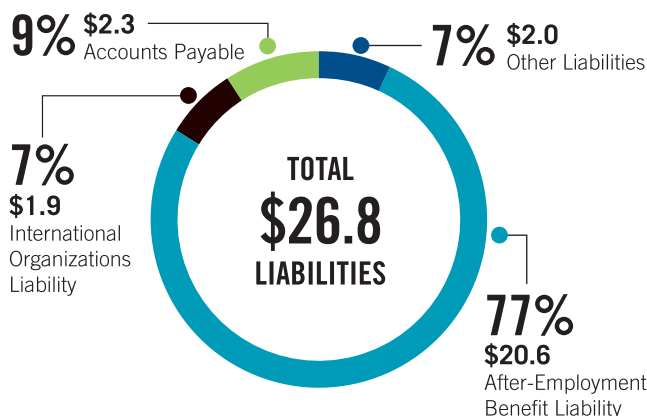


The six-year trend in the Department's total assets is presented in the "Trend in Total Assets" bar chart. Total assets have increased an overall \$21 billion (21 percent) since 2012. This upward trend resulted primarily from an \$11.1 billion increase in Fund Balance with Treasury, a \$7.4 billion increase in Property and Equipment, and a \$2 billion increase in Investments.

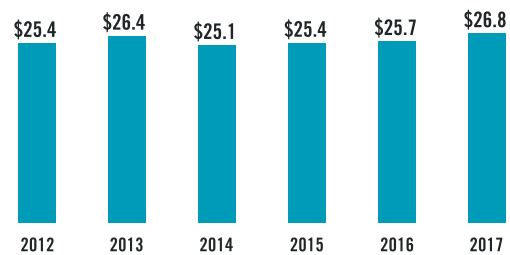
Many Heritage Assets, including art, historic American furnishings, rare books and cultural objects, are not reflected as assets on the Department's Balance Sheet. Federal accounting standards attempt to match costs to accomplishments in operating performance, and have deemed that the allocation of historical cost through depreciation of a national treasure or other priceless item intended to be preserved forever as part of our American heritage would not contribute to performance cost measurement. Thus the acquisition cost of heritage assets is expensed not capitalized. The maintenance costs of these heritage assets are expensed as incurred, since it is part of the government's role to maintain them in good condition. All of the embassies and other properties on the Secretary of State's Register of Culturally Significant Property, however, do appear as assets on the Balance Sheet, since they are used in the day-to-day operations of the Department.

Liabilities. The Department's total liabilities were \$26.8 billion at September 30, 2017, an increase of \$1.1 billion (4 percent) between 2016 and 2017. Other liabilities increased by \$154 million (8 percent) primarily due to increases in Federal assistance liabilities offset by decreases in funds previously held in trust and deposit accounts for the International Center.

LIABILITIES BY TYPE 2017 (dollars in billions)



TREND IN TOTAL LIABILITIES (2012 – 2017) (dollars in billions)



After-Employment Benefit Liability comprises 77 percent of total liabilities and increased \$551 million (3 percent) from 2016.

The six-year trend in the Department's total liabilities is presented in the "Trend in Total Liabilities" bar chart. Over this period, total liabilities increased by \$1.4 billion (5 percent). This change is principally due to the increase in the After-Employment Benefit Liability, a \$1.4 billion increase. The increase is due to a higher number of Foreign Service employees enrolled in the plan and changes in the key economic indicators underlying the actuarial computation over time.

Ending Net Position. The Department's net position, comprised of Unexpended Appropriations and the Cumulative Results of Operations, increased \$5.7 billion (8 percent) between 2016 and 2017. Cumulative Results of Operations increased \$1.4 billion and Unexpended Appropriations were up \$4.3 billion due in part to the budgetary financing sources used to purchase property and equipment.

STATEMENT OF NET COST: YEARLY RESULTS OF OPERATIONS

The Statement of Net Cost presents the Department's net cost of operations by major program instead of strategic goal. The Department believes this is more consistent and transparent with its Congressional Budget submissions. Net cost is the total program cost incurred less any exchange (i.e., earned) revenue. The presentation of program results is based on the Department's major programs related to the major goals established pursuant to the Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010. The total net cost of operations in 2017 equaled \$26.5 billion, a decrease