



## Statewide Accounting Policy & Procedure

**Accounting Manual Reference:**

Section: General Guidelines  
Sub-section: Accounting Manual Introduction  
Policy Title: GAAP Hierarchy

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**Accounting Policy Summary:**

The Governmental Accounting Standards Board (GASB) issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. It is intended to make it easier for preparers of state and local government financial statements to identify and apply the GAAP hierarchy, which consists of sources of accounting principles used in the preparation of financial statements so that they are presented in conformity with GAAP. The hierarchy also provides a framework for selecting those principles.

Prior to Statement No. 76, the GAAP hierarchy was defined by Statement No. 55, which moved relevant portions of the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*, to the GASB literature without substantive changes. GASB Statement No. 76 significantly changes the GAAP hierarchy by simplifying the structure and reducing the number of categories of authority.

**Accounting Policy and Requirements:**

The GAAP hierarchy governs what constitutes generally accepted accounting principles for all state and local governmental entities. It lists the order of priority of pronouncements that a reporting organization should look to for accounting and financial reporting guidance. Those State reporting organizations that do not use GAAP in recording day-to-day transactions must be familiar with the selection of generally accepted accounting principles in the GAAP hierarchy to facilitate preparation of GAAP reporting at fiscal year-end.

**General Accounting Procedures:**

The table below summarizes the sources of accounting principles that are generally accepted, with Category-A and Category-B reflecting the strongest category of authority followed by other nonauthoritative sources.

If the accounting treatment for a transaction or event is not specified by a pronouncement in Category-A, the reporting organization should consider whether the accounting treatment is specified by an accounting principle from a source in Category-B.

If the accounting treatment for a transaction or event is not addressed by an authoritative source, then a reporting organization should consider accounting principles for similar transactions or events within those authority categories, unless the accounting principles either prohibit the application of the accounting treatment to the particular transaction/event or indicate that the accounting treatment should not be applied by analogy. A reporting organization may also consider other accounting literature if a transaction or event is not addressed in authoritative GAAP. Examples of other literature appear in the “Other Sources” row of the hierarchy summary below.

AUTHORITY CATEGORY	GASB	OTHER
A	Statements and Previously Issued Interpretations	
B	Technical Bulletins Implementation Guides	AICPA literature cleared by the GASB
Nonauthoritative Other Sources	Concepts Statements	Pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, International Accounting Standards Board and AICPA literature not cleared by the GASB Practices that are widely recognized and prevalent in state and local government Literature of other professional associations or regulatory agencies Accounting textbooks, handbooks and articles

Summaries of GASB Statements, previously issued Interpretations, Technical Bulletins, Implementation Guides and Concepts Statements, including instructions for obtaining the full text, can be found on the GASB website: <http://www.gasb.org>.

**Authority:**

- Official Code of Georgia Annotated (O.C.G.A.) 50-5B-3 – Duties of the state accounting officer include:
  - Prescribing state-wide accounting policies, procedures, and practices;
  - Prescribing the manner in which disbursements shall be made by state government organizations;
  - Developing processes and systems to improve accountability and enhance efficiency for disbursement of funds and management of accounts payable;

- Determining the proper classification for accounting and reporting purposes of all assets, liabilities, revenues, expenditures, fund balances, funds, and accounts in compliance with legal requirements and generally accepted accounting principles and prescribe a uniform classification of accounts and other accounting identifiers which shall be used by all state organizations.
- O.C.G.A. 50-5B-4(b) – Duties of the state agencies with respect to SAO.
  - All organizations of state government and all officers, agents, and employees thereof shall conform to and comply with the rules, regulations, policies, procedures, and forms devised, promulgated, and installed by the state accounting officer.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Codification, Section 1000, *The Hierarchy of Generally Accepted Accounting Principles*

**Applicability:**

This accounting policy applies to all Organizations included in the State of Georgia reporting entity. The term ‘organization of state government’ shall mean, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. Such term shall not include any entity of local government, including, but not limited to, a county, municipality, consolidated government, board of education, or local authority, or an instrumentality of any such entity. At these reporting organizations, all personnel with accounting and financial reporting responsibilities should be knowledgeable of this policy. Refer to the *Management Responsibilities* policy for a summary of general financial reporting responsibilities.

**Definitions:****Acronyms:**

- AICPA** – American Institute of Certified Public Accountants
- APB** – Accounting Principles Board
- ARB** – Accounting Research Bulletins
- FASAB** – Federal Accounting Standards Advisory Board
- FASB** – Financial Accounting Standards Board
- GAAP** – Generally Accepted Accounting Principles
- GAAFR** – Governmental Accounting, Auditing, and Financial Reporting (“Blue Book”)
- GASB** – Governmental Accounting Standards Board
- IASB** – International Accounting Standards Board
- IPSASB** – International Public Sector Accounting Standards Board
- NCGA** – National Council on Governmental Accounting
- SAS** – Statement on Auditing Standards