

Exhibit A

FIN-6.02 - Generally Accepted Accounting Principles (GAAP) Hierarchy

Purpose

The purpose of this administrative rule is to establish minimum standards for the use of Generally Accepted Accounting Principles (GAAP) to guide City accounting transactions and reporting.

Authority

Authority for this administrative rule is established in the City Charter and City Code. This administrative rule has been approved by the City Council.

Monitoring

The Accounting Division of the Bureau of Financial Services of the Office of Management and Finance (Accounting Division) will periodically monitor bureaus to assess compliance with the minimum standards of this rule. As instances of non-compliance are identified, bureaus will be required to develop and implement a corrective action plan. The Accounting Division will provide assistance to bureaus, if requested, to develop this plan. The Controller will report all instances of non-compliance annually to the Chief Financial Officer (CFO) and City Council.

Definitions

"AICPA" means the American Institute of Certified Public Accountants. The AICPA issues authoritative standards, especially through its Auditing Standards Board.

"FASB" means the Financial Accounting Standards Board. The FASB is the authoritative accounting and financial reporting standard-setting body for business enterprises and not-for-profit organizations. The GASB has elected to apply many of the standards issued by the FASB to governmental accounting.

"GAAP" means Generally Accepted Accounting Principles, This represents the standards, rules and procedures that serve as the norm for the fair presentation of financial statements.

"GAAP Hierarchy" means the relative authority of the standards, rules, procedures, and other literature on financial accounting and reporting, as set forth in the ~~Statement on Auditing Standards No. 69~~.

"GASB" means the Governmental Accounting Standards Board. The GASB is the ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

General Guidelines

GASB Statement No. 76 established a GAAP hierarchy for state and local governmental entities. The City of Portland follows this hierarchy for accounting transactions and reporting.

Category A pronouncements are the top level of authority and take precedence over lower levels of announcements. In an accounting issue is addressed in multiple levels, guidance in the highest level must be followed.

Pronouncements within any level carry equal weight.

- ~~1. Statement on Auditing Standards (SAS) No. 69 issued by the AICPA established a GAAP hierarchy for state and local governmental entities. The City of Portland follows this hierarchy for accounting transactions and reporting. In addition, governments have the option of following subsequent private sector guidance for proprietary funds; however, the City has elected to not follow subsequent private sector guidance.~~
- ~~2. Level 1 pronouncements are the top level of authority, and take precedence over lower levels of announcements.~~
- ~~3. If an accounting issue is addressed in multiple levels, guidance in the highest level must be followed.~~
- ~~4. Pronouncements within any level carry equal weight.~~

GAAP Hierarchy

Category A pronouncements include the following:

- GASB Statements
- GASB Interpretations that haven't been superseded by subsequent Statements.

Category B pronouncements are followed when Category A provides no guidance. They include:

- GASB Technical Bulletins
- GASB Implementation Guides
- AICPA literature cleared by GASB

Authoritative GAAP is incorporated into the codification of Governmental Accounting and Financial Reporting Standards, and when presented in the Codification, it retains its authoritative status.

If the accounting treatment for a transaction is not specified within Category A or B, a government should consider accounting principles for similar transactions within Category A or B, and then consider nonauthoritative accounting literature from other sources that don't conflict with or contradict authoritative GAAP.

Sources of nonauthoritative accounting literature include:

- GASB Concept Statements
- Pronouncements and other literature of
 - Financial Accounting Standards Board
 - Federal Accounting Standards Advisory Board

- International Public Sector Accounting Standards Board
- International Accounting Standards Board
- AICPA literature not cleared by 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

In evaluating the appropriateness of nonauthoritative literature consider the consistency of the literature with the GASB Concepts Statements, the relevance to the particular circumstances of the situation, the specificity of the literature, and the general recognition of the issuer or author as an authority.

1. ~~Level 1 pronouncements include the following:~~

- ~~● GASB Statements~~
- ~~● GASB Interpretations~~
- ~~● FASB pronouncements if made applicable by the GASB~~
- ~~● AICPA pronouncements if made applicable by the GASB~~

2. ~~Level 2 pronouncements are followed when Level 1 provides no guidance. They include:~~

- ~~● GASB Technical Bulletins~~
- ~~● AICPA Audit and Accounting Guides if they apply to state and local governments and have been cleared by the GASB~~
- ~~● AICPA Statements of Position if they apply to state and local governments and have been cleared by the GASB~~

3. ~~Level 3 pronouncements are followed when Levels 1 and 2 provide no guidance. Currently there are no Level 3 pronouncements in effect. Future guidance would include the following:~~

- ~~● GASB Emerging Issues Task Force consensus positions~~
- ~~● AICPA Practice Bulletins if they apply to state and local governments and have been cleared by the GASB~~

4. ~~Level 4 guidance applies when Levels 1, 2 and 3 provide no guidance. Level 4 currently includes:~~

- ~~● GASB Implementation guides, which are generally in a question and answer format~~
- ~~● Widely recognized and prevalent practices, consistent with GAAP~~

5. ~~Other accounting literature provides the lowest level of guidance. This includes:~~

- ~~● GASB Concepts Statements~~
- ~~● Pronouncements of the FASB that have not been made applicable to state and local governmental accounting by the GASB~~
- ~~● Accounting textbooks or articles~~

History

Resolution No. 36248, originally adopted by Council September 1, 2004.

Revised by Resolution No. 36435, adopted by Council September 6, 2006.