

# **DISCOVERY SCHOOL**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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Ministry Number: 2832

# DISCOVERY SCHOOL

Financial Statements - For the year ended 31 December 2016

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# Discovery 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.

Victoria Wilks

Full Name of Board Chairperson



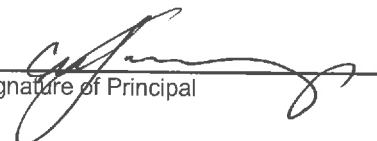
Signature of Board Chairperson

31/5/17

Date:

Carmen Jennings

Full Name of Principal



Signature of Principal

31/5/17

Date:

**Discovery School**  
**Statement of Comprehensive Revenue and Expense**  
For the year ended 31 December 2016

	Notes	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
<b>Revenue</b>				
Government Grants	2	2,799,834	2,651,355	2,737,670
Locally Raised Funds	3	254,109	95,966	241,866
Interest Earned		14,785	10,000	21,762
		<u>3,068,728</u>	<u>2,757,321</u>	<u>3,001,298</u>
<b>Expenses</b>				
Locally Raised Funds	3	13,147	11,920	15,551
Hostel		-	-	-
International Students		-	-	-
Learning Resources	4	2,168,385	1,926,780	2,062,764
Administration	5	165,525	162,500	120,990
Finance Costs		911	-	-
Property	6	558,021	584,483	535,669
Depreciation	7	74,061	68,000	73,865
		<u>2,980,050</u>	<u>2,753,683</u>	<u>2,808,839</u>
<b>Net Surplus / (Deficit)</b>		88,678	3,638	192,459
Other Comprehensive Revenue and Expenses		-	-	-
<b>Total Comprehensive Revenue and Expense for the Year</b>		<u>88,678</u>	<u>3,638</u>	<u>192,459</u>

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

**Discovery School**  
**Statement of Changes in Net Assets/Equity**  
For the year ended 31 December 2016

	Actual 2016 \$	Budget (Unaudited) 2016 \$	Actual 2015 \$
<b>Balance at 1 January</b>	718,304	718,304	516,879
Total comprehensive revenue and expense for the year	88,678	3,638	192,459
Capital Contributions from the Ministry of Education			
Contribution - Furniture and Equipment Grant	14,394	-	8,966
<b>Equity at 31 December</b>	821,376	721,942	718,304
 Retained Earnings	821,376	721,942	718,304
<b>Equity at 31 December</b>	821,376	721,942	718,304

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

**Discovery School**  
**Statement of Financial Position**  
As at 31 December 2016

	Notes	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
<b>Current Assets</b>				
Cash and Cash Equivalents	8	(1,295)	125,396	159,506
Accounts Receivable	9	101,606	148,243	148,243
GST Receivable		11,504	10,651	10,651
Prepayments		11,657	16,085	16,085
Inventories	10	1,826	1,877	1,877
Investments	11	369,009	343,383	343,383
Funds owed for Capital Works Projects	18	3,220	-	-
		497,527	645,635	679,745
<b>Current Liabilities</b>				
Accounts Payable	13	140,686	164,150	164,150
Revenue Received in Advance	14	7,517	8,515	8,515
Painting Contract Liability - Current Portion	16	26,568	26,568	26,568
Finance Lease Liability - Current Portion	17	6,793	-	-
		181,564	199,233	199,233
<b>Working Capital Surplus/(Deficit)</b>		315,963	446,402	480,512
<b>Non-current Assets</b>				
Investments (more than 12 months)	11	15,000	-	-
Property, Plant and Equipment	12	587,209	358,751	326,043
		602,209	358,751	326,043
<b>Non-current Liabilities</b>				
Provision for Cyclical Maintenance	15	67,323	67,323	51,136
Painting Contract Liability	16	15,888	15,888	37,115
Finance Lease Liability	17	13,585	-	-
		96,796	83,211	88,251
<b>Net Assets</b>		821,376	721,942	718,304
<b>Equity</b>		821,376	721,942	718,304

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

**Discovery School**  
**Statement of Cash Flows**  
For the year ended 31 December 2016

		2016	2016	2015
	Note	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
<b>Cash flows from Operating Activities</b>				
Government Grants		591,984	585,900	594,817
Locally Raised Funds		259,273	95,966	254,412
Goods and Services Tax (net)		(853)	-	(3,861)
Payments to Employees		(235,849)	(242,473)	(200,035)
Payments to Suppliers		(429,950)	(201,069)	(402,139)
Interest Paid		(911)	-	-
Interest Received		13,342	10,000	18,317
Net cash from / (to) the Operating Activities		197,036	248,324	261,511
<b>Cash flows from Investing Activities</b>				
Proceeds from Sale of PPE (and Intangibles)		500	-	-
Purchase of PPE (and Intangibles)		(305,095)	(100,708)	(48,111)
Purchase of Investments		(40,626)	-	(74,217)
Net cash from / (to) the Investing Activities		(345,221)	(100,708)	(122,328)
<b>Cash flows from Financing Activities</b>				
Furniture and Equipment Grant		14,394	-	8,966
Finance Lease Payments		(2,563)	(22,220)	-
Painting contract payments		(21,227)	-	(21,228)
Funds Administered on Behalf of Third Parties		(3,220)	-	(42,885)
Net cash from Financing Activities		(12,616)	(22,220)	(55,147)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(160,801)</b>	<b>125,396</b>	<b>84,036</b>
Cash and cash equivalents at the beginning of the year	8	159,506	-	75,470
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>(1,295)</b>	<b>125,396</b>	<b>159,506</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.

# Discovery School

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

For the year ended 31 December 2016

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

Discovery 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 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.

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 are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance.

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 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 section 73 of the Education Act 1989 in relation to the acquisition of 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 \$1000 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:

Equipment, Computers	5 years
Furniture, Fittings	10 years
Library Books	8 years
Leasehold Improvements	20 years

Leased assets are depreciated over the life of the lease.

## **l) Intangible Assets**

### ***Software costs***

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

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

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

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

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

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

##### *Non cash generating assets*

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

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

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

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

#### **n) Accounts Payable**

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

#### **o) Employee Entitlements**

##### *Short-term employee entitlements*

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

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

##### *Long-term employee entitlements*

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

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

#### **p) Revenue Received in Advance**

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

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

#### **q) Funds Held in Trust**

Funds are held in trust where they have been received by the School for a specified purpose, or are being held on behalf of a third party. The School holds sufficient funds to enable the funds to be used for their intended purpose at any time.

#### **r) Shared Funds**

Shared Funds are held on behalf of participating schools within a cluster of schools. The School holds sufficient funds to enable the funds to be used for their intended purpose.

**s) Provision for Cyclical Maintenance**

The property from which the School operates is owned by the 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).

**t) 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, borrowings, finance lease liability, 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.

**u) 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.

**v) 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.

**w) Budget Figures**

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

**x) 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 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Operational grants	552,275	563,400	555,615
Teachers' salaries grants	1,831,580	1,695,034	1,787,047
Use of Land and Buildings grants	370,421	370,421	352,173
Other MoE Grants	44,997	21,000	39,202
Other government grants	561	1,500	3,633
	<u>2,799,834</u>	<u>2,651,355</u>	<u>2,737,670</u>

## 3. Locally Raised Funds

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

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
<b>Revenue</b>			
Donations	71,375	51,120	89,385
Fundraising	6,087	-	-
Trading	13,028	14,290	16,539
Activities	159,500	28,856	133,242
Hall	4,119	1,700	2,700
	<u>254,109</u>	<u>95,966</u>	<u>241,866</u>
<b>Expenses</b>			
Activities	586	-	1,217
Trading	9,566	11,420	14,334
Fundraising (costs of raising funds)	2,995	-	-
Hall	-	500	-
	<u>13,147</u>	<u>11,920</u>	<u>15,551</u>
<i>Surplus for the year Locally raised funds</i>	<u>240,962</u>	<u>84,046</u>	<u>226,315</u>

## 4. Learning Resources

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Curricular	51,722	67,498	55,568
Extra-curricular activities	136,354	-	103,109
Library resources	2,286	1,950	1,231
Employee benefits - salaries	1,941,410	1,813,057	1,863,655
Staff development	21,398	21,000	22,030
Ict	15,215	23,275	17,171
	<u>2,168,385</u>	<u>1,926,780</u>	<u>2,062,764</u>

## 5. Administration

	2016	2016	2015
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Audit Fee	5,043	6,300	7,169
Board of Trustees Fees	3,955	5,200	4,200
Board of Trustees Expenses	10,419	10,600	3,865
Communication	5,327	6,900	6,343
Consumables	10,841	13,500	14,225
Operating Lease	8,774	6,000	3,634
Other	10,181	10,850	9,666
Employee Benefits - Salaries	84,739	75,450	51,810
Insurance	11,159	10,700	8,498
Service Providers, Contractors and Consultancy	15,087	17,000	11,580
	165,525	162,500	120,990

## 6. Property

	2016	2016	2015
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Caretaking and Cleaning Consumables	47,368	53,700	48,746
Cyclical Maintenance Provision	16,187	26,154	19,768
Grounds	10,150	10,500	6,200
Heat, Light and Water	24,086	23,200	26,593
Rates	2,861	1,300	2,330
Repairs and Maintenance	38,990	47,208	33,258
Use of Land and Buildings	370,421	370,421	352,173
Security	1,192	3,000	1,923
Employee Benefits - Salaries	46,766	49,000	44,678
	558,021	584,483	535,669

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

## 7. Depreciation of Property, Plant and Equipment

	2016	2016	2015
	Actual	Budget	Actual
	\$	(Unaudited)	\$
Equipment, Computers	20,325	21,639	23,505
Furniture, Fittings	16,404	13,190	14,328
Library Books	5,587	15,626	16,974
Leasehold Improvements	28,072	17,545	19,058
Leased Assets	3,673	-	-
	74,061	68,000	73,865

## 8. Cash and Cash Equivalents

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Cash on Hand	217	-	217
ASB 028-00	(1,514)	125,396	32,486
ASB 028-52	2	-	66,178
Short-term Bank Deposits	-	-	60,625
Net cash and cash equivalents and bank overdraft for Cash Flow Statement	(1,295)	125,396	159,506

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

## 9. Accounts Receivable

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Receivables	-	175	175
Receivables from the Ministry of Education	-	8,601	8,601
Interest Receivable	1,443	3,445	3,445
Teacher Salaries Grant Receivable	100,163	136,022	136,022
	101,606	148,243	148,243
Receivables from Exchange Transactions	1,443	3,620	3,620
Receivables from Non-Exchange Transactions	100,163	144,623	144,623
	101,606	148,243	148,243

## 10. Inventories

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Stationery	1,826	1,355	1,355
Lunches	-	522	522
	1,826	1,877	1,877

## 11. Investments

The School's investment activities are classified as follows:

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Current Asset			
Short-term Bank Deposits	369,009	343,383	343,383
Non-current Asset			
Long-term Bank Deposits	15,000	-	-

The carrying value of long term deposits longer than 12 months approximates their fair value at 31 December 2016.



## 12. Property, Plant and Equipment

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
	\$	\$	\$	\$	\$	\$
<b>2016</b>						
Equipment, Computers	51,147	14,368	(500)	-	(20,325)	<b>44,691</b>
Furniture, Fittings	103,644	22,754	-	-	(16,404)	<b>109,993</b>
Library Books	22,244	9,845	-	-	(5,587)	<b>26,502</b>
Leasehold Improvements	149,008	264,907	-	-	(28,072)	<b>385,844</b>
Leased Assets	-	23,853	-	-	(3,673)	<b>20,179</b>
<b>Balance at 31 December 2016</b>	<b>326,043</b>	<b>335,727</b>	<b>(500)</b>	<b>-</b>	<b>(74,061)</b>	<b>587,209</b>

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
<b>2016</b>			
Equipment, Computers	247,009	(202,318)	<b>44,691</b>
Furniture, Fittings	340,531	(230,538)	<b>109,993</b>
Library Books	145,756	(119,254)	<b>26,502</b>
Leasehold Improvements	714,824	(328,980)	<b>385,844</b>
Leased Assets	23,852	(3,673)	<b>20,179</b>
<b>Balance at 31 December 2016</b>	<b>1,471,972</b>	<b>(884,763)</b>	<b>587,209</b>

	Opening Balance (NBV)	Additions	Disposals	Impairment	Depreciation	Total (NBV)
	\$	\$	\$	\$	\$	\$
<b>2015</b>						
Equipment, Computers	54,424	20,228	-	-	(23,505)	<b>51,147</b>
Furniture, Fittings	96,651	21,321	-	-	(14,328)	<b>103,644</b>
Library Books	32,073	7,145	-	-	(16,974)	<b>22,244</b>
Leasehold Improvements	167,466	600	-	-	(19,058)	<b>149,008</b>
<b>Balance at 31 December 2015</b>	<b>350,614</b>	<b>49,294</b>	<b>-</b>	<b>-</b>	<b>(73,865)</b>	<b>326,043</b>

### Accumulated Depreciation

	Cost or Valuation	Accumulated Depreciation	Net Book Value
	\$	\$	\$
<b>2015</b>			
Equipment, Computers	241,641	(190,494)	<b>51,147</b>
Furniture, Fittings	317,777	(214,133)	<b>103,644</b>
Library Books	135,911	(113,667)	<b>22,244</b>
Leasehold Improvements	449,916	(300,908)	<b>149,008</b>
<b>Balance at 31 December 2015</b>	<b>1,145,245</b>	<b>(819,202)</b>	<b>326,043</b>

### 13. Accounts Payable

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Operating creditors	21,833	25,132	17,252
Accruals	5,409	-	6,519
Capital accruals for PPE items	7,795	-	1,361
Employee Entitlements - salaries	100,163	136,022	136,022
Employee Entitlements - leave accrual	5,486	2,996	2,996
	<u>140,686</u>	<u>164,150</u>	<u>164,150</u>
Payables for Exchange Transactions	140,686	164,150	164,150
Payables for Non-exchange Transactions - Taxes Payable (PAYE and Rates)	-	-	-
Payables for Non-exchange Transactions - Other	-	-	-
	<u>140,686</u>	<u>164,150</u>	<u>164,150</u>

The carrying value of payables approximates their fair value.

### 14. Revenue Received in Advance

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Income In Advance	7,517	8,515	8,515
	<u>7,517</u>	<u>8,515</u>	<u>8,515</u>

### 15. Provision for Cyclical Maintenance

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Provision at the Start of the Year	51,136	51,136	31,368
Increase to the Provision During the Year	16,187	16,187	19,768
Provision at the End of the Year	<u>67,323</u>	<u>67,323</u>	<u>51,136</u>
Cyclical Maintenance - Current	-	-	-
Cyclical Maintenance - Term	67,323	67,323	51,136
	<u>67,323</u>	<u>67,323</u>	<u>51,136</u>

### 16. Painting Contract Liability

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Current Liability	26,568	26,568	26,568
Non Current Liability	15,888	15,888	37,115
	<u>42,456</u>	<u>42,456</u>	<u>63,683</u>

In 2013 the Board signed an agreement with Programmed Maintenance Services (the contractor) for an agreed programme of work covering a six year period. The programme provides for one exterior repaint of the Ministry owned buildings in 2013, with regular maintenance in subsequent years. The agreement has an annual commitment of \$26,568. 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 equipment. Minimum lease payments payable:

	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
No Later than One Year	6,793	-	-
Later than One Year and no Later than Five Years	13,585	-	-
	<u>20,378</u>	<u>-</u>	<u>-</u>

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

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

	2016	Opening Balances \$	Receipts from MoE \$	Payments \$	BOT Contribution/ (Write-off to R&M)	Closing Balances \$
Ceilings Blk 2 & 3	<i>in progress</i>	-	105,385	108,605	-	3,220
Totals		<u>-</u>	<u>105,385</u>	<u>108,605</u>	<u>-</u>	<u>3,220</u>
Represented by:						
Funds Held on Behalf of the Ministry of Education						-
Funds Due from the Ministry of Education						3,220
						<u>3,220</u>

	2015	Opening Balances \$	Receipts from MoE \$	Payments \$	BOT Contribution/ (Write-off to R&M)	Closing Balances \$
Refurbish Classrooms	<i>completed</i>	(42,885)	4,765	47,650	-	-
Totals		<u>(42,885)</u>	<u>4,765</u>	<u>47,650</u>	<u>-</u>	<u>-</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	3,955	4,200
Full-time equivalent members	0.24	0.36
<i>Leadership Team</i>		
Remuneration	312,392	307,386
Full-time equivalent members	3.00	2.64
Total key management personnel remuneration	316,347	311,586
Total full-time equivalent personnel	3.24	3.00

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	130 - 140	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	2016 FTE Number	2015 FTE Number
100 - 110	1.00	-
	1.00	0.00

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

There are no capital commitments as at 31 December 2016 (Capital commitments at 31 December 2015: nil).

### (b) Operating Commitments

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

#### (a) operating lease of laptops;

	2016 Actual \$	2015 Actual \$
No later than One Year	333	2,969
Later than One Year and No Later than Five Years	-	333
Later than Five Years	-	-
	<u>333</u>	<u>3,302</u>

(b) The School has entered into an agreement with Programmed Maintenance Services Ltd for painting of the School's buildings. The amount committed on the contract is:

	2016 Actual \$	2015 Actual \$
No later than One Year	26,573	26,573
Later than One Year and No Later than Five Years	26,573	53,115
Later than Five Years	-	-
	<u>53,146</u>	<u>79,688</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	(1,295)	125,396	159,506
Receivables	101,606	148,243	148,243
Investments - Term Deposits	384,009	343,383	343,383
Total Loans and Receivables	484,320	617,022	651,132

### Financial liabilities measured at amortised cost

Payables	140,686	164,150	164,150
Borrowings - Loans	-	-	-
Finance Leases	20,378	-	-
Painting Contract Liability	42,456	42,456	63,683
Total Financial Liabilities Measured at Amortised Cost	203,520	206,606	227,833

## 26. Events After Balance Date

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF DISCOVERY SCHOOL'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Auditor-General is the auditor of Discovery School (the School). The Auditor-General has appointed me, Geoff Potter, using the staff and resources of BDO Wellington, to carry out the audit of the financial statements of the School on her 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 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 then ended; and
- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with PBE Accounting Standards Reduced Disclosure Regime.

Our audit was completed on 31 May 2017. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities, and we explain our independence.

#### Basis of 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 are responsible for the other information. The other information included in the Schools annual report comprises the Statement of Responsibility, Analysis of Variance, Kiwi Sport Report and the Board of Trustees Listing 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.

A handwritten signature in blue ink, appearing to read 'Geoff Potter', is written over a faint, light blue circular stamp.

Geoff Potter  
BDO Wellington  
On behalf of the Auditor-General  
Wellington, New Zealand