

KELBURN NORMAL SCHOOL

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

School Directory

Ministry Number: 2876

Principal: Andrew Bird

School Address: 16 Kowhai Road, Kelburn

School Postal Address: 16 Kowhai Road, Kelburn, Wellington 6012

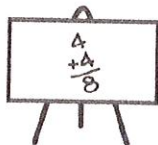
School Phone: 04 475 9351

School Email: admin@kelburnnormal.school.nz

Members of the Board of Trustees

Name	Position
Lisa Moore	Chair Person
Andrew Bird	Principal
Matthew Christie	Parent Rep
Tim Stewart	Parent Rep
Martin Read	Parent Rep
John Sneyd	Parent Rep
Bob Walker	Parent Rep
Susie Brown	Staff Rep

Accountant / Service Provider: Education Finance Limited
0800 333 462



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KELBURN NORMAL SCHOOL ANNUAL FINANCIAL STATEMENT, 31 DECEMBER 2018

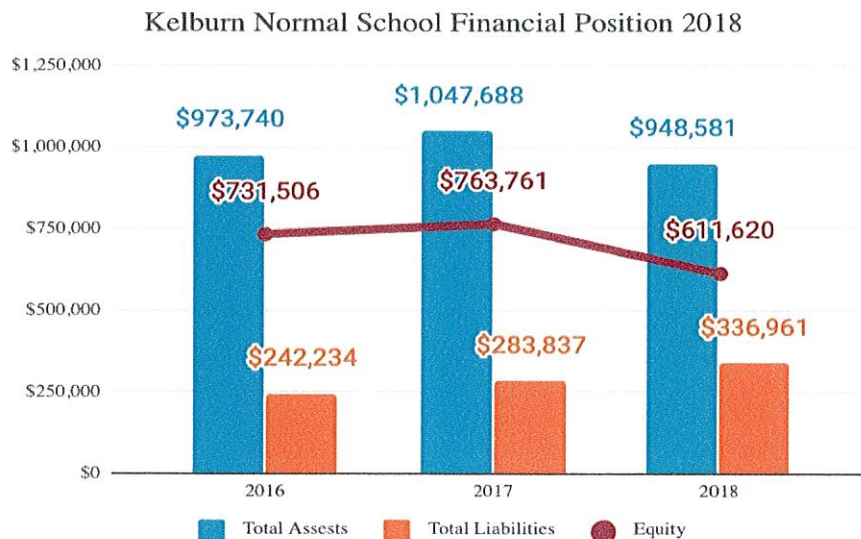
This summary accompanies the publication of the Kelburn Normal School Financial Statements (2018). The Board welcomes feedback from the staff, students and community on any aspect of the statements.

The financial statements include the operations of Kelburn Normal School as a crown entity, under the responsibility of the Board of Trustees. It includes the Annual Report and the Analysis of Variance.

In clarification, these statements include \$1,957,687 of government grants (in excess of the general operations grant) that includes the Ministry of Education (MOE) staff funded costs and a nominal grant for use of land and buildings. These are also deemed expenses although the school does not receive the cash for these or make the payments. The MOE assets (land and buildings) are not recorded on the school's balance sheet.

Financial Position

The Kelburn Normal School financial position has weakened since the end of 2017. The overall financial health of the school is recorded in the Balance Sheet.



There has been a reduction in working capital from \$468,030 to \$228,375 over the year and details of this are explained below.

The school has total assets of \$948,581, not including MOE land and buildings, of which 50.5% are liquid (eg Cash) and 49.5% are property, plant and equipment.

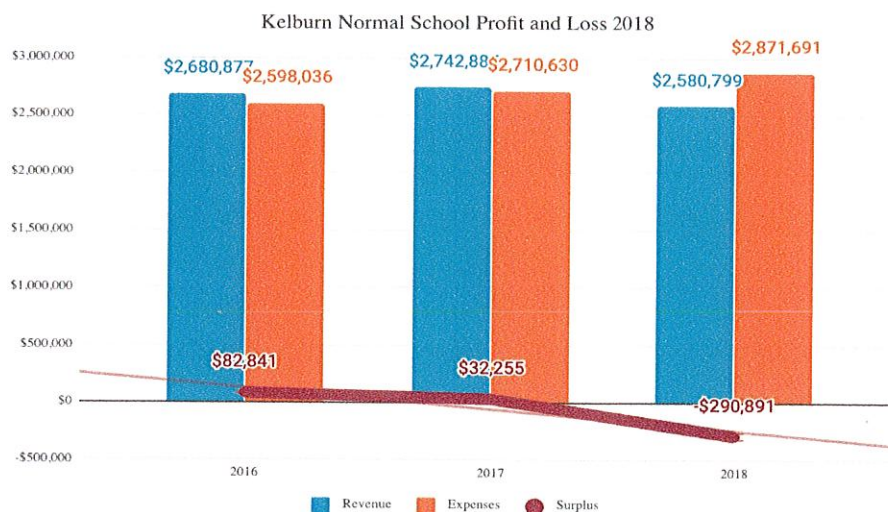
Of the \$336,961 liabilities 75% are current, (e.g. accounts payable) and 25% are for a provision for property maintenance such as painting and ongoing building regular maintenance and lease liability.

The balance of assets less liabilities leaves \$611,620 of equity, down from \$763,461 in 2017.

The December 31 working capital of \$228,375 includes \$178,059 of uncommitted funds, with \$50,316 as a planned commitment for future painting maintenance and property costs.

Financial performance

In 2018 Kelburn Normal School recorded a deficit of \$290,891.



Up until 2018, the Board has attempted to set a balanced budget where income equals expenses, while taking into account the needs of the students and school in relation to student learning and school operations.

At the beginning of the 2018 year, the Board noted it had \$400,530 in uncommitted funds. These funds had been accumulated to invest, if required, towards the reconstruction of the facilities of Kelburn Normal School. In February, as the building project was running at expected budget, the Board planned to record a deficit in 2018. It resolved to not request community donations for additional learning opportunities, and not request donations for trips, visits and activities and EOTC camps for the 2018 year. As donations had already been received for Y5-6 and Y7-8 camps the board refunded these donations. The school received an additional furniture and fittings grant (\$68k - on top of the original grant of \$71K) for furniture and equipment for the new learning spaces, and this grant was expensed in 2018 on new furniture for the learning spaces and a new playground. The Board planned to use uncommitted funds to purchase assets for the new spaces and AV screens, chromebooks and ipads were purchased through the year and funded by uncommitted funds in working capital.

The Statement of Comprehensive Revenue and Expense as at 31 December 2018 showed a deficit of \$290,891. This is nearly twice the level above the budgeted operating deficit of \$148,300. The deficit came from revenue of \$2,580,799 less expenses of \$2,871,690. Variance in 2018 of revenue against expenses, against 2017 accounts, saw a reduction of revenue in 2018 of \$162,086 while expenses increased by \$161,061.

There are 6 main contributors to recording a deficit in 2018

- The school has received less revenue
 - community and parent donations were not sought
 - lower than expected revenue from the international student programme
- The school has funded activities, camps, and trips in 2018 whereas previously these were funded by families/community.
- Asset acquisition - Purchasing assets - furniture, playground, storage, chromebooks, ipads, screens, ovens, microwaves to the value of \$231,126. (This was offset against a MOE new building furniture and fittings grant of \$138,750)
- Over budget operating expenses for additional costs incurred in 2018 on staffing expenses, repairs and maintenance, heating, security
- 'Book' loss through the disposal of furniture, fittings equipment from the old learning spaces of \$103,080.

Conclusion

A Ministry of Education Limited Statutory Manager (LSM) was appointed in May 2019 and the LSM and Principal will be working with the newly appointed Board to agree a financial strategy that will allocate resources to support the strategic goals of the school while ensuring the school remains in a sound financial position.

KELBURN NORMAL SCHOOL

Annual Report - For the year ended 31 December 2018

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Kelburn Normal School

Statement of Responsibility

For the year ended 31 December 2018


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 2018 fairly reflects the financial position and operations of the school.


The School's 2018 financial statements are authorised for issue by the Board.

Lisa Ann Moore
Full Name of Board Chairperson


Signature of Board Chairperson

31/5/2019
Date:

Andrew David Bird
Full Name of Principal


Signature of Principal

31/5/2019.
Date:

Prudence Rhel Kyle
P. C. Kyle (Limited Statutory)
Manager
31/5/2019

Kelburn Normal School

Statement of Comprehensive Revenue and Expense

For the year ended 31 December 2018

		2018	2018	2017
	Notes	Actual	Budget	Actual
		\$	(Unaudited)	\$
Revenue				
Government Grants	2	2,368,205	2,826,300	2,276,090
Locally Raised Funds	3	83,480	32,100	254,261
Interest Earned		9,953	16,300	15,602
International Students	4	119,161	155,000	196,932
		2,580,799	3,029,700	2,742,885
Expenses				
Locally Raised Funds	3	128,295	88,350	109,514
Hostel	4	-	-	-
International Students	4	52,926	55,000	96,298
Learning Resources	5	1,585,328	1,602,090	1,577,155
Administration	6	186,064	206,360	209,572
Finance		7,640	-	-
Property	7	724,270	1,136,200	642,505
Depreciation	8	84,087	90,000	75,586
Loss on Disposal of Property, Plant and Equipment		103,080	-	-
		2,871,691	3,178,000	2,710,630
Net Surplus / (Deficit) for the year		(290,891)	(148,300)	32,255
Other Comprehensive Revenue and Expenses		-	-	-
Total Comprehensive Revenue and Expense for the Year		(290,891)	(148,300)	32,255

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

Kelburn Normal School

Statement of Changes in Net Assets/Equity

For the year ended 31 December 2018

	Actual 2018 \$	Budget (Unaudited) 2018 \$	Actual 2017 \$
Balance at 1 January	<u>763,761</u>	<u>763,761</u>	<u>731,506</u>
Total comprehensive revenue and expense for the year	(290,891)	(148,300)	32,255
Capital Contributions from the Ministry of Education			
Contribution - Furniture and Equipment Grant	138,750	139,000	-
Equity at 31 December	<u>611,620</u>	<u>754,461</u>	<u>763,761</u>
Retained Earnings	611,620	754,461	763,761
Reserves	-	-	-
Equity at 31 December	<u>611,620</u>	<u>754,461</u>	<u>763,761</u>

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

Kelburn Normal School
Statement of Financial Position
As at 31 December 2018

		2018	2018	2017
	Notes	Actual \$	Budget (Unaudited) \$	Actual \$
Current Assets				
Cash and Cash Equivalents	9	360,510	104,288	158,681
Accounts Receivable	10	99,036	75,000	88,156
GST Receivable		12,045	8,746	8,746
Prepayments		8,059	12,027	12,027
Investments	11	-	307,510	407,510
		<u>479,650</u>	<u>507,571</u>	<u>675,120</u>
Current Liabilities				
Accounts Payable	13	169,548	95,000	115,759
Revenue Received in Advance	14	72,177	46,000	65,090
Finance Lease Liability - Current Portion	16	9,550	26,241	26,241
		<u>251,275</u>	<u>167,241</u>	<u>207,090</u>
Working Capital Surplus/(Deficit)		<u>228,375</u>	<u>340,330</u>	<u>468,030</u>
Non-current Assets				
Property, Plant and Equipment	12	468,931	491,478	372,478
		<u>468,931</u>	<u>491,478</u>	<u>372,478</u>
Non-current Liabilities				
Provision for Cyclical Maintenance	15	50,316	67,500	67,500
Finance Lease Liability	16	35,370	9,847	9,247
		<u>85,686</u>	<u>77,347</u>	<u>76,747</u>
Net Assets		<u>611,620</u>	<u>754,461</u>	<u>763,761</u>
Equity		<u>611,620</u>	<u>754,461</u>	<u>763,761</u>

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

Kelburn Normal School

Statement of Cash Flows

For the year ended 31 December 2018

		2018	2018	2017
	Note	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
Cash flows from Operating Activities				
Government Grants		423,787	426,300	412,567
Locally Raised Funds		83,480	32,100	251,351
International Students		126,248	174,090	215,975
Goods and Services Tax (net)		(3,299)	-	(5,635)
Payments to Employees		(321,338)	(303,500)	(323,976)
Payments to Suppliers		(338,749)	(530,283)	(441,206)
Cyclical Maintenance Payments in the year		-	-	-
Interest Paid		(7,640)	-	-
Interest Received		9,953	16,300	17,769
Net cash from / (to) the Operating Activities		(27,558)	(184,993)	126,845
Cash flows from Investing Activities				
Purchase of PPE (and Intangibles)		(301,889)	(189,000)	(31,598)
Purchase of Investments		-	-	(34,405)
Proceeds from Sale of Investments		407,510	200,000	-
Net cash from / (to) the Investing Activities		105,620	11,000	(66,003)
Cash flows from Financing Activities				
Furniture and Equipment Grant		138,750	139,000	-
Finance Lease Payments		(14,983)	(19,400)	(15,492)
Funds Held for Capital Works Projects		-	-	-
Net cash from Financing Activities		123,767	119,600	(15,492)
Net increase/(decrease) in cash and cash equivalents		201,829	(54,393)	45,350
Cash and cash equivalents at the beginning of the year	9	158,681	158,681	113,331
Cash and cash equivalents at the end of the year	9	360,510	104,288	158,681

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.

Kelburn Normal School

Notes to the Financial Statements

For the year ended 31 December 2018

1. Statement of Accounting Policies

a) Reporting Entity

Kelburn Normal 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 2018 to 31 December 2018 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 12.

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 16.

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.

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 Crown and managed by the Ministry of Education on behalf of the Crown. The School's use of the land and buildings as occupant is based on a property occupancy document as gazetted by the Ministry. The expense is based on an assumed market rental yield on the value of land and buildings as used for rating purposes. This is a non-cash expense that is offset by a non-cash grant from the Ministry.

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 stationery 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.

Investments that are shares are categorised as "available for sale" for accounting purposes in accordance with financial reporting standards. Share investments are recognised initially by the School at fair value plus transaction costs. At balance date the School has assessed whether there is any evidence that an investment is impaired. Any impairment, gains or losses are recognised in the Statement of Comprehensive Revenue and Expense.

After initial recognition any investments categorised as available for sale are measured at their fair value without any deduction for transaction costs the school may incur on sale or other disposal.

The School has met the requirements of Schedule 6 para 28 of the Education Act 1989 in relation to the acquisition of investment securities.

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.

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 \$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 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:

Building improvements to Crown Owned Assets	20–50 years
Furniture and equipment	5–10 years
Information and communication technology	5 years
Leased assets held under a Finance Lease	5 years
Leased assets held under a Finance Lease	3 years
Library resources	12.5% Diminishing value

l) 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.

m) 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.

n) 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.

o) 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.

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, except for investments that are shares, are categorised as "loans and receivables" for accounting purposes in accordance with financial reporting standards.

Investments that are shares are categorised as "available for sale" for accounting purposes in accordance with financial reporting standards.

The School's financial liabilities comprise 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) Borrowings

Borrowings are recognised at the amount borrowed. Borrowings are classified as current liabilities unless the School has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

s) 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.

t) Budget Figures

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

u) 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

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Operational grants	410,518	404,000	399,746
Teachers' salaries grants	1,361,853	1,400,000	1,382,422
Use of Land and Buildings grants	578,918	1,000,000	481,101
Other MoE Grants	13,269	16,300	12,547
Other government grants	3,647	6,000	274
	<u>2,368,205</u>	<u>2,826,300</u>	<u>2,276,090</u>

3. Locally Raised Funds

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

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Revenue			
Donations	8,913	6,800	114,643
Activities	33,844	-	102,977
Trading	4,123	-	4,996
Other Revenue	36,600	25,300	31,645
	<u>83,480</u>	<u>32,100</u>	<u>254,261</u>
Expenses			
Activities	125,485	88,350	99,869
Trading	2,810	-	9,645
	<u>128,295</u>	<u>88,350</u>	<u>109,514</u>
<i>Surplus/ (Deficit) for the year Locally raised funds</i>	<u>(44,815)</u>	<u>(56,250)</u>	<u>144,747</u>

4. International Student Revenue and Expenses

	2018 Actual Number	2018 Budget (Unaudited) Number	2017 Actual Number
International Student Roll	10	0	30
	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Revenue			
International student fees	119,161	155,000	196,932
Expenses			
Advertising	3,274	2,000	34
Commissions	7,467	10,000	17,789
International student levy	-	3,000	
Employee Benefit - Salaries	39,700	38,000	73,536
Other Expenses	2,485	2,000	4,939
	<u>52,926</u>	<u>55,000</u>	<u>96,298</u>
<i>Surplus/ (Deficit) for the year International Students'</i>	<u>66,235</u>	<u>100,000</u>	<u>100,634</u>

5. Learning Resources

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Curricular	52,201	64,490	61,021
Library resources	2,573	2,500	2,696
Employee benefits - salaries	1,499,506	1,515,500	1,493,971
Staff development	31,049	19,600	19,467
	<u>1,585,328</u>	<u>1,602,090</u>	<u>1,577,155</u>

6. Administration

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Audit Fee	5,881	4,000	5,000
Board of Trustees Fees	3,350	3,600	3,515
Board of Trustees Expenses	140	3,700	1,486
Communication	7,377	6,700	7,293
Consumables	10,495	14,000	12,891
Operating Lease	11,556	5,000	12,470
Other	21,850	43,560	42,937
Employee Benefits - Salaries	107,859	110,000	107,319
Insurance	8,857	7,100	7,961
Service Providers, Contractors and Consultancy	8,700	8,700	8,700
	<u>186,064</u>	<u>206,360</u>	<u>209,572</u>

7. Property

	2018	2018	2017
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Caretaking and Cleaning Consumables	6,724	4,500	4,347
Consultancy and Contract Services	42,408	47,600	54,339
Cyclical Maintenance Expense	-	-	-
Grounds	4,487	3,600	4,533
Heat, Light and Water	40,501	27,500	29,214
Rates	4,916	4,700	4,826
Repairs and Maintenance	9,345	5,900	19,664
Use of Land and Buildings	578,918	1,000,000	481,101
Security	5,992	2,400	2,599
Employee Benefits - Salaries	30,978	40,000	41,882
	<u>724,270</u>	<u>1,136,200</u>	<u>642,505</u>

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

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Building Improvements	15,563	15,000	17,759
Furniture and Equipment	18,511	25,000	28,047
Information and Communication Technology	31,411	30,000	21,628
Leased Assets	13,540	15,000	2,626
Library Resources	5,063	5,000	5,526
	<u>84,087</u>	<u>90,000</u>	<u>75,586</u>

9. Cash and Cash Equivalents

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Cash on Hand	73	-	200
ASB Cheque Account	278,082	24,288	32,006
ASB Admin 01 Int Students	82,618	80,000	126,453
ASB Business Saver 50	11	-	11
ASB Visa	(274)	-	10
Cash and cash equivalents for Cash Flow Statement	<u>360,510</u>	<u>104,288</u>	<u>158,681</u>

10. Accounts Receivable

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Teacher Salaries Grant Receivable	99,036	75,000	88,156
	<u>99,036</u>	<u>75,000</u>	<u>88,156</u>
Receivables from Exchange Transactions	-	-	-
Receivables from Non-Exchange Transactions	99,036	75,000	88,156
	<u>99,036</u>	<u>75,000</u>	<u>88,156</u>

11. Investments

The School's investment activities are classified as follows:

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Current Asset			
Short-term Bank Deposits	-	307,510	407,510
Non-current Asset			
Long-term Bank Deposits	-	-	-

12. Property, Plant and Equipment

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
2018	\$	\$	\$	\$	\$	\$
Building Improvements	158,376	-	(81,959)	-	(15,563)	60,854
Furniture and Equipment	106,141	153,784	(20,724)	-	(18,511)	220,690
Information and Communication	62,202	75,526	(399)	-	(31,411)	105,918
Leased Assets	5,252	52,496	-	-	(13,540)	44,208
Library Resources	40,507	1,816	-	-	(5,063)	37,260
		-	-	-		
Balance at 31 December 2018	372,478	283,622	(103,082)	-	(84,087)	468,931

	Cost or Valuation	Accumulated Depreciation	Net Book Value
2018	\$	\$	\$
Building Improvements	242,286	(181,432)	60,854
Furniture and Equipment	352,638	(131,946)	220,691
Information and Communication	224,958	(119,040)	105,918
Leased Assets	60,374	(16,166)	44,208
Library Resources	131,422	(94,162)	37,260
Balance at 31 December 2018	1,011,678	(542,746)	468,931

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
2017	\$	\$	\$	\$	\$	\$
Building Improvements	176,135	-	-	-	(17,759)	158,376
Furniture and Equipment	115,540	18,648	-	-	(28,047)	106,141
Information and Communication	62,880	20,950	-	-	(21,628)	62,202
Technology						
Leased Assets	7,878	-	-	-	(2,626)	5,252
Library Resources	44,208	1,825	-	-	(5,526)	40,507
Balance at 31 December 2017	406,641	41,423	-	-	(75,586)	372,478

	Cost or Valuation	Accumulated Depreciation	Net Book Value
2017	\$	\$	\$
Building Improvements	381,944	(223,568)	158,376
Furniture and Equipment	315,998	(209,857)	106,141
Information and Communication Technology	238,332	(176,130)	62,202
Leased Assets	7,878	(2,626)	5,252
Library Resources	129,606	(89,099)	40,507
Balance at 31 December 2017	1,073,758	(701,280)	372,478

13. Accounts Payable

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Operating creditors	63,875	15,000	15,413
Accruals	3,500	5,000	6,163
Banking staffing overuse	-	-	2,890
Employee Entitlements - salaries	99,036	75,000	88,156
Employee Entitlements - leave accrual	3,137	-	3,137
	<u>169,548</u>	<u>95,000</u>	<u>115,759</u>
Payables for Exchange Transactions	169,548	95,000	115,759
Payables for Non-exchange Transactions - Taxes Payable (PAYE and Rates)	-	-	-
Payables for Non-exchange Transactions - Other	-	-	-
	<u>169,548</u>	<u>95,000</u>	<u>115,759</u>

The carrying value of payables approximates their fair value.

14. Revenue Received in Advance

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Grants in Advance	-	-	1,090
International Student Fees	72,177	46,000	64,000
	<u>72,177</u>	<u>46,000</u>	<u>65,090</u>

15. Provision for Cyclical Maintenance

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Provision at the Start of the Year	67,500	67,500	67,500
Increase/ (decrease) to the Provision During the Year	-	-	-
Use of the Provision During the Year	(17,184)	-	-
Provision at the End of the Year	<u>50,316</u>	<u>67,500</u>	<u>67,500</u>
Cyclical Maintenance - Current	-	-	-
Cyclical Maintenance - Term	50,316	67,500	67,500
	<u>50,316</u>	<u>67,500</u>	<u>67,500</u>

16. Finance Lease Liability

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

	2018 Actual	2018 Budget (Unaudited)	2017 Actual
	\$	\$	\$
No Later than One Year	9,550	26,241	26,241
Later than One Year and no Later than Five Years	35,370	9,847	9,247
Later than Five Years	-	-	-
	44,920	36,088	35,488

17. 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.

18. Remuneration

Key management personnel compensation

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

	2018 Actual \$	2017 Actual \$
<i>Board Members</i>		
Remuneration	3,350	3,515
Full-time equivalent members	0.22	0.24
<i>Leadership Team</i>		
Remuneration	329,252	325,459
Full-time equivalent members	3	3
Total key management personnel remuneration	332,602	328,974
Total full-time equivalent personnel	3.22	3.24

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:

	2018 Actual \$000	2017 Actual \$000
Salaries and Other Short-term Employee Benefits:		
Salary and Other Payments 1	140-150	130-140
Benefits and Other Emoluments	3-4	3-4
Termination Benefits	-	-

Other Employees

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

Remuneration \$000	2018 FTE Number	2017 FTE Number
100-110	-	-
	0.00	0.00

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

19. Contingencies

There are no contingent liabilities and no contingent assets as at 31 December 2018 (Contingent liabilities and assets at 31 December 2017: nil).

20. Commitments

(a) Capital Commitments

As at 31 December 2018: nil

(Capital commitments at 31 December 2017: nil)

(b) Operating Commitments

As at 31 December 2018 the Board has entered into the following contracts:

(a) operating lease equipment

	2018 Actual \$	2017 Actual \$
No later than One Year	-	2,183
Later than One Year and No Later than Five Years	-	961
Later than Five Years	-	-
	-	3,144

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

	2018 Actual \$	2018 Budget (Unaudited) \$	2017 Actual \$
Cash and Cash Equivalents	360,510	104,288	158,681
Receivables	99,036	75,000	88,156
Investments - Term Deposits	-	307,510	407,510
Total Loans and Receivables	459,546	486,798	654,347

Financial liabilities measured at amortised cost

Payables	169,548	95,000	115,759
Finance Leases	44,920	36,088	35,488
Total Financial Liabilities Measured at Amortised Cost	214,468	131,088	151,247

23. Events After Balance Date

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

24. Comparatives

There have been a number of prior period comparatives which have been reclassified to make disclosure consistent with the current year.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF KELBURN NORMAL SCHOOL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Auditor-General is the auditor of Kelburn Normal School (the School). The Auditor-General has appointed me, Henry McClintock, using the staff and resources of BDO Wellington Audit 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 2 to 20, that comprise the statement of financial position as at 31 December 2018, the statement of comprehensive revenue and expense, statement of changes in net assets/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 2018; 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 as applicable to entities that qualify as tier 2.

Our audit was completed on 31 May 2019. 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 arise from the Public Audit Act 2001.

Other information

The Board of Trustees is responsible for the other information. The other information comprises the Analysis of Variance, Board of Trustees Listing and Kiwisport Report, but does not include the financial statements, and our auditor's report thereon.

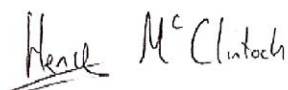
Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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.



Henry McClintock
BDO Wellington Audit Limited
On behalf of the Auditor-General
Wellington, New Zealand