

18 RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The reconciliation of budgetary obligations and nonbudgetary resources available to the reporting entity with its net cost of operations is required by SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. Budgetary accounting used to prepare the Statement of Budgetary Resources and proprietary accounting used to prepare the other principal financial statements are complementary, but both types of information about assets, liabilities, net cost of operations and the timing of their recognition are different. The reconciliation of budgetary resources obligated during the current period to the net cost of operations explains the difference between the sources and uses of resources as reported in the budgetary reports and in

the net cost of operations. The first section of the reconciliation below presents total resources used in the period to incur obligations. Generally, those resources are appropriations, net of offsetting collections and receipts. The second section adjusts the resources. Some resources are used for items that will be reflected in future net cost. Some are used for assets that are reported on the Balance Sheet, not as net cost. The final section adds or subtracts from total resources those items reported in net cost that do not require or generate resources. As an example, the Department collects regular passport fees that are reported as revenue on the Statement of Net Cost. However, these fees are not shown as a resource because they are returned to Treasury and cannot be obligated or spent by the Department.

For the Year Ended September 30,
(dollars in millions)

| | 2017 | 2016 |
|---|------------------|------------------|
| Resources Used to Finance Activities: | | |
| Budgetary Resources Obligated | | |
| Obligations Incurred | \$ 43,538 | \$ 45,620 |
| Spending Authority from Offsetting Collections and Recoveries | (13,402) | (14,223) |
| Offsetting Receipts | (557) | (232) |
| Net Obligations | 29,579 | 31,165 |
| Imputed Financing | 137 | 168 |
| Other Resources | 7 | 15 |
| Total Resources Used to Finance Activities | 29,723 | 31,348 |
| Resources Used to Finance Items not Part of Net Cost: | | |
| Resources Obligated for Future Costs – goods ordered but not yet provided | (141) | (245) |
| Resources that Finance the Acquisition of Assets | (2,934) | (2,770) |
| Resources that Fund Expenses Recognized in Prior Periods | (620) | (850) |
| Other | (14) | (19) |
| Total Resources Used to Finance Items not Part of Net Cost | (3,709) | (3,884) |
| Total Resources Used to Finance the Net Cost of Operations | 26,014 | 27,464 |
| Components of the Net Cost of Operations that will not require or generate Resources in the Current Period: | | |
| Increase in Actuarial Liability | 514 | (21) |
| Passport Fees Reported as Revenue Returned to Treasury General Fund | (654) | (675) |
| Depreciation and Amortization | 1,105 | 1,085 |
| Interest Income of Trust Funds | (564) | (589) |
| Other | 101 | 87 |
| Total Components of the Net Cost of Operations that will not require or generate Resources in the Current Period | 502 | (113) |
| Net Cost of Operations | \$ 26,516 | \$ 27,351 |