



The Chairperson
Board of Trustees
Morningside School
53A Morningside Road
Morningside
Whangarei 0110

28 May 2018

The Board of Trustees management report in respect of the audit of Morningside School for the year ended 31 December 2017

Dear Sir or Madam

In accordance with our engagement letter, we confirm we have completed our audit of Morningside School ("the School") for the year ended 31 December 2017.

The Auditor-General has appointed me, Chris Ussher, as the Appointed Auditor of the School

This letter sets out certain matters which came to our attention during the course of the audit as well as other required communications. These items may include matters of subjectivity and accounting issues.

We have prepared this report solely for the use of the Board of Trustees and management of the School. This report forms part of a continuing dialogue between us and therefore, it is not intended to include every matter that came to our attention. For this reason, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy without our prior written consent, we would not accept any responsibility for any reliance that they may place on it.

Our key areas of focus

Outlined below are the key risks we have considered for your School. We have identified the potential impact of these risks to your financial statements and we have tailored our audit approach accordingly.

Risk	Our response
Management override of controls The ability of management to override controls over the financial reporting process creates a fraud risk.	<ul style="list-style-type: none">• Our risk assessment process concluded that the risk of fraud from management override of controls was through processing manual journals.• Our procedures included a risk based approach to testing manual journals that included assessment of unusual journals.• We assessed the extent of the segregation of duties in the financial reporting process and our substantive audit approach was designed to respond to the control findings.



General audit approach

The Board of Trustees is responsible for preparing financial statements in accordance with the Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (PBE IPSAS RDR). These financial statements must reflect the financial position of the School at 31 December 2017 and the results of its operations for the year ended on that date. This responsibility is specified in the Crown Entities Act 2004 and Education Act 1989.

Our responsibilities include expressing an opinion on these statements, and accordingly our audit procedures are tailored to our assessment of risk of material misstatement in the financial statements.

We consider accounting controls at various levels and in overall terms. Obviously, we cannot in practice examine every operating activity or accounting procedure carried out by the School, nor can we substitute for the Board of Trustee's responsibility to maintain adequate controls at all levels of operations.

Our understanding of the internal control environment determines the nature and extent of our substantive tests of detail. Given the level and nature of the activities of the School, our audit approach has been largely substantive in nature.

Required communications

We are required by Generally Accepted Auditing Standards (GAAS) to report specific matters to you as follows:

- We noted no material changes in accounting policies.
- Other than the cyclical maintenance provision, there were no material accounts subject to management judgement, and no material accounting estimates were made in the determination of the account balances in the financial statements.
- No matters of material uncertainty were noted.
- We have not identified any inconsistent information in the documents containing audited financial information.
- Other than for compilation, monthly processing and normal school operational enquiries, we are not aware and have not been advised of management having consulted with other accountants or service providers.
- No significant matters have arisen in relation to related parties.
- No issues were identified in sending out third party confirmations.
- Internal audit was not engaged as part of this audit

Independence

We confirm that we are independent of the School. We are not aware of any relationships between PricewaterhouseCoopers and the School that, in our professional judgement, may reasonably be thought to impair our independence.

Summary of audit findings

There are a number of specific items which have audit significance, which we would like to bring to your attention. These matters are included in Appendix 1.



Summary of audit adjustments and uncorrected misstatements

We also attach in Appendix 2 a summary of audit adjustments identified, including both adjusted and unadjusted.

We take this opportunity to thank Board members and School staff who we have dealt with for their co-operation and assistance during the course of the audit.

If you would like any further information please do not hesitate to contact either myself or Michael Denton.

Yours faithfully

A handwritten signature in blue ink that reads 'Chris Ussher'.

Chris Ussher
Partner
chris.j.usscher@nz.pwc.com

MORNINGSIDE SCHOOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017

The Board of Trustees accepts responsibility for the preparation of the annual financial statements and the judgements used in these financial statements.

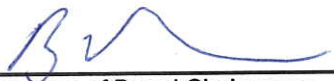
The management (including the principal and others as directed by the Board) accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the school's financial reporting.


It is the opinion of the Board and management that the annual financial statements for the financial year ended 31 December 2017 fairly reflects the financial position and operations of the school.

The School's 2017 financial statements are authorised for issue by the Board.

Ben McInnes
Full Name of Board Chairperson

David Probst
Full Name of Principal


Signature of Board Chairperson


Signature of Principal

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Date:

25/5/18
Date:

Morningside School
Statement of Comprehensive Revenue and Expense
For the year ended 31 December 2017

	Notes	2017 Actual \$	2017 Budget (Unaudited) \$	2016 Actual \$
Revenue				
Government Grants	2	2,381,961	1,934,491	2,104,940
Locally Raised Funds	3	62,388	53,872	81,574
Interest Earned		5,053	4,500	5,140
		<u>2,449,402</u>	<u>1,992,863</u>	<u>2,191,654</u>
Expenses				
Locally Raised Funds	3	5,462	500	14,948
Learning Resources	4	1,797,276	1,452,974	1,570,345
Administration	5	104,324	102,984	102,595
Finance Costs		2,471	924	1,383
Property	6	507,470	346,900	445,988
Depreciation	7	64,420	48,378	50,417
Loss on Disposal of Property, Plant and Equipment		526	-	260
		<u>2,481,949</u>	<u>1,952,660</u>	<u>2,185,936</u>
Net Surplus / (Deficit)		(32,547)	40,203	5,718
Other Comprehensive Revenue and Expenses		-	-	-
Total Comprehensive Revenue and Expense for the Year		<u>(32,547)</u>	<u>40,203</u>	<u>5,718</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 2017

	Actual 2017 \$	Budget (Unaudited) 2017 \$	Actual 2016 \$
Balance at 1 January	<u>269,674</u>	<u>269,674</u>	<u>239,386</u>
Total comprehensive revenue and expense for the year	(32,547)	40,203	5,718
Capital Contributions from the Ministry of Education Contribution - Furniture and Equipment Grant	-	-	24,570
Equity at 31 December	<u>237,127</u>	<u>309,877</u>	<u>269,674</u>
Retained Earnings	237,127	309,877	269,674
Equity at 31 December	<u>237,127</u>	<u>309,877</u>	<u>269,674</u>

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 2017

		2017	2017	2016
	Notes	Actual	Budget	Actual
		\$	(Unaudited)	\$
			\$	
Current Assets				
Cash and Cash Equivalents	8	(3,894)	75,462	208,506
Accounts Receivable	9	110,159	105,651	85,535
GST Receivable		13,605	2,186	-
Prepayments		7,240	9,582	4,428
Investments	10	62,251	84,699	100,602
		<u>189,361</u>	<u>277,580</u>	<u>399,071</u>
Current Liabilities				
GST Payable		-	-	11,042
Accounts Payable	12	152,004	124,992	153,970
Provision for Cyclical Maintenance	13	26,903	25,098	-
Finance Lease Liability - Current Portion	14	13,134	3,393	5,361
Funds held for Capital Works Projects	15	-	-	133,978
		<u>192,041</u>	<u>153,483</u>	<u>304,351</u>
Working Capital Surplus/(Deficit)		(2,680)	124,097	94,720
Non-current Assets				
Property, Plant and Equipment	11	273,104	199,813	234,921
		<u>273,104</u>	<u>199,813</u>	<u>234,921</u>
Non-current Liabilities				
Provision for Cyclical Maintenance	13	16,600	11,727	48,767
Finance Lease Liability	14	16,697	2,306	11,200
		<u>33,297</u>	<u>14,033</u>	<u>59,967</u>
Net Assets		<u>237,127</u>	<u>309,877</u>	<u>269,674</u>
Equity		<u>237,127</u>	<u>309,877</u>	<u>269,674</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 2017

	2017	2017	2016
Note	Actual \$	Budget (Unaudited) \$	Actual \$
Cash flows from Operating Activities			
Government Grants	624,712	575,207	540,078
Locally Raised Funds	62,388	53,872	81,574
Goods and Services Tax (net)	(24,647)	-	13,228
Payments to Employees	(290,090)	(285,140)	(299,052)
Payments to Suppliers	(437,558)	(257,949)	(243,980)
Cyclical Maintenance Payments in the year	(41,516)	-	-
Interest Paid	(2,471)	(924)	(1,383)
Interest Received	5,368	3,825	5,459
Net cash from / (to) the Operating Activities	<u>(103,814)</u>	<u>88,891</u>	<u>95,924</u>
Cash flows from Investing Activities			
Purchase of PPE (and Intangibles)	(82,489)	(70,000)	(83,584)
Proceeds from Sale of Investments	160,000	-	-
Net cash from / (to) the Investing Activities	<u>77,511</u>	<u>(70,000)</u>	<u>(83,584)</u>
Cash flows from Financing Activities			
Furniture and Equipment Grant	-	-	24,570
Finance Lease Payments	(7,931)	(4,710)	(6,019)
Funds Held for Capital Works Projects	(178,166)	-	169,013
Net cash from Financing Activities	<u>(186,097)</u>	<u>(4,710)</u>	<u>187,564</u>
Net increase/(decrease) in cash and cash equivalents	<u>(212,400)</u>	<u>14,181</u>	<u>199,904</u>
Cash and cash equivalents at the beginning of the year	8 208,506	61,281	8,602
Cash and cash equivalents at the end of the year	8 <u>(3,894)</u>	<u>75,462</u>	<u>208,506</u>

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.

Curriculum Target 2016 - 2017: Improve student achievement in Literacy - Variance

Targets	Outcomes
<p>❖ To continue to follow the cohort from the previous year (2016) and increase, by 10% the number of boys in the "at" and "above" categories of the National Standards for both reading and writing (literacy). As of 2016 this was: In reading 49% (86 students) of our "at or above" students are male (total of 60% (175) of all students (290) reading "at or above"). In writing 51% (84 students) of our "at or above" students are male (total of 57% (165) of all students (290) writing "at or above".</p> <p>❖ To follow a cohort from the previous year (2016) and increase by 10% the number of Maori students in the "at" and "above" categories of the National Standards for both reading and writing. At 2016 this was: In reading 56% (98 students) of our "at or above" students identified as Maori (total of 60% of all students reading "at or above"). In writing 61% of our "at or above" students identified as Maori (total of 59% (165) of all students (290) writing "at or above")</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 continue to use TAI as a vehicle for providing intervention and support for both teachers (professional development) and students' learning.</p> <p>❖ To continue to review the writing indicators and amend as deemed necessary</p>	<p>Writing</p> <ul style="list-style-type: none"> A comparison of our 2016 and 2017 writing data shows no significant improvement. Our target set was to raise achieve by 10% across the school and unfortunately this has not eventuated with most year levels experiencing plateau. Whilst we believe that our writing indicators have a high level of robustness and that our teachers TAI (Teaching as Inquiry) foci have had positive effect on raising awareness around achievement in writing we do not have evidence to suggest that these are currently having a positive impact. Significant discussion has been had around the possible reasons for this lack of forward trajectory and as a result we have made the decision to pursue with vigour our involvement in year 2 of the A.L.L programme and enlist the help of a SAFP (Student Achievement Function Practitioner). <p>Reading</p> <ul style="list-style-type: none"> Reading data continues to present a similar picture to what it has historically been. The aspirational aspect of level 12 for Year 1 students and level 17 by the end of Year 2 are at odds with our KC based programme in the early years. On further investigation I used the CaAPlan targets to analyse the data which showed a significant difference in those achieving at or above the expected level for reading across the whole school. A significantly high number of our students are achieving at or above expectation by the time they reach Year 4 and continue to track positively from here. This was always a fear of ours with the introduction of National Standards for reading once the achievement levels were set. With the intended removal of National Standards we will set targets for 2018 based on our CaAPLAN levels.

Curriculum Target 2016 - 2017: Improve student achievement in mathematics - Variance

Targets

- ❖ Maintain the current target of >85% of students working "at" or "above" the National Standard for Mathematics (OTJ).
- ❖ Track Both Year 3 and Year 5 (2017) in the area of Place Value raising the percentage of students working in the range "at" or "above" to >75%.
- ❖ Track all years 3-6 (2017) in the area of Basic Facts, raising the percentage of those working in the "at" or "above" range to >75%.
- ❖ Provide targeted professional development to identify more accurately the stages in particular Early 5 and Early 6.
- ❖ Provide targeted professional development in the area of teaching and learning Basic Facts.
- ❖ Provide professional development support through the vehicles of CRT (Classroom Release Time) and TAI (Teaching as Inquiry).

In recognition of the number of staff (2017) new to our school it will be timely to re-establish our focus on the diagnostic model as a way of eliciting maths learning following the play based approach adopted by the junior teams. As a result we will 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)

Outcomes

- ❖ Our mathematics OTJ (Overall Teacher Judgement) data has maintained the suggested target highlighting for us that we are sustaining a high level of teacher knowledge and a robustness of our teaching and learning programmes in this area.
- ❖ The additional target set for maths in the area of Basic facts (to track and raise achievement of Y3/Y4/Y5/Y6 to >75%) has shown success in the Y3 and Y6 cohorts, tracking at 84% and 80% respectively. Our Year 4 data shows an increase to 70% (not quite hitting the target), however our Year 5 show a slight drop from 61% to 57%. Whilst this 4% would not be statistically significant is still doesn't show movement in an upwards direction and so should remain a specific target for 2018.
- ❖ The additional target set for maths in the area of Place value Knowledge at Years 3 and 5 shows mixed results. Our Year 3 students (almost) reached the set target of 75% where the Year 5 cohort, whilst making movement in the right direction, did not show acceleration only reaching 50% in the at or above category for this maths area.

Kiwisport 2017

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

In 2017, the school received total Kiwisport funding of \$4,432.28 (excluding GST).

The funding was spent on:

1. One term of Badminton coaching for all students including hall hire, equipment and coaching costs.
2. Turbo touch training and transport to competition for Year 3 - 6 students.
3. Ki O Rahi training and transport to competition for Year 5 & 6 students
4. Replacement of sports uniforms for students
5. 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.