

# Rangiora High School 2016 Audited Financial Statements – Summary Comments

These notes should be read in conjunction with the 2016 Audited Financial Statements. Note all figures have been rounded to \$000s.

## Background

In February 2015 the Ministry of Education appointed a Commissioner to Rangiora High School to govern the School in place of the Board of Trustees. The Commissioner has established a Finance Committee that includes herself, the Principal/Acting Principal, Executive Officer, a representative of the School's external Accounting Service Provider and an external Financial Adviser. This Committee meets on a regular basis to review the School's financial performance and to oversee budget setting, investment management and capital expenditure.

The Commissioner along with a Community Advisory Group and some external advisers are currently working to develop a detailed financial strategy for the School, including an investment strategy.

Importantly, the School once again received an unqualified Audit Opinion on the financial statements. This means that the auditors considered that the school's financial records and statements were fairly and appropriately presented, and in accordance with all relevant accounting standards.

To improve communication and transparency regarding the annual financial statements the Finance Committee has provided the following detailed commentary and explanation on the key areas in the financial statements.

## Overall Result

The School incurred a net deficit for the 2016 year of \$351,046. This is a reduction from the 2015 deficit of \$484,764 and against a budgeted deficit of \$187,960.

There was also a Capital contribution from the Ministry of Education of \$508K during the year, so overall the School equity increased.

Whilst a large component of the deficit arises from non-cash depreciation of \$519k, from an operating perspective the School had overall negative operating cashflows of \$107k for the year.

There was also significant investment in some capital items. This meant that overall the School had a decrease in cash equivalent reserves of \$388k for the year.

Overall the School's asset and equity positions remain very strong however and the school had \$9.455M in investment funds as at 31 December 2016 (an increase of \$515k for the year) and overall equity of \$12.411M (an increase of \$157k).

Further explanation of the key items in the financial statements are as follows.

## **STATEMENT OF FINANCIAL POSITION (the "BALANCE SHEET"):**

Key movements in statement of financial position (assets & liabilities) for the year were as follows:

### **Property, Plant and Equipment**

**Closing Value 2016** - \$4,426k (2015 restated - \$4,086k)

**Additions during year** - \$975,767 (2015 - \$1,364,792)

**Disposals during year** - \$117,308 (2015 - \$12,363)

As outlined in Note 34 of the financial statements, during the preparation and audit of the 2016 financial statements the School became aware that there were two properties that the School had been utilising that were previously considered to be owned by the Ministry of Education but were in fact owned by the School. The error in accounting for these properties had been occurring for many years.

In order to correctly reflect the value of the properties in the financial statements, it was necessary to restate the opening value of assets as at 1 January 2015 and then show the correct accounting for the properties (including depreciation) for the 2015 and 2016 years. The net impact of the restatements was an increase in the value of Property, Plant and Equipment (land & buildings) of \$1.4M as at 1 January 2015.

As noted, total asset additions for the year were \$975K. This included investments in buildings improvements of \$352K (mainly in relation to the "Commons" area of the new Rakahuri building), \$242K on furniture equipment and \$215K of IT spend also related mainly to the Rakahuri building.

The significant disposal during the period was the sale of a property on Kippenberger Avenue. This resulted in a gain on sale (being the difference between the book value at the time of sale and the sale price) of \$429K.

### **Investments (Bank Deposits)**

**Closing Value 2016** - \$9,455k (2015 \$8,940k)

The School continued to maintain a strong investment position during the year. Investments remain in deposits with major trading banks. A significant amount of interest earned was capitalised onto the investment portfolio and along with proceeds from asset sales, the portfolio grew by \$515K or 5.76% during the year.

### **Liabilities**

There were no significant changes to current liabilities during the period. The School continued to pay all liabilities as they fell due.

There was an increase in the long term maintenance provision (as required by the MoE) and the School also signed a long term painting maintenance contract during the year with a total value of \$244k.

## **STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (the "PROFIT & LOSS"):**

Key movements in revenue and expense items for the year were as follows:

### **Government Grants**

There was a \$685k decrease reported in government grant income. However, this was primarily due to a \$532K reduction in the "Notional Lease" the school has with the MoE. This is an accounting adjustment only and is also reflected in a corresponding decrease in the Notional Lease expense which is reported under Property Expenses.

There were small reductions in Bus Network and Other Government grants income.

### **International Student Revenue and Expenses**

There was a reduction in overall International student numbers and therefore revenues. However, there was also a significant reduction in costs related to the International Student program, particularly salary costs. This resulted in an overall improvement in the surplus generated from the international student program by \$79K to \$244k.

### **Learning Resource Expenses**

Expenditure on learning resources increased overall by \$68k. There was a significant \$206K increase in direct curriculum related expenditure. This was offset by a slightly reduced IT spend and reduced overall Teacher salary expenses.

### **Administration**

Administration expenses were very much in line with the prior year (a \$5k reduction). There were however a number of individual variances in this category.

The Commissioner's governance/board intervention costs increased primarily due to the use of an Education Consultant who assisted with a [review of curriculum design and other major factors impacting on student achievement](#), however, there was an offsetting reduction in consulting and contractor costs associated with the Commissioner's role, particularly investigation related expenses.

The Commissioner's costs, excluding all travel and accommodation (which are reimbursed by the Ministry of Education) and any costs associated with the statutory intervention have been met by the School.

### **Property and Depreciation Expenses**

Overall property related expenses decreased by \$489k. As noted above there was a change in the MOE Notional Lease cost of \$532k which explains the majority of this change.

Most other expense items in this category were similar to the prior year, with slight increases in repairs and maintenance and grounds related expenditure.

Depreciation has increased as a result of the asset purchases in the last two years, up \$65K to \$519k.

## **Budget Variations**

In addition to the significant variances between the 2015 and the 2016 years as outlined above, the following notes relate to significant variances between the 2016 actual and budgeted figures that are not otherwise explained above.

### *Government Grants (Income), Learning Resources (Expenditure) and Property (Expenditure)*

The 2016 budget figures for MOE funded teacher salaries (both income and expenditure) and the Notional Lease (both income and expenditure) were based on the 2015 figures as they were the best information to base the budget on at the time. These amounts are not directly controlled by the School and the variances arise as the final calculations are prepared by the Ministry. It should be noted that in both instances the net effect on the final financial result is nil.

### *Locally Raised Funds*

The Activity and Curriculum recovery income stream budgets were based on the 2015 figures. Actual results in these areas often differ from budget.

### *Learning Resources*

The large variance in "Extra Curricular" spending vs budget is the result of the budget being based on a very conservative approach as well as additional relief and other wage costs.