

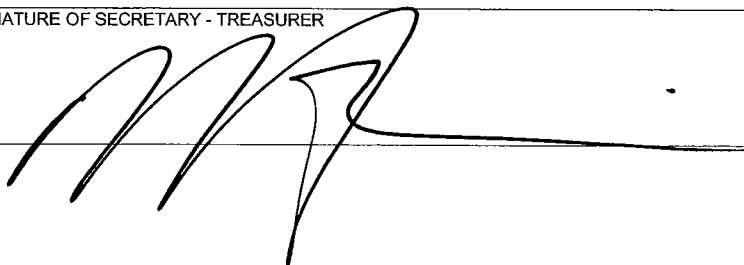


SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FISCAL YEAR 2004/2005

SCHOOL DISTRICT NUMBER 08	NAME OF SCHOOL DISTRICT Kootenay Lake	YEAR 2004/2005
OFFICE LOCATION 570 Johnstone Road		TELEPHONE NUMBER 250-352-6681
MAILING ADDRESS		
CITY / PROVINCE Nelson, BC		POSTAL CODE V1L 6J2
NAME OF SUPERINTENDENT William Reid		TELEPHONE NUMBER 250-505-7037
NAME OF SECRETARY - TREASURER Bruce Buchannon		TELEPHONE NUMBER 250-505-7039

DECLARATION AND SIGNATURES

We, the undersigned, certify that the attached is a correct and true copy of the Audited Financial Statements for the School Year 2004/2005 for School District No. 08 (Kootenay Lake)

SIGNATURE OF CHAIRPERSON OF THE BOARD OF SCHOOL TRUSTEES 	DATE SIGNED SEP 20 2005
SIGNATURE OF SUPERINTENDENT 	DATE SIGNED SEP 20 2005
SIGNATURE OF SECRETARY - TREASURER 	DATE SIGNED SEP 20 2005

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
2004/2005 AUDITED FINANCIAL STATEMENTS

TABLE OF CONTENTS

AUDITORS' REPORT

FINANCIAL STATEMENTS

Statement of Financial Position	Statement 1
Statement of Revenue and Expense	Statement 2
Statement of Changes in Fund Balances	Statement 3
Statement of Cash Flows	Statement 4

NOTES TO FINANCIAL STATEMENTS

SCHEDULES

Operating Fund	
Surplus (Deficit)	Schedule A1
Comparative Schedule of Revenue by Source	Schedule A2
Comparative Schedule of Expense by Object	Schedule A3
Expense by Function and Program	Schedule A4
Changes in Deferred Contributions	Schedule A5
Special Purpose Funds	
Summary of Changes	Schedule B1
Changes in Ministry of Education Special Purpose Funds	Schedule B2
Changes in Other Trust Funds	Schedule B3
Capital Fund	
Capital Assets	Schedule C1
Deferred Capital Contributions	Schedule C2
Changes in Deferred Contributions	Schedule C3
Changes In Fund Balances	Schedule C4

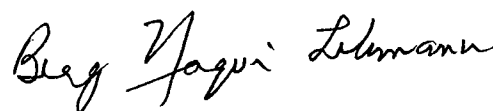
AUDITOR'S REPORT

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, 2005 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Nelson, B.C.

September 12, 2005

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2005

Statement 1

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2005	TOTAL 2004
ASSETS					
Current Assets					
Cash		1,316,259		1,316,259	225,203
Short Term Investments		163,087		163,087	161,883
Accounts Receivable					
Due from Province - Ministry of Education				0	0
Due from Province - Other				0	0
Due from Canada	98,774			98,774	79,183
Due from Other School Districts				0	0
Due from LEA / Direct Funding				0	0
Other Receivables	128,566	16,584		145,150	186,933
Allowance for Doubtful Accounts				0	0
Interfund Loans		140,010	444,021		
Inventories		67,603		67,603	70,955
Prepaid Expenses	81,026			81,026	82,129
	308,366	1,703,543	444,021	1,871,899	806,286
Investments				0	0
Equity Investments				0	0
Capital Assets - Net			67,670,429	67,670,429	125,060,193
TOTAL ASSETS	308,366	1,703,543	68,114,450	69,542,328	125,866,479
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Bank Overdraft	993,888			993,888	2,016,338
Accounts Payable and Accrued Liabilities					
Due to Province - Ministry of Education				0	0
Due to Province - Other				0	0
Other	431,755	41,886		473,641	1,059,037
Bank Loans				0	0
Interfund Loans	584,031				
Other Current Liabilities	828,445			828,445	744,559
	2,838,119	41,886	0	2,295,974	3,819,934
Deferred Contributions					
Ministry of Education		120,925	444,021	564,946	510,611
Province - Other				0	0
Other	28,170	1,540,732		1,568,902	397,812
Accrued Employee Future Benefits	1,523,330			1,523,330	0
Deferred Capital Contributions			56,092,802	56,092,802	58,556,849
Bank Loans				0	0
Capital Lease Obligations				0	0
Other Long Term Liabilities				0	0
TOTAL LIABILITIES	4,389,619	1,703,543	56,536,823	62,045,954	63,285,206
Fund Balances					
Invested in Capital Assets			11,577,627	11,577,627	66,503,345
Endowment				0	0
Internally Restricted				0	3,088
Unrestricted	(3,344,333)			(3,344,333)	(3,925,160)
Unfunded Accrued Employee Future Benefits and Vacation Pay	(736,920)			(736,920)	0
TOTAL FUND BALANCES	(4,081,253)	0	11,577,627	7,496,374	62,581,273
TOTAL LIABILITIES AND FUND BALANCES	308,366	1,703,543	68,114,450	69,542,328	125,866,479

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF REVENUE AND EXPENSE
YEAR ENDED JUNE 30, 2005

Statement 2

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2005	TOTAL 2004
REVENUE					
Provincial Grants - Ministry of Education	45,652,384	2,299,042		47,951,426	47,005,556
Provincial Grants - Other	542,875	25,815		568,690	465,092
Federal Grants		103,806		103,806	106,169
Other Revenue	1,463,357	2,050,245		3,513,602	1,324,267
Rentals and Leases	28,590			28,590	4,941
Investment Income	12,236	7,551		19,787	69,050
Gain (Loss) on Equity Investment				0	0
Amortization of Deferred Capital Contributions			2,616,146	2,616,146	2,531,641
Gain (Loss) on Disposal of Capital Assets			19,772	19,772	0
	<u>47,699,442</u>	<u>4,486,459</u>	<u>2,635,918</u>	<u>54,821,819</u>	<u>51,506,716</u>
EXPENSE					
Salaries					
Teachers	19,095,194	745,874		19,841,068	20,962,075
Principals and Vice Principals	2,667,421	198,752		2,866,173	2,892,757
Educational Assistants	2,300,315	37,967		2,338,282	2,806,545
Support Staff	5,692,692	907,622		6,600,314	7,200,018
Other Professionals	1,485,054	98,380		1,583,434	1,465,616
Substitutes	1,462,013	14,591		1,476,604	1,721,018
	<u>32,702,689</u>	<u>2,003,186</u>	<u>0</u>	<u>34,705,875</u>	<u>37,048,029</u>
Employee Benefits	6,885,059	455,374		7,340,433	8,047,234
Services and Supplies	5,583,012	3,250,013		8,833,025	7,417,246
Amortization of Capital Assets			2,989,609	2,989,609	0
Write-off/down of Buildings and Sites				0	0
	<u>45,170,760</u>	<u>5,708,573</u>	<u>2,989,609</u>	<u>53,868,942</u>	<u>52,512,509</u>
NET REVENUE (EXPENSE)	<u>2,528,682</u>	<u>(1,222,114)</u>	<u>(353,691)</u>	<u>952,877</u>	<u>(1,005,793)</u>

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005

Statement 3

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2005	TOTAL 2004
FUND BALANCES, BEGINNING OF YEAR	(3,925,160)	0	66,506,433	62,581,273	62,699,962
Changes in Accounting Policies /					
Prior Period Adjustments					
Accrued Employee Future Benefits	(1,052,299)			(1,052,299)	0
Accrued Vacation Pay	(444,991)			(444,991)	0
Accumulated Amortization of Capital Assets			(54,896,089)	(54,896,089)	0
Transfer Land Capital Reserve to Deferred Contributions				0	0
Transfer Capital Reserve to Deferred Contributions			(3,088)	(3,088)	0
School Generated Funds				0	0
Related Entities				0	0
Deferred Capital Contributions				0	0
Bylaw Capital Over (Under) Spent Beginning of Year				0	0
Prior Period Adjustment - Voided Cheque	137			137	281,140
District Entered					605,964
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	(5,422,313)	0	11,607,256	6,184,943	63,587,066
Changes for the Year					
Net Revenue (Expense) for the Year	2,528,682	(1,222,114)	(353,691)	952,877	(1,005,793)
Interfund Transfers					
Capital Assets Purchased				0	0
Local Capital	34,492		(34,492)	0	0
Other	(1,222,114)	1,222,114		0	0
Direct Increases in Fund Balances					
Endowment Contributions				0	0
Site Purchases			358,554	358,554	0
Net Changes for the Year	1,341,060	0	(29,629)	1,311,431	(1,005,793)
FUND BALANCES, END OF YEAR	(4,081,253)	0	11,577,627	7,496,374	62,581,273

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

Statement 4.1

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2005	TOTAL 2004
CASH PROVIDED BY (USED FOR)					
OPERATIONS					
Net Revenue (Expense) for the Year	2,528,682	(1,222,114)	(353,691)	952,877	(1,005,793)
Changes In Non-Cash Working Capital					
Decrease (Increase)					
Accounts Receivable	24,789	(2,597)		22,192	582,439
Interfund Loans	137,729	137,617	(275,346)	0	709,745
Inventories		3,352		3,352	14,935
Prepaid Expenses	1,103			1,103	(10,251)
Increase (Decrease)					
Allowance for Doubtful Accounts				0	0
Accounts Payable/Accrued Liabilities	(605,538)	20,142		(585,396)	(158,897)
Other Current Liabilities	83,886			83,886	(46,047)
Deferred Contributions	13,244	933,746		946,990	1,069,384
Accrued Employee Future Benefits	1,523,330			1,523,330	0
Other Long Term Liabilities				0	0
Loss (Gain) on Disposal of Capital Assets			(19,772)	(19,772)	0
Items Not Involving Cash					
Amortization of Capital Assets			2,989,609	2,989,609	0
Amortization of Deferred Capital Contributions			(2,616,146)	(2,616,146)	(2,531,641)
Accounting Change - Accrued EFB	(1,052,299)			(1,052,299)	0
Accounting Change - Accrued Vacation Pay	(444,991)			(444,991)	0
Write-off/down of Buildings and Sites				0	0
Interfund Loans					(709,745)
Interfund Transfers	(1,187,622)	1,222,114	(34,492)	0	0
	1,022,313	1,092,260	(309,838)	1,804,735	(2,085,871)
FINANCING					
Bank Loan Received				0	0
Bank Loan Paid				0	0
Endowment Contributions				0	0
Increase (Decrease) Deferred Contributions - Capital			275,347	275,347	0
Proceeds from Disposal of Capital Assets			137,967	137,967	0
MEd Restricted Portion of Proceeds on Disposal			(103,476)	(103,476)	0
Deferred Capital Contributions Received					4,371,037
	0	0	309,838	309,838	4,371,037
INVESTING					
Capital Assets Purchased - Operating				0	0
Capital Assets Purchased - Special Purpose				0	0
Capital Assets Purchased - Local Capital				0	0
Purchase of Capital Assets					(4,371,037)
Decrease (Increase) in Investments				0	0
Decrease (Increase) in Equity Investments				0	0
	0	0	0	0	(4,371,037)
Net Increase (Decrease) in Cash	1,022,313	1,092,260	0	2,114,573	(2,085,871)

SCHOOL DISTRICT NO. 08 (Kootenay Lake)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

Statement 4.2

	OPERATING FUND	SPECIAL PURPOSE FUNDS	CAPITAL FUND	TOTAL 2005	TOTAL 2004
NET INCREASE (DECREASE) IN CASH	1,022,313	1,092,260	0	2,114,573	(2,085,871)
Net Cash, Beginning of Year	(2,016,338)	387,086	0	(1,629,252)	456,619
Changes in Accounting Policies/ Prior Period Adjustments					
03/04 voided cheque	137			137	
Net Cash, Beginning of Year, as Restated	(2,016,201)	387,086	0	(1,629,115)	456,619
NET CASH, END OF YEAR	(993,888)	1,479,346	0	485,458	(1,629,252)
Cash		1,316,259		1,316,259	225,203
Short Term Investments		163,087		163,087	161,883
Bank Overdraft	(993,888)			(993,888)	(2,016,338)
NET CASH, END OF YEAR	(993,888)	1,479,346	0	485,458	(1,629,252)

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SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2005

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. These principles are consistent with those used in prior years except as disclosed as a change in accounting policy.

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.

SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2005

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

b) 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.

c) 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.

d) 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

e) 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.

SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2005

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

f) 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.
 - 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.

g) 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.

SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2005

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

h) 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.

i) 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.

j) 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, 2005

NOTE 3 CHANGE IN ACCOUNTING POLICY

a) Employee Future Benefits

Effective July 1, 2004, school districts in the Province of British Columbia adopted *CICA Handbook* section 3461 on a retroactive basis. The estimated liability, based on October 2003 school district employee data, was determined from an actuarial study conducted by Mercer Human Resources Consulting. The following adjustment to equity on Statement 3 (Statement of Changes in Fund Balances) was made to adjust the liability to full accrual:

Employee future benefits actuarially estimated as at July 1, 2004	\$ 1,052,299
Less: previously accrued in the financial statements	<u> </u>
Accrual adjustment required as at July 1, 2004	\$ <u>1,052,299</u>

b) Vacation Pay

Vacation pay is recorded on a full accrual basis commencing July 1, 2004. The following adjustment to equity on Statement 3 (Statement of Changes in Fund Balances) was made to adjust the liability to full accrual:

Vacation pay liability as at July 1, 2004	\$ 444,991
Less: previously accrued in the financial statements	<u> </u>
Accrual adjustment required as at July 1, 2004	\$ <u>444,991</u>

c) School-Generated Funds

Funds collected and used at the school level are included in these financial statements. The opening balance of \$957,991 at July 1, 2004 is reported as a deferred contribution in the School-Generated Fund column in the special purpose fund.

Contributions collected during the year are recorded as deferred contributions. These deferred contributions are recognized as revenue in the year in which the related expense is incurred.

d) Amortization of Capital Assets

Amortization of capital assets commenced July 1, 2004. The accumulated amortization as at July 1, 2004 in the amount of \$54,896,089 is reported as an adjustment to the capital fund on Statement 3 (Statement of Changes in Fund Balances).

Assets that are fully amortized, except buildings, are written-off as deemed disposals. The accumulated deemed disposal as at July 1, 2004 in the amount of \$13,726,734 is reported as an adjustment on Schedule C1 (Capital Assets – Capital Fund).

SCHOOL DISTRICT NO. 8 (KOOTENAY LAKE)

NOTES TO FINANCIAL STATEMENTS

As at June 30, 2005

e) Reserves

The *School Act* no longer requires the use of "reserves," thus, externally restricted capital funds are recorded in accordance with Canadian GAAP. The following adjustments have been made in the capital fund on Statement 3 (Statement of Changes in Fund Balances) to transfer the reserve balances as at July 1, 2004 to deferred contributions:

Capital Reserve	\$ 3,088
Land Capital Reserve	\$ -

The Local Capital Reserve is now called Local Capital and remains as internally restricted in the capital fund.

NOTE 4 CAPITAL ASSETS

	2005		2004	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Sites	\$ 3,757,838	\$ -	\$ 3,757,838	\$ 3,414,003
Buildings	100,591,045	39,624,548	60,966,497	63,012,431
Furniture & Equipment	1,438,246	825,058	613,188	841,101
Vehicles	3,992,016	1,870,181	2,121,835	2,554,865
Computer Hardware	593,428	382,357	211,071	341,704
	<u>\$110,372,573</u>	<u>\$ 42,702,144</u>	<u>\$67,670,429</u>	<u>\$70,164,104</u>

2004 net book value has been adjusted in accordance with the change in accounting policies as described in Note 3(d).

NOTE 5 DISPOSAL OF SITES AND BUILDINGS

During the year the Gray Creek School and property were sold to outside interests for proceeds of \$114,975.

