**GASB CONCEPTS STATEMENT #1.**

**OBJECTIVES OF FINANCIAL REPORTING**

I. Background

A. Government environment

1. Ultimate power is in hands of citizenry and there is separation of government powers

2. Federal system of government prevails and many revenues are intergovernmental

3. There may be no direct relationship between resources provided by individual taxpayers and services received by them

4. The budget is an expression of public policy and financial intent, and is a method of providing control

5. Fund accounting is used to enhance fiscal control

6. There are many dissimilarities between similarly designated governments

7. Governments make significant investments in non-revenue producing capital assets

8. The political process is characterized by a short-term outlook

9. Users of financial reports

a. Citizenry

b Legislative and oversight bodies

c. Investors and creditors

10. Uses of financial reports

a. Comparing actual results with budget

b. Assessing financial condition and results of operations

c. Determining compliance with finance-related rules and regulations

d. Evaluating efficiency effectiveness

B. Business-type activities

1. There is a direct relationship between services received and resources provided by the consumer

2. Most capital assets are revenue producing

3. Most activities are similar and invite comparison

4. May be political in nature

5. Budgets and fund accounting are less common

C. Accountability and interperiod equity are critical

D. Characteristics of information in financial reporting

1. Understandability

2. Reliability

3. Timeliness

4. Consistency

5. Comparability

E. Limitations of financial reporting

1. Based on judgments and estimates as well as approximate measures of past events

2. Financial reporting is only one source of information

3. Users and uses of information are diverse

4. Must consider cost of information in relation to benefits

1. Objectives

A. Should assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability

1. Should provide information to determine whether current year revenues were sufficient to pay for current-year services

2. Should demonstrate whether resources were obtained and used in accordance with the entity's legally adopted budget; it should also demonstrate compliance with other finance-related legal or contractual requirements

3. Should provide information to assist users in assessing the service efforts, costs and accomplishments of the government entity

B. Should assist users in evaluating the operating results of the entity for the year.

1. Should provide information about sources and uses of financial resources

2. Should provide information about how the governmental entity met its cash requirements

3. Should provide information necessary to determine whether the entity's financial position improved or deteriorated as a result of the year's operations

C. Should assist users in assessing the level of services that can be provided and its ability to meet its obligations as they become due

1. Should provide information about the financial position and condition of a government entity

2. Should provide information about a government entity's physical and other nonfinancial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources

3. Should disclose legal or contractual restrictions on resources and risks of potential loss of resources.