level (e.g., Under Secretary for Political Affairs). Information on the Bureaus (or equivalent) reporting to each Under Secretary can be found on the Organization Chart for the Department.

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

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

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

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

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

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

- **American Citizens and Border Security** – Protect American citizens abroad and safeguard the borders of the United States.
- **Law Enforcement** – Combat international terrorism, crime, and narcotics trafficking.

To the extent practicable, national interests are reported as programs. An exception is for the national interests of National Security, Economic Prosperity, Democracy, and 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 Statements of Net Cost. **Diplomatic Readiness** relates to the Department's responsibilities for managing infrastructure, information and human resources. The ability of the Department to advance national and foreign policy interests depends upon the quality of these items — the largest and most visible of which are programs for Diplomatic Security and Foreign Buildings Operations.

- *Executive Direction and Other Costs Not Assigned* relate to high level executive direction (e.g., Office of the Secretary, Office of the Legal Adviser), international commissions, general management and certain administrative support costs that cannot be directly traced or reasonably allocated to a particular program. For the years ended September 30, 1999 and 1998, these consist of costs and earned revenue for the following (Dollars in Thousands).

	1999			1998		
Program	Total Prior to Eliminations	Intra-Departmental Eliminations	Total	Total Prior to Eliminations	Intra-Departmental Eliminations	Total
Costs:						
FSRDF	$ 1,190,006	$ 332,803	$ 857,203	$ 984,819	$ 325,677	$ 659,142
ICASS	738,637	478,990	259,647	622,420	412,416	210,004
Executive Direction	911,554	315	911,239	580,847	4,278	576,569
International Commissions	70,862	-	70,862	59,984	-	59,984
Total Costs	$ 2,911,059	$ 812,108	$2,098,951	$ 2,248,070	$ 742,371	$ 1,505,699
Earned Revenue:						
FSRDF	$1,118,894	$ 309,189	$ 809,705	$ 1,093,936	$ 300,079	793,857
ICASS	729,702	478,990	250,712	655,139	408,741	246,398
Executive Direction	104,919	315	104,604	158,408	10,122	148,286
International Commissions	14,959	-	14,959	56,959	-	56,959
Total Earned Revenue	$ 1,968,474	$ 788,494	$1,179,980	$ 1,964,442	$ 718,942	$ 1,245,500
Total Net Cost for Executive Direction and Other Costs Not Assigned	$ 942,585	$ 23,614	$ 918,971	$ 283,628	$ 23,429	$ 260,199

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

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

Bureau (or equivalent)	1999	1998
Bureau of Diplomatic Security	$ 537,695	$ -
Office of Foreign Buildings Operations	530,896	-
Bureau of Administration	414,107	380,024
Bureau of Information Resource Management	216,734	214,821
Bureau of Human Resources	177,498	165,138
Bureau of Financial Management and Policy	73,074	104,327
Foreign Service Institute	66,631	61,077
Medical Services and Other	65,792	68,637
Total Central Support Costs	$ 2,082,427	$ 994,024
Less: Intra-Departmental eliminations	(234,801)	(106,724)
Total Central Support Costs Allocated	$ 1,847,626	$ 887,300

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. While the amounts allocated are included in the total costs for the program to which they were allocated, they remain under the Under Secretary for Management who has overall responsibility for carrying out the activities of these functions. The distribution of support costs to programs was as follows (Dollars in Thousands).

Program Receiving Allocation	1999	1998
Diplomatic Relations	$ 883,871	$ 338,945
Executive Direction and Other Costs not Assigned	480,511	193,398
American Citizens and Border Security	373,019	128,377
Diplomatic Readiness – Diplomatic Security	-	118,594
Diplomatic Readiness – Foreign Buildings Operations	-	46,737
International Organizations	62,069	37,022
Law Enforcement	34,793	15,967
Humanitarian Response	13,363	8,260
Total	$ 1,847,626	$ 887,300

- *Inter-Entity Costs*. The Department is an agency of the Federal government and in this capacity performs many services on behalf of other Federal agencies, especially overseas. Conversely, other Federal agencies make financial decisions and report certain financial matters on behalf of the Federal government as a whole, including matters to which the Department may be an interested party. To measure the full costs of activities, SFFAS No. 4 requires that total costs of programs include, if material, costs that are paid by other Federal entities. As provided for by SFFAS No. 4, OMB issued a Memorandum in April 1998, entitled "Technical Guidance on the Implementation of Managerial Cost Accounting Standards for the Government." In that Memorandum, OMB established that, for 1998 and 1999, reporting entities should recognize inter-entity costs for (1) employees' pension benefits, (2) health, life insurance, and other benefits for retired employees, (3) other post-retirement benefits for retired, terminated and inactive employees, which include severance payments, training and counseling, continued health care, and unemployment and workers' compensation under the Federal Employees' Compensation Act, and (4) payments made in litigation proceedings. Accordingly, the following inter-entity costs were recognized in the Statements of Net Cost for the years ended September 30, 1999 and 1998 (Dollars in Thousands).

Inter-Entity Cost	1999	1998
Other Post Employment Benefits:		
Civil Service Retirement System	$ 13,413	$ 13,212
Federal Employees Health Benefits Program	33,894	30,120
Federal Employees Group Life Insurance Program	161	136
Future Workers' Compensation Benefits	13,993	3,261
Litigation funded by Treasury Judgment Fund	9,121	391
Total	$ 70,582	$ 47,120

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

Earned Revenues

Earned revenues occur when the Department provides goods or services to the public or another Federal entity. Earned revenues are reported regardless of whether the Department is permitted to retain the revenues in whole or in part. Specifically, the Department collects but does not retain passport, visa, and certain other consular fees. Earned revenues for the years ended September 30, 1999 and 1998, consist of the following (Dollars in Thousands).

	1999			1998		
Source of Earned Revenue	Total Prior To Elimination	Intra-Departmental Eliminations	Total	Total Prior To Elimination	Intra-Departmental Eliminations	Total
FSRDF	$ 1,118,894	$ 309,189	$ 809,705	$ 1,093,832	$300,079	$ 793,753
Consular Fees:						
Passport, Visa and other Consular Fees	500,317	-	500,317	526,493	-	526,493
Machine Readable Visa	334,630	-	334,630	247,502	-	247,502
Expedited Passport	56,547	-	56,547	49,430	-	49,430
Fingerprint Processing and Diversity Lottery	4,783	-	4,783	6,838	-	6,838
ICASS	729,702	478,990	250,712	653,864	408,741	245,123
Reimbursable Agreements With Federal Agencies	663,322	276,423	386,899	528,883	151,950	376,933
Working Capital Fund	109,105	93,143	15,962	103,355	88,438	14,917
Gain on Sales of Property	15,266	-	15,266	98,177	-	98,177
Other	23,861	8,012	15,849	34,888	7,447	27,441
Total	$ 3,556,427	$ 1,165,757	$2,390,670	$ 3,343,262	$956,655	$ 2,386,607

Pricing Policies

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

The FSRDF finances the operations of the Foreign Service Retirement and Disability System (FSRDS) and the Foreign Service Pension System (FSPS). FSRDF receives revenues from employee/employer contributions, a U.S. Government contribution, and interest on investments. By law, FSRDS participants contribute 7.25% (7% prior to January 1, 1999) of basic pay and each employing agency contributes 8.51% of basic pay, and FSPS participants contribute 1.55% (1.3% prior to January 1, 1999) of basic pay and each employing agency contributes 20.34% of basic pay. Employing agencies report employee/employer contributions biweekly. Total employee/employer contributions for 1999 and 1998 were $145 million and $136 million, respectively. FSRDF also receives a U.S. Government contribution to finance (1) FSRDS benefits not funded by employee/employer contributions, (2) interest on the FSRDS unfunded liability, and (3) FSRDS disbursements attributable to military service. The U.S. Government contributions for 1999 and 1998 were $261 million and $258 million, respectively. FSRDF cash resources are invested in special non-marketable securities issued by the Treasury; total interest earned on investments in 1999 and 1998 was $713 million and $700 million, respectively.

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

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

The Department's costs and revenue are included in the *Financial Report of the United States Government – Fiscal 1999* (formerly, the *Consolidated Financial Statements of the United States Government*) published by the Department of the Treasury. *The Financial Report of the United States Government – Fiscal 1999* presents gross costs and earned revenue by BFC. Following are the Department's gross cost and earned revenue by BFC for the years ended September 30, 1999 and 1998 (Dollars in Thousands and reported net of intra-departmental eliminations).

Budget Functional Classification	1999 Gross Cost	1999 Earned Revenue	1999 Net Cost	1998 Gross Cost	1998 Earned Revenue	1998 Net Cost
International Affairs	$6,371,481	$1,566,046	$4,805,435	$ 5,480,897	$ 1,540,208	$ 3,940,689
Income Security	979,328	809,665	169,663	773,240	793,753	(20,513)
Natural Resources	61,145	14,959	46,186	45,514	52,646	(7,132)
Total	$7,411,954	$2,390,670	$5,021,284	$ 6,299,651	$ 2,386,607	$ 3,913,044

The gross cost and earned revenue in the *Financial Report of the United States Government – Fiscal 1999* are net of intragovernmental transactions. OMB Bulletin 97-01, as revised for the 1999 statements, requires the disclosure of intragovernmental gross cost and revenue. Following is the Department's intragovernmental gross cost and earned revenue by BFC for the year ended September 30, 1999 (Dollars in thousands).

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
International Affairs	$ 463,975	$ 643,314	$ (179,339)
Income Security	-	782,623	(782,623)
Natural Resources	5,506	1,101	4,405
Total	$ 469,481	$ 1,427,038	$ (957,557)

17. PRIOR PERIOD ADJUSTMENTS

The prior period adjustment for 1999 is for the International Boundary and Water Commission and due to (1) a $13.7 million reversal of accounts payable established for amounts owed by Mexico as its share of the construction costs of the Nogales International Waste Treatment Plant and its share of the construction costs of the Tijuana Sanitation Plant payable to the U.S. Treasury as miscellaneous receipts, and (2) a $25.7 million adjustment for amounts previously reported as construction-in-progress that should have been expensed.

The prior period adjustments for 1998 are primarily due to (1) the implementation of SFFAS No. 6 and SFFAS No. 8 provisions concerning heritage assets, and (2) an adjustment related to a real property sale. In accordance with the SFFASs, properties previously identified as capitalized assets were reclassified as heritage assets and are no longer reported as assets on the balance sheet. This reclassification resulted in a prior period adjustment of $22.9 million. An adjustment was also made to correct the accounting for $30 million collected pertaining to a real property sales contract.

18. STATEMENTS OF BUDGETARY RESOURCES

The Combined Statements of Budgetary Resources report information on how budgetary resources were made available and their status as of September 30, 1999 and 1998. 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 1999 and 1998, the Department received approximately $9.2 billion and $6.3 billion, respectively, in budget authority. Of this amount, approximately $8.1 billion in 1999 and $5.2 billion in 1998 consisted of direct or related appropriations. The remaining portion consists of authority financed from trust funds (approximately $1.1 billion in both 1999 and 1998 – see Note 21). The Department also received permanent indefinite appropriations of $84 million annually for both 1999 and 1998. 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.

Amounts shown on the Combined Statements of Budgetary Resources differ from "1999 Actual" and "1998 Actual" amounts reported for the Department in the *FY 2001 Budget of the United States Government* and the *FY 2000 Budget of the United States Government*, respectively, as follows.

- Under the Foreign Affairs Reform and Restructuring Act of 1998 (Public Law 105-277), the Arms Control and Disarmament Agency (ACDA) and major portions of the United States Information Agency (USIA) were merged into the Department effective April 1, 1999, and October 1, 1999, respectively (see Note 22 – Agency Consolidation). While not officially part of the Department's accounts for 1998 and 1999, the *FY 2000 Budget of the United States Government* (for 1998 Actual) and the *FY 2001 Budget of the United States Government* (for 1999 Actual) present these accounts under the Department because they will be Department accounts for 2000 and beyond. Consequently, the *FY 2000 Budget of the United States Government* includes $830 million in Budget Authority in 1998 for the Department for ACDA and USIA accounts, and the *FY 2001 Budget of the United States Government* includes $712 million in 1999 for the Department for USIA accounts, that are not reported in the Combined Statements of Budgetary Resources.

- The Budget Authority reported on the Combined Statements of Budgetary Resources includes $258 million and $400 million the Department received for FY 1998 and 1999, respectively, to administer programs related to International Security Assistance. Amounts for these programs are not presented under the Department in the *Budget of the United States Government*. Instead, these amounts are reported under the section entitled International Assistance Programs.

- The Unobligated Balance – End of Year for 1999, reported on the Combined Statement of Budgetary Resources includes a $260 million adjustment (increase) pertaining to undelivered orders that is not reported in the *FY 2001 Budget of the United States Government*.

- The Unobligated Balances – Beginning of Year for 1998 reported on the Combined Statement of Budgetary Resources, includes a $30 million prior period adjustment (decrease) discussed in Note 17 that is not reported in the *FY 2000 Budget of the United States Government.*

- The Obligated Balance, Net – End of Year for 1999, reported on the Combined Statement of Budgetary Resources, includes a $260 million adjustment (decrease) pertaining to undelivered orders that is not reported in the *FY 2001 Budget of the United States Government.*

- The Obligated Balance, Net – End of Year for 1998 and Obligated Balance, Net – Beginning of Year for 1999, reported on the Combined Statements of Budgetary Resources, includes a $142.7 million adjustment (decrease) pertaining to undelivered orders that is not reported in the *FY 2000* or *FY 2001 Budget of the United States Government*, respectively.

- The Unobligated Balance for 1998, and the Unobligated Balances – Beginning of Year for 1999, reported on the Combined Statement of Budgetary Resources includes a $112.7 million adjustment (increase) as a result of the undelivered orders ($142.7 million) and prior period ($30 million) adjustments that are not reported in the *FY 2000* or *FY 2001 Budget of the United States Government,* respectively.

The amount of budgetary resources obligated for undelivered orders for all activities was approximately $2.7 billion and $2.0 billion as of September 30, 1999 and 1998, respectively. This includes amounts for revolving and trust funds of $374 million for 1999 and $261 million for FY 1998.

19. STATEMENTS OF FINANCING

Accrual-based measures used in the Statements of Net Cost differ from the obligation-based measures used in the Statements of Budgetary Resources. The Statements of Financing for the years ended September 30, 1999 and 1998, presented below provide information to reconcile these different measures (Dollars in Thousands).

Statements of Financing

	1999	1998
Obligations and Nonbudgetary Resources:		
Obligations Incurred	$ 9,187,574	$ 7,400,865
Less: Spending Authority from Offsetting Collections	(3,347,095)	(3,122,206)
Less: Exchange Revenue not in Budget	(500,317)	(526,493)
Financing Imputed from Cost Subsidies	56,589	43,859
Transfers-In (Net)	14,245	3,616
Donations Not in the Budget	1,829	1,653
Other	2,784	737
Total Obligations as Adjusted and Nonbudgetary Resources	$ 5,415,609	$ 3,802,031
Resources that Do Not Fund Net Cost of Operations:		
Change in Amount of Goods/Services Ordered but Not Yet Received (Net Increase)	$ (627,429)	$ (132,553)
(Increase) in Unfilled Customer Orders	25,416	(2,388)
Costs Capitalized on the Balance Sheet (Increases)	(442,882)	(332,210)
Less: Financing Sources that Fund Costs of Prior Periods	(1,265,273)	(1,203,957)
Total Resources that Do Not Fund Net Costs of Operations	$ (2,310,168)	$ (1,671,108)
Costs that Do Not Require Resources:		
Depreciation and Amortization	$ 210,810	$ 205,463
Loss on Disposition of Assets	19,664	68,530
Other, Net	(2,558)	29
Total Costs that Do Not Require Resources	$ 227,916	$ 274,022
Financing Sources Yet to be Provided	$ 1,687,927	$ 1,508,099
Total Net Costs of Operations	$ 5,021,284	$ 3,913,044

20. CUSTODIAL ACTIVITY

The Department administers certain activities associated with the collection of nonexchange revenues that are deposited and recorded directly to the General Fund of the Treasury. The Department does not retain the amounts collected. Accordingly, these amounts are not considered, nor reported as, financial or budgetary resources for the Department. At the end of each fiscal year, the accounts are closed and the balances brought to zero by Treasury. Specifically, the Department collects interest, penalties and handling fees on accounts receivable, fines for Munitions Control violations, international contributions for ice patrol activities, and other miscellaneous receipts. In 1999 and 1998, the Department collected $2.5 million and $5.6 million, respectively, in custodial revenues that were transferred to the Treasury.

21. DEDICATED COLLECTIONS

The Department administers four Trust Funds that receive dedicated collections. A brief description of each Fund and its purpose follows.

Foreign Service Retirement and Disability Fund

The Foreign Service Retirement and Disability Fund (FSRDF) was established in 1924 to provide pensions to retired and disabled members of the Foreign Service. FSRDF's revenues consist of contributions from active participants and their U.S. Government agency employers, appropriations, and interest on investments. Monthly annuity payments are made to eligible retired employees or their survivors. Separated employees without title to an annuity may take a refund of their contributions. P.L. 96-465 limits the amount of administrative expense that can be charged to the fund to $5,000. The total costs for administering FSRDF were $2.8 million in 1999 and $2.6 million in 1998. Cash is invested in U.S. Treasury securities until needed for disbursement.

Conditional and Unconditional Gift Funds

The Department maintains two Trust Funds for the receipt and disbursement of donations. The Department has the authority to accept gifts from private organizations and individuals in the form of cash, gifts-in-kind and securities. Gifts are classified as Restricted or Unrestricted Gifts. Conditional or Restricted Gifts are those for which the donor requires that the gift be used only in a specified manner. Unconditional or Unrestricted Gifts can be used for any expense normally covered by an appropriation, such as representational purposes and embassy refurbishment. Cash is invested in U.S. Treasury securities until needed for disbursement.

Foreign Service National Separation Liability Trust Fund (FSNSLTF)

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

Financial data of the Trust Funds as of and for the years ending September 30, 1999 and 1998, are summarized below (Dollars in Thousands).

	FSRDF		Gift Funds		FSNSLTF	
	1999	1998	1999	1998	1999	1998
Fund Balances with Treasury	$ 90	$ 2	$16,056	$12,643	$81,486	$80,124
Investments	10,130,928	9,550,149	-	2,960	-	-
Other Assets	182,395	182,766	159	43	925	-
Payable to Beneficiaries	36,337	35,378	n/a	n/a	1,661	1,873
Actuarial Liability	11,170,900	10,736,700	n/a	n/a	n/a	n/a
Other Liabilities	-	8,175	4,453	3,384	-	-
Net Position (Deficit)	(902,348)	(1,047,336)	11,762	12,262	80,750	78,251
Exchange Revenue:						
Intragovernmental	1,092,077	1,067,273	-	-	8,012	7,447
Governmental	26,817	26,559	-	-	-	-
Non Exchange Revenue:						
Intragovernmental	-	-	134	518	-	-
Governmental	-	-	-	-	-	-
Other Financing Sources	-	-	1,829	1,653	-	-
Program Expenses	539,706	519,760	2,519	1,119	5,514	4,981
Actuarial Expenses	973,900	248,500	n/a	n/a	n/a	n/a
Other Expenses	-	-	-	16	-	-
Prior Period Adjustments	-	8	-	(5,282)	-	(961)

22. AGENCY CONSOLIDATION

To strengthen the coordination of U.S. foreign policy and the leading role of the Secretary of State in the formulation and articulation of U.S. foreign policy, consolidate and reinvigorate the foreign affairs functions of the U.S. within the Department, and ensure that the U.S. maintains effective representation abroad within budgetary constraints, Congress enacted the Foreign Affairs Reform and Restructuring Act of 1998 (Public Law 105-277). Pursuant to the Foreign Affairs Reform and Restructuring Act of 1998 (the Act), the following occurred.

- The Arms Control and Disarmament Agency (ACDA) was abolished and its functions transferred to the Department on April 1, 1999.

- The United States Information Agency (USIA) was abolished and 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.

The Act requires that all assets, liabilities (including liabilities arising from suits 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. In addition, all personnel associated with the functions were transferred to the Department at the same grade or class and the same rate of basic pay or basic salary.

Arms Control and Disarmament Agency

ACDA performed arms control, nonproliferation, and disarmament activities, and participated in negotiations with other countries seeking international agreements to control, reduce, or eliminate arms. Upon consolidation, these activities are now part of the Diplomatic Relations Program within the Department. At April 1, 1999, the assets, liabilities and net position for ACDA were combined with the Department's and recorded at historical cost. The financial statements for 1999 are reported as though the combination occurred at the beginning of the year. The 1998 amounts have not been restated on a combined basis. Expenses relating to the costs incurred to carryout the transfer of functions are included as expenses in the 1999 Statement of Net Cost. The summarized assets, liabilities and net position of ACDA at April 1, 1999, were as follows (Dollars in Thousands).

Asset	$ 47,368
Liabilities	$ 5,998
Net Position:	
Unexpended Appropriations	$ 42,811
Cumulative Results of Operations	$ (1,441)

United States Information Agency

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

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

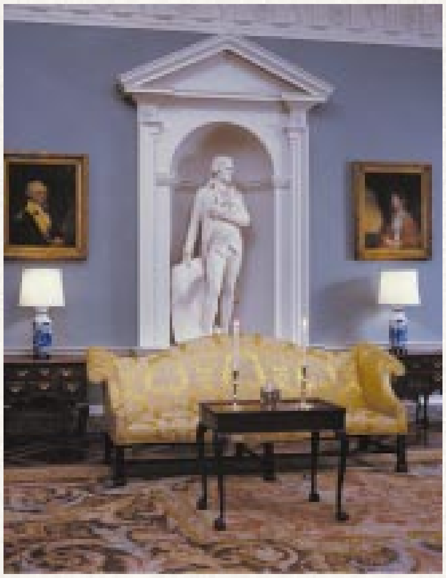
The Commerce/Justice/State appropriation for 1999 provided approximately $1.1 billion for USIA. Of this amount, approximately $706 million financed functions integrated into the Department on October 1, 1999, and $398 million financed functions transferred to the newly established BBG. Since the consolidation of USIA was not effective until the beginning of FY 2000, no amounts for the former USIA are included in these financial statements. The Department did incur costs during 1999 to carry out consolidation activities. These amounts are included as 1999 expenses in the Statements of Net Cost.

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

Department of State
Required Supplementary Stewardship Information
Heritage Assets
For the Fiscal Year Ended September 30, 1999

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

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

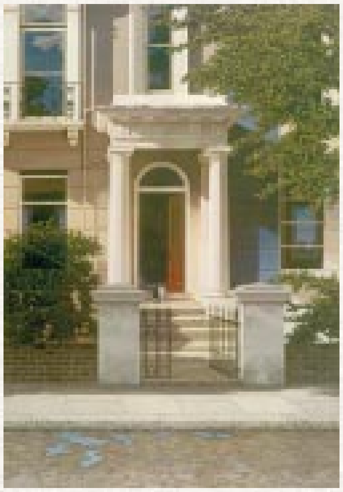


Thomas Jefferson State Reception Room

John Quincy Adams State Drawing Room

Benjamin Franklin
State Drawing Room

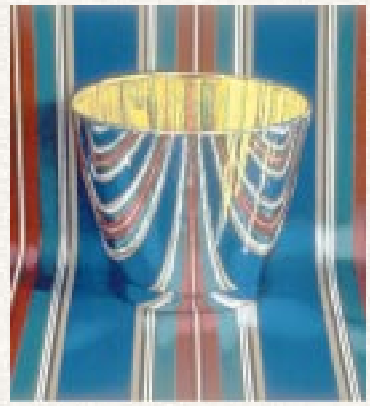
- **Art Bank Program** - The Art Bank Program was established in 1984 as a way to acquire artworks to display throughout the Department's offices and annexes. The artworks are displayed in staff offices, reception areas, conference rooms, the cafeteria, and related public areas. The collection consists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



"Facade" by Frederick Phillips, silkscreen.

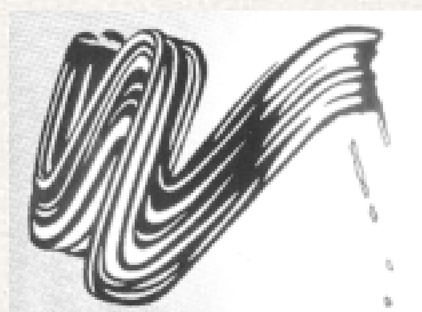
"Legendary Lovers" by Elsie Manville, silkscreen.

"Bassano Stripes" by Jeanette Pasin-Sloan, silkscreen.



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

"Downtwon New York City" by Reginald Marsh, watercolor.



"Brush Stroke" by Roy Lichtenstein, silkscreen.

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

	Diplomatic Reception Rooms Collection	Art Bank	Art in Embassies Program	Curatorial Services Program
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.
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.
Condition	Good to excellent	Good to excellent	Good to excellent	Good to excellent
Number of Items - 9/30/1998	3,416	-	2,345	957
Acquisitions	78	-	-	10
Adjustments	(116) *	1,844**	-	(29) *
Disposals	(16)	-	(1,497)	(8)
Number of Items - 9/30/1999	3,362	1,844	848	930

* Adjustments due to physical inventories and redefinitions of items.

** Art Bank was not included in last year's report. Balance is as of September 30, 1999. Acquisition and disposal data will be disclosed next year.

Department of State
Required Supplementary Information
Deferred Maintenance
For the Fiscal Year Ended September 30, 1999

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

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

From a budgetary perspective, funding for maintenance and repair has been insufficient over the years. As a result, the Department has identified current repair and maintenance requirements of $123.6 million for 683 buildings overseas that have not been funded. The 1999 total is slightly less than the $131.0 million reported in 1998. The repair and maintenance requirements were determined during periodic fire/safety/security inspections and global condition surveys.

In addition, total life-cycle cost method of determining deferred maintenance is used for generators and uninterrupted power supply equipment (UPS). Deferred maintenance on this facilities-related equipment is estimated at $8.8 million in 1999, compared to $6.6 million in 1998.

Department of State
Required Supplementary Information
Intragovernmental Amounts
For the Fiscal Year Ended September 30, 1999

Intragovernmental amounts represent transactions between Federal entities included in the *Financial Report of the United States Government – Fiscal Year 1999* (formerly the *Consolidated Financial Statements of the United States Government*) published by the Department of the Treasury.

The amounts of intragovernmental assets and liabilities classified by trading partner at September 30, 1999, are summarized below (Dollars in Thousands).

Trading Partner	Fund Balances With Treasury	Investments	Interest Receivable	Accounts Receivable, Net
Executive Office of the President	$ -	$ -	$ -	$ $1,774
Dept. of Agriculture	-	-	-	3,745
Dept. of Commerce	-	-	-	23,041
Dept. of Justice	-	-	-	19,340
Dept. of the Treasury	5,364,117	10,130,928	178,580	1,141
U.S. Information Agency	-	-	-	4,930
Agency for International Development	-	-	-	11,752
Dept. of Defense	-	-	-	83,616
Other Agencies	-	-	-	107,841
Total	$ 5,364,117	$ 10,130,928	$ 178,580	$ 257,180

Trading Partner	Accounts Payable	Other Liabilities
Dept. of Justice	$ 5,400	-
Dept. of Labor	-	$ 13,071
Dept. of the Treasury	2,891	3,147
General Services Administration	9,303	-
Environmental Protection Agency	-	4,252
Dept. of Energy	3,400	-
Dept. of Defense	37,956	-
Other Agencies	13,761	2,480
Total	$ 72,711	$ 22,950

Department of State
Required Supplementary Information
Working Capital Fund
For the Fiscal Years Ended September 30, 1999 and 1998

The Working Capital Fund (WCF) is a revolving fund, authorized by the Foreign Assistance Act of 1963 (P.L. 88-205), created to finance a continuing cycle of business-type operations for the Department. The WCF balance sheets at September 30, 1999 and 1998, are presented below (Dollars in Thousands).

	1999	1998
Assets:		
Fund Balance with Treasury	$ 86,446	$ 54,273
Accounts Receivable, Net	167,654	107,115
Plant, Property and Equipment, Net	32,674	32,474
Other Assets	2,934	2,451
Total Assets	$ 289,708	$ 196,313
Liabilities:		
Accounts Payable	$ 108,829	$ 40,475
Deferred Revenue	2,434	3,980
Other Liabilities	26,986	40,462
Total Liabilities	$ 138,249	$ 84,917
Cumulative Results of Operations	$ 151,459	$ 111,396

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

- **Information Management** - Provides centralized management for equipment, services and maintenance of unclassified voice/data telecommunications.

- **Operations** - Arranges ocean and airfreight shipment of personal property and official supplies from points within the U.S. to overseas posts, provides permanent storage of household belongs for employees assigned to overseas posts, printing services, procures all publications, periodicals, books and newspapers for the Department, assists overseas posts with procuring local supplies and materials, provides motor vehicle transportation services, and provides moving and delivery services.

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

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

The cost of providing services and the exchange revenue earned for 1999 and 1998 are presented below (Dollars in Thousands). These amounts do not include intradepartmental eliminations.

1999	Information Management	Operations	Office of Foreign Missions	ICASS
Costs	$ 30,129	$ 101,405	$ 8,085	$ 689,274
Exchange Revenue	(32,823)	(81,979)	(8,276)	(730,293)
Net Cost	$ (2,694)	$ 19,426	$ (191)	$ (41,019)

1998	Information Management	Operations	Office of Foreign Missions	ICASS
Costs	$ 57,919	$ 48,760	$ 6,842	$ 622,421
Exchange Revenue	(58,944)	(36,996)	(7,415)	(656,085)
Net Cost	$ (1,025)	$ 11,764	$ (573)	$ (33,664)

U.S. Department of State
Required Supplementary Information
Combining Schedule of Budgetary Resources
For the Year Ended September 30, 1999
(Dollars in Thousands)

	Administration of Foreign Affairs	International Organizations	International Commissions	Foreign Assistance	Other	Total
Budgetary Resources:						
Budget Authority	$ 5,485,795	$ 1,767,572	$ 45,742	$ 1,902,336	$ 10,342	$ 9,211,787
Unobligated Balance – Beginning of Year	752,183	17,744	9,918	146,476	8,402	934,723
Net Transfers Prior Year Balances	10,773	-	-	-	-	10,773
Spending Authority from Offsetting Collections	1,918,798	4,960	11,584	27,282	2,100	1,964,724
Adjustments	(340,624)	(467,636)	(122)	18,081	(35)	(790,336)
Total Budgetary Resources	$ 7,826,925	$ 1,322,640	$ 67,122	$ 2,094,175	$ 20,809	$11,331,671
Status of Budgetary Resources:						
Obligations Incurred	$ 6,174,780	$ 1,308,794	$ 58,246	$ 1,632,768	$ 12,986	$ 9,187,574
Unobligated Balances – Available	1,376,855	5,119	7,738	269,988	7,823	1,667,523
Unobligated Balances – Unavailable	275,290	8,727	1,138	191,419	-	476,574
Total, Status of Budgetary Resources	$ 7,826,925	$ 1,322,640	$ 67,122	$ 2,094,175	$ 20,809	$11,331,671
Outlays						
Obligations Incurred	$ 6,174,780	$ 1,308,794	$ 58,246	$ 1,632,768	$ 12,986	$ 9,187,574
Less: Spending Authority from Offsetting Collections	(1,918,798)	(4,960)	(11,584)	(27,282)	(2,100)	(1,964,724)
Recoveries	(272,999)	(7,622)	(446)	(26,001)	(195)	(307,263)
Subtotal	$ 3,982,983	$ 1,296,212	$ 46,216	$ 1,579,485	$ 10,691	$ 6,915,587
Obligated Balance, Net – Beginning of Year	$ 1,045,606	$ 277,444	$ 31,569	$ 578,135	$ 17,375	$ 1,950,129
Obligated Balance Transferred, Net	21,562	-	42	-	-	21,604
Less: Obligated Balance, Net – End of Year	(1,365,268)	(298,366)	(10,717)	(944,506)	(16,561)	(2,635,418)
Total Outlays	$ 3,684,883	$ 1,275,290	$ 67,110	$ 1,213,114	$ 11,505	$ 6,251,902