

# **MIDDLETON GRANGE SCHOOL**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

School Address: **30 Acacia Avenue, Upper Riccarton, Christchurch**

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Ministry Number: **00335**

# MIDDLETON GRANGE SCHOOL

Financial Statements - For the year ended 31 December 2017

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# Middleton Grange School

## Statement of Responsibility

For the year ended 31 December 2017

The Board of Trustees accepts responsibility for the preparation of the annual financial statements and the judgements used in these financial statements.

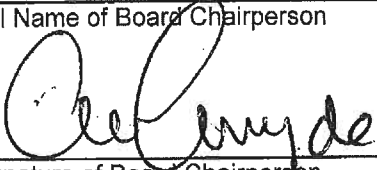
The management (including the principal and others as directed by the Board) accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the school's financial reporting.

It is the opinion of the Board and management that the annual financial statements for the financial year ended 31 December 2017 fairly reflects the financial position and operations of the school.

The School's 2017 financial statements are authorised for issue by the Board.

**Andy van Ameyde**

Full Name of Board Chairperson



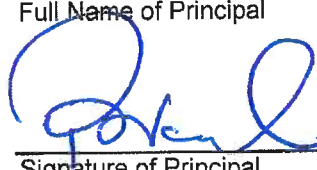
Signature of Board Chairperson

Date:

30/5/18

**Richard Vanderpyl**

Full Name of Principal



Signature of Principal

Date:

30/5/18



**Middleton Grange School**  
**Statement of Comprehensive Revenue and Expense**  
For the year ended 31 December 2017

	Notes	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
<b>Revenue</b>				
Government Grants	2	9,316,316	8,950,521	9,021,179
Locally Raised Funds	3	1,824,313	1,839,626	1,855,352
Use of Land and Buildings Integrated		3,112,000	3,112,000	2,720,900
Interest Earned		131,931	99,000	108,186
Gain on Sale of Property, Plant and Equipment		674	-	522
International Students	4	2,751,549	1,719,467	2,100,913
		<u>17,136,783</u>	<u>15,720,614</u>	<u>15,807,052</u>
<b>Expenses</b>				
Locally Raised Funds	3	638,601	610,490	620,267
International Students	4	2,227,495	1,408,210	1,880,677
Learning Resources	5	8,532,731	8,244,653	8,306,752
Administration	6	812,244	945,747	966,853
Finance		6,494	6,685	3,886
Property	7	4,084,247	4,097,551	3,633,370
Depreciation	8	360,941	198,029	198,444
Loss on Disposal of Property, Plant and Equipment		6,573	500	3,917
Loss on Uncollectable Accounts Receivable		1,570	10,000	(4,281)
Amortisation of Intangible Assets	14	13,812	-	13,812
		<u>16,684,708</u>	<u>15,521,865</u>	<u>15,623,697</u>
<b>Net Surplus / (Deficit) for the year</b>		<b>452,075</b>	<b>198,749</b>	<b>183,355</b>
Other Comprehensive Revenue and Expenses		-	-	-
<b>Total Comprehensive Revenue and Expense for the Year</b>		<u><u>452,075</u></u>	<u><u>198,749</u></u>	<u><u>183,355</u></u>

The above Statement of Comprehensive Revenue and Expense should be read in conjunction with the accompanying notes.



**Middleton Grange School**  
**Statement of Changes in Net Assets/Equity**

For the year ended 31 December 2017

	Actual 2017 \$	Budget (Unaudited) 2017 \$	Actual 2016 \$
<b>Balance at 1 January</b>	<u>2,205,696</u>	<u>2,173,696</u>	<u>1,989,260</u>
Total comprehensive revenue and expense for the year	452,075	198,749	183,355
Capital Contributions from the Ministry of Education Contribution - Furniture and Equipment Grant	34,150	32,000	33,081
<b>Equity at 31 December 2017</b>	<u>2,691,921</u>	<u>2,404,445</u>	<u>2,205,696</u>
Retained Earnings	2,691,921	2,404,445	2,205,696
Reserves	-	-	-
<b>Equity at 31 December 2017</b>	<u>2,691,921</u>	<u>2,404,445</u>	<u>2,205,696</u>

The above Statement of Changes in Net Assets/Equity should be read in conjunction with the accompanying notes.



# Middleton Grange School

## Statement of Financial Position

As at 31 December 2017

	Notes	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
<b>Current Assets</b>				
Cash and Cash Equivalents	9	323,913	355,888	388,391
Accounts Receivable	10	813,015	701,200	715,118
GST Receivable		218,233	170,000	170,465
Prepayments		64,847	30,000	64,059
Inventories	11	163,151	142,700	117,780
Investments	12	4,702,521	4,100,000	3,692,940
		<u>6,285,680</u>	<u>5,499,788</u>	<u>5,148,753</u>
<b>Current Liabilities</b>				
Accounts Payable	15	1,184,878	1,053,407	1,004,189
Revenue Received in Advance	16	2,686,799	2,598,000	2,124,226
Provision for Cyclical Maintenance	17	74,000	74,000	39,750
Finance Lease Liability - Current Portion	18	248,888	24,000	24,716
Funds held in Trust	19	110,421	110,000	88,777
Funds held on behalf of Learning Community Cluster	20	990	-	9,134
		<u>4,305,976</u>	<u>3,859,407</u>	<u>3,290,792</u>
<b>Working Capital Surplus/(Deficit)</b>		<b>1,979,704</b>	<b>1,640,381</b>	<b>1,857,961</b>
<b>Non-current Assets</b>				
Property, Plant and Equipment	13	1,437,303	1,079,104	650,965
Intangible Assets	14	57,756	57,756	71,568
		<u>1,495,059</u>	<u>1,136,860</u>	<u>722,533</u>
<b>Non-current Liabilities</b>				
Provision for Cyclical Maintenance	17	366,796	352,296	356,800
Finance Lease Liability	18	381,971	20,500	17,998
Revenue Received in Advance	16	34,075	-	-
		<u>782,842</u>	<u>372,796</u>	<u>374,798</u>
<b>Net Assets</b>		<u><u>2,691,921</u></u>	<u><u>2,404,445</u></u>	<u><u>2,205,696</u></u>
<b>Equity</b>		<u><u>2,691,921</u></u>	<u><u>2,404,445</u></u>	<u><u>2,205,696</u></u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



**Middleton Grange School**  
**Statement of Cash Flows**  
For the year ended 31 December 2017

	Note	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
<b>Cash flows from Operating Activities</b>				
Government Grants		2,588,828	2,329,743	2,469,428
Locally Raised Funds		1,849,754	1,991,685	2,033,995
International Students		3,323,563	2,794,586	3,094,621
Goods and Services Tax (net)		(47,768)	(99,440)	(129,841)
Payments to Employees		(2,701,323)	(2,713,588)	(2,750,722)
Payments to Suppliers		(3,772,760)	(3,170,636)	(3,243,876)
Cyclical Maintenance Payments in the year		(29,754)	(36,854)	-
Interest Paid		(6,494)	(6,685)	(3,886)
Interest Received		127,311	69,000	94,745
Funds Administered on Behalf of Third Parties		13,500	(58,366)	(425,727)
<b>Net cash from / (to) the Operating Activities</b>		<b>1,344,857</b>	<b>1,099,445</b>	<b>1,138,737</b>
<b>Cash flows from Investing Activities</b>				
Proceeds from Sale of PPE (and Intangibles)		(899)	85,121	8,312
Purchase of PPE (and Intangibles)		(349,366)	(493,448)	(273,224)
Purchase of Investments		(1,009,581)	(1,022,437)	(2,567,560)
<b>Net cash from / (to) the Investing Activities</b>		<b>(1,359,846)</b>	<b>(1,430,764)</b>	<b>(2,832,472)</b>
<b>Cash flows from Financing Activities</b>				
Furniture and Equipment Grant		33,985	49,896	(58)
Finance Lease Payments		(83,475)	(298,980)	(147,103)
Funds Administered on Behalf of Third Parties		-	-	-
<b>Net cash from Financing Activities</b>		<b>(49,490)</b>	<b>(249,084)</b>	<b>(147,161)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(64,479)</b>	<b>(580,403)</b>	<b>(1,840,896)</b>
Cash and cash equivalents at the beginning of the year	9	388,392	936,291	2,229,287
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>323,913</b>	<b>355,888</b>	<b>388,391</b>

The statement of cash flows records only those cash flows directly within the control of the School. This means centrally funded teachers' salaries and the use of land and buildings grant and expense have been excluded.

The above Cash Flow Statement should be read in conjunction with the accompanying notes.



# Middleton Grange School

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

For the year ended 31 December 2017

#### a) Reporting Entity

Middleton Grange School (The School) is a Crown entity as specified in the Crown Entities Act 2004 and a school as described in the Education Act 1989. The Board of Trustees (the Board) is of the view that the School is a public benefit entity for financial reporting purposes.

#### b) Basis of Preparation

##### *Reporting Period*

The financial reports have been prepared for the period 1 January 2017 to 31 December 2017 and in accordance with the requirements of the Public Finance Act 1989.

##### *Basis of Preparation*

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

##### *Financial Reporting Standards Applied*

The Education Act 1989 requires the School, as a Crown entity, to prepare financial statements in accordance with generally accepted accounting practice. The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, applying Public Sector Public Benefit Entity (PBE) Standards Reduced Disclosure Regime as appropriate to public benefit entities that qualify for Tier 2 reporting. The school is considered a Public Benefit Entity as it meets the criteria specified as "having a primary objective to provide goods and/or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for financial return to equity holders".

##### *PBE Accounting Standards Reduced Disclosure Regime*

The School qualifies for Tier 2 as the school is not publicly accountable and is not considered large as it falls below the expenditure threshold of \$30 million per year. All relevant reduced disclosure concessions have been taken.

##### *Measurement Base*

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

##### *Presentation Currency*

These financial statements are presented in New Zealand dollars, rounded to the nearest dollar.

##### *Specific Accounting Policies*

The accounting policies used in the preparation of these financial statements are set out below.

##### *Critical Accounting Estimates And Assumptions*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

##### *Useful lives of property, plant and equipment*

The School reviews the estimated useful lives of property, plant and equipment at the end of each reporting date. The School believes that the estimated useful lives of the property, plant and equipment as disclosed in the Significant Accounting Policies are appropriate to the nature of the property, plant and equipment at reporting date. Property, plant and equipment is disclosed at note 13.





### ***Critical Judgements in applying accounting policies***

Management has exercised the following critical judgements in applying accounting policies:

#### ***Classification of leases***

The School reviews the details of lease agreements at the end of each reporting date. The School believes the classification of each lease as either operation or finance is appropriate and reflects the nature of the agreement in place. Finance leases are disclosed at note 18.

#### ***Recognition of grants***

The School reviews the grants monies received at the end of each reporting period and whether any require a provision to carryforward amounts unspent. The School believes all grants received have been appropriately recognised as a liability if required. Government grants are disclosed at note 2.

### **c) Revenue Recognition**

#### ***Government Grants***

The school receives funding from the Ministry of Education. The following are the main types of funding that the School receives;

Operational grants are recorded as revenue when the School has the rights to the funding, which is in the year that the funding is received.

Teachers salaries grants are recorded as revenue when the School has the rights to the funding in the salary period they relate to. The grants are not received in cash by the School and are paid directly to teachers by the Ministry of Education.

#### ***Other Grants***

Other grants are recorded as revenue when the School has the rights to the funding, unless there are unfulfilled conditions attached to the grant, in which case the amount relating to the unfulfilled conditions is recognised as a liability and released to revenue as the conditions are fulfilled.

Grants for the use of land and buildings are also not received in cash by the School as they equate to the deemed expense for using the land and buildings which are owned by the Proprietor. Use of land and building grants are recorded as income in the period the school uses the land and building.

#### ***Donations and Gifts***

Donations and gifts are recorded as revenue when their receipt is formally acknowledged by the School.

#### ***Interest Revenue***

Interest Revenue earned on cash and cash equivalents and investments is recorded as revenue in the period it is earned.

### **d) Use of Land and Buildings Expense**

The property from which the School operates is owned by the Proprietor. The expense is based on an assumed market rental yield on the land and buildings as used for rating purposes. This is a non-cash expense that is offset by a non-cash grant from the Proprietor.

### **e) Operating Lease Payments**

Payments made under operating leases are recognised in the Statement of Comprehensive Revenue and Expense on a straight line basis over the term of the lease.

### **f) Finance Lease Payments**

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest basis.

### **g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, and other short term highly liquid investments with original maturities of 90 days or less, and bank overdrafts. The carrying amount of cash and cash equivalents represent fair value.



#### **h) Accounts Receivable**

Accounts Receivable represents items that the School has issued invoices for or accrued for, but has not received payment for at year end. Receivables are initially recorded at fair value and subsequently recorded at the amount the School realistically expects to receive. A receivable is considered uncollectable where there is objective evidence the School will not be able to collect all amounts due. The amount that is uncollectable (the provision for uncollectibility) is the difference between the amount due and the present value of the amounts expected to be collected.

#### **i) Inventories**

Inventories are consumable items held for sale and comprise of Canteen supplies and school uniforms. They are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of activities less the estimated costs necessary to make the sale. Any write down from cost to net realisable value is recorded as an expense in the Statement of Comprehensive Revenue and Expense in the period of the write down.

#### **j) Investments**

Bank term deposits for periods exceeding 90 days are classified as investments and are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. After initial recognition bank term deposits are measured at amortised cost using the effective interest method less impairment.

The School has met the requirements under section 73 of the Education Act 1989 in relation to the acquisition of investment securities.

#### **k) Property, Plant and Equipment**

Land and buildings owned by the Proprietor are excluded from these financial statements. The Board's use of the land and buildings as 'occupant' is based on a property occupancy document.

Property, plant and equipment are recorded at cost or, in the case of donated assets, fair value at the date of receipt, less accumulated depreciation and impairment losses. Cost or fair value as the case may be, includes those costs that relate directly to bringing the asset to the location where it will be used and making sure it is in the appropriate condition for its intended use.

Property, plant and equipment acquired with individual values under \$1,000 are not capitalised, they are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

Gains and losses on disposals (*i.e.* sold or given away) are determined by comparing the proceeds received with the carrying amounts (*i.e.* the book value). The gain or loss arising from the disposal of an item of property, plant and equipment is recognised in the Statement of Comprehensive Revenue and Expense.

#### **Leased Assets**

Leases where the School assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets and corresponding liability are recognised in the Statement of Financial Position and leased assets are depreciated over the period the School is expected to benefit from their use or over the term of the lease.

#### **Depreciation**

Property, plant and equipment are depreciated over their estimated useful lives on a straight line basis. Depreciation of all assets is reported in the Statement of Comprehensive Revenue and Expense.

The estimated useful lives of the assets are:

Furniture and equipment	5 - 10 years
Information and communication technology	5 - 10 years
Motor vehicles	8 years
Textbooks	8 years
Leased assets held under a Finance Lease	3 - 5 years



## **l) Intangible Assets**

### *Software costs*

Computer software acquired by the School are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with subsequent maintenance or licensing of software are recognised as an expense in the Statement of Comprehensive Revenue and Expense when incurred.

Computer software licences with individual values under \$1,000 are not capitalised, they are recognised as an expense in the Statement of Comprehensive Revenue and Expense when incurred.

Computer software that the school receives from the Ministry of Education is normally acquired through a non-exchange transaction and is not of a material amount. Its fair value can be assessed at time of acquisition if no other methods lead to a fair value determination. Computer software purchased directly from suppliers at market rates are considered exchange transactions and the fair value is the amount paid for the software.

The carrying value of software is amortised on a straight line basis over its useful life. The useful life of software is estimated as five years. The amortisation charge for each period and any impairment loss is recorded in the Statement of Comprehensive Revenue and Expense.

## **m) Impairment of property, plant, and equipment and intangible assets**

The school does not hold any cash generating assets. Assets are considered cash generating where their primary objective is to generate a commercial return.

### *Non cash generating assets*

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

## **n) Accounts Payable**

Accounts Payable represents liabilities for goods and services provided to the School prior to the end of the financial year which are unpaid. Accounts Payable are recorded at the amount of cash required to settle those liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

## **o) Employee Entitlements**

### *Short-term employee entitlements*

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date.

### *Long-term employee entitlements*

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.



**p) Revenue Received in Advance**

Revenue received in advance relates to fees received from international students, where there are unfulfilled obligations for the School to provide services in the future. The fees are recorded as revenue as the obligations are fulfilled and the fees earned.

The School holds sufficient funds to enable the refund of unearned fees in relation to international students, should the School be unable to provide the services to which they relate.

**q) Funds Held in Trust**

Funds are held in trust where they have been received by the School for a specified purpose, or are being held on behalf of a third party and these transactions are not recorded in the Statement of Revenue and Expense. The School holds sufficient funds to enable the funds to be used for their intended purpose at any time.

**r) Shared Funds**

Shared Funds are held on behalf of a cluster of participating schools as agreed with the Ministry of Education. The cluster of schools operate activities outside of school control. These amounts are not recorded in the Statement of Revenue and Expense. The School holds sufficient funds to enable the funds to be used for their intended purpose.

**s) Provision for Cyclical Maintenance**

The property from which the school operates is owned by the Proprietor. The Board is responsible for maintaining the land, building and other facilities on the School site in a state of good order and repair.

Cyclical maintenance, which involves painting the interior and exterior of the School, makes up the most significant part of the Board's responsibilities outside day-to-day maintenance. The provisions for cyclical maintenance represents the obligations the Board has to the Proprietor and is based on the Board's ten year property plan (10YPP).

**t) Financial Assets and Liabilities**

The School's financial assets comprise cash and cash equivalents, accounts receivable, and investments. All of these financial assets are categorised as "loans and receivables" for accounting purposes in accordance with financial reporting standards.

The School's financial liabilities comprise accounts payable, finance lease liability. All of these financial liabilities are categorised as "financial liabilities measured at amortised cost" for accounting purposes in accordance with financial reporting standards.

**u) Goods and Services Tax (GST)**

The financial statements have been prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable which are stated as GST inclusive.

The net amount of GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statements of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

**v) Budget Figures**

The budget figures are extracted from the School budget that was approved by the Board at the start of the year.

**w) Services received in-kind**

From time to time the School receives services in-kind, including the time of volunteers. The School has elected not to recognise services received in kind in the Statement of Comprehensive Revenue and Expense.



## 2. Government Grants

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Operational grants	2,125,990	2,053,398	2,087,456
Teachers' salaries grants	6,668,052	6,467,366	6,510,943
Resource teachers learning and behaviour grants	6,741	8,173	8,884
Other MoE Grants	452,925	352,497	347,015
Other government grants	62,608	69,087	66,881
	<u>9,316,316</u>	<u>8,950,521</u>	<u>9,021,179</u>

## 3. Locally Raised Funds

Local funds raised within the School's community are made up of:

	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
<b>Revenue</b>			
Donations	425,316	439,220	445,320
Fundraising	26,712	9,000	11,203
Other revenue	624,339	633,353	631,806
Trading	747,946	758,053	767,023
	<u>1,824,313</u>	<u>1,839,626</u>	<u>1,855,352</u>
<b>Expenses</b>			
Trading	638,601	610,490	620,267
	<u>638,601</u>	<u>610,490</u>	<u>620,267</u>
<i>Surplus for the year Locally raised funds</i>	<u>1,185,712</u>	<u>1,229,136</u>	<u>1,235,085</u>

## 4. International Student Revenue and Expenses

	2017	2017	2016
	Actual	Budget	Actual
	Number	(Unaudited)	Number
International Student Roll	115.5	102	89.75
	2017	2017	2016
	Actual	Budget	Actual
	\$	(Unaudited)	\$
<b>Revenue</b>			
International student fees	2,751,549	1,719,467	2,100,913
<b>Expenses</b>			
Advertising	90,687	83,683	85,567
Commissions	200,689	197,130	138,599
International student levy	41,733	39,026	34,207
Employee Benefit - Salaries	719,147	699,645	628,385
Other Expenses	1,175,239	388,726	993,919
	<u>2,227,495</u>	<u>1,408,210</u>	<u>1,880,677</u>
<i>Surplus for the year International Students</i>	<u>524,054</u>	<u>311,257</u>	<u>220,236</u>



## 5. Learning Resources

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Curricular	396,666	447,347	350,225
Information and communication technology	33,321	35,100	29,876
Library resources	6,965	6,100	3,463
Employee benefits - salaries	7,901,437	7,691,706	7,871,910
Staff development	194,342	64,400	51,278
	<u>8,532,731</u>	<u>8,244,653</u>	<u>8,306,752</u>

## 6. Administration

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Audit Fee	8,158	9,025	9,023
Board of Trustees Fees	6,800	7,150	5,755
Board of Trustees Expenses	8,375	3,000	3,258
Communication	18,196	17,000	13,958
Consumables	-	1,500	830
Operating Lease	31,888	202,000	192,899
Other	75,806	66,200	84,221
Employee Benefits - Salaries	552,891	532,472	549,202
Insurance	13,268	17,200	15,745
Service Providers, Contractors and Consultancy	97,062	90,200	91,962
	<u>812,244</u>	<u>945,747</u>	<u>966,853</u>

## 7. Property

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Caretaking and Cleaning Consumables	28,508	25,000	21,088
Consultancy and Contract Services	205,195	211,538	204,522
Cyclical Maintenance Expense	74,000	74,000	74,000
Grounds	49,844	37,000	28,844
Heat, Light and Water	256,016	246,800	252,439
Repairs and Maintenance	144,037	163,925	122,985
Use of Land and Buildings	3,112,000	3,112,000	2,720,900
Security	9,173	15,244	9,865
Employee Benefits - Salaries	205,474	212,044	198,727
	<u>4,084,247</u>	<u>4,097,551</u>	<u>3,633,370</u>

The use of land and buildings figure represents 8% of the school's total property value (Was 7% in 2016). This is used as a 'proxy' for the market rental of the property. Property values are established as part of the nation-wide revaluation exercise that is conducted every 30 June for the Ministry of Education's year-end reporting purposes.



## 8. Depreciation

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Furniture and Equipment	72,905	80,958	55,984
Information and Communication Technology	51,362	38,231	42,803
Motor Vehicles	7,899	8,272	7,180
Textbooks	12,901	18,604	33,712
Leased Assets	215,874	51,964	58,765
	<u>360,941</u>	<u>198,029</u>	<u>198,444</u>

## 9. Cash and Cash Equivalents

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Cash on Hand	888	888	888
Bank Current Account	37,960	65,000	131,311
Bank Call Account	285,065	290,000	256,192
Cash equivalents and bank overdraft for Cash Flow Statement	<u>323,913</u>	<u>355,888</u>	<u>388,391</u>

## 10. Accounts Receivable

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Receivables	60,154	30,000	60,961
Receivables from the Ministry of Education	64,098	-	4,671
Provision for Uncollectibility	(6,998)	1,200	(5,428)
Interest Receivable	31,870	30,000	27,250
Teacher Salaries Grant Receivable	663,891	640,000	627,664
	<u>813,015</u>	<u>701,200</u>	<u>715,118</u>
Receivables from Exchange Transactions	85,026	61,200	82,783
Receivables from Non-Exchange Transactions	727,989	640,000	632,335
	<u>813,015</u>	<u>701,200</u>	<u>715,118</u>

## 11. Inventories

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
School Uniforms	160,475	140,000	115,104
Canteen	2,676	2,700	2,676
	<u>163,151</u>	<u>142,700</u>	<u>117,780</u>

## 12. Investments

The School's investment activities are classified as follows:

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Current Asset			
Short-term Bank Deposits	4,702,521	4,100,000	3,692,940



### 13. Property, Plant and Equipment

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
	\$	\$	\$	\$	\$	\$
<b>2017</b>						
Furniture and Equipment	337,520	209,181	-	-	(72,905)	473,796
Information and Communication	159,388	97,695	-	-	(51,362)	205,721
Motor Vehicles	34,485	-	-	-	(7,899)	26,586
Textbooks	77,560	44,065	(6,574)	-	(12,901)	102,150
Leased Assets	42,012	802,914	-	-	(215,874)	629,051
<b>Balance at 31 December 2017</b>	<b>650,965</b>	<b>1,153,854</b>	<b>(6,574)</b>	<b>-</b>	<b>(360,941)</b>	<b>1,437,303</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
<b>2017</b>			
Furniture and Equipment	1,633,318	(1,159,525)	473,793
Information and Communication	532,062	(326,341)	205,721
Motor Vehicles	119,878	(93,292)	26,586
Textbooks	425,628	(323,476)	102,152
Leased Assets	840,090	(211,039)	629,051
<b>Balance at 31 December 2017</b>	<b>3,550,976</b>	<b>(2,113,673)</b>	<b>1,437,303</b>

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
	\$	\$	\$	\$	\$	\$
<b>2016</b>						
Furniture and Equipment	215,444	178,060	-	-	(55,984)	337,520
Information and Communication	82,209	119,983	-	-	(42,803)	159,389
Motor Vehicles	31,672	9,995	-	-	(7,180)	34,487
Textbooks	68,750	46,436	(3,917)	-	(33,712)	77,557
Leased Assets - Photocopier & Laptops	63,600	37,177	-	-	(58,765)	42,012
<b>Balance at 31 December 2016</b>	<b>461,675</b>	<b>391,651</b>	<b>(3,917)</b>	<b>-</b>	<b>(198,444)</b>	<b>650,965</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
<b>2016</b>			
Furniture and Equipment	1,453,397	(1,115,877)	337,520
Information and Communication Technology	499,652	(340,264)	159,388
Motor Vehicles	119,878	(85,393)	34,485
Textbooks	389,549	(311,989)	77,560
Leased Assets	291,577	(249,565)	42,012
Library Resources	-	-	-
<b>Balance at 31 December 2016</b>	<b>2,754,053</b>	<b>(2,103,088)</b>	<b>650,965</b>





## 14. Intangible Assets

The School's Intangible Assets are made up of an Equitable Leasehold Interest resulting from Classroom relocations and extensions

2017	Opening \$	Additions \$	Disposals \$	Impairment \$	Closing \$
<b>Cost</b>					
Intangible Assets (Cost)	99,192	-	-	-	99,192
<b>Balance at 31 December 2017</b>	<b>99,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,192</b>
<b>Accumulated Amortisation</b>					
Intangible Assets (Amortisation for the year)	27,624	-	-	13,812	41,436
<b>Balance at 31 December 2017</b>	<b>27,624</b>	<b>-</b>	<b>-</b>	<b>13,812</b>	<b>41,436</b>
<b>Net Book Value at 31 December 2017</b>					<b>57,756</b>

2016	Opening \$	Additions \$	Disposals \$	Impairment \$	Closing \$
<b>Cost</b>					
Intangible Assets	99,192	-	-	-	99,192
<b>Balance at 31 December 2016</b>	<b>99,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,192</b>
<b>Accumulated Amortisation</b>					
Intangible Assets (Amortisation for the year)	13,812	-	-	13,812	27,624
<b>Balance at 31 December 2016</b>	<b>13,812</b>	<b>-</b>	<b>-</b>	<b>13,812</b>	<b>27,624</b>
<b>Net Book Value at 31 December 2016</b>					<b>71,568</b>

## 15. Accounts Payable

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Operating creditors	355,358	288,407	228,690
Accruals	78,211	55,000	69,992
Banking staffing overuse	-	-	-
Employee Entitlements - salaries	744,269	710,000	701,133
Employee Entitlements - leave accrual	7,039	-	4,374
	<b>1,184,877</b>	<b>1,053,407</b>	<b>1,004,189</b>
Payables for Exchange Transactions	1,163,395	1,033,407	983,821
Payables for Non-exchange Transactions - Taxes Payable (PAYE and Rates)	21,482	20,000	20,368
	<b>1,184,877</b>	<b>1,053,407</b>	<b>1,004,189</b>

The carrying value of payables approximates their fair value.



## 16. Revenue Received in Advance

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Grants in Advance - Ministry of Education	-	-	-
International Student Fees - Current	2,551,960	2,500,000	2,014,021
Other	134,839	98,000	110,205
	<u>2,686,799</u>	<u>2,598,000</u>	<u>2,124,226</u>
International Student Fees -Term	34,075	-	-
	<u>34,075</u>	<u>-</u>	<u>-</u>

## 17. Provision for Cyclical Maintenance

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Provision at the Start of the Year	396,550	396,550	330,072
Increase to the Provision During the Year	74,000	74,000	74,000
Adjustment to the Provision	14,500	-	-
Use of the Provision During the Year	(44,254)	(44,254)	(7,522)
Provision at the End of the Year	<u>440,796</u>	<u>426,296</u>	<u>396,550</u>
Cyclical Maintenance - Current	74,000	74,000	39,750
Cyclical Maintenance - Term	366,796	352,296	356,800
	<u>440,796</u>	<u>426,296</u>	<u>396,550</u>

## 18. Finance Lease Liability

The School has entered into a number of finance lease agreements for computers and other ICT equipment. Minimum lease payments payable:

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
No Later than One Year	248,888	24,000	24,716
Later than One Year and no Later than Five Years	381,971	20,500	17,998
	<u>630,859</u>	<u>44,500</u>	<u>42,714</u>

## 19. Funds held in Trust

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Funds Held in Trust on Behalf of Third Parties - Current	110,421	110,000	88,777
Funds Held in Trust on Behalf of Third Parties - Non-current	-	-	-
	<u>110,421</u>	<u>110,000</u>	<u>88,777</u>

These funds are held where the school is agent for representative amounts and therefore these are not included in the Statement of Comprehensive Revenue and Expense. The types of these funds are for such things as various 2018 Student overseas trips plus other 2018 Student funds related to camps, trips and extra curricular activities.



## 20. Funds Held on Behalf of Learning Community Cluster

Middleton Grange School is the lead school and holds funds on behalf of the Learning Cluster, a group of schools funded by the Ministry of Education to share professional development for a number of projects.

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Funds Held at Beginning of the Year	9,134		66,133
Funds Received from Cluster Members	2,163		4,560
Funds Received from MoE	20,550		35,950
Funds Spent on Behalf of the Cluster	(30,927)		(97,509)
Funds Held at Year End	990	-	9,134

These assets and liabilities form part of the school's assets and liabilities and are presented on the school's statement of financial position.

## 21. Related Party Transactions

The School is a controlled entity of the Crown, and the Crown provides the major source of revenue to the school. The school enters into transactions with other entities also controlled by the Crown, such as government departments, state-owned enterprises and other Crown entities. Transactions with these entities are not disclosed as they occur on terms and conditions no more or less favourable than those that it is reasonable to expect the school would have adopted if dealing with that entity at arm's length.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the school would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

The Proprietor of the School (Christian Schools Trust) is a related party of the Board because the proprietor appoints representatives to the Board, giving the proprietor significant influence over the Board. Any services or contributions between the Board and Proprietor that are material transactions that have occurred has been disclosed appropriately.

The Proprietor provides land and buildings free of charge for use by the Board as noted in Note 7. The estimated value of this use during 2017 is included in the Statement of Comprehensive Revenue and Expense as "Use of land and buildings".

## 22. Remuneration

### Key management personnel compensation

Key management personnel of the School include all trustees of the Board, Principal, Deputy Principals and Heads of Departments.

	2017 Actual \$	2016 Actual \$
<i>Board Members</i>		
Remuneration	6,600	5,755
Full-time equivalent members	0.63	0.59
<i>Leadership Team</i>		
Remuneration	693,495	651,244
Full-time equivalent members	6	6
Total key management personnel remuneration	700,095	656,999
Total full-time equivalent personnel	6.63	6.59

The full time equivalent for Board members has been determined based on attendance at Board meetings, Committee meetings and for other obligations of the Board, such as stand downs and suspensions, plus the estimated time for Board members to prepare for meetings.



### Principal

The total value of remuneration paid or payable to the Principal was in the following bands:

	2017 Actual \$000	2016 Actual \$000
Salaries and Other Short-term Employee Benefits:		
Salary and Other Payments	190-200	160-170
Benefits and Other Emoluments	0 - 5	0 - 5

### Other Employees

The number of other employees with remuneration greater than \$100,000 was in the following bands:

Remuneration \$000	2017 FTE Number	2016 FTE Number
100 - 110	1	1
	<u>1</u>	<u>1</u>

The disclosure for 'Other Employees' does not include remuneration of the Principal.

## 23. Contingencies

There are no contingent liabilities and no contingent assets as at 31 December 2017 (Contingent liabilities and assets at 31 December 2016: \$nil).

## 24. Commitments

### (a) Capital Commitments

As at 31 December 2017 the Board has not entered into contract agreements for capital works.

(Capital commitments at 31 December 2016: \$nil)

## 25. Managing Capital

The School's capital is its equity and comprises capital contributions from the Ministry of Education for property, plant and equipment and accumulated surpluses and deficits. The School does not actively manage capital but attempts to ensure that income exceeds spending in most years. Although deficits can arise as planned in particular years, they are offset by planned surpluses in previous years or ensuing years.

## 26. Financial Instruments

The carrying amount of financial assets and liabilities in each of the financial instrument categories are as follows:

### Loans and receivables

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Cash and Cash Equivalents	323,913	355,888	388,391
Receivables	813,015	701,200	715,118
Investments - Term Deposits	4,702,521	4,100,000	3,692,940
Total Cash and Receivables	<u>5,839,449</u>	<u>5,157,088</u>	<u>4,796,449</u>

### Financial liabilities measured at amortised cost

Payables	1,163,395	1,033,407	983,821
Finance Leases - Photocopiers & TRL Laptops	630,859	44,500	42,714
Total Financial Liabilities Measured at Amortised Cost	<u>1,794,254</u>	<u>1,077,907</u>	<u>1,026,535</u>

## 27. Events After Balance Date

There were no significant events after the balance date that impact these financial statements.



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF MIDDLETON GRANGE SCHOOL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Auditor-General is the auditor of Middleton Grange School (the School). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements of the School on his behalf.

#### Opinion

We have audited the financial statements of the School on pages 1 to 18, that comprise the statement of financial position as at 31 December 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion the financial statements of the School:

- present fairly, in all material respects:
  - its financial position as at 31 December 2017; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Sector – Public Benefit Entity Standards, Reduced Disclosure Regime.

Our audit was completed on 30 May 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Board of Trustees for the financial statements

The Board of Trustees is responsible on behalf of the School for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible on behalf of the School for assessing the School's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to close or merge the School, or there is no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Education Act 1989.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the School's approved budget.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We assess the risk of material misstatement arising from the Novopay payroll system, which may still contain errors. As a result, we carried out procedures to minimise the risk of material errors arising from the system that, in our judgement, would likely influence readers' overall understanding of the financial statements.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arises from the Public Audit Act 2001.

## **Other information**

The Board of Trustees is responsible for the other information. The other information comprises the information which accompanies the financial statements, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independence**

We are independent of the School in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the School.



Mike Hoshek, Deloitte Limited  
On behalf of the Auditor-General  
Christchurch, New Zealand