Learning Objectives

- Identify the connections between budgeting and accounting
- Recognize budget and accounting terminology
- Track budgetary and proprietary accounting transactions through the budget execution process
- Identify the U.S. Government Standard General Ledger account structure
- Relate budget obligations to agency assets, liabilities, and expenses
- Identify unfunded budget requirements from accounting reports
- Improve budget estimating with accounting information
Agenda

- Federal Budget Process
- Introduction to Federal Accounting
- Budgetary and Proprietary Accounting
- Federal Financial Reporting
Making the Connection

- Connections (or links) between budgeting and accounting are called out by this image:
Federal Budget Process
What Is a Budget?

BUDGET

FINANCIAL PLAN  CONTROL DEVICE  EVALUATION TOOL
U.S. Constitution, Article I Section 9

• "No money shall be drawn from the Treasury but in Consequence of Appropriations made by Law."

• "A regular Statement and Account of the receipts and Expenditures of all public Money shall be published from time to time."
What Do We Budget For?

SUPPLIERS
Contractors and Vendors

INPUTS
Money, Materiel, and Manpower

OUTPUTS

RESULTS
Flying Hours, Tank Miles, Steaming Days

OUTCOMES
Safety and Security

Budget Type = Object

Program

Performance
Federal Budget Process

1. Budget Formulation
2. Congressional Action
3. Budget Execution
OMB Circular A-11: Preparation, Submission, and Execution of the Budget

- OMB issues Circular A-11 and other important policy guidance for both accounting and budgeting
PPBE: Planning, Programming, Budgeting, and Execution

- Per DoD FMR Volumes 2A and 2B, Budget Formulation includes:
  - Planning
  - Programming
  - Budgeting

- Per DoD FMR Volume 3, Budget Execution is separate and standalone
Congressional Budget Process

1st Monday in February
President’s Budget submitted to Congress

Congress receives input from Congressional Budget Resolution on economic assumptions

15 April
Budget resolution

Concurrent Budget Resolution

30 September
All authorizations and appropriations should be passed

Congress coordinates and reconciles:
- Which programs should be permitted?
- Amount of funding for each program
- Total funding level
- Estimated tax revenues
DoD Budget Timeline

Spring
Receive OMB planning guidance

July
Receive Circular A-11

Spring & Summer
Discuss budget issues & options with OMB

September
Components make budget submissions to OSD

October - November
Fall Review with OMB

Late Nov
Passback; OMB & DOD partner on changes

Late Nov - Early January
All budget schedule data & text materials finalized

December
Appeal OMB decisions to OMB &/or President

1st Monday in February
President transmits budget to Congress, includes DOD budget

January - March
Congressional Budget Justification materials submitted to Congress
Appropriation Acts

- 12 passed each year by Congress
- Provide budget authority and general provisions
- Address both budgeting and accounting issues
Accounting Cycle

1. Recognize and Analyze the Transaction
2. Record the Transaction
3. Summarize the Transactions
4. Adjust and Close the Accounts
5. Generate the Financial Reports
The five events involve both accounting and budgeting.

<table>
<thead>
<tr>
<th>A transaction</th>
<th><strong>Budgeting</strong></th>
<th><strong>Accounting</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation,</td>
<td>receipt of an asset,</td>
<td></td>
</tr>
<tr>
<td>commitment, or</td>
<td>payment, etc</td>
<td></td>
</tr>
<tr>
<td>obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing transaction</td>
<td><strong>Sources and Status</strong></td>
<td><strong>Net position</strong></td>
</tr>
<tr>
<td>Financial statements</td>
<td>serve budgeting purposes</td>
<td>serve accounting purposes</td>
</tr>
</tbody>
</table>
Hierarchy of Generally Accepted Accounting Principles

AICPA: American Institute for Certified Public Accountants
AAPC: Accounting and Auditing Policy Committee
FASAB: Federal Accounting Standards Advisory Board
FASB: Financial Accounting Standards Board
## U.S. Standard General Ledger (USSGL) Chart of Accounts

<table>
<thead>
<tr>
<th>Series</th>
<th>Classification</th>
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</thead>
<tbody>
<tr>
<td>100000</td>
<td>Assets</td>
</tr>
<tr>
<td>200000</td>
<td>Liabilities</td>
</tr>
<tr>
<td>300000</td>
<td>Net Position</td>
</tr>
<tr>
<td>400000</td>
<td>Budgetary</td>
</tr>
<tr>
<td>500000</td>
<td>Revenue and Other Financing Sources</td>
</tr>
<tr>
<td>600000</td>
<td>Expenses</td>
</tr>
<tr>
<td>700000</td>
<td>Gains/Losses/Miscellaneous Items</td>
</tr>
<tr>
<td>800000</td>
<td>Memorandum</td>
</tr>
</tbody>
</table>
Budgetary and Proprietary Accounting
Budgetary Accounting with the USSGL

Budgetary Resources = Status of Budgetary Resources

40XXXX to 42XXXX

43XXXX to 49XXXX
Budgetary Accounting Process

1. Appropriation = Budgetary Resources

Status of Budgetary Resources

1. Unapportioned Authority
2. Apportioned
3. Allotted
4. Committed
5. Undelivered Orders - Obligations Unpaid
6. Delivered Orders - Obligations Unpaid
7. Delivered Orders - Obligations Paid

This process occurs for each appropriation received by an agency.
President signs appropriation act

Budgetary accounting starts with receipt of the appropriation

Proprietary accounting starts with receipt of the Appropriation Warrant from the Treasury Department
# Budgetary Accounting Process: Example

<table>
<thead>
<tr>
<th>Status of Budgetary Resources</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Unapportioned Authority</strong></td>
<td>$1M - $250k</td>
</tr>
<tr>
<td><strong>2. Apportioned</strong></td>
<td>$250K - $200K</td>
</tr>
<tr>
<td><strong>3. Allotted</strong></td>
<td>200K - $10K</td>
</tr>
<tr>
<td><strong>4. Committed</strong></td>
<td>$10K - $10K</td>
</tr>
<tr>
<td><strong>5. Undelivered Orders - Obligations Unpaid</strong></td>
<td>$10K - $10K</td>
</tr>
<tr>
<td><strong>6. Delivered Orders - Obligations Unpaid</strong></td>
<td>$10K - $10K</td>
</tr>
<tr>
<td><strong>7. Delivered Orders - Obligations Paid</strong></td>
<td>$10K</td>
</tr>
</tbody>
</table>

**1. Appropriation** = $1M
Reimbursable Accounting Process

**Budgetary Resources**

1. Anticipated Reimbursements
2. Unfilled Customer Orders
3. Reimbursements Earned - Receivable
4. Reimbursements Earned - Collected

**Status of Budgetary Resources**

1. Unapportioned Authority
2. Apportioned - Anticipated
3. Allotted
4. Committed
5. Undelivered Orders - Obligations Unpaid
6. Delivered Orders - Obligations Unpaid
7. Delivered Orders - Obligations Paid
Laws related to Proprietary Accounting have both accounting and budgeting implications.

**Budgeting**
- Chief Financial Officers (CFO) Act of 1990
- Government Management Reform Act (GMRA) of 1994

**Accounting**
- Federal Financial Management Improvement Act (FFMIA) of 1996
- Accountability of Tax Dollars Act of 2002
Proprietary Accounting Equation

\[
\text{Assets} = \text{Liabilities} + \text{Net Position} + \text{Revenues} - \text{Expenses} \pm \text{Gains/Losses}
\]
Proprietary Accounting with the USSGL

Assets 100000 = Liabilities 200000

+ Net Position 300000

+ Revenues 500000

- Expenses 600000

± Gains/Losses 700000
Integrated Accounting Process

Proprietary Accounts

1. Fund Balance with Treasury and Unexpended Appropriations - Received

2.A Asset or Expense and Accounts Payable

2.B Unexpended Appropriations - Used and Expended Appropriations

3. Accounts Payable and Fund Balance with Treasury

Budgetary Accounts

1. Unapportioned Authority

2. Apportioned

3. Allotted

4. Committed

5. Undelivered Orders - Obligations Unpaid

6. Delivered Orders - Obligations Unpaid

7. Delivered Orders - Obligations Paid
## Normal Balances

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Normal Balance</th>
<th>Debit Left Side</th>
<th>Credit Right Side</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td>DEBIT</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td>CREDIT</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>NET POSITION</td>
<td>CREDIT</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>REVENUE</td>
<td>CREDIT</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>FINANCING SOURCES</td>
<td>CREDIT</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>EXPENSES</td>
<td>DEBIT</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>GAINS/LOSSES/MISC. ITEMS</td>
<td>CREDIT/DEBIT</td>
<td>±</td>
<td>±</td>
</tr>
</tbody>
</table>
Accrual Basis of Accounting

When...

The materials are received and accepted
The materials are consumed or assets depreciate
Payment is made

Then...

An account payable is created and an asset or expense is recognized
The materials are expensed or the depreciation expense is recognized
An outlay occurs reducing cash and the account payable is cleared
Federal Financial Reporting
Federal Financial Statements

- Federal financial statements include both budgeting and accounting information, providing another important connection
Principal Statements

• Statement of Net Cost
• Statement of Changes in Net Position
• Balance Sheet
• Statement of Budgetary Resources
• Statement of Custodial Activity
• Statement of Social Insurance
• Statement of Changes in Social Insurance Amounts
DoD Principal Statements

- Statement of Net Cost
- Statement of Changes in Net Position
- Balance Sheet
- Statement of Budgetary Resources
- Statement of Custodial Activity
Statement of Budgetary Resources

- Focuses on budgetary resources and the status of those resources
- Includes outlays
- Relates to both budgeting and accounting processes
Budgeting and Accounting will always be linked.
THANK YOU!

Questions?

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See you in San Diego...