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GASB Proposes New GAAP Hierarchy for State and Local Governments and Exposes Entire Implementation Guide for Public Comment.

Norwalk, CT, February 27, 2014—The Governmental Accounting Standards Board (GASB) today issued an Exposure Draft, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The hierarchy of generally accepted accounting principles (GAAP)—or “GAAP hierarchy”—comprises the types of guidance that state and local governments follow when preparing financial statements. The GAAP hierarchy lists the order of priority for pronouncements to which a government should look for guidance.

The proposed Statement would reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP would consist of GASB Statements of Governmental Accounting Standards. The second category would consist of GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of CPAs that is specifically cleared by the GASB.

These proposed changes would improve financial reporting for governments by clearly identifying the appropriate accounting guidance to apply. The proposal also would improve implementation guidance by elevating its authoritative status and, therefore, requiring that all implementation guidance be exposed for public comment.

“Applying accounting standards can sometimes be complex but identifying the right standards to apply should not be,” said GASB Chairman David A. Vautd. “The GAAP hierarchy proposal will help stakeholders be more efficient by bringing all authoritative accounting and financial reporting literature together in one place.”

The GASB also issued an accompanying proposed implementation guide, Implementation Guide No. 20xx-1, which is a culmination of all implementation guidance to date. The Board’s decision to elevate the level of the implementation guidance in the GAAP hierarchy would require that implementation guides be exposed for a period of broad public comment, as with other GASB pronouncements. The change in the authoritativeness level of implementation guidance necessitated certain changes to the existing guidance; a list and description of changes can be found in Appendix C of the proposed implementation guide.

“Providing stakeholders with a greater opportunity to submit their input on the GASB’s implementation guidance will undoubtedly improve its usefulness,” said Mr. Vautd.

The requirements of the proposed guidance would be effective for financial statements for periods beginning after June 15, 2015.

Both the Exposure Draft and the proposed implementation guide are available free on the GASB website. Stakeholders are encouraged to review the proposals and provide comments by December

31, 2014.

[Read the Exposure Draft.](#)

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