A. Introduction

The following is a discussion of the hierarchy of authoritative accounting sources and a list of publications and other resources the independent auditor may need in conducting financial and compliance audits for units of local government, public authorities and local school administrative units in North Carolina.

B. Hierarchy of Authoritative Sources

It should be noted that the Governmental Accounting Standards Board (GASB) is the primary authoritative source of generally accepted accounting principles for state and local governments. The GASB is the successor organization to the National Council on Governmental Accounting (NCGA). According to GASB Statement No. 1, all of the statements and interpretations promulgated by the NCGA and in effect at the issuance of GASB Statement No. 1 are still considered to be in effect until altered, amended or superseded by the GASB.

According to SAS No. 69, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*, (SAS 69) (AU 411) the hierarchy of generally accepted accounting principles for state and local and governmental entities are: (a) GASB Statements and Interpretations, plus American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) pronouncements if made applicable to state and local governments by a GASB Statement of Interpretation, (b) GASB Technical Bulletins, and the following pronouncements if specifically made applicable to state and local government by the AICPA; AICPA Industry Audit and Accounting Guides and AICPA Statements of Position, (c) consensus positions of the GASB Emerging Issues Task Force and AICPA Practice Bulletins if specifically made applicable to state and local governments by the AICPA, (d) implementation guides ("Q&A's") published by the GASB staff, as well as industry practices widely recognized and prevalent, and (e) other accounting literature.

The issuance of SAS 69 caused some confusion among financial statement preparers and auditors about the applicability of FASB pronouncements to the accounting and financial reporting for proprietary activities; therefore, the GASB issued Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds, and Other Governmental Entities That Use Proprietary Fund Accounting*. GASB Statement No. 20 provides interim guidance pending further GASB research that is expected to ultimately result in the issuance of one or more pronouncements on the financial and reporting model for proprietary activities. Under the provisions of this statement, governmental activities that use proprietary fund accounting should apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless the pronouncements conflict with or contradict GASB guidance: FASB Statements and Interpretations; APB Opinions; and Accounting Research Bulletins (ARBs).

For FASB Statement and Interpretations, APB Opinions, and ARBs issued subsequent to November 30, 1989, those units using proprietary fund accounting have two options. First, the entity may consistently apply all FASB guidance issued subsequent to November 30, 1989,

except for that guidance that conflicts with or contradicts GASB guidance. Alternatively, the entity may elect to apply none of the FASB guidance issued subsequent to that cutoff date. This Statement is effective for periods beginning after December 15, 1993. The GASB periodically issues guidance indicating which FASB pronouncements are applicable under GASB Statement No. 20, paragraph 7.

C. Applicable Reference Materials

The following is a listing of publications and other sources of information that the independent auditor and others may find useful.

1. General Assembly of North Carolina

Web site: http://www.ncga.state.nc.us

Web site provides links to the North Carolina General Statutes, the North Carolina Session Laws and the North Carolina State Constitution. Local government finance is included in Chapter 159 of the North Carolina General Statutes.

2. North Carolina Department of State Treasurer Publications

Web site: http://www.nctreasurer.com

For Local Government Commission (LGC) information, select "State and Local Government" then "Auditing and Reporting Resources" for links to the following reference materials:

Policies Manual for Local Governments,
Audit Manual,

Illustrated Financial Statements,

Single Audit Resources, and

Other related materials.

Contact information:

Fiscal Management Section
N.C. Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Telephone: 919-807-2350 919-807-2398 (fax)

3. Department of Public Instruction publications

Web sites: http://www.ncpublicschools.org
http://www.ncpublicschools.org/fbs/finance/
http://www.ncpublicschools.org/fbs/charterschools/

Available reference materials include:

North Carolina Public School Laws (Through the 2007 Session) (2008 edition) Item number SL102

Financial Guide for Charter Schools

Contact information:

NCDPI Publications
6306 Mail Service Center
Raleigh, NC 27699-6306

Telephone: 919-807-3470 800-663-1250 (toll free inside North Carolina)
919-807-3481 (fax)
E-mail: publications@dpi.state.nc.us
Ordering Information: http://www.ncpublicschools.org/publications/ordering/

Financial and Business Services Directory

4. **Governmental Accounting Standards Board (GASB) publications**

Web site: http://www.gasb.org

Contact information:

Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Telephone: 203-847-0700 203-849-9714 (fax)
Telephone, Order Dept: 800-748-0659 203-847-6045 (fax)
E-mail: gasbpubs@gasb.org

5. **Statements on Auditing Standards (SAS) and related auditing interpretations**

Web site: http://www.aicpa.org

Available reference materials include:

AICPA Audit and Accounting Guide: Audits of State and Local Governments Units (March 1, 2009)

AICPA Audit Guide: Government Auditing Standards and Circular A-133 Audits (August 1, 2008)

AICPA Audit Risk Alert: Government Auditing Standards and Circular A-133 Audits Audit Risk Alert--Strengthening Audit Integrity Safeguarding Financial and Compliance Reporting (2008)

SAS No. 67 (AU330), *The Confirmation Process*, supersedes SAS No. 1 Codification of Auditing Standards and Procedures, AICPA, Professional Standards

SAS No. 74 (AU 801), *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*

SAS No. 84 (AU 315), *Communication between Predecessor and Successor Auditors*

SAS No. 85 (AU 333), *Management Representations*

SAS No. 87 (AU 532), *Restricting the Use of an Auditor's Report*

SAS No. 92 (AU 332), *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities* (Certain parts are not applicable to North Carolina local governments)

SAS No. 93 (AU315.02, AU315.12), *Omnibus Statement on Auditing Standards – 2000*

SAS No. 95 (AU 150), *Generally Accepted Auditing Standards*

SAS No. 97 (AU 625), *Amendment to Statement on Auditing Standards No. 50, Reports on the Application of Accounting Principles*

SAS No. 99 (AU 316), *Consideration of Fraud in a Financial Statement Audit*

SAS No. 101 (AU 328), *Auditing Fair Value Measurements and Disclosures*

SAS No. 103 (AU 339, AU530), *Audit Documentation*

SAS No. 106 (AU 326), *Audit Evidence*

SAS No. 108 (AU 311), *Planning and Supervision*

SAS No. 109 (AU 314), *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

SAS No. 110 (AU 318), *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence*

SAS No. 114 (AU 380), *The Auditor's Communication With Those Charged With Governance*

SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit*

AICPA Professional Standards, offered in a variety of formats, contains all of the outstanding pronouncements on professional standards issued by the AICPA and the Public Company Accounting Oversight Board Standards.

Codification of Statements on Auditing Standards, as of January 2009, includes the latest amendments and conforming changes for statements on auditing standards (SAS), standards for accounting and review services (SSARS), and standards for attestation engagements (SSAE).

Industry Audit Guides and Other Publications:

State and Local Governments — AICPA Audit and Accounting Guide

Government Auditing Standards and Circular A-133 Audits — AICPA Audit and Accounting Guide

Health Care Organizations — AICPA Audit and Accounting Guide

Auditing Derivative Instruments, Hedging Activities, and Investments in Securities — AICPA Audit and Accounting Guide

Government Auditing Standards and Circular A-133 Audits Audit Risk Alert--Strengthening Audit Integrity Safeguarding Financial and Compliance Reporting

Contact information:

American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707

Telephone: 888-777-7077 (toll free US) 919-402-2317 800–362–5066 (fax)
E-mail: service@aicpa.org
Order online: http://cpa2biz.com

6. **Financial Accounting Standards Board (FASB)**

Web site: http://www.fasb.org

Available reference materials include:

FASB Original Pronouncements and Current Text 2005–2006 Annual Bound Editions

Original Pronouncements—Three Volumes

Current Text—Two Volumes

Sets of *Original Pronouncements* and *Current Text*

Contact Information:

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Telephone: 203-847-0700 2038499714 (fax)

For online store:
Telephone: 800-748-0659 2038470700 (fax)
E-mail: fasbpubs@fasb.org
Order online: https://www.fasb.org/store (free download of FASB Pronouncements)

7. **Governmental Accountability Office (GAO) Publications**

Web site: http://www.gpoaccess.gov/index.html

Available reference materials include:

Government Auditing Standards, issued by the Comptroller General of the United States (Revised 2007) (GAO-07-731G) (commonly referred to as "The Yellow Book")

The printed version of the July 2007 revision of *Government Auditing Standards* can be ordered online through the U.S. Government Bookstore or by calling 202-512-1800 or 866-512-1800.

For questions related to Government Auditing Standards:

Telephone: 202-512-9535
E-mail: yellowbook@gao.gov

For an electronic version of The Yellow Book and for links to numerous important and helpful Yellow Book resources, many of which are available only electronically, go to:

Web site: www.gao.gov/govaud/ybk01.htm

The Government Auditing Standards resources available include the following:

Summary of Major Changes/Listing of Technical Changes

Government Auditing Standards Implementation Tool: Professional Requirements Tool for Use in Implementing the Requirements Identified by "Must" and "Should" in the July 2007 Revision of Government Auditing Standards (GAO-08-210G, December 2007)

Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education (GAO-05-568G, April 2005)

Government Auditing Standards: Answers to Independence Questions (GAO-02-870G, July 2002)

Government Auditing Standards: July 2007 Revisions (GAO-07-731G)

How to Avoid a Substandard Audit: Suggestions for Procuring an Audit (May 1988)

The United States Code codifies the general and permanent laws of the United States. It may be searched by citation, popular name, public law, etc.

Single Audit Act of 1984 (31 U.S.C. 7501-7507)

Single Audit Act Amendments of 1996 (Public Law 104-56)

Federal Financial Management Improvement Law of 1996 (Public Law 104-208)

The Catalog of Federal Domestic assistance (CFDA), which is maintained by the General Services Administration, provides a full listing of all Federal programs available to State and local governments.

Web site: Catalog of Federal Domestic Assistance

Contact Information:

Superintendent of Documents
U. S. Government Printing Office

Web site: http://www.gpo.gov/etc/contact.htm

Telephone: 202-512-1800 866-512-1800 202-512-2104 (fax)

Ordering Information: U.S. Government Bookstore: Ordering

E-mail: ContactCenter@gpo.gov

8. **U. S. Office of Management and Budget (OMB) Documents**

Web site: http://www.whitehouse.gov/omb/

Circulars issued by the OMB related to audits of local governments include the following:

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (05/10/2004), 2 CFR part 225

OMB Circular A-102, *Grants and Cooperative Agreements With State and Local Governments* (10/07/1994) (further amended 08/29/1997).

OMB Grants Management Common Rule - State & Local governments (formerly Attachments to A-102

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (06/24/1997) (includes revisions published in *Federal Register* 06/27/2003), June 2007 Amendment

*Compliance Supplement March 2*009

*Compliance Supplement March 2*008

*Compliance Supplement March 2*007

OMB designated the Census Bureau as the National Clearinghouse (or Federal Audit Clearinghouse or FAC) for the receipt of Single Audit Reports from state and local governments. The FAC serves as the central collection point and repository for audit reports prepared and submitted under provisions of the Single Audit Act of 1984 (amended in 1996) and OMB Circular A-133. Information regarding submission of Single Audit Reports to the Federal Audit Clearinghouse, as well as links to additional Single Audit reference materials, is available at the following:

Web site: http://harvester.census.gov/sac/

Contact Information:

The Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

Telephone: 202-395-3080 202-395-3888 (fax)

Federal Audit Clearinghouse:

Telephone: 301-763-1551 (voice) 800-253-0696 (toll free) 301-763-6792 (fax)
E-mail: govs.fac@census.gov

9. **U.S. Department of Housing and Urban Development (HUD) Documents**

Web site: http://www.hud.gov/

The HUD Real Estate Assessment Center's (REAC) mission is to provide and promote the effective use of accurate, timely and reliable information through an internet accessible database. Available reference materials include:

HUD PHA GAAP Conversion Guide (Updated January 31, 2000)

Real Estate Assessment Center Documents and Guidance including current versions of the following publications:

The Public Housing Agency and Auditor User Guide

Financial Data Schedule Line Definitions & Crosswalk Guide

Guidelines on Reporting and Attestation Requirements of Uniform Financial Reporting Standards (UFRS) (Updated May 2002)

Public Housing Authority GAAP Flyers. A series of brief discussions of accounting issues specifically affecting public housing authorities:

GAAP Flyer No. 1 – Governmental vs. Enterprise Fund Accounting

GAAP Flyer No. 2 – Accounting for Fixed Assets

GAAP Flyer No. 3 – Mixed Financing and Joint Venture Accounting

GAAP Flyer No. 4 – Accounting for PHA Debt

Experts Agree on the Reclassification of Debt

GAAP Flyer No. 5 – GASB 34 New Financial Reporting Model (updated 12/17/01)

GAAP Flyer No. 6 – Procuring an Audit

Accounting Briefs. A series of brief discussions of auditing issues specifically affecting public housing authorities:

Accounting Brief No. 1 – Auditor Independence

Accounting Brief No. 2 – Debt Classification

Accounting Brief No. 3 – Accounting Changes & Prior Period Adjustments

Accounting Brief No. 4 – Audits Below the Single Audit Act Threshold

Accounting Brief No. 5 – Audit Cost Reimbursements

Accounting Brief No. 6 – Compensated Absences & Capital Grants

Accounting Brief No. 7 – Disallowed Costs

Accounting Brief No. 8 – Component Unit Resident Management Corporation

Accounting Brief No. 9 – CGP and CIAP Grant Draw Down Provisions

Accounting Brief No. 10 – Clarification of PHA Reporting Requirements and OMB Circular A-133 Implications

Accounting Brief No. 11 – Accounting and Financial Reporting for Nonexchange Transactions: GASB No. 33: Reminder and its impact on FDS

Accounting Brief No. 12 – Capital Programs: Operating vs. Capital Revenues

Accounting Brief No. 13 – GASB 34 and the Financial Data Schedule (FDS) (updated 09/24/03)

The above materials are available at the following "Online Library" at the following web sites:

http://www.hud.gov/library/index.cfm or

http://www.hud.gov/offices/reac/library/lib_fapha.cfm

Contact Information:

U.S. Department of Housing and Urban Development (HUD)
451 7th Street, SW
Washington DC 20410

Telephone: 202-708--1455

Real Estate Assessment Center – Technical Assistance Center:
U.S. Department of Housing and Urban Development (HUD)
REAC
550 12th Street, SW
Washington, DC 20410

Telephone: 888-245-4860
Web site: www.hud.gov/offices/reac/index.cfm
E-mail: REAC_TAC@hud.gov

10. **Government Finance Officers Association (GFOA) Publications**

Web site: http://www.gfoa.org

A variety of publications and reference materials are available. The GFOA has also developed body of recommended practices in the functional areas of public finance. Some of the reference materials and publications include the following:

Governmental Accounting, Auditing, and Financial Reporting, Using the GASB 34 Model, Gauthier (2005 edition) (Known as the "Blue Book")

What Everyone Needs to Know About the New Fund Balance, Gauthier, (2009)

Elected Officials Guide to OPEB, Gauthier, (2005)

Recommended Practices

Contact Information:

Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210

Telephone: 312-977-9700

11. **"The State Single Audit Implementation Act"**

The State Single Audit Implementation Act is codified at G.S. 159-34(c). - Annual Independent Audit; Rules and Regulations

12. **State Compliance Supplements:**

State Compliance Supplements are available at Single Audit Resources.

13. **School of Government Publications**

Web Site: http://www.sog.unc.edu/

The School of Government at the University of North Carolina at Chapel Hill offers a wide variety of publications, courses, programs and services of interest to local government elected officials, managers and others. A faculty directory including areas of specialization and contact information is provided. These publications include:

Finance and Accounting:

Administrative and Financial Laws for Local Governments in North Carolina, 2008-2009 edition with CD-ROM

County and Municipal Government in North Carolina, loose-leaf or CD-ROM

The Local Government Budget and Fiscal Control Act, fifth edition, 2004, Lawrence

Finance Calendar of Duties for City and County Officials, (Revised Annually), Allison

Final Report on City Services for Fiscal Year 2007-2008: *Performance and Cost Data*, April 2009, Roenigk

Final Report on County Services for Fiscal Year 2002-2001: Performance and Cost Data, February 2001, Rivenbark and Dutton

Financing Capital Projects in North Carolina, second edition, 1994, Lawrence

Fund Balance in Local Government Budgeting and Finance, 1989, Vogt

How to Read Governmental Financial Statements, Parts 1 and 2, Allison

Purchasing and Contracting:

Web Site: http://ncpurchasing.unc.edu

Local Government Purchasing and Contracting Updates: Statutory Requirements and Local Policies, Local Government Law Bulletin, No. 118, February 2009

A Legal Guide to Purchasing and Contracting for North Carolina Governments, Second Edition, 2004, Bluestein

Construction Contracts with North Carolina Local Governments, fourth edition, 2007, Bell

Local Government Property Transactions in North Carolina, second edition, 2000, Lawrence

Local Government Finance in North Carolina, second edition, 1990, Lawrence

Other Areas of Interest:

Property Tax Collection in North Carolina, fourth edition, 1998, Campbell, with spring 2000 Supplement.

Economic Development Law for North Carolina Local Governments, 2000, Lawrence

North Carolina City and County Privilege License Taxes, fifth edition, spring 2000, Campbell

Public Records Law for North Carolina Local Governments, 1997, Lawrence, with 1997-1998 Supplement

Public School Budgeting in North Carolina, 2009, Millonzi

Contact Information:

Publications Office
School of Government
CB 3330 Knapp-Sanders Building
The University of North Carolina at Chapel Hill
Chapel Hill, North Carolina 27599-3330

Telephone: 919-966-5381 919-962-0654 (fax)

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