

# NEWTON CENTRAL SCHOOL

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Ministry Number: 1392

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# NEWTON CENTRAL SCHOOL

Financial Statements - For the year ended 31 December 2017

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## Newton Central 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.

Lauraine Taka  
Full Name of Board Chairperson

[Signature]  
Signature of Board Chairperson

22 May 2018  
Date:

Riki Wayne Tekeina  
Full Name of Principal

[Signature]  
Signature of Principal

22/05/2018  
Date:

**Newton Central 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	3,299,725	3,039,067	3,073,946
Locally Raised Funds	3	242,439	172,250	250,303
Interest Earned		8,412	3,000	5,021
		<u>3,550,576</u>	<u>3,214,317</u>	<u>3,329,270</u>
<b>Expenses</b>				
Locally Raised Funds	3	98,849	83,087	118,344
International Students	4	187	-	-
Learning Resources	5	1,852,133	1,891,323	1,882,890
Administration	6	186,410	175,446	201,277
Finance Costs		1,753	580	2,099
Property	7	1,286,650	1,045,746	1,057,195
Depreciation	8	45,826	61,276	48,576
Loss on Disposal of Property, Plant and Equipment		5,490	-	21,719
		<u>3,477,298</u>	<u>3,257,458</u>	<u>3,332,100</u>
<b>Net Surplus / (Deficit)</b>		73,278	(43,141)	(2,830)
Other Comprehensive Revenue and Expenses		-	-	-
<b>Total Comprehensive Revenue and Expense for the Year</b>		<u>73,278</u>	<u>(43,141)</u>	<u>(2,830)</u>

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

**Newton Central School**  
**Statement of Changes in Net Assets/Equity**  
For the year ended 31 December 2017

	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
<b>Balance at 1 January</b>	<u>546,372</u>	<u>546,372</u>	<u>549,202</u>
Total comprehensive revenue and expense for the year	73,278	(43,141)	(2,830)
Distribution to Ministry of Education	(316,822)	-	-
Capital Contributions from the Ministry of Education			
Contribution - Furniture and Equipment Grant	8,585	-	-
<b>Equity at 31 December</b>	<u>311,413</u>	<u>503,231</u>	<u>546,372</u>
Retained Earnings	311,413	503,231	546,372
Reserves			
<b>Equity at 31 December</b>	<u>311,413</u>	<u>503,231</u>	<u>546,372</u>

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

**Newton Central School**  
**Statement of Financial Position**  
As at 31 December 2017

		2017	2017	2016
	Notes	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
<b>Current Assets</b>				
Cash and Cash Equivalents	9	317,421	184,207	286,147
Accounts Receivable	10	117,304	113,893	113,893
GST Receivable		35,674	3,534	3,534
Prepayments		246	8,510	8,510
Inventories	11	685	943	943
		<u>471,330</u>	<u>311,087</u>	<u>413,027</u>
<b>Current Liabilities</b>				
Accounts Payable	13	218,487	207,535	207,535
Revenue Received in Advance	14	7,753	-	2,263
Provision for Cyclical Maintenance	15	11,021	1,800	9,154
Painting Contract Liability - Current Portion	16	11,930	11,930	11,930
Finance Lease Liability - Current Portion	17	6,847	1,576	10,626
Funds held for Capital Works Projects	18	38,590	-	79,386
		<u>294,628</u>	<u>222,841</u>	<u>320,894</u>
<b>Working Capital Surplus</b>		176,702	88,246	92,133
<b>Non-current Assets</b>				
Property, Plant and Equipment	12	205,915	478,759	515,035
		<u>205,915</u>	<u>478,759</u>	<u>515,035</u>
<b>Non-current Liabilities</b>				
Provision for Cyclical Maintenance	15	56,535	57,381	44,338
Painting Contract Liability	16	5,049	5,049	13,538
Finance Lease Liability	17	9,620	1,344	2,920
		<u>71,204</u>	<u>63,774</u>	<u>60,796</u>
<b>Net Assets</b>		<u>311,413</u>	<u>503,231</u>	<u>546,372</u>
<b>Equity</b>		<u>311,413</u>	<u>503,231</u>	<u>546,372</u>

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

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

	Notes	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
<b>Cash flows from Operating Activities</b>				
Government Grants		641,842	561,346	596,367
Locally Raised Funds		241,815	165,235	259,553
Goods and Services Tax (net)		(32,140)	(7,510)	(7,510)
Payments to Employees		(437,333)	(373,969)	(419,987)
Payments to Suppliers		(293,002)	(286,500)	(302,643)
Interest Paid		(1,753)	(580)	(2,099)
Interest Received		8,642	2,567	4,588
<b>Net cash from / (to) the Operating Activities</b>		<b>128,071</b>	<b>60,589</b>	<b>128,269</b>
<b>Cash flows from Investing Activities</b>				
Proceeds from Sale of PPE (and Intangibles)		-	-	-
Purchase of PPE (and Intangibles)		(42,547)	(2,009)	(19,904)
Purchase of Investments		-	-	-
Proceeds from Sale of Investments		-	-	-
<b>Net cash from / (to) the Investing Activities</b>		<b>(42,547)</b>	<b>(2,009)</b>	<b>(19,904)</b>
<b>Cash flows from Financing Activities</b>				
Furniture and Equipment Grant		8,585	-	-
Finance Lease Payments		(13,550)	(6,271)	(14,202)
Painting contract payments		(8,489)	(8,489)	(8,490)
Loans Received/ Repayment of Loans		-	-	-
Funds Administered on Behalf of Third Parties		(40,796)	-	85,448
<b>Net cash from Financing Activities</b>		<b>(54,250)</b>	<b>(14,760)</b>	<b>62,756</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>31,274</b>	<b>43,820</b>	<b>171,121</b>
Cash and cash equivalents at the beginning of the year	9	286,147	140,387	115,026
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>317,421</b>	<b>184,207</b>	<b>286,147</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 omitted.

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

# Newton Central School

## Notes to the Financial Statements

### 1 Statement of Accounting Policies

For the year ended 31 December 2017

#### **a) Reporting Entity**

Newton Central 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 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 operating or finance is appropriate and reflects the nature of the agreement in place. Finance leases are disclosed at note 17.

***Recognition of grants***

The School reviews the grants monies received at the end of each reporting period and whether any require a provision to carry forward 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.

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 under Schedule 6, Section 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 – Crown	40 years
Furniture and equipment	10 years
Information and communication technology	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.