

4 August 2017

The Chairperson
Melville High School Board of Trustees
Private Bag 3107
Waikato Mail Centre
Hamilton 3240

Dear Sir/Madam

Audit Management Letter For The Year Ended 31 December 2016

1. Introduction

We have completed the audit of Melville High School for the year ended 31 December 2016.

This letter provides a summary of:

- the audit scope
- the audit opinion
- the issues arising from the audit

You will appreciate that while our audit is carried out in accordance with the Auditor-General's auditing standards, it cannot, and should not, be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency.

The responsibility for public accountability and the implementation and monitoring of internal and management controls rests with management and the Board of Trustees.

2. Audit Scope

The audit aimed to:

- provide an audit opinion on whether the financial statements fairly reflect your school's reported financial results and financial position.
- assess and report on aspects of the school's financial management and controls.

3. Audit Opinion

We have issued our audit opinion on the financial statements for the year ended 31 December 2016 without any modification.

4. Going Concern Assumption

The financial statements were prepared on the basis that the school is a going concern. As required by the Office of the Auditor-General, we reviewed this assumption in terms of the criteria set out in the Auditing Standard ISA (NZ) 570. Based on the supporting evidence we concluded that the use of the going concern assumption was appropriate.

5. Issues Arising from Audit

Payroll Issues – Novopay System

The assurance work carried out centrally on behalf of the Auditor-General has found that the Novopay system places substantial reliance on schools to check the accuracy of their payroll. It is therefore important that the fortnightly transactions and expenditure reports are scrutinised thoroughly by people independent of the routine payroll processing in a timely manner. We found that appropriate controls were operating in your school.

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Assurance work relating to Novopay that is carried out centrally on behalf of the Auditor-General, hasn't identified any major anomalies for investigation. We have received confirmation from the Board that the people on the end of year payroll report were employed during the year, and the total shown against each person is substantially correct.

Independent Checking of Transactions

As there have been a number of high profile school frauds in the news recently we are taking this opportunity to remind all schools of the need to ensure that there is adequate segregation of duties and independent review of transactions throughout the year (even for small schools).

This applies not only to inwards cash, payroll and expenditure but also to contracts and credit / debit card statements and invoices.

With regard to credit / debit card we recommend that a "one up" principle of authorisation applies. This means for example that the credit / debit card transactions of a Principal should be approved by either the Treasurer, Board or the finance sub-committee.

Timing

The financial statements are required to be completed and available for audit within 90 days of balance date. For the year ended 31 December 2016, this meant that they should have been forwarded to us by 31 March 2017. The financial statements for your school were received on 09 May 2017, which is after this date.

We appreciate the difficulty schools may experience in meeting this deadline, imposed by Section 87A of the Education Act 1989 but recommend that every effort be made to comply with this requirement in future years.

Required Communications

As required by the Auditing Standards we affirm that:

- We have had no disagreements with management during our audit nor have we had any serious difficulties in dealing with management.
- We have not identified any instances of fraud involving senior management or any other frauds that have caused material misstatement in the financial statements.
- We have not noted any significant risks or exposures that are required to be separately disclosed in the financial statements.
- We are also required to advise you of any uncorrected misstatements. There are none to report.

We reaffirm we are independent of your organisation, and that we have no relationship with your organisation that impairs our independence.


6. Conclusion

We remind the school to submit a single PDF file of your annual report, including audited financial statements and required signatures to the Ministry of Education via the Ministry's School Data Portal (external link). These audited accounts must be minuted at your next Board of Trustees meeting.

Please advise us in due course of the actions you propose to take in relation to the matters raised in this letter.

We wish to acknowledge the friendly assistance provided by the school staff during the audit. If there is any further information you require, please do not hesitate to contact me.

Yours faithfully
OWEN McLEOD & CO



Richard Owen

**TO THE READERS OF MELVILLE HIGH SCHOOL'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Auditor-General is the auditor of Melville High School (the School). The Auditor-General has appointed me, R K Owen, using the staff and resources of Owen McLeod & Co, 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 18, that comprise the statement of financial position as at 31 December 2016, 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 2016; and
 - its financial performance and cash flows for the year ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Sector Public Benefit Entity (PBE) Standards Reduced Disclosure Regime.

Our audit was completed on 04 August 2017. 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 of 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 information included on page 19 for the List of Trustees and Kiwi Sport Statement and pages 1 to 4 for the Analysis of Variance Report and Statement of Responsibility which form part of the Annual 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.



R K Owen
Owen McLeod & Co
On behalf of the Auditor-General
Hamilton, New Zealand

MELVILLE HIGH SCHOOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

School Address: 6 Collins Road Deanwell Hamilton 3206

School Postal Address: P O Box 3107 Glenview Hamilton

School Phone: 07-8434529

School Email: principal@melville-high.school.nz

Ministry Number: 137

MELVILLE HIGH SCHOOL

Financial Statements - For the year ended 31 December 2016

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Melville High School

Statement of Responsibility

For the year ended 31 December 2016

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 2016 fairly reflects the financial position and operations of the school.

The School's 2016 financial statements are authorised for issue by the Board.

DeWayne Transfield
Full Name of Board Chairperson

Oliver Hamill
Full Name of Principal

[Signature]
Signature of Board Chairperson

[Signature]
Signature of Principal

Date: 25/7/2017

Date: 25/07/2017

Melville High School
Statement of Comprehensive Revenue and Expense
For the year ended 31 December 2016

		2016	2016	2015
	Notes	Actual	Budget	Actual
		\$	(Unaudited)	\$
Revenue				
Government Grants	2	6,877,647	6,738,665	6,784,448
Locally Raised Funds	3	372,950	357,910	295,599
Interest Earned		16,256	20,500	22,829
International Students	4	61,469	58,675	2,174
		<u>7,328,322</u>	<u>7,175,750</u>	<u>7,105,050</u>
Expenses				
Locally Raised Funds	3	106,128	136,000	89,051
International Students	4	53,508	58,980	-
Learning Resources	5	4,815,896	4,652,585	4,747,626
Administration	6	498,148	542,950	467,371
Finance Costs		4,201	-	4,666
Property	7	1,637,293	1,647,720	1,791,918
Depreciation	8	147,623	135,000	154,716
Loss on Disposal of Property, Plant and Equipment		5,109	-	-
		<u>7,267,906</u>	<u>7,173,235</u>	<u>7,255,348</u>
Net Surplus / (Deficit)		60,416	2,515	(150,298)
Other Comprehensive Revenue and Expenses		-	-	-
Total Comprehensive Revenue and Expense for the Year		<u>60,416</u>	<u>2,515</u>	<u>(150,298)</u>

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



Melville High School

Statement of Changes in Net Assets/Equity

For the year ended 31 December 2016

	Actual 2016 \$	Budget (Unaudited) 2016 \$	Actual 2015 \$
Balance at 1 January	415,811	416,000	566,109
Total comprehensive revenue and expense for the year	60,416	2,515	(150,298)
Capital Contributions from the Ministry of Education			
Contribution - Furniture and Equipment Grant	33,120	33,100	-
Equity at 31 December	509,347	451,615	415,811
Retained Earnings			
Reserves	509,347	451,615	415,811
Equity at 31 December	509,347	451,615	415,811

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



Melville High School Statement of Financial Position

As at 31 December 2016

	Notes	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Current Assets				
Cash and Cash Equivalents	9	282,678	282,390	441,534
Accounts Receivable	10	393,249	397,250	344,747
GST Receivable		66,705	62,300	52,464
Prepayments		7,753	7,750	10,595
Inventories	11	1,532	1,300	1,973
		<u>751,917</u>	<u>750,990</u>	<u>851,313</u>
Current Liabilities				
Accounts Payable	13	480,975	481,200	589,718
Revenue Received in Advance	14	8,189	8,200	121,189
Painting Contract Liability - Current Portion	16	39,411	39,400	39,411
Finance Lease Liability - Current Portion	17	53,761	74,600	57,960
Funds held for Capital Works Projects	18	8,791	8,800	12,080
		<u>591,127</u>	<u>612,200</u>	<u>820,358</u>
Working Capital Surplus		160,790	138,790	30,955
Non-current Assets				
Property, Plant and Equipment	12	459,923	403,225	506,408
		<u>459,923</u>	<u>403,225</u>	<u>506,408</u>
Non-current Liabilities				
Provision for Cyclical Maintenance	15	23,430	23,400	-
Painting Contract Liability	16	67,046	67,000	85,187
Finance Lease Liability	17	20,890	-	36,365
		<u>111,366</u>	<u>90,400</u>	<u>121,552</u>
Net Assets		<u>509,347</u>	<u>451,615</u>	<u>415,811</u>
Equity		<u>509,347</u>	<u>451,615</u>	<u>415,811</u>

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

Melville High School
Statement of Cash Flows
For the year ended 31 December 2016

		2016	2016	2015
	Note	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
Cash flows from Operating Activities				
Government Grants		2,376,626	2,218,210	2,190,276
Locally Raised Funds		339,444	356,910	248,320
International Students		-	(54,325)	106,257
Goods and Services Tax (net)		(13,723)	(9,800)	16,129
Payments to Employees		(1,150,623)	(1,008,000)	(1,047,007)
Payments to Suppliers		(1,598,570)	(1,651,230)	(1,216,278)
Interest Paid		(4,201)	-	(4,666)
Interest Received		16,846	21,100	21,978
Net cash from the Operating Activities		(34,201)	(127,135)	315,009
Cash flows from Investing Activities				
Proceeds from Sale of PPE (and Intangibles)		(5,109)	520	
Purchase of PPE (and Intangibles)		(43,791)	147,920	(114,216)
Net cash to the Investing Activities		(48,900)	148,440	(114,216)
Cash flows from Financing Activities				
Furniture and Equipment Grant		33,120	33,100	-
Finance Lease Payments		(64,571)	(199,365)	(31,213)
Painting contract payments		(41,015)	(18,300)	-
Funds Administered on Behalf of Third Parties		(3,289)	8,800	(7,500)
Net cash to Financing Activities		(75,755)	(175,765)	(38,713)
Net increase/(decrease) in cash and cash equivalents		(158,856)	(154,460)	162,080
Cash and cash equivalents at the beginning of the year	9	441,534	436,850	279,454
Cash and cash equivalents at the end of the year	9	282,678	282,390	441,534

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.

Melville High School

Notes to the Financial Statements

1. Statement of Accounting Policies

For the year ended 31 December 2016

a) Reporting Entity

Melville High 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 2016 to 31 December 2016 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 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 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.

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) 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	2–5 years
Textbooks	5 years
Leased assets held under a Finance Lease	3 years
Library resources	10.00% Diminishing value

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

k) 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.

l) 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.

m) 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.

n) Revenue Received in Advance

Revenue received in advance relates to fees received from 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.

o) 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 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).

p) Financial Assets and Liabilities

The School's financial assets comprise cash and cash equivalents, accounts receivable, inventory and refundable GST. 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, finance lease liabilities, and painting contract liability. All of these financial liabilities are categorised as "financial liabilities measured at amortised cost" for accounting purposes in accordance with financial reporting standards.

Q) 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.

R) Budget Figures

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

S) 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

	2016	2016 Budget	2015
	Actual	(Unaudited)	Actual
	\$	\$	\$
Operational grants	1,138,213	1,121,135	1,095,470
Teachers' salaries grants	3,307,445	3,307,445	3,250,925
Use of Land and Buildings grants	1,203,511	1,203,510	1,319,666
Other MoE Grants	1,066,552	945,495	965,074
Other grants	93,080	93,080	86,889
MOE Star	68,846	68,000	66,424
	<u>6,877,647</u>	<u>6,738,665</u>	<u>6,784,448</u>

3. Locally Raised Funds

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

	2016	2016 Budget	2015
	Actual	(Unaudited)	Actual
	\$	\$	\$
Revenue			
Donations	50,433	35,300	21,710
Fundraising	33,975	18,700	20,826
Other revenue	24,262	25,000	32,465
Trading	7,120	9,000	51,940
Activities	200,654	109,300	86,937
Curriculum Recoveries	56,506	160,610	81,721
	<u>372,950</u>	<u>357,910</u>	<u>295,599</u>
Expenses			
Activities	100,986	101,000	39,922
Trading	2,283	4,000	48,013
Other Locally Raised Funds Expenditure	2,859	31,000	1,116
	<u>106,128</u>	<u>136,000</u>	<u>89,051</u>
Surplus for the year Locally raised funds	<u>266,822</u>	<u>221,910</u>	<u>206,548</u>

4. International Student Revenue and Expenses

	2016	2016 Budget	2015
	Actual	(Unaudited)	Actual
	Number	Number	Number
International Student Roll	5		1
	2016	2016	2015
	Actual	(Unaudited)	Actual
	\$	\$	\$
Revenue			
International student fees	61,469	58,675	2,174
Expenses			
Employee Benefit - Salaries	44,574	50,000	-
Other Expenses	8,934	8,980	-
	<u>53,508</u>	<u>58,980</u>	<u>-</u>
Surplus for the year International Students'	<u>7,961</u>	<u>(305)</u>	<u>2,174</u>

5. Learning Resources

	2016	2016 Budget	2015
	Actual	(Unaudited)	Actual
	\$	\$	\$
Curricular	886,087	880,040	878,420
Library resources	5,037	4,350	3,588
Employee benefits - salaries	3,909,556	3,752,195	3,847,952
Staff development	15,216	16,000	17,666
	<u>4,815,896</u>	<u>4,652,585</u>	<u>4,747,626</u>

6. Administration

	2016	2016 Budget	2015
	Actual	(Unaudited)	Actual
	\$	\$	\$
Audit Fee	4,800	4,500	4,800
Board of Trustees Fees	7,555	7,300	6,821
Board of Trustees Expenses	5,219	2,500	1,649
Communication	12,453	14,000	13,194
Consumables	15,673	17,950	21,621
Operating Lease	10,055	65,000	22,330
Other	73,402	84,750	68,816
Employee Benefits - Salaries	349,965	327,950	305,772
Insurance	9,726	11,000	9,818
Service Providers, Contractors and Consultancy	9,300	8,000	12,550
	<u>498,148</u>	<u>542,950</u>	<u>467,371</u>

7. Property

	2016	2016 Budget	2015
	Actual	(Unaudited)	Actual
	\$	\$	\$
Caretaking and Cleaning Consumables	25,233	23,000	23,627
Cyclical Maintenance Provision	46,304	39,410	-
Grounds	13,173	21,800	19,655
Heat, Light and Water	100,177	104,500	97,616
Rates	5,198	4,500	4,317
Repairs and Maintenance	38,666	44,000	131,309
Use of Land and Buildings	1,203,511	1,203,510	1,319,666
Security	15,248	16,000	12,508
Employee Benefits - Salaries	189,783	191,000	183,220
	<u>1,637,293</u>	<u>1,647,720</u>	<u>1,791,918</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.

8. Depreciation of Property, Plant and Equipment

	2016	2016 Budget	2015
	Actual	(Unaudited)	Actual
	\$	\$	\$
Buildings - School	7,174	6,570	7,174
Property Grounds	17,028	15,405	16,218
Furniture and Equipment	14,271	13,070	17,187
Information and Communication Technology	31,945	29,255	48,138
Software	310	280	310
Textbooks	10,251	9,385	10,219
Leased Assets	59,270	54,280	50,069
Library Resources	7,374	6,755	5,401
	<u>147,623</u>	<u>135,000</u>	<u>154,716</u>

9. Cash and Cash Equivalents

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Cash on Hand	390	390	390
Bank Current Account	140,414	140,000	78,020
Bank Call Account	141,874	142,000	363,124
Net cash and cash equivalents and bank overdraft for Cash Flow Statement	<u>282,678</u>	<u>282,390</u>	<u>441,534</u>

The carrying value of short-term deposits with maturity dates of 90 days or less approximates their fair value.

The following notes should be used where applicable:

Of the \$282,678 Cash and Cash Equivalents, \$8,791 is held by the School on behalf of the Ministry of Education. These funds are required to be spent in 2017 on Crown owned school buildings under the School's Five Year Property Plan.

10. Accounts Receivable

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Receivables	67,119	67,200	56,507
Receivables from the Ministry of Education	2,245	6,200	17,441
Interest Receivable	261	250	851
Teacher Salaries Grant Receivable	323,624	323,600	269,948
	<u>393,249</u>	<u>397,250</u>	<u>344,747</u>
Receivables from Exchange Transactions	67,380	67,450	57,358
Receivables from Non-Exchange Transactions	325,869	329,800	287,389
	<u>393,249</u>	<u>397,250</u>	<u>344,747</u>

11. Inventories

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Stationery	1,532	1,300	1,973
	<u>1,532</u>	<u>1,300</u>	<u>1,973</u>

12. Property, Plant and Equipment

	Opening Balance (NBV) \$	Additions \$	Disposals \$	Impairment \$	Depreciation \$	Total (NBV) \$
2016						
Buildings	170,928				(7,174)	163,754
Property Grounds	69,439	16,213			(17,028)	68,624
Furniture and Equipment	48,276	6,673			(14,271)	40,678
Information and Communication	55,221	19,691			(31,945)	42,967
Software	646				(310)	336
Textbooks	27,285	6,470			(10,251)	23,504
Leased Assets	82,813	44,897			(59,270)	68,440
Library Resources	51,800	12,303	(5,109)		(7,374)	51,620
Balance at 31 December 2016	<u>506,408</u>	<u>106,247</u>	<u>(5,109)</u>	<u>-</u>	<u>(147,623)</u>	<u>459,923</u>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
2016			
Buildings	286,967	(123,213)	163,754
Property Grounds	134,477	(65,853)	68,624
Furniture and Equipment	151,678	(111,000)	40,678
Information and Communication	235,611	(192,644)	42,967
Software	1,240	(904)	336
Textbooks	62,296	(38,792)	23,504
Leased Assets	199,403	(130,963)	68,440
Library Resources	163,270	(111,650)	51,620
Balance at 31 December 2016	1,234,942	(775,019)	459,923

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
	\$	\$	\$	\$	\$	\$
2015						
Buildings	178,102				(7,174)	170,928
Property Grounds	35,659	49,998			(16,218)	69,439
Furniture and Equipment	58,742	6,721			(17,187)	48,276
Information and Communication	100,926	2,433			(48,138)	55,221
Technology						
Software	956				(310)	646
Textbooks	23,456	14,048			(10,219)	27,285
Leased Assets	99,536	33,346			(50,069)	82,813
Library Resources	49,531	7,670			(5,401)	51,800
Balance at 31 December 2015	546,908	114,216	-	-	(154,716)	506,408

Accumulated Depreciation

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
2015			
Buildings	286,967	(116,039)	170,928
Property Grounds	130,531	(61,092)	69,439
Furniture and Equipment	183,958	(135,682)	48,276
Information and Communication Technology	253,924	(198,703)	55,221
Software	1,240	(594)	646
Textbooks	68,859	(41,574)	27,285
Leased Assets	154,506	(71,693)	82,813
Library Resources	167,485	(115,685)	51,800
Balance at 31 December 2015	1,247,470	(741,062)	506,408

13. Accounts Payable

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Operating creditors	112,475	112,500	276,879
Accruals	8,855	8,900	8,855
Banking Staffing Overuse	-	-	3,505
MOE Initiatives	4,200	4,200	-
Employee Entitlements - salaries	323,624	323,600	269,948
Employee Entitlements - leave accrual	31,821	32,000	30,531
	<u>480,975</u>	<u>481,200</u>	<u>589,718</u>
Payables for Exchange Transactions	480,975	481,200	589,718
	<u>480,975</u>	<u>481,200</u>	<u>589,718</u>

The carrying value of payables approximates their fair value.

14. Revenue Received in Advance

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Grants in Advance - Ministry of Education	-	-	1,238
International Student Fees	-	-	104,083
Other	8,189	8,200	15,868
	<u>8,189</u>	<u>8,200</u>	<u>121,189</u>

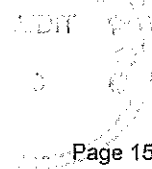
15. Provision for Cyclical Maintenance

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Provision at the Start of the Year	-	-	128,542
Increase to the Provision During the Year	23,430	23,400	-
Use of the Provision During the Year			(128,542)
Provision at the End of the Year	<u>23,430</u>	<u>23,400</u>	<u>-</u>
Cyclical Maintenance - Term	23,430	23,400	-
	<u>23,430</u>	<u>23,400</u>	<u>-</u>

16. Painting Contract Liability

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Current Liability	39,411	39,400	39,411
Non Current Liability	67,046	67,000	85,187
	<u>106,457</u>	<u>106,400</u>	<u>124,598</u>

In 2015 the Board signed an agreement with Scheduled Maintenance Services Ltd (the contractor) for an agreed programme of work covering an seven year period. The programme provides for an interior and exterior repaint of the Ministry owned buildings in 2015, with regular maintenance in subsequent years. The agreement has an annual commitment of \$39,411. The liability is the best estimate of the actual amount of work performed by the contractor for which the contractor has not been paid at balance sheet date. The liability has not been adjusted for inflation and the effect of the time value of money.



17. Finance Lease Liability

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

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
No Later than One Year	53,761	53,710	57,960
Later than One Year and no Later than Five Years	20,890	20,890	36,365
	<u>74,651</u>	<u>74,600</u>	<u>94,325</u>

18. Funds 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:

	2016	Opening Balances \$	Receipts from MoE \$	Payments \$	BOT Contribution/ (Write-off to R&M)	Closing Balances \$
Rationalisation of Buildings	<i>completed</i>	(7,500)			7,500	-
C Block Lab Refurbishment	<i>completed</i>	12,080		12,080		-
Sewage Drainage Rectification	<i>in progress</i>	-	10,251	1,460		8,791
Admin Drainage	<i>in progress</i>			1,200		(1,200)
Totals		<u>4,580</u>	<u>10,251</u>	<u>14,740</u>	<u>7,500</u>	<u>7,591</u>

Represented by:

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

8,791
1,200

7,591

	2015	Opening Balances \$	Receipts from MoE \$	Payments \$	BOT Contribution/ (Write-off to R&M)	Closing Balances \$
Rationalisation of Buildings	<i>in progress</i>			7,500		(7,500)
C Block Lab Refurbishment	<i>in progress</i>	12,080				12,080
Totals		<u>12,080</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>4,580</u>

19. 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.

20. Remuneration

Key management personnel compensation

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

	2016 Actual \$	2015 Actual \$
<i>Board Members</i>		
Remuneration	7,555	6,821
Full-time equivalent members	0.18	0.14
<i>Leadership Team</i>		
Remuneration	1,054,186	1,053,640
Full-time equivalent members	11.00	11.14
Total key management personnel remuneration	1,061,741	1,060,461
Total full-time equivalent personnel	11.18	11.28

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:

	2016 Actual \$000	2015 Actual \$000
Salaries and Other Short-term Employee Benefits:		
Salary and Other Payments	140-150	140-150
Benefits and Other Emoluments	15-20	15-20

Other Employees

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

Remuneration \$000	2016 FTE Number	2015 FTE Number
100-110	1	1
	1.00	2.00

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

21. Compensation and Other Benefits Upon Leaving

The total value of compensation or other benefits paid or payable to persons who ceased to be trustees, committee member, or employees during the financial year in relation to that cessation and number of persons to whom all or part of that total was payable was as follows:

	2016 Actual	2015 Actual
Total		-
Number of People		-

22. Contingencies

There are no contingent liabilities and no contingent assets as at 31 December 2016 (Contingent liabilities and assets at 31 December 2015: nil).

23. Commitments

(a) Capital Commitments

As at 31 December 2016 the Board has entered into contract agreements for capital works as follows:

(a) \$19,000 contract for Rectification of Sewerage Drainage, which will be fully funded by the Ministry of Education. \$10,251 has been received of which \$1,460 has been spent on the project to date.

(b) Operating Commitments

As at 31 December 2016 the Board has entered into the following contracts:

(a) operating leases of Laptops and projectors, and painting the exterior of the school buildings

	2016 Actual \$	2015 Actual \$
No later than One Year	17,777	25,568
Later than One Year and No Later than Five Years	75,058	76,780
Later than Five Years	-	16,056
	<u>92,835</u>	<u>118,404</u>

24. 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.

25. Financial Instruments

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

Loans and receivables

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Cash and Cash Equivalents	282,678	282,390	441,534
Receivables	393,249	397,250	344,747
Total Cash and Receivables	<u>675,927</u>	<u>679,640</u>	<u>786,281</u>

Financial liabilities measured at amortised cost

Payables	480,975	481,200	589,718
Finance Leases	74,651	74,600	94,325
Painting Contract Liability	106,457	106,400	124,598
Total Financial Liabilities Measured at Amortised Cost	<u>662,083</u>	<u>662,200</u>	<u>808,641</u>

26. Events After Balance Date

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

27. Breach of Law - Failure to meet Statutory Reporting Deadline

The Board of Trustees did not comply with section 87A(1) of the Education Act 1989 in that it did not submit its annual financial statements for audit by the 31 March 2017.

MELVILLE HIGH SCHOOL

Members of the Board of Trustees 2016

Name	Position Held	Term Expires
Lisbeth Willis	Chairperson	May-19
DeWayne Transfield	Deputy Chairperson	May-19
Tracy Pratt	Property Chairperson	May-19
Fran Diaz	Staff Trustee	May-19
Sophia Harrison	Student Trustee	May-19
April Tauelangi	Member	May-19
Maatai Ariki Kauae te Toki	Member	May-19
Clive Hamill	Appointed	

Kiwi Sport

Kiwisport is a government funding initiative to support student's participation in organised sport. In 2016, the school received Kiwisport funding of \$14,023(excluding GST). The funding was used to employ a Sports Coordinator.(2015:\$13,375 excluding GST)

