

**SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR 2005/2006**

SCHOOL DISTRICT NUMBER 08	NAME OF SCHOOL DISTRICT Kootenay Lake	YEAR 2005/2006
OFFICE LOCATION 570 Johnstone Road		TELEPHONE NUMBER 250-352-6681
CITY / PROVINCE Nelson, BC		POSTAL CODE V1L 6J2
WEBSITE ADDRESS http://www.sd8.bc.ca		
NAME OF SUPERINTENDENT William Reid	NAME OF SECRETARY - TREASURER Colin McClure	

DECLARATION AND SIGNATURES

SCHOOL DISTRICT MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and supporting schedules of The Board of School Trustees of School District No. 08 (Kootenay Lake) ("the Board") have been prepared by school district management which has responsibility for their preparation, integrity and objectivity. The financial statements and schedules, including notes, have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations.

In fulfilling its reporting responsibilities, management has maintained internal control systems and procedures designed to provide reasonable assurance that the school district's assets are safeguarded, that transactions are executed in accordance with appropriate authorization and that the accounting records may be relied upon to properly reflect the school district's transactions. The effectiveness of the control systems is supported by the selection and training of qualified personnel, an organizational structure that provides an appropriate division of responsibility and a strong budgetary system of control.

The Board's Responsibility

The ultimate responsibility for the financial statements lies with the Board. The Board has reviewed and approved the financial statements.



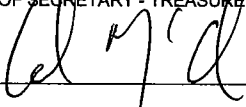
External Auditors

The Board appoints external auditors to audit the financial statements. The external auditors have full and free access to school district records, and present their report to the Board.

Declaration of Management and Board Chairperson

To the best of our knowledge and belief, these financial statements and supporting schedules reflect, in all material respects, the financial position, revenue and expense and cash flows for the year in accordance with generally accepted accounting principles for not-for-profit organizations.

We, the undersigned, certify that the attached is a correct and true copy of the Audited Financial Statements of School District No. 08 (Kootenay Lake) for the year ended June 30, 2006.

SIGNATURE OF CHAIRPERSON OF THE BOARD OF SCHOOL TRUSTEES 	DATE SIGNED <i>Sept 19 2006</i>
SIGNATURE OF SUPERINTENDENT 	DATE SIGNED <i>Sept 19, 2006</i>
SIGNATURE OF SECRETARY - TREASURER 	DATE SIGNED <i>Sept 19/2006</i>

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
2005/2006 AUDITED FINANCIAL STATEMENTS

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AUDITOR'S REPORT

To the Board of School Trustees
of School District No. 8 (Kootenay Lake)
Nelson, B.C.

We have audited the statement of financial position of School District No. 8 (Kootenay Lake) as at June 30, 2006 and the statements of revenue and expense, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of School District No. 8 (Kootenay Lake) as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Berg, Naqvi Lehmann
Chartered Accountants

Nelson, B.C.

August 18, 2006

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2006

Statement 1

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2006	TOTAL 2005
ASSETS					
Current Assets					
Cash	816,011	1,618,144		2,434,155	1,316,259
Short Term Investments		165,011		165,011	163,087
Accounts Receivable					
Due from Province - Ministry of Education	475,954			475,954	0
Due from Province - Other	2,380,903			2,380,903	0
Due from LEA / Direct Funding				0	0
Other Receivables	264,411	8,175		272,586	243,924
Interfund Loans		847,132	21,110		
Inventories		43,576		43,576	67,603
Prepaid Expenses	64,078			64,078	81,026
	<u>4,001,357</u>	<u>2,682,038</u>	<u>21,110</u>	<u>5,836,263</u>	<u>1,871,899</u>
Investments				0	0
Equity Investments				0	0
Capital Assets - Net			65,822,383	65,822,383	67,670,429
TOTAL ASSETS	<u>4,001,357</u>	<u>2,682,038</u>	<u>65,843,493</u>	<u>71,658,646</u>	<u>69,542,328</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Bank Overdraft				0	993,888
Accounts Payable and Accrued Liabilities					
Due to Province - Ministry of Education				0	0
Due to Province - Other				0	0
Other	1,285,854	40,010		1,325,864	473,641
Bank Loans				0	0
Interfund Loans	868,242				
Other Current Liabilities	2,851,376			2,851,376	828,445
	<u>5,005,472</u>	<u>40,010</u>	<u>0</u>	<u>4,177,240</u>	<u>2,295,974</u>
Deferred Contributions					
Ministry of Education		649,134	(14,530)	634,604	564,946
Province - Other		11,907		11,907	0
Other	166,031	1,980,987		2,147,018	1,568,902
Accrued Employee Future Benefits	1,166,277			1,166,277	1,523,330
Deferred Capital Contributions			54,553,119	54,553,119	56,092,802
Bank Loans				0	0
Capital Lease Obligations				0	0
Other Long Term Liabilities				0	0
TOTAL LIABILITIES	<u>6,337,780</u>	<u>2,682,038</u>	<u>54,538,589</u>	<u>62,690,165</u>	<u>62,045,954</u>
Fund Balances					
Invested in Capital Assets			11,269,264	11,269,264	11,577,627
Endowment				0	0
Internally Restricted			35,640	35,640	0
Unrestricted	(1,910,262)			(1,910,262)	(3,344,333)
Unfunded Accrued Employee Future Benefits and Vacation Pay	(426,161)			(426,161)	(736,920)
TOTAL FUND BALANCES	<u>(2,336,423)</u>	<u>0</u>	<u>11,304,904</u>	<u>8,968,481</u>	<u>7,496,374</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>4,001,357</u>	<u>2,682,038</u>	<u>65,843,493</u>	<u>71,658,646</u>	<u>69,542,328</u>

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED JUNE 30, 2006

Statement 2

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2006	TOTAL 2005
REVENUE					
Provincial Grants - Ministry of Education	45,790,262	1,413,350		47,203,612	47,951,426
Provincial Grants - Other	2,933,454	31,658		2,965,112	568,690
Federal Grants	6,800	83,308		90,108	103,806
Other Revenue	1,537,408	2,304,247		3,841,655	3,513,602
Rentals and Leases	27,260	546		27,806	28,590
Investment Income	55,997	10,612		66,609	19,787
Gain (Loss) on Equity Investment				0	0
Amortization of Deferred Capital Contributions			2,502,153	2,502,153	2,616,146
Gain (Loss) on Disposal of Capital Assets			22,440	22,440	19,772
	<u>50,351,181</u>	<u>3,843,721</u>	<u>2,524,593</u>	<u>56,719,495</u>	<u>54,821,819</u>
EXPENSE					
Salaries					
Teachers	19,194,742	883,544		20,078,286	19,841,068
Principals and Vice Principals	2,759,640	161,474		2,921,114	2,866,173
Educational Assistants	2,575,993	29,649		2,605,642	2,338,282
Support Staff	6,075,050	439,138		6,514,188	6,194,190
Other Professionals	1,539,583	32,000		1,571,583	1,589,127
Substitutes	1,686,183	22,442		1,708,625	1,476,604
	<u>33,831,191</u>	<u>1,568,247</u>	<u>0</u>	<u>35,399,438</u>	<u>34,305,444</u>
Employee Benefits	6,954,341	344,013		7,298,354	7,230,779
Services and Supplies	6,086,397	3,537,118		9,623,515	9,343,110
Amortization of Capital Assets			2,836,745	2,836,745	2,989,609
Write-off/down of Buildings and Sites				0	0
	<u>46,871,929</u>	<u>5,449,378</u>	<u>2,836,745</u>	<u>55,158,052</u>	<u>53,868,942</u>
NET REVENUE (EXPENSE)	<u>3,479,252</u>	<u>(1,605,657)</u>	<u>(312,152)</u>	<u>1,561,443</u>	<u>952,877</u>

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

Statement 3

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2006	TOTAL 2005
FUND BALANCES, BEGINNING OF YEAR	(4,081,253)	0	11,577,627	7,496,374	62,581,273
Changes in Accounting Policies/ Prior Period Adjustments					
Accrued Employee Future Benefits				0	(1,052,299)
Accrued Vacation Pay				0	(444,991)
Accumulated Amortization of Capital Assets				0	(54,896,089)
Transfer Land Capital Reserve to Deferred Contributions				0	0
Transfer Capital Reserve to Deferred Contributions				0	(3,088)
School-Generated Funds				0	0
Related Entities				0	0
Prior Period Adjustment - Voided Cheque					137
To set up Pro D Special purpose fund opening	(89,336)			(89,336)	
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	(4,170,589)	0	11,577,627	7,407,038	6,184,943
Changes for the Year					
Net Revenue (Expense) for the Year	3,479,252	(1,605,657)	(312,152)	1,561,443	952,877
Interfund Transfers					
Capital Assets Purchased	(26,429)		26,429	0	0
Local Capital	(13,000)		13,000	0	0
Other	(1,605,657)	1,605,657		0	0
Direct Increases in Fund Balances					
Endowment Contributions				0	0
Site Purchases				0	358,554
Comprehensive Income (Loss)				0	0
Net Changes for the Year	1,834,166	0	(272,723)	1,561,443	1,311,431
FUND BALANCES, END OF YEAR	(2,336,423)	0	11,304,904	8,968,481	7,496,374

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

Statement 4.1

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2006	TOTAL 2005
CASH PROVIDED BY (USED FOR)					
OPERATIONS					
Net Revenue (Expense) for the Year	3,479,252	(1,605,657)	(312,152)	1,561,443	952,877
Changes In Non-Cash Working Capital					
Decrease (Increase)					
Accounts Receivable	(2,893,928)	8,409		(2,885,519)	22,192
Interfund Loans	284,211	(707,122)	422,911	0	0
Inventories		24,027		24,027	3,352
Prepaid Expenses	16,948			16,948	1,103
Increase (Decrease)					
Allowance for Doubtful Accounts				0	0
Accounts Payable/Accrued Liabilities	854,099	(1,876)		852,223	(585,396)
Other Current Liabilities	2,022,931			2,022,931	83,886
Deferred Contributions	137,861	980,371		1,118,232	946,990
Accrued Employee Future Benefits	(357,053)			(357,053)	1,523,330
Other Long Term Liabilities				0	0
Loss (Gain) on Disposal of Capital Assets			(22,440)	(22,440)	(19,772)
Items Not Involving Cash					
Amortization of Capital Assets			2,836,745	2,836,745	2,989,609
Amortization of Deferred Capital Contributions			(2,502,153)	(2,502,153)	(2,616,146)
Accounting Change - Accrued EFB				0	(1,052,299)
Accounting Change - Accrued Vacation Pay				0	(444,991)
Write-off/down of Buildings and Sites				0	0
Comprehensive Income (Loss)				0	0
Interfund Transfers	(1,645,086)	1,605,657	39,429	0	0
	<u>1,899,235</u>	<u>303,809</u>	<u>462,340</u>	<u>2,665,384</u>	<u>1,804,735</u>
FINANCING					
Bank Loan Received				0	0
Bank Loan Paid				0	0
Endowment Contributions				0	0
Increase (Decrease) Deferred Contributions - Capital			(458,551)	(458,551)	275,347
Proceeds from Disposal of Capital Assets			90,559	90,559	137,967
MEd Restricted Portion of Proceeds on Disposal			(67,919)	(67,919)	(103,476)
	<u>0</u>	<u>0</u>	<u>(435,911)</u>	<u>(435,911)</u>	<u>309,838</u>
INVESTING					
Capital Assets Purchased - Operating			(26,429)	(26,429)	0
Capital Assets Purchased - Special Purpose				0	0
Capital Assets Purchased - Local Capital				0	0
Decrease (Increase) in Investments				0	0
Decrease (Increase) in Equity Investments				0	0
	<u>0</u>	<u>0</u>	<u>(26,429)</u>	<u>(26,429)</u>	<u>0</u>
Net Increase (Decrease) in Cash	<u><u>1,899,235</u></u>	<u><u>303,809</u></u>	<u><u>0</u></u>	<u><u>2,203,044</u></u>	<u><u>2,114,573</u></u>

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

Statement 4.2

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2006	TOTAL 2005
NET INCREASE (DECREASE) IN CASH	1,899,235	303,809	0	2,203,044	2,114,573
Net Cash, Beginning of Year	(993,888)	1,479,346	0	485,458	(1,629,252)
Changes in Accounting Policies/ Prior Period Adjustments					
03/04 voided cheque					137
To set up Pro D Special purpose fund opening	(89,336)			(89,336)	
Net Cash, Beginning of Year, as Restated	(1,083,224)	1,479,346	0	396,122	(1,629,115)
NET CASH, END OF YEAR	816,011	1,783,155	0	2,599,166	485,458
Cash	816,011	1,618,144		2,434,155	1,316,259
Short Term Investments		165,011		165,011	163,087
Bank Overdraft				0	(993,888)
NET CASH, END OF YEAR	816,011	1,783,155	0	2,599,166	485,458

SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2006

NOTE 1 AUTHORITY AND PURPOSE

The school district operates under authority of the School Act of British Columbia as a corporation under the name of "The Board of School Trustees of School District No. 8 (Kootenay Lake)" and operates as "School District No. 8 (Kootenay Lake)". A board of school trustees (Board) elected for a three-year term governs the school district. The school district provides educational programs to students enrolled in schools in the district, and is principally funded by the Province of British Columbia through the Ministry of Education.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for not-for-profit organizations.

The deferral method of accounting for contributions, which includes government grants, is used. Results are reported in the operating fund, special purpose funds and capital fund. Revenues and expenses are recorded on a gross and accrual basis.

Statement 2 (Statement of Revenue and Expense), Statement 3 (Statement of Changes in Fund Balances) and Statement 4 (Statement of Cash Flows) present annual results of each fund, changes in fund balances and cash flows for the year. Statement 1 (Statement of Financial Position) presents the assets, liabilities and fund balances. Interfund transfers and loans are recognized in each fund and eliminated in the consolidated totals.

a) Fund Accounting

Fund accounting procedures recognize external restrictions on the use of contributions by governments or other granting agencies, and appropriations or other internal restrictions by the School District. While separate accounts are maintained for each fund, for financial reporting purposes, funds with similar characteristics are grouped together:

- Operating fund reports assets, liabilities, revenues and expenses for general operations.
- Special purpose funds report assets, liabilities, revenues and expenses for:
 - Contributions restricted in use by the *School Act* or Ministry of Education.
 - Contributions restricted in use by other external bodies.
 - Endowment funds.
 - Funds collected and used at the school level (i.e. school-generated funds).
 - Controlled and/or related entities.
- Capital fund reports assets, liabilities, revenues and expenses for capital. Contributions of other funds used for capital purposes are transferred to the capital fund.

b) Accounts Receivable

Accounts receivable are shown net of allowance for doubtful accounts.

SCHOOL DISTRICT NO.8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2006

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

c) Inventories

Inventories of supplies and materials held in central stores for resale to other school districts are stated at acquisition cost using the first-in-first-out method.

d) Prepaid Expenses

Materials and supplies held in central stores for use within the district are included as a prepaid expense and stated at acquisition cost using the first-in-first-out method.

e) Capital Assets

The following criteria apply:

- Capital assets acquired or constructed are recorded at cost. Donated capital assets are recorded at their fair market value on the date of donation.
- Work-in-progress is recorded as an acquisition to the applicable asset class at substantial completion.
- Sites and buildings that no longer contribute to the ability of the district to provide services are written-down to residual value.
- Buildings that are demolished or destroyed are written-off.
- Amortization is recorded on a straight-line basis over the estimated useful life of the asset and commences the year following acquisition. Estimated useful life is as follows:

Buildings	40 years
Furniture & Equipment	10 years
Vehicles	10 years
Computer Hardware	5 years

f) Capital Leases

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incident to ownership of property to the School District are considered capital leases. These are accounted for as an asset and an obligation.

g) Revenue Recognition

Unrestricted operating government grants, are recognized as revenue when received. Such grants, if contributed for a future period, are deferred and reported as deferred contributions until that future period. Other unrestricted revenue, including tuition fees and sales of services/products are reported as revenue when services are provided or products delivered.

Externally restricted contributions, grants, and donations are reported as revenue depending on the nature of restrictions imposed on the use of the funds by the contributors:

- Non-capital contributions for specific purposes are recorded as deferred contributions and recognized as revenue in the year related expenses are incurred.
- Contributions restricted for capital purposes are recorded as deferred contributions until the amount is invested in capital assets.

SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2006

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Continued)

- If the capital asset is a site, the amount invested is recorded as a direct increase to net assets invested in capital assets.
- If the capital asset is not a site, the amount invested is recorded as a deferred capital contribution and amortized over the useful life of the asset. Amortization commences in the year following acquisition.
- Donated capital assets are recorded at fair market value and treated as a deferred capital contribution.
- Endowment contributions and matching contributions are reported as direct increases to net assets held as endowment principal.
- Investment income earned on endowment principal is recognized as a direct increase to net assets (endowment) to the extent required or agreed by donors. The remaining investment income earned on endowment principal is recorded as a deferred contribution and recognized as revenue in the year related expenses are incurred.

h) Expenditures

- Categories of Salaries
 - Principals, Vice Principals, and Directors of Instruction employed under an administrative officer contract are categorized as Principals and Vice Principals.
 - Superintendents, Assistant Superintendents, Secretary-Treasurers, Trustees and other employees excluded from union contracts are categorized as Other Professionals.
- Allocation of Costs
 - Operating expenses are reported by function, program, and object. Whenever possible, expenditures are determined by actual identification. Additional costs pertaining to specific instructional programs, such as special and aboriginal education, are allocated to these programs. All other costs are allocated to regular programs.
 - Actual salaries of personnel assigned to two or more functions or programs are allocated based on the time spent in each function and program. School-based clerical salaries are allocated to school administration and partially to other programs to which they may be assigned. Principals and Vice-Principals salaries are allocated to school administration and may be partially allocated to other programs to recognize their other responsibilities.
 - Employee benefits and allowances are allocated to the same programs, and in the same proportions, as the individual's salary.
 - Supplies and services are allocated based on actual identification of program.

i) Financial Instruments

Financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and other current liabilities. Unless otherwise noted, it is management's opinion that the School District is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2006

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING
PRACTICES (Continued)**

j) Use of Estimates

Preparation of financial statements requires management to make estimates and assumptions that impact reported amounts for assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the impairment of assets, rates for amortization and estimated employee future benefits. Actual results could differ from those estimates.

k) Employee Future Benefits

The School District provides certain post-employment benefits including accumulated sick and vacation pay, and retirement allowance for certain employees pursuant to certain contracts and union agreements.

The School District accrues its obligations and related costs under employee future benefit plans. The future benefits cost is actuarially determined using the projected unit credit method pro-rata on service and using management's best estimate of expected salary escalation, termination and retirement rates and mortality. The discount rate used to measure obligations is based on market rates at the measurement date.

The excess of cumulative unrecognized actuarial gains (losses) over 10 percent of the accrued benefit obligation is amortized over the expected average remaining service lifetime (EARS�) of active employees covered under the plan. The EARS� for employees of the School District is 10.7 years.

For the purposes of determining the financial position of the plans and the employee future benefit costs, a measurement date of March 31 has been adopted for all periods subsequent to July 1, 2004.

SCHOOL DISTRICT NO.8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2006

NOTE 3 ACCOUNTS RECEIVABLE – OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
Due from Federal Government	\$ 71,145	\$ 98,774
Other	201,441	145,150
	<u>\$ 272,586</u>	<u>\$ 243,924</u>

NOTE 4 CAPITAL ASSETS

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Sites	\$ 3,757,638	\$ -	\$ 3,757,638	\$ 3,757,838
Buildings	100,589,745	41,798,280	58,927,670	60,966,497
Furniture & Equipment	983,012	500,514	482,498	613,188
Vehicles	4,212,029	1,649,837	2,562,192	2,121,835
Computer Hardware	344,462	252,077	92,385	211,071
WIP - Building	136,205	-	136,205	-
	<u>\$110,023,091</u>	<u>\$ 44,200,708</u>	<u>\$65,686,178</u>	<u>\$67,670,429</u>

NOTE 5 DISPOSAL OF SITES AND BUILDINGS

During the year the Slocan Teacherage and property were sold to outside interests for proceeds of \$97,000.

NOTE 6 PRIOR PERIOD ADJUSTMENTS

During the year the School District changed its policy for recording professional development funds. Under the new policy, grants received from employee and other groups will be recorded as deferred contributions in a special purpose fund. As a result of the change in policy, the operating fund balance at the beginning of the year has been decreased by \$89,336 with a commensurate increase in the special purpose professional development fund.

