The appointment of a Ranger, with a practical knowledge of farming, who makes regular inspections of all the holdings under the Commissioners' management, and reports periodically on the same, has been attended with good results, and has been found to be absolutely necessary to the efficient supervision of the large estate under the Commissioners' control.

The School Commissioners take this opportunity of drawing attention to the necessity for legislation empowering them to sell or exchange township sections and isolated reserves which are unlettable and unproductive of revenue. There are two classes of land coming under the above category from which the Commissioners are unable to obtain any revenue, and upon which they are forced to expend money without any return. The one class comprises township sections (notably in the Township of Lumsden), for which it is impossible to find tenants owing to the sections being scattered and requiring to be cleared of noxious weeds and rabbits, and also drained. The other class comprises small, rough, isolated reserves of about 40 or 50 acres, surrounded by pastoral land, and too small for occupation by themselves. These sections are all of small value.

The School Commissioners of Otago are unanimous in their opposition to the sale of a single acre of their endowments except in cases where a tenant cannot be obtained, and they are agreeable that any safeguards which you think fit should be made. They suggest that the proceeds of any land sold should be expended in the purchase of other freehold lands as soon as convenient, and also that the consent of the Hon. the Minister of Education must be obtained to each case of sale or exchange.

Annexed hereto is a copy of the balance-sheet and statement of income and expenditure for the year ended 31st December, 1905, duly certified to by the Controller and Auditor-General.

I have, &c.,

WM. DALLAS, Chairman.

The Hon. the Minister of Education, Wellington.

GENERAL STATEMENT of RECEIPTS and EXPENDITURE for the Year ending the 31st December, 1905.

—	Primary.	Secondary.	Total.
Receipts.			
	£ s. d.	£ s. d.	£ s. d.
To Credit balances on the 1st January, 1905—			
Bank of New Zealand and in hand ...	...	...	368 17 2
Bank of New Zealand, fixed deposit ...	...	...	2,800 0 0
Arrears of revenue for previous years, viz.,—			
Rents of reserves	4,296 13 2	154 5 0	4,450 18 2
Interest on mortgages	46 18 9	...	46 18 9
Revenues, viz.,—			
Rents of reserves for current year	9,662 5 1	607 19 3	10,270 4 4
Interest on mortgages	1,791 17 7	...	1,791 17 7
Interest on fixed deposits	89 10 0	...	89 10 0
Other receipts, viz.,—			
Net proceeds of land ales	...	...	1,140 4 5
Repayment of loans	...	...	788 7 0
Cash received for preparing leases	...	...	53 12 8
Valuation for improvements collected from incoming tenants	...	...	1,706 19 6
Deposit on survey...	...	...	5 0 0
Total receipts	...	...	23,512 9 7

Accounts—	
Credit, Bank of New Zealand, Dunedin	£2,021 15 2
Less outstanding cheques	1,649 19 10
	371 15 4
Cash in hand, 31st December, 1905; banked, 3rd January, 1906 ...	406 4 9
	778 0 1
Credit amount on fixed deposit, Bank of New Zealand	1,800 0 0
	£2,578 0 1