

SOUTHERN REGIONAL HEALTH SCHOOL

School Number: 1631

2010 Annual Report And Financial Statements

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Statement of Responsibility

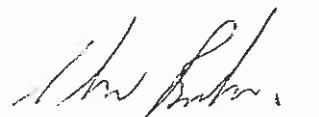
The Board of Trustees (the Board) have pleasure in presenting the annual report of the School, incorporating the financial statements and the auditor's report, for the year .

The management of the School, that is the Board, accepts responsibility for the preparation of the annual financial statements and the judgements used in these statements.

The Board's management accepts responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the School's financial reporting.

In the opinion of the Board's management, the annual financial statements for the financial year fairly reflect the financial position and operations of the School.

The School's financial statements are authorised for issue by the Board Chairperson and Principal.


Chairperson
Principal

Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Income				
Government grants	2	1,670,138	475,245	1,585,590
Local fundraising	3	-	-	21,126
Interest		28,355	15,000	22,185
		1,698,492	490,245	1,628,901
Expenditure				
Learning resources	4	1,324,500	145,844	1,271,904
Administration	5	197,271	190,002	171,283
Property	6	41,767	42,942	42,181
Depreciation	9	58,364	35,000	71,810
Loss on disposal of equipment		-	-	-
		1,621,902	413,788	1,557,178
Net Surplus		76,590	76,457	71,723
Other comprehensive income		-	-	-
Total comprehensive income		76,590	76,457	71,723

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 31 December 2010

Notes	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Equity at the start of the year	658,452	658,452	586,729
Net surplus for the year	76,590	76,457	71,723
Equity at the end of the year	735,042	734,909	658,452

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2010

	Notes	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Total Equity		735,042	734,909	658,452
Represented by:				
Current Assets				
Cash and cash equivalents	7	558,127	570,000	511,576
Accounts receivable	8	134,927	103,900	103,054
Prepayments		2,080	-	1,469
		695,134	673,900	616,099
Current Liabilities				
Accounts payable	10	90,286	81,000	103,820
		90,286	81,000	103,820
Working Capital		604,849	592,900	512,279
Non Current Assets				
Property, plant and equipment	9	130,193	142,009	146,173
		130,193	142,009	146,173
Net Assets		735,042	734,909	658,452

The above statement of financial position should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2010

1. Statement of Significant Accounting Policies

a) Reporting Entity

Southern Regional Health 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 is of the view the School is a public benefit entity for financial reporting purposes.

b) Basis of Preparation

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 New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate to public benefit entities that qualify for differential reporting.

Differential reporting

The School qualifies for differential reporting exemptions because it is not publicly accountable as defined in the Framework for Differential Reporting (the Framework) and it is not large. Many of the reporting exemptions available under the Framework have been applied.

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.

Specific accounting policies

The accounting policies used in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented.

c) Revenue Recognition

Government grants

Operational grants are recorded as income as received. Teachers' salaries grants are not received in cash by the school but are paid directly to teachers by the Ministry of Education (the Ministry). They are recorded as income in the salary period they relate to. Grants for the use of land and buildings are also 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. Use of land and building grants are recorded as income in the period the school uses the land and buildings. Other grants are recorded as income as received unless there are unfulfilled conditions attaching to the grant, in which case the amount relating to the unfulfilled conditions is recognised as a liability and released to income as the conditions are fulfilled.

Donations

Donations are recorded as revenue when their receipt is formally acknowledged by the School.

Interest income

Interest income 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 leased and funded by the Ministry on behalf of the Crown.

e) Operating Lease Payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

f) 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 three months or less, and bank overdrafts.

The School has met the requirements under section 73 of the Education Act 1989 in relation to the acquisition of securities.

g) Accounts Receivable

'Accounts Receivable' represents items that the School has issued invoices for, but has not received payment for at year end. They are initially recorded at fair value and subsequently recorded at the amount the School realistically expects to receive. A provision for impairment of Accounts Receivable is established where there is objective evidence the School will not be able to collect all amounts due according to the original terms of the debt.

h) Investments

Short term deposits have maturities between three months and one year. Investments in deposits are measured at amortised cost using the effective interest method.

At balance date the School assesses whether there is any objective evidence that an investment is impaired. Any impairment loss is recorded as an expense in the statement of comprehensive income.

The School has met the requirements under section 73 of the Education Act 1989 in relation to the acquisition of securities.

i) Property, Plant and Equipment

Plant and equipment acquired on or before 1 October 1989 is recorded at deemed cost based on fair value as at that date, less accumulated depreciation and impairment losses.

Property, plant and equipment acquired after 1 October 1989 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.

Gains and losses on disposals are determined by comparing the proceeds received with the book value.

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. The 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.

Depreciation

The estimated useful lives of the assets are:	Years
Furniture and equipment	5 - 10
Information and communication technology	5
Motor Vehicles	5
Plant and equipment	10

j) 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.

k) Employee Entitlements

Salary Accruals

Salary accruals mainly reflect annual leave owing to teachers and ancillary staff and are recognised in respect of employees' services to balance date and are measured at the amounts expected to be paid when the liabilities are settled. There is a corresponding teacher's salaries grant receivable from the Ministry to fund the liability.

Leave Accruals

No provision is required to be recognised for sick leave for teachers as the Ministry funds this cost in practice. For non-teaching staff, both sick and annual leave can accumulate. The Ministry is working to establish whether schools should recognise a liability for sick and annual leave accrued by non-teaching staff. From 2012 (for 2011 annual accounts) an accrual for leave is likely to be required due to the improved information available from the new payroll system. Schools do not therefore have to accrue for leave accumulated by non-teaching staff at 31st December 2010.

l) Funds held in trust

Funds are held in trust where they have been received by the School for a specified purpose. The School guarantees to hold sufficient funds to enable the funds to be used for their intended purpose at any time.

The school must ensure that there are sufficient uncommitted funds to meet this obligation at all times.

m) Financial Assets and Liabilities

The School's financial assets comprise cash and cash equivalents, accounts receivable, GST receivable and investments. All of these financial assets are categorised as "loans and receivables" for accounting purposes in accordance with financial reporting standards.

The School's financial liabilities comprise accounts payable, funds held on behalf of the Ministry of Education, and GST payable. All of these financial liabilities are categorised as "financial liabilities measured at amortised cost" for accounting purposes in accordance with financial reporting standards.

n) 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.

o) Budget figures

The budget figures are extracted from the School budget that was approved by the Board of Trustees.

2. Government Grants

	Current Year Actual \$	Current Year Budget	Previous Year Actual \$
Operational grants	332,982	360,052	319,092
Teachers salaries grant	240,498	-	1,157,596
Property leases	14,574	14,574	15,164
Other government grants	82,083	100,619	93,738
	<u>1,670,138</u>	<u>475,245</u>	<u>1,585,590</u>

3. Local Fundraising

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

	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
<i>Income</i>			
Donations	-	-	21,126
			<u>21,126</u>

4. Learning Resources

	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Salaries & wages	208,028	20,000	1,186,052
Staff development	21,845	35,844	19,242
Teaching resources	62,587	60,000	35,786
Travel	32,042	30,000	30,824
	<u>324,502</u>	<u>145,844</u>	<u>1,271,904</u>

5. Administration

	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Audit fees	2,271	2,555	2,174
Board of Trustees fees	16,765	20,000	11,204
Board of Trustees expenses	17,747	21,000	22,123
Communication	14,055	13,000	19,903
Consumables	10,331	10,000	8,116
Operating lease	2,944	4,000	2,642
Other	39,109	33,247	22,901
Salaries & wages	89,568	83,000	80,170
Staff expenses	4,480	3,200	2,050
	<u>197,271</u>	<u>190,002</u>	<u>171,283</u>

6. Property

	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Cleaning contracts	11,523	11,000	10,755
Heat, light and water	12,257	10,000	11,358
Repairs and maintenance	3,413	7,368	4,904
Property leases	14,574	14,574	15,164
	<u>41,767</u>	<u>42,942</u>	<u>42,181</u>

7. Cash and Cash Equivalents

	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Current account	12,760	20,000	21,576
Short-term deposits with a maturity less than three months	545,367	550,000	490,000
	<u>558,127</u>	<u>570,000</u>	<u>511,576</u>

8. Accounts Receivable

	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Interest accrued	5,984	5,900	5,292
Banked staffing under use	37,297	-	-
Teacher salaries grant	85,283	92,000	94,707
GST receivable	6,363	6,000	3,055
	<u>134,927</u>	<u>103,900</u>	<u>103,054</u>

9. Property, Plant and Equipment

	Cost \$	Depreciation This Year \$	Accumulated Depreciation \$	Net Book Value \$
THIS YEAR				
Furniture and equipment	184,010	20,029	144,219	39,791
Information and communication technology	152,765	15,732	95,767	56,998
Motor vehicles	109,998	21,999	79,042	30,956
Plant and equipment	6,052	605	3,604	2,448
	<u>452,825</u>	<u>58,364</u>	<u>322,632</u>	<u>130,193</u>

LAST YEAR				
Furniture and equipment	197,440	29,416	124,190	73,250
Information and communication technology	96,951	21,575	80,036	16,915
Motor vehicles	109,998	20,214	57,043	52,955
Plant and equipment	6,052	605	2,999	3,053
	<u>410,441</u>	<u>71,810</u>	<u>264,268</u>	<u>146,173</u>

	Current Year \$	Previous Year \$
Net book value reconciliation		
Net book value at start of year	146,173	189,625
Less: Disposals at book value	-	-
Less: Depreciation charge for the year	58,364	71,810
Add: Asset acquisition at cost	42,384	28,358
Net book value at year end	<u>130,193</u>	<u>146,173</u>

10. Accounts Payable

	Current Year Actual \$	Current Year Budget \$	Previous Year Actual \$
Creditors	5,003	5,000	9,113
Banking staffing overuse (to be repaid from July grant)	-	-	-
Teacher salaries accrual	85,283	76,000	94,707
	<u>90,286</u>	<u>81,000</u>	<u>103,820</u>

The carrying value of payables approximates their fair value.

11. Related Party Transactions

The school is an entity controlled by 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.

Murray Strong, Board Member, received remuneration for work performed on a special review for all health schools to the value of \$4,785 inclusive of Board of Trustee fees. There were no outstanding invoices at year end.

12. Remuneration

Board of Trustee and Committee members

The total value of the remuneration paid or payable to trustees of the Board and Committee members was as follows:

	Current Year Actual \$	Previous Year Actual \$
Board of Trustees	16,765	11,204
Committee members	-	-
	16,765	11,204

Principal

The total value of remuneration paid or payable to the Principal is in the following bands:

	Current Year Actual \$000	Previous Year Actual \$000
Salaries and other short term employee benefits:		
Salary and other payments	120,130	110-120
Benefits and other emoluments	440	-
Termination benefits	-	-

Other Employees

No other employee received total remuneration over \$100,000 (2009: nil).

13. 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 as follows:

	Current Year Actual \$000	Previous Year Actual \$000
Total value	-	-
Number of people	-	-

14. Contingencies

As at 31 December 2010 the Board were aware of an employment issue that may require investigation, the outcome of which was uncertain. There are no contingent assets. (Contingent liabilities and assets at 31 December 2009 \$24,352)

15. Commitments

(a) Capital Commitments

As at 31 December 2010 the Board has no capital commitments

(Capital commitments at 31 December 2009: nil)

(b) Operating Commitments

As at 31 December 2010 the Board has entered into the following contracts:

Laptop leases for teachers

	Current Year Actual \$	Previous Year Actual \$
No later than one year	8,719	8,224
Later than one year and no later than five years	7,798	21,878
Later than five years	-	-
	<u>16,516</u>	<u>30,102</u>

The school has a lease commitment with Perpetual Trust Limited for premises in Dunedin. The lease expired on 1 June 2009, with two three year rights of renewal. The cost of the lease being \$7,432 plus GST annually paid directly from the Ministry

The school has a lease commitment with Cardale House for premises in Christchurch. The lease began 1 February 2004 for six years with four three year rights of renewal. The cost of the lease being \$71,740 annually. This lease is paid directly by the MOE.

The school has a lease commitment for the Menzies Building premises in Invercargill. The lease began in February 2009. The cost of the lease being \$7,800 plus GST per annually. The term of the lease is six years with one right of renewal. This lease is paid directly by the MOE.

The school has a lease commitment with Nelson Marlborough District Health Board for premises in Nelson. The lease is for two years from September 2009 then monthly. The cost of the lease being \$6,500 annually. This lease is paid directly by the MOE.

16. Christchurch Earthquake

An earthquake struck the Canterbury region on 04 September 2010. There was minimal damage to the property owned by the Board of trustees and the Ministry of Education. No additional expenses were incurred by the board of trustees.

17. Subsequent Event

As a result of the earthquake that struck the Canterbury region on 22 February 2011 property owned by the Board of Trustees was damaged. The cost of damage is yet to be determined. It is expected that the cost of repairs will be covered by insurance proceeds.

Members of the Board of Trustees

Name	Ceased
Chris Bridges	
Kevin Smith	May-10
Chris Parsons (Principal)	
Murray Strong	
Judy Grace-Dillon	
Anna Tutton	
Lisa Marriott (Staff Rep)	
Anne Morgan	

The term expires for all members, other than the Principal, in May 2013.

**AUDIT REPORT TO THE READERS OF
SOUTHERN REGIONAL HEALTH SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

The Auditor-General is the auditor of Southern Regional Health School (the School). The Auditor-General has appointed me, Warren Johnstone, using the staff and resources of BDO Christchurch, to carry out the audit of the financial statements of the School on her behalf.

We have audited the financial statements of the School on pages 3 to 11 that comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income and statement of changes in equity for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the School on pages 3 to 11:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the School's:
 - financial position as at 31 December 2010; and
 - financial performance for the year ended on that date.

The audit was completed on 20 May 2011. 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 the Auditor, and explain our independence.

Basis of Opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to the School's preparation of financial statements that fairly reflect the matters to which they relate. We consider internal control 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.

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An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Trustees

The Board of Trustees is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the School's financial position, financial performance.

The Board of Trustees is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

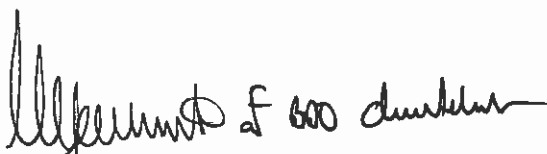
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Education Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the School.



Warren Johnstone
BDO Christchurch

On behalf of the Auditor-General
Christchurch, New Zealand