

### 3. ACCOUNTING

#### 3.1 Accounting Principles and Internal Control

##### 3.1.2 Sources of GAAP

3.1.2.10 There are two primary authoritative sources of generally accepted accounting principles (GAAP) for local governments:

1. GASB – Governmental Accounting Standards Board
2. AICPA – American Institute of Certified Public Accountants

3.1.2.20 The [\*GASB Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments\*](#) promulgates the GAAP hierarchy for state and local governments.

3.1.2.30 The GAAP hierarchy, as prescribed by the [GASB Statement 76](#), has two categories of sources of accounting principles. If an accounting treatment is not specified in Category A, a government should consider if it is specified in Category B:

- a. Category A: Officially established accounting principles – Governmental Accounting Standards Board (GASB) Statements and Interpretations.
- b. Category B: GASB Technical Bulletins, GASB Implementation Guides and, if specifically made applicable to state and local governmental entities by the American Institute of Certified Public Accountants (AICPA) and cleared by the GASB, AICPA literature. Authoritative GAAP included in Category A and B are periodically incorporated in the Codification of Governmental Accounting and Financial Reporting Standards.

3.1.2.40 In the absence of specific treatment within Category A or B, the state and local governmental entities may consider nonauthoritative accounting literature, but only after consideration is made for a similar transaction or event within Category A or B. Nonauthoritative accounting literature includes, for example, GASB Concepts Statements, the pronouncements of the Federal Accounting Standards Board (FASB), Federal Accounting Standards Advisory Board (FASAB), International Public Sector Accounting Standards Board and International Accounting Standards Board, as well as all AICPA literature not previously cleared by the GASB. Nonauthoritative literature also includes practices that are widely recognized and prevalent in state and local government, literature of other professional associations or regulatory agencies, and accounting textbooks, handbooks, or articles.

##### 3.1.2.50 Ordering Information

GASB Order Department  
1 (800) 748-0659  
[www.gasb.org/store](http://www.gasb.org/store)

AICPA Order Department  
1 (888) 777-7077  
[www.cpa2biz.com](http://www.cpa2biz.com)