## Purpose

The purpose of this quick reference sheet is to provide members of the Board of Education a reference when reviewing the District’s financial statements and to answer any questions members may have on the specified reports.

## General Purpose Financial Reports

Omaha Public Schools has adopted the **Financial Reporting Pyramid** as the primary model for reporting the District’s financial condition. The Board of Education reviews and analyzes key financial statements that depict various aspects of the District’s financial condition at a point in time as well as for a defined period of time.

![Financial Reporting Pyramid](image)

The following is a list of the financial statements the Board of Education will receive.

### 1. Balance Sheet

- **What is it?**
  
  The **Balance Sheet** reports what the District owns (i.e., its **assets**) and what the District owes (i.e., its **liabilities**) at a particular point in time (e.g., end of the month, end of the fiscal year). The difference between the assets and liabilities is the District’s **fund balance**. A Combined **Balance Sheet** typically reports the assets, liabilities and fund balance for the District’s major funds including the General Fund, Special Revenue Fund, Proprietary Fund, and Fiduciary Fund. The term ‘combined’ indicates inclusion of ESU #19, Retirement System and other business units along with the District’s activities.

- **Why is it important?**
  
  The Combined Balance Sheet depicts the District’s financial position by reporting what the District’s resources are today (or a point in time) and what claims are currently upon these resources. Additionally, the Balance Sheet can reflect the District’s ability to meet its short term and long term obligations by analyzing certain financial ratios including:

  - **Liquidity Ratios** – Use the **current ratio** (current assets ÷ current liabilities) to determine the District’s ability to meet its short term obligations. The greater the result is above **1.0**, the better. This means that the District has sufficient resources to pay current claims.

  - **Solvency Ratios** – Use the **debt-to-asset** ratio (total liabilities ÷ total assets) to determine the District’s longer term viability and how much of the District’s assets are paid for by borrowing money (a.k.a. leverage). The closer the result is to **zero**, the better.

**Sources:**
2. **Income Statement**

**What is it?**

The **Income Statement**, known formerly as the **Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Changes in Fund Balances**, depicts revenue sources and expenditure uses and the net impact on the fund balance for the District. This report explains how the equity (i.e. fund balance) changed during a period of time for all main operating funds.

**Why is it important?**

The Income Statement provides information on how the District uses resources in the short term. The following are important items to look for in the Income Statement:

- Examine in-flows (i.e., revenues) and out-flows (i.e., expenditures) of the District’s resources during a period (e.g., month, year).
- Identify Other Financing Sources for the District including loans, interest, grants, etc.
- Determine if revenues and expenditures balanced.
- Find out if resources are available for future services.

3. **Budget versus Actual**

**What is it?**

The **Budget versus Actual** is similar to the Income Statement in look and feel (e.g., revenues, expenditures, fund balances). This reports how the final adopted budget compares to the actual for the fiscal year-to-date.

**Why is it important?**

This informs the Board on how the budget decisions compare with actual activity in the District. Variances are identified where the District is in compliance with the revised budget as well as where over-budget conditions exist.

4. **Statement of Cash Flows**

**What is it?**

The **Statement of Cash Flows** is typically an annual report that identifies what the District’s cash sources are and how it is used.

**Why is it important?**

The Statement of Cash Flows provides information to do the following:

- Assess if and how cash requirements are met.
- Identify sources and uses of cash.
- Understand future cash needs and the District’s ability to pay bills when due.

**Questions or Need Assistance?**

Contact Dr. Dennis L. Pool (557-2002; poold@ops.org) or Joyce Southard (557-2120; southarj@ops.org) if you have specific questions regarding the District’s financial reporting.

**Sources:**