

# **AROHENA SCHOOL**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

School Address: Pukewhau road, RD7, Te Awamutu

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Ministry Number: 1688

# Arohena 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.

Nicholas John Prosdargast.  
Full Name of Board Chairperson

Rosemary Symes  
Full Name of Principal

[Signature]  
Signature of Board Chairperson

[Signature]  
Signature of Principal

16.5.18  
Date:

17.5.18  
Date:

**Arohena 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>266,227</u>	<u>266,227</u>	<u>290,198</u>
Total comprehensive revenue and expense for the year	(54,145)	(78,836)	(25,276)
Capital Contributions from the Ministry of Education Contribution - Furniture and Equipment Grant	1,383	-	1,305
<b>Equity at 31 December</b>	<u>213,465</u>	<u>187,391</u>	<u>266,227</u>
 Retained Earnings	 213,465	 187,391	 266,227
<b>Equity at 31 December</b>	<u>213,465</u>	<u>187,391</u>	<u>266,227</u>

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

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

		2017	2017	2016
	Note	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
<b>Cash flows from Operating Activities</b>				
Government Grants		200,574	139,068	189,043
Locally Raised Funds		37,120	29,160	41,408
Goods and Services Tax (net)		2,402	-	3,439
Payments to Employees		(92,103)	(76,444)	(81,831)
Payments to Suppliers		(143,812)	(107,163)	(224,762)
Interest Paid		(599)	(423)	(562)
Interest Received		1,992	1,500	3,562
Net cash from / (to) the Operating Activities		5,574	(14,302)	(69,703)
<b>Cash flows from Investing Activities</b>				
Purchase of PPE (and Intangibles)		(5,149)	(9,400)	(4,902)
Net cash from / (to) the Investing Activities		(5,149)	(9,400)	(4,902)
<b>Cash flows from Financing Activities</b>				
Furniture and Equipment Grant		1,383	-	1,305
Finance Lease Payments		(598)	(1,520)	(6,026)
Funds Held for Capital Works Projects		39,962	-	(58,924)
Net cash from Financing Activities		40,747	(1,520)	(63,645)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>41,172</b>	<b>(25,222)</b>	<b>(138,250)</b>
Cash and cash equivalents at the beginning of the year	8	103,066	239,510	241,316
<b>Cash and cash equivalents at the end of the year</b>	8	<b>144,238</b>	<b>214,288</b>	<b>103,066</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.

### **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 11.

### **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 14.

#### *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.

Use of land and buildings grants are recorded as revenue in the period the School uses the land and buildings. These are 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 Crown.

### **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.

### **Donations, Gifts and Bequests**

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

**k) Property, Plant and Equipment**

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

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.

Improvements to buildings owned by the Crown are recorded at cost, less accumulated depreciation and impairment losses.

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 \$500 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 except for library resources are depreciated over their estimated useful lives on a straight line basis. Library resources are depreciated on a diminishing value basis. Depreciation of all assets is reported in the Statement of Comprehensive Revenue and Expense.

The estimated useful lives of the assets are:

Buildings	10-20 Years
Furniture and Equipment	5-15 Years
Information and Communication	4-5 Years
Library Resources	12.5DV

Leased assets are depreciated over the life of the lease.

**p) Provision for Cyclical Maintenance**

The property from which the School operates is owned by the Crown, and is vested in the Ministry. The Ministry has gazetted a property occupancy document that sets out the Board's property maintenance responsibilities. The Board is responsible for maintaining the land, buildings 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 provision for cyclical maintenance represents the obligation the Board has to the Ministry and is based on the Board's ten year property plan (10YPP).

**q) 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 of accounts payable and 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.

**r) 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.

**s) Budget Figures**

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

**t) 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.

## 5. Administration

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Audit Fee	3,286	3,336	2,822
Board of Trustees Fees	3,275	4,455	3,355
Board of Trustees Expenses	270	1,300	855
Communication	2,544	2,700	2,579
Consumables	3,643	3,540	3,464
Operating Lease	1,313	600	1,111
Other	6,561	3,354	4,063
Employee Benefits - Salaries	22,266	22,840	22,537
Insurance	3,103	3,500	3,493
Service Providers, Contractors and Consultancy	3,593	5,300	5,523
Bus Network	65,682	66,200	68,379
	<u>115,536</u>	<u>117,125</u>	<u>118,181</u>

## 6. Property

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Caretaking and Cleaning Consumables	1,337	1,500	1,295
Cyclical Maintenance Expense	28,498	2,727	(633)
Grounds	3,491	3,250	3,992
Heat, Light and Water	6,873	6,373	5,923
Rates	-	950	-
Repairs and Maintenance	8,201	6,000	24,284
Use of Land and Buildings	84,245	34,594	94,973
Employee Benefits - Salaries	12,410	12,644	11,365
	<u>145,055</u>	<u>68,038</u>	<u>141,199</u>

The use of land and buildings figure represents 8% of the school's total property value. 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.

## 7. Depreciation

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Buildings	6,047	5,792	5,864
Building Improvements	-	403	408
Furniture and Equipment	5,444	5,428	5,496
Information and Communication Technology	5,128	5,416	5,484
Leased Assets	1,586	1,266	1,282
Library Resources	565	636	644
	<u>18,770</u>	<u>18,941</u>	<u>19,178</u>



## 11. Property, Plant and Equipment

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
2017	\$	\$	\$	\$	\$	\$
Buildings	43,391	-	-	-	(6,047)	37,342
Furniture and Equipment	20,186	3,638	(93)	-	(5,444)	18,287
Information and Communication Techni	7,437	3,196	-	-	(5,128)	5,505
Leased Assets	5,683	-	-	-	(1,586)	4,097
Library Resources	4,510	-	-	-	(565)	3,947
<b>Balance at 31 December 2017</b>	<b>81,207</b>	<b>6,834</b>	<b>(93)</b>	<b>-</b>	<b>(18,770)</b>	<b>69,178</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
2017	\$	\$	\$
Buildings	173,460	(136,118)	37,342
Furniture and Equipment	127,005	(108,718)	18,287
Information and Communication	96,687	(91,182)	5,505
Leased Assets	6,965	(2,868)	4,097
Library Resources	19,241	(15,294)	3,947
<b>Balance at 31 December 2017</b>	<b>423,358</b>	<b>(354,180)</b>	<b>69,178</b>

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
2016	\$	\$	\$	\$	\$	\$
Buildings	49,663	-	-	-	(6,272)	43,390
Furniture and Equipment	20,682	5,000	-	-	(5,496)	20,186
Information and Communication Techni	12,920	-	-	-	(5,484)	7,437
Leased Assets	-	6,965	-	-	(1,282)	5,683
Library Resources	5,154	-	-	-	(644)	4,510
<b>Balance at 31 December 2016</b>	<b>88,419</b>	<b>11,965</b>	<b>-</b>	<b>-</b>	<b>(19,178)</b>	<b>81,206</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
2016	\$	\$	\$
Buildings	123,225	(79,835)	43,390
Furniture and Equipment	189,533	(169,347)	20,186
Information and Communication	109,922	(102,485)	7,437
Leased Assets	6,965	(1,282)	5,683
Library Resources	19,241	(14,731)	4,510
<b>Balance at 31 December 2016</b>	<b>448,886</b>	<b>(367,680)</b>	<b>81,206</b>

Changes have been made to the asset categories during 2017 to be consistent with the Ministry of Education guidelines as well as based on the nature of the assets. No impact has been made on the net book value of the assets with the change in different categories.

### 15. Funds Owed (Held) for Capital Works Projects

During the year the School received and applied funding from the Ministry of Education for the following capital works projects:

	2017	Opening Balances	Receipts from MoE	Payments	BOT Contribution/ (Write-off to R&M)	Closing Balances
		\$	\$	\$		\$
5YA Project	<i>in progress</i>	20,156	-	1,340	-	21,496
Toilet Block	<i>in progress</i>	57,827	39,962	-	-	17,865
Totals		77,983	39,962	1,340	-	39,361

#### Represented by:

Funds Held on Behalf of the Ministry of Education  
Funds Due from the Ministry of Education

-  
39,361  
39,361

	2016	Opening Balances	Receipts from MoE	Payments	BOT Contribution/ (Write-off to R&M)	Closing Balances
		\$	\$	\$		\$
5YA Project	<i>in progress</i>	20,156	-	-	-	20,156
Toilet Block	<i>in progress</i>	27,857	-	29,970	-	57,827
Totals		48,013	-	29,970	-	77,983

### 16. 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.

## 19. Contingencies

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

## 20. Commitments

### (a) Capital Commitments

There are no capital commitments as at 31 December 2017 (Capital commitments at 31 December 2016: nil).

### (b) Operating Commitments

As at 31 December 2017 the Board has entered into the following contracts:

(a) operating lease of laptops;

	2017 Actual \$	2016 Actual \$
No later than One Year	353	471
Later than One Year and No Later than Five Years	-	352
Later than Five Years	-	-
	<u>353</u>	<u>823</u>

## 21. 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.

## 22. 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	144,238	214,288	103,066
Receivables	14,634	16,902	15,439
Total Loans and Receivables	<u>158,872</u>	<u>231,190</u>	<u>118,505</u>

### Financial liabilities measured at amortised cost

Payables	30,211	91,040	22,054
Finance Leases	4,319	-	5,871
Total Financial Liabilities Measured at Amortised Cost	<u>34,530</u>	<u>91,040</u>	<u>27,925</u>

## 23. Events After Balance Date

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