



Independent Auditor's Report

To the readers of Morningside School's financial statements For the year ended 31 December 2016

The Auditor-General is the auditor of Morningside School (the School). The Auditor-General has appointed me, Chris Ussher, using the staff and resources of PricewaterhouseCoopers, 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 19, 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 in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued in New Zealand (PBE Standards RDR).

Our audit was completed on 30 May 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Board of Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Trustees for the financial statements

The Board of Trustees is responsible on behalf of the School for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Trustees is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Trustees is responsible on behalf of the School for assessing the School's ability to continue as a going concern. The Board of Trustees is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to close or merge the School, or there is no realistic alternative but to do so.

The Board of Trustees' responsibilities arise from the Education Act 1989.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the School's approved budget.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We assess the risk of material misstatement arising from the Novopay payroll system, which may still contain errors. As a result, we carried out procedures to minimise the risk of material errors arising from the system that, in our judgement, would likely influence readers' overall understanding of the financial statements.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Trustees is responsible for the other information. The other information comprises the information included within the Statement of Responsibility, Members of the Morningside School Board of Trustees, Curriculum Target 2015 - 2016 and the Kiwisport Statement, 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.



Chris Ussher
On behalf of the Auditor-General
Wellington, New Zealand



PricewaterhouseCoopers

MORNINGSIDE SCHOOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

School Address: 53a Morningside Road

School Postal Address: Morningside Road , WHANGAREI, 0110

School Phone: 09 438 2021

School Email: BriarT@morningside.ac.nz

Ministry Number: 1052

Morningside 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.

Benjamin Craig Keith Milne
Full Name of Board Chairperson

David John Probert
Full Name of Principal

[Signature]
Signature of Board Chairperson

[Signature]
Signature of Principal

30/5/2017
Date:

26/05/2017
Date:

Morningside School

Statement of Comprehensive Revenue and Expense

For the year ended 31 December 2016

	Notes	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Revenue				
Government Grants	2	2,104,940	2,096,031	1,883,689
Locally Raised Funds	3	81,574	54,306	44,698
Interest Earned		5,140	4,200	5,412
		<u>2,191,654</u>	<u>2,154,537</u>	<u>1,933,799</u>
Expenses				
Locally Raised Funds	3	2,584	750	6,629
Hostel		-	-	-
International Students		-	-	-
Learning Resources	4	1,582,709	1,601,642	1,443,465
Administration	5	102,595	97,339	95,138
Finance Costs		1,383	1,750	1,827
Property	6	445,988	416,339	361,229
Depreciation	7	50,417	33,710	43,741
Loss on Disposal of Property, Plant and Equipment		260	-	6,970
		<u>2,185,936</u>	<u>2,151,530</u>	<u>1,958,999</u>
Net Surplus / (Deficit)		5,718	3,007	(25,200)
Other Comprehensive Revenue and Expenses		-	-	-
Total Comprehensive Revenue and Expense for the Year		<u>5,718</u>	<u>3,007</u>	<u>(25,200)</u>

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

Morningside 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	239,386	239,386	245,086
Total comprehensive revenue and expense for the year	5,718	3,007	(25,200)
Capital Contributions from the Ministry of Education			
Contribution - Furniture and Equipment Grant	24,570	-	19,500
Equity at 31 December	269,674	242,393	239,386
 Retained Earnings	 269,674	 242,393	 239,386
Equity at 31 December	269,674	242,393	239,386

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

Morningside School
Statement of Financial Position
As at 31 December 2016

	Notes	2016 Actual \$	2016 Budget (Unaudited) \$	2015 Actual \$
Current Assets				
Cash and Cash Equivalents	8	208,506	28,960	8,602
Accounts Receivable	9	85,535	105,651	105,651
GST Receivable		-	2,186	2,186
Prepayments		4,428	9,582	9,582
Investments	10	100,602	84,699	84,699
		<u>399,071</u>	<u>231,078</u>	<u>210,720</u>
Current Liabilities				
GST Payable		11,042	-	-
Accounts Payable	12	153,970	124,992	124,992
Provision for Cyclical Maintenance	13	-	-	5,000
Finance Lease Liability - Current Portion	14	5,361	3,393	3,393
Funds held for Capital Works Projects	15	133,978	-	-
		<u>304,351</u>	<u>128,385</u>	<u>133,385</u>
Working Capital Surplus/(Deficit)		94,720	102,693	77,335
Non-current Assets				
Property, Plant and Equipment	11	234,921	178,191	194,901
		<u>234,921</u>	<u>178,191</u>	<u>194,901</u>
Non-current Liabilities				
Provision for Cyclical Maintenance	13	48,767	31,475	21,124
Finance Lease Liability	14	11,200	7,016	11,726
		<u>59,967</u>	<u>38,491</u>	<u>32,850</u>
Net Assets		<u>269,674</u>	<u>242,393</u>	<u>239,386</u>
Equity		<u>269,674</u>	<u>242,393</u>	<u>239,386</u>

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

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

		2016	2016	2015
	Note	Actual	Budget (Unaudited)	Actual
		\$	\$	\$
Cash flows from Operating Activities				
Government Grants		540,078	543,450	519,238
Locally Raised Funds		81,574	54,306	44,698
Goods and Services Tax (net)		13,228	-	5,231
Payments to Employees		(299,052)	(282,545)	(295,837)
Payments to Suppliers		(243,980)	(318,797)	(242,461)
Interest Paid		(1,383)	(1,750)	(1,827)
Interest Received		5,459	4,200	5,800
Net cash from / (to) the Operating Activities		95,924	(1,136)	34,842
Cash flows from Investing Activities				
Purchase of PPE (and Intangibles)		(83,584)	(17,000)	(49,916)
Purchase of Investments		(120,000)	-	(36,251)
Net cash from / (to) the Investing Activities		(203,584)	(17,000)	(86,167)
Cash flows from Financing Activities				
Furniture and Equipment Grant		24,570	-	19,500
Finance Lease Payments		(6,019)	(4,710)	(7,432)
Funds Administered on Behalf of Third Parties		169,013	-	6,017
Net cash from Financing Activities		187,564	(4,710)	18,085
Net increase/(decrease) in cash and cash equivalents		79,904	(22,846)	(33,240)
Cash and cash equivalents at the beginning of the year	8	8,602	51,806	41,842
Cash and cash equivalents at the end of the year	8	88,506	28,960	8,602

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.

Members of the Morningside School Board of Trustees 2016

Name	Position	How position on Board gained	Occupation	Term expired/expires
Cheryl Wynyard	Chairperson	Elected May 2013	Retail Manager	May 2016
Malcolm Alker	Parent rep,	Elected May 2013	Foreman	May 2016
Phil Hargreaves	Parent rep	Elected May 2013	Merchandiser	May 2016
Ivan Gurney	Parent rep	Re-elected May 2013	Cleaner	May 2016
David Prchal	Principal	Appointed January 2004	Principal	
David van de Klundert	Staff rep	Elected May 2013	Deputy Principal	May 2016

Name	Position	How position on Board gained	Occupation	Term expired/expires
Ben McInnes	Chairperson	Elected May 2016	Retail Manager	May 2019
Lynley Duffull	Parent rep,	Elected May 2016	Self employed	May 2019
Hannah Bucknell	Parent rep	Elected May 2016	Student	May 2019
Ivan Gurney	Parent rep	Re-elected May 2016	Cleaner	May 2019
David Prchal	Principal	Appointed January 2004	Principal	
Gina Kitchen	Staff rep	Elected May 2016	Teacher	May 2019

Curriculum Target 2015 - 2016: Improve student achievement in Literacy - Variance

Targets	Outcomes
<p>❖ To continue to follow the cohort from the previous year (2015) and reduce, by 20% the number of boys in the "Below" and "Well Below" categories of the National Standards for both reading and writing (literacy). As of 2015 this was: In reading 64% of our below or well below students are male (total of 41% of all students reading below or well below). In writing 58% of our below or well below students are male (total of 78% of all students writing below or well below).</p> <p>❖ To follow a cohort of from the previous year (2015) and reduce by 20% the number of Maori students in the "below" and "well below" categories of the National Standards for both reading and writing. At 2015 this was: In reading 72% of our below or well below students identified as Maori (total of 41% of all students reading below or well below). In writing 69% of our below or well below students identified as Maori (total of 78% of all students writing below or well below)</p> <p>❖ To continue to build teacher capacity by focusing on developing understanding of formative assessment practices, the reading of data and (as a result) programme adaptation in the area of literacy.</p> <p>❖ To adapt, where necessary the writing indicators as a result of consultation with teachers following their first use.</p> <p>❖ Use Discovery as a vehicle to track writing indicators</p>	<ul style="list-style-type: none"> • The total number of students working below or well below the National Standard for Reading at the end of 2016 is 40%. 69% of these students are male with 60% of those males identified as Maori or Pacific Island. • The total number of students working below or well below the National Standard for Writing at the end of 2016 is 43%. 66% of these students are males with 55% of these males identified as Maori and Pacific Island. • Data reading and assessment practices have been a focus for professional development. Programmes have been adapted according to need. • "Teacher As Inquiry" – was a vehicle for developing teacher knowledge in the teaching and learning of reading and writing. Intervention was approached differently allowing the teachers to take the lead in this area with an additional teacher supporting the programme for the remainder of the teaching group. • Development of our writing indicators with a focus on ensuring they were child friendly (in child speak) was also an area that the Curriculum team spent time developing. • Discovery continues to be a vehicle for writing with other genres being introduced and taught through inquiry and other avenues and workshops.

Curriculum Target 2015 - 2016: Improve student achievement in mathematics - Variance

Targets	Outcomes
<p>❖ Track both Year 4 and Year 6 (2016) OTJs and more specifically Basic facts and Place Value setting a target of 75% working “at” or “above” in these two categories and as an OTJ.</p> <p>❖ Provide targeted professional development to identify the hotspots of transitioning students from Ac to EA and from EA to AA in specific response to the high numbers that are working just one level below the standard.</p> <p>Present a programme of professional development to re-establish and sustain consensus of teacher knowledge, big ideas and fundamentals of teaching and learning in mathematics (specific focus on numeracy)</p>	<ul style="list-style-type: none"> Results for Year 4 and 6 Basic Facts and Place Value were very disappointing again in 2016. The target was set at 75% for both of these areas. Year 4s were recorded as 61% of students working at or above the National Standard in Basic facts and 41% at or above in Place Value. Figures either side at the Year 3 and 5 levels showed much higher results highlighting to us that this shift to EA is still a major stumbling block for us with regard to knowledge gains. Results for Year 6 showed a great effort to reach our target with 73% of students working at or above the National Standards in Basic Facts. However, Place Value results paint a different picture. Our Year 6 results for Place Value shows only 21% of students working at or above the National Standard. This has highlighted to us a possible drop in specific Place Value teaching and learning opportunities being presented. Some anomalies were noted across our Year 6 data evidencing disconnect for some students who are displaying working at or above the expected level in many aspects of mathematics, but with significant gaps in Place Value. Targets set for 2017 will address the needs for professional development in these areas.

Kiwisport 2016

Kiwisport is a Government funding initiative to support students' participation in organised sport.

In 2016, the school received total Kiwisport funding of \$3,865.05 (excluding GST).

The funding was spent on:

1. NZ Surf Life Saving Beach Education programme for all Year 3 – Year 6 students
2. One term of Badminton coaching for all students including hall hire and coaching costs.
3. Rippa Rugby training and competition for Year 3 - 6 students.
4. Ki O Rahi training and competition for Year 5 & 6 students
5. Upgrade of netball uniforms for three teams
6. Contribution towards purchase of new sporting equipment.

The number of students participating in one or more of these organised activities remains at 100% of the school roll.