



Lethbridge Community College Annual Report 2005/06

Lethbridge Community College Consolidated Financial Statements June 30, 2006

- Auditor's Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Revenue and Expense
- Consolidated Statement of Changes in Net Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements



Lethbridge Community College

Consolidated Financial Statements

June 30, 2006

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

Auditor's Report

Consolidated Statement of Financial Position

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Notes to the Consolidated Financial Statements



Auditor's Report

To the Board of Governors of Lethbridge Community College

I have audited the consolidated statement of financial position of Lethbridge Community College as at June 30, 2006 and the consolidated statements of revenue and expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 disclosures 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

Edmonton, Alberta
September 27, 2006

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2006

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current:		
Cash and cash equivalents (Note 3)	\$ 12,305,659	\$ 2,547,328
Accounts receivable (Note 4)	2,030,228	1,160,254
Accrued investment income	86,859	59,653
Inventories (Note 5)	583,022	554,621
Prepaid expenses	<u>413,552</u>	<u>314,978</u>
	15,419,320	4,636,834
Non-current cash and investments (Note 3)	13,272,743	10,829,804
Capital assets (Note 6)	<u>52,426,830</u>	<u>51,156,608</u>
	<u>\$ 81,118,893</u>	<u>\$ 66,623,246</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts payable and accrued liabilities	\$ 3,759,189	\$ 2,516,336
Accrued vacation pay	830,933	742,706
Unearned revenue (Note 7)	1,594,929	946,239
Deferred contributions (Note 8)	2,217,296	1,302,920
Current portion of debenture payable (Note 10)	<u>159,708</u>	<u>150,491</u>
	8,562,055	5,658,692
External capital contributions (Note 8)	5,073,583	473,961
Debenture payable (Note 10)	5,794,824	5,954,532
Unamortized external capital contributions (Note 11)	<u>35,158,151</u>	<u>33,332,948</u>
	46,026,558	39,761,441
	<u>54,588,613</u>	<u>45,420,133</u>
Net assets:		
Operating:		
Unrestricted	7,282,367	2,815,323
Internally restricted (Note 12)	<u>2,317,193</u>	<u>1,957,256</u>
	9,599,560	4,772,579
Investment in capital assets (Note 6)	11,314,147	11,718,637
Endowments (Note 13)	<u>5,616,573</u>	<u>4,711,897</u>
	26,530,280	21,203,113
	<u>\$ 81,118,893</u>	<u>\$ 66,623,246</u>

The accompanying notes are part of these consolidated financial statements.

Commitments and contingencies (Note 21)

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED JUNE 30, 2006

	2006		2005
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 22)		
Revenue:			
Grants (Note 14)	\$ 28,499,929	\$ 32,250,537	\$ 28,146,180
Tuition and related fees	17,070,768	15,732,472	15,916,466
Sales, rentals and services (Note 15)	7,422,107	7,021,240	6,894,917
Contract programs	2,047,748	1,951,264	1,980,363
Investment income (Note 16)	419,008	661,395	458,471
Donations	272,852	324,312	226,003
Amortization of external capital contributions (Note 11)	<u>2,419,550</u>	<u>2,247,272</u>	<u>2,116,373</u>
	<u>58,151,962</u>	<u>60,188,492</u>	<u>55,738,773</u>
Expense (Note 17):			
Salaries and benefits (Note 18)	36,237,638	36,212,336	34,266,364
Supplies and services	11,269,798	9,941,068	8,559,751
Cost of sales, rentals and services (Note 15)	3,223,971	2,870,013	3,019,071
Utilities	1,728,970	1,548,185	1,677,427
Scholarships and bursaries	150,000	268,521	133,593
Debenture interest	371,460	370,860	379,723
Amortization of capital assets	<u>4,308,873</u>	<u>4,507,902</u>	<u>4,159,746</u>
	<u>57,290,710</u>	<u>55,718,885</u>	<u>52,195,675</u>
Excess of revenue over expense	<u>\$ 861,252</u>	<u>\$ 4,469,607</u>	<u>\$ 3,543,098</u>

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	2006					2005
	Unrestricted	Internally Restricted (Note 12)	Investment in Capital Assets (Note 6)	Restricted for Endowment Purposes (Note 13)	Total	Total
Balance at beginning of year	\$ 2,815,323	\$ 1,957,256	\$ 11,718,637	\$ 4,711,897	\$ 21,203,113	\$ 17,377,785
Excess of revenue over expense	4,469,607	-	-	-	4,469,607	3,543,098
Transfer to net assets internally restricted	(359,937)	359,937	-	-	-	-
Capital assets acquired from internal funds	(1,711,856)	-	1,711,856	-	-	-
Amortization of internally funded capital assets	2,266,837	-	(2,266,837)	-	-	-
Repayment of debenture related to capital assets	(150,491)	-	150,491	-	-	-
Transfer to endowments	(47,116)	-	-	47,116	-	-
Endowment contributions received	-	-	-	857,560	857,560	282,230
Balance at end of year	<u>\$ 7,282,367</u>	<u>\$ 2,317,193</u>	<u>\$ 11,314,147</u>	<u>\$ 5,616,573</u>	<u>\$ 26,530,280</u>	<u>\$ 21,203,113</u>

LETHBRIDGE COMMUNITY COLLEGE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	2006		2005
	Budget	Actual	Actual
	(Note 22)		
Cash flows generated from operating activities:			
Excess of revenue over expense	\$ 861,252	\$ 4,469,607	\$ 3,543,098
Amortization of capital assets	4,308,873	4,507,902	4,159,746
Amortization of external capital contributions	(2,419,550)	(2,247,272)	(2,116,373)
	<u>2,750,575</u>	<u>6,730,237</u>	<u>5,586,471</u>
Changes in non-cash working capital:			
Accounts receivable	-	(869,974)	(76,707)
Accrued investment income	-	(27,206)	(17,253)
Inventories	-	(28,401)	(57,750)
Prepaid expenses	-	(98,574)	(35,530)
Accounts payable and accrued liabilities	-	1,242,853	972,195
Accrued vacation pay	-	88,227	25,182
Unearned revenue	-	648,690	(81,620)
Deferred contributions	-	914,376	51,989
	<u>-</u>	<u>1,869,991</u>	<u>780,506</u>
	<u>2,750,575</u>	<u>8,600,228</u>	<u>6,366,977</u>
Cash flows used by investing activities:			
Acquisition of capital assets:			
From internal funds	(1,514,114)	(1,711,856)	(1,958,945)
From external funds	(29,500)	(4,072,475)	(1,444,512)
Proceeds from disposal of capital assets	-	6,207	22,081
Decrease (Increase) in non-current cash and investments	-	(2,442,939)	(2,899,292)
	<u>(1,543,614)</u>	<u>(8,221,063)</u>	<u>(6,280,668)</u>
Cash flows generated from financing activities:			
Capital contributions received	-	9,037,346	394,472
Transfer from (to) deferred contributions	46,740	(365,249)	(129,625)
Debenture principal repayment	(153,563)	(150,491)	(141,805)
Endowment contributions received	500,000	857,560	282,230
	<u>393,177</u>	<u>9,379,166</u>	<u>405,272</u>
Increase in current cash and cash equivalents	1,600,138	9,758,331	491,581
Current cash and cash equivalents, beginning of year	<u>1,652,783</u>	<u>2,547,328</u>	<u>2,055,747</u>
Current cash and cash equivalents, end of year	<u>\$ 3,252,921</u>	<u>\$ 12,305,659</u>	<u>\$ 2,547,328</u>

LETHBRIDGE COMMUNITY COLLEGE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2006

Note 1 Authority and Purpose

Lethbridge Community College was established as a board governed institution on April 17, 1957. The College operates under the authority of the Post Secondary Learning Act, Chapter P19.5, Statutes of Alberta 2003. The College provides educational programs to serve the career education and training needs of students and employers and to respond to personal and community development needs through an extensive offering of general interest courses and public service outreach activities. The College is a registered charity and is exempt from payment of income tax.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Consolidated Statements

These consolidated financial statements include the accounts of Lethbridge Community College Foundation ("the Foundation"), which operates under the Companies Act of Alberta. The Foundation is a registered charity and is exempt from payment of income tax. Certain administrative services are provided by the College without charge to the Foundation.

The accounts of the two organizations have been consolidated to reflect the financial position and results of operations as though they were a single economic entity, since the Foundation solicits, receives and administers donations for the advancement of the College. Inter-entity balances and transactions have been eliminated on consolidation.

(b) Revenue Recognition

Operating contributions, including grants from the Province of Alberta, are recognized as revenue in the period when they become receivable. Operating contributions received for a future period are reported as deferred contributions and recognized as revenue in the subsequent period.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Revenue Recognition (continued)

Capital contributions, including capital grants from the Province of Alberta, are recorded as external capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the external capital contributions revenue are matched to indicate that the related amortization expense has been funded. Capital contributions invested in capital assets that will not be amortized are recognized as direct increases in net assets.

Externally restricted non-capital contributions and externally restricted interest earned on non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by external parties. If the contributors stipulate that the amounts cannot be expended, as is the case with endowments, the contributions are recorded as direct increases in net assets.

Donations which are not externally restricted are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Pledges are recorded in the year the donation is received.

Amounts received for tuition fees and sale of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

(c) Net Assets Internally Restricted

Net assets internally restricted represent amounts set aside by the College Board of Governors, or by the Foundation Board of Directors, to be used for designated purposes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Investments

Temporary investments are recorded at the lower of cost or market value.

Investments intended to be held for longer term are recorded at cost. Gains and losses on investments are recognized as realized or when there is an other than temporary decline in the value of the investment.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is determined using the weighted average method for the Bookstore and the first in, first out method for all other inventories.

(f) Capital Assets

Capital assets are recorded at cost. Donated assets are recorded at fair value at the time of the donation.

Capital assets are amortized on a straight-line basis as follows:

Buildings and site improvements	40 years
Furnishings and equipment	10 years
Library	10 years
Motor vehicles	5 years
Computer equipment and systems software	5 years
Audio and visual equipment	2 years

The permanent art collection is recorded at the appraised value at the time of donation. The permanent art collection is not amortized. The collection is made up of numerous pieces of art that are held for display at the College.

Capital projects in progress are not amortized until the project is complete.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Employee Future Benefits

The College participates in the Local Authorities Pension Plan. This pension plan is a multi-employer defined benefit pension plan that provides pensions for the College's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The College's portion of the pension plan's surplus or deficit is not recorded in the accounts.

(h) Financial Instruments

Unless otherwise noted, the carrying values of financial assets and liabilities approximate their fair values.

(i) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(j) Asset Retirement Obligations

Lethbridge Community College is subject to regulations requiring the repair, removal and disposal of friable asbestos. The obligation under these regulations meets the definition of a conditional asset retirement obligation.

As a result of the longevity of the College's facilities, due in part to the College's maintenance procedures, and the fact that the College does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the College's facilities is indeterminate as at June 30, 2006. As a result, the College is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

Note 3 Cash and Investments

The Board of Governors has approved an investment strategy with primary investment objectives being the preservation of capital and the generation of a competitive total return. The investment policy provides guidelines on the asset mix, diversification, quality and nature of securities, and the term of the fixed income securities. The guidelines are as follows:

a) Asset Class

Cash equivalents	from 0% to 60% of total portfolio
Fixed income securities	from 40% to 80% of total portfolio
Equities	from 0% to 50% of total portfolio

To measure investment performance and identify the return attributed to the asset mix and asset selection decisions, the College has established a portfolio benchmark of 5% cash equivalents, 60% fixed income securities and 35% equities. Further, it measures cash equivalent returns against the return from the historical treasury bill rate over a rolling four year period, fixed income returns against the return for the Scotia McLeod Universe Index, and equity returns against the return for the TSX 300 Index, S&P 500 Index for U.S. equities and the Morgan Stanley Capital International, Europe, Australia and Far East Index for international equities.

b) Diversification

No more than 10% of the total portfolio will be invested in any one money market issuer other than investments in issuers with a minimum BBB rating as defined by a recognized bond rating service or those guaranteed by the Government of Canada or the Province of Alberta. With these conditions, the maximum investment may be extended to 20% of the total portfolio. No more than 10% of the portfolio will be invested in any one government bond issue other than the Government of Canada or the Province of Alberta. A 30% maximum is placed on any single industry investment and a 4% maximum on any single issuer in the private sector.

Note 3 Cash and Investments (continued)

c) Quality and Nature of Securities

All money market securities will be rated "R-1" or equivalent by the Canadian Bond Rating or the Dominion Bond Rating Services. All corporate and government bonds will carry a rating of a minimum equivalent BBB rating by a recognized bond rating service.

	2006		2005	
	Carrying Value	Fair Value ⁽ⁱ⁾	Carrying Value	Fair Value ⁽ⁱ⁾
Cash and temporary investments:				
Cash	\$ 12,569,804	\$ 12,569,804	\$ 3,694,367	\$ 3,694,367
Short term investments	67,599	67,458	573,946	574,581
	<u>12,637,403</u>	<u>12,637,262</u>	<u>4,268,313</u>	<u>4,268,948</u>
Fixed income: ⁽ⁱⁱ⁾				
Federal guaranteed bonds	4,563,416	4,435,581	2,336,086	2,350,217
Provincial guaranteed bonds	1,246,826	1,201,011	1,747,613	1,796,519
Corporate bonds	<u>3,794,383</u>	<u>3,679,683</u>	<u>2,320,232</u>	<u>2,389,269</u>
	<u>9,604,625</u>	<u>9,316,275</u>	<u>6,403,931</u>	<u>6,536,005</u>
Equities: ⁽ⁱ⁾				
Canadian	2,236,736	2,520,734	1,233,449	1,398,556
Foreign	<u>1,099,638</u>	<u>1,057,779</u>	<u>1,471,439</u>	<u>1,352,041</u>
	<u>3,336,374</u>	<u>3,578,513</u>	<u>2,704,888</u>	<u>2,750,597</u>
	25,578,402	25,532,050	13,377,132	13,555,550
Less amounts not available for current purposes	<u>13,272,743</u>	<u>13,226,391</u>	<u>10,829,804</u>	<u>11,008,222</u>
Cash and cash equivalents	<u>\$ 12,305,659</u>	<u>\$ 12,305,659</u>	<u>\$ 2,547,328</u>	<u>\$ 2,547,328</u>

- (i) On a total basis, the market value of all investments is \$46,352 less than (2005 - \$178,418 more than) carrying value. Within the investment portfolio, foreign equities, at market value of \$1,057,779, are \$41,859 less than (2005 - \$119,398) carrying value. The carrying value of certain securities have been written down to fair value because management has concluded, based on review of market information, that there is indication of impairment that is other than temporary. The write down of \$45,422 in investment carrying value is netted against investment income on the statement of revenue and expense and a reduction in the value of non-current cash and investments on the statement of financial position. The carrying values of the remaining securities have not been written down to fair value as management has concluded that there is no obvious indication of impairment that is other than temporary.

Note 3 Cash and Investments (continued)

- (ii) The terms of the bond portfolio range from 1 year to 9 years with an average term to maturity of 5 years (2005 - 5 years). The average effective yield on the bond portfolio is 5.23% (2005 – 5.11%).

Note 4 Accounts Receivable

	2006	2005
Contracts programs	\$ 407,064	\$ 549,121
Province of Alberta:		
Alberta Advanced Education	95,544	94,614
Alberta Infrastructure and Transportation	72,439	64,473
Other Alberta Government departments	95,662	74,800
Government of Canada - Goods and Services Tax	180,304	89,887
Tuition fees	979,327	177,606
Other	199,888	109,753
	<u>\$ 2,030,228</u>	<u>\$ 1,160,254</u>

Note 5 Inventories

	2006	2005
Bookstore	\$ 431,519	\$ 394,209
Cafeteria	51,461	44,877
Printing	2,508	21,712
Distance Education Centre	8,934	10,619
Other	88,600	83,204
	<u>\$ 583,022</u>	<u>\$ 554,621</u>

Note 6 Capital Assets

a) Summary of Cost and Net Book Value

	2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 475,994	\$ -	\$ 475,994	\$ 432,465
Building and site improvements	88,501,353	47,738,456	40,762,897	41,860,225
Furnishings and equipment	11,229,490	9,053,025	2,176,465	2,069,298
Library	1,207,619	943,951	263,668	247,021
Motor vehicles	948,122	824,102	124,020	171,332
Computer equipment and systems software	12,499,436	7,152,686	5,346,750	5,924,013
Audio and visual equipment	610,365	593,860	16,505	12,620
Permanent art collection	439,634	-	439,634	439,634
	<u>115,912,013</u>	<u>66,306,080</u>	<u>49,605,933</u>	<u>51,156,608</u>
Capital projects in progress ⁽ⁱ⁾	2,820,897	-	2,820,897	-
	<u>\$ 118,732,910</u>	<u>\$ 66,306,080</u>	<u>52,426,830</u>	<u>51,156,608</u>
Less: Construction financed by debenture			5,954,532	6,105,023
Unamortized external capital contributions			<u>35,158,151</u>	<u>33,332,948</u>
Net investment in capital assets			<u>\$ 11,314,147</u>	<u>\$ 11,718,637</u>

⁽ⁱ⁾ Capital projects in progress:

During the year, major capital projects were commenced which will be capitalized as part of building and site improvements when completed. These projects are summarized as follows:

Cousins Building conversion (Note 21)	\$ 2,629,871
Andrews Building - Roof replacement	191,026
	<u>\$ 2,820,897</u>

Note 6 Capital Assets (continued)

b) Capital Acquisitions

Capital acquisitions during the year included certain donations in kind at fair value of \$522,435 (2005 - \$68,885). During the year, the Chinook Regional Health Authority transferred ownership of its Fort MacLeod, Alberta Health Unit facility to the College for a nominal amount. The College has included this acquisition on its Capital Assets at fair value of \$43,529 for Land and \$440,861 for Buildings and Site Improvements.

Note 7 Unearned Revenue

	<u>2006</u>	<u>2005</u>
Contract programs	\$ 365,094	\$ 709,412
Tuition fees	1,107,583	192,750
Other	<u>122,252</u>	<u>44,077</u>
	<u>\$ 1,594,929</u>	<u>\$ 946,239</u>

Note 8 Deferred Contributions and External Capital Contributions

Deferred contributions and external capital contributions represent donations and contributions received relating to future years and unspent funds for externally restricted purposes. Changes in the balances are as follows:

	2006	2005
Contributions received:		
Grants, Province of Alberta	\$9,352,885	\$ 133,000
Other contributions	1,343,958	717,642
Investment income earned on net assets externally restricted for endowment purposes	218,789	197,609
Transferred to:		
Grants, Province of Alberta	(414,415)	(307,803)
Donations	(324,312)	(226,003)
Investment income (Note 16)	(218,789)	(197,609)
Endowments	(371,643)	-
Unamortized external capital contributions (Note 11)	(4,072,475)	(1,444,512)
Increase (decrease) during the year	5,513,998	(1,127,676)
Balance at beginning of year	1,776,881	2,904,557
Balance at end of year	<u>\$7,290,879</u>	<u>\$1,776,881</u>

The balances at end of year represent funds held for the following purposes:

	2006	2005
Deferred contributions:		
Scholarships, awards and bursaries	\$1,203,261	\$1,240,499
Enrolment planning envelope	935,086	57,206
Other	78,949	5,215
	<u>2,217,296</u>	<u>1,302,920</u>
External capital contributions:		
Conditionally funded projects: Buildings	4,842,181	299,062
Furniture and Equipment	153,574	66,160
Enrolment planning envelope	75,381	104,216
Endowment earnings	2,447	4,523
	<u>5,073,583</u>	<u>473,961</u>
	<u>\$7,290,879</u>	<u>\$1,776,881</u>

Note 9 Pension Costs

The College participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the College's annual contributions payable of \$2,121,806 for the year ended June 30, 2006 (2005 - \$1,824,905).

Effective January 1, 2006, the employers' contribution rate was increased by 0.35% (2005 – 1.0%).

Note 10 Debenture Payable

The College Board received approval of the Lieutenant Governor in Council to borrow funds from the Alberta Capital Finance Authority (the "ACFA"), an authority controlled by the Province of Alberta, to finance the campus residence expansion project. A \$6,625,000 debenture (the "debenture") dated February 23, 2001, was issued by the College in favor of ACFA. The debenture is secured by a security agreement dated February 23, 2001 between the College and ACFA pursuant to which the College granted, in favor of ACFA, a security interest in all present and after acquired intangibles, accounts, monies, book debts, instruments, claims or rights and insurance proceeds.

The debenture, bearing interest at the rate of 6.125% per annum, is to be repaid in annual installments of \$524,424, principal and interest. The debenture is due March 1, 2027.

	<u>2006</u>	<u>2005</u>
Debenture payable	\$ 5,954,532	\$ 6,105,023
Less current portion	<u>159,708</u>	<u>150,491</u>
	<u>\$5,794,824</u>	<u>\$ 5,954,532</u>

The aggregate maturities of principal required over the next five years and to maturity are as follows:

2007	\$ 159,708
2008	169,491
2009	179,872
2010	190,889
2011	202,581
Thereafter	<u>5,051,991</u>
Total debenture payable	<u>\$ 5,954,532</u>

Note 11 Unamortized External Capital Contributions

Unamortized external capital contributions represent the external funds invested in capital assets which will be recognized as revenue in future periods. Changes in the unamortized external capital contributions balance are as follows:

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 33,332,948	\$ 34,004,809
Add amount transferred from external capital contributions (Note 8)	4,072,475	1,444,512
Less amount amortized to revenue	<u>(2,247,272)</u>	<u>(2,116,373)</u>
Balance at end of year	<u><u>\$ 35,158,151</u></u>	<u><u>\$ 33,332,948</u></u>

Note 12 Net Assets Internally Restricted

Net assets internally restricted are held for the following purposes:

		Transfers to and from Unrestricted Net Assets		
	Balance at Beginning of Year	Deduct Funds Returned	Add Funds Appropriated	Balance at End of Year
Staff and program development	\$ 557,380	\$ 249,534	\$ 352,761	\$ 660,607
Foundation general reserve	52,892	1,329,542	1,326,496	49,846
College funded scholarships				
endowment earnings	133,879	5,000	10,233	139,112
Other endowment earnings	41,893	49,558	84,077	76,412
Kodiak Team fund	58,018	142,041	160,958	76,935
Other	-	1,545	1,545	-
	844,062	1,777,220	1,936,070	1,002,912
Capital replacement	1,113,194	4,249,491	4,450,578	1,314,281
	<u>\$ 1,957,256</u>	<u>\$ 6,026,711</u>	<u>\$ 6,386,648</u>	<u>\$ 2,317,193</u>

The net transfer from Unrestricted Net Assets for the year ended June 30, 2006 comprises:

Funds returned	\$ 6,026,711
Funds appropriated	<u>6,386,648</u>
	<u>\$ (359,937)</u>

Note 13 Endowments

Endowments consist of restricted donations to the College and internal allocations by the Board of Governors, the principal of which is required to be maintained intact. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Endowments comprise the following:

	2006			2005
	Externally Funded	Internally Funded	Total	Total
Ronald Tiffin Agricultural Endowment Fund	\$ 1,115,115	\$ 297,824	\$ 1,412,939	\$ 1,383,531
Scholarships	3,518,461	73,696	3,592,157	2,737,116
Kodiak Athletics Fund	208,327	82,038	290,365	281,429
Talbot Education Fund	115,565	46,175	161,740	157,084
Industrial Technology Fund	62,500	34,184	96,684	92,556
Native Canadian Fund	28,200	19,223	47,423	45,527
Environmental Fund	9,104	6,161	15,265	14,654
	<u>\$ 5,057,272</u>	<u>\$ 559,301</u>	<u>\$ 5,616,573</u>	<u>\$ 4,711,897</u>

Note 14 Grants

Grant revenue consists of amounts received from the following sources:

	2006		2005
	Budget (Note 22)	Actual	Actual
Alberta Advanced Education	\$ 26,858,475	\$ 30,557,394	\$ 26,533,184
Alberta Infrastructure and Transportation	386,422	380,156	272,175
Other Alberta Government departments	605,629	744,470	754,335
Other Government of Canada sources	629,784	482,814	530,176
Other sources	19,619	85,703	56,310
	<u>\$ 28,499,929</u>	<u>\$ 32,250,537</u>	<u>\$ 28,146,180</u>

Note 15 Sales, Rentals and Services

Sales, rentals and services revenue and direct expense are summarized as follows:

	2006				2005	
	Direct Expense					
	Revenue	Cost of Sales	Other	Total Direct Expense	Net	Net
Sales, rentals and non-ancillary services	\$ 935,042	\$ 444,425	\$ -	\$ 444,425	\$ 490,617	\$ 328,914
Ancillary services (Note 17):						
Bookstore	2,629,779	1,943,507	211,489	2,154,996	474,783	492,115
Cafeteria	785,792	466,873	271,203	738,076	47,716	(1,589)
Residence	1,697,997	-	1,980,970	1,980,970	(282,973)	(89,124)
Parking	451,353	-	192,841	192,841	258,512	241,276
Meat Store	-	-	1,882	1,882	(1,882)	220
Daycare centre	219,987	-	236,737	236,737	(16,750)	(9,213)
Physical Education building	187,323	14,225	336,335	350,560	(163,237)	(97,847)
Health services	70,704	983	91,033	92,016	(21,312)	(12,666)
Athletics - special events	43,263	-	43,225	43,225	38	(711)
	<u>6,086,198</u>	<u>2,425,588</u>	<u>3,365,715</u>	<u>5,791,303</u>	<u>294,895</u>	<u>522,461</u>
	<u>\$ 7,021,240</u>	<u>\$ 2,870,013</u>	<u>\$ 3,365,715</u>	<u>\$ 6,235,728</u>	<u>\$ 785,512</u>	<u>\$ 851,375</u>

Note 16 Investment Income

	2006	2005
Investment earnings on net assets restricted for endowment purposes (Note 8)	\$ 218,789	\$ 197,609
Add investment income from other sources	<u>442,606</u>	<u>260,862</u>
Total investment income recognized as revenue	<u>\$ 661,395</u>	<u>\$ 458,471</u>

Note 17 Expense by Function

Instruction encompasses all formal educational and instructional program elements. Academic support includes all activities that directly support the educational and instructional elements such as academic administration, library and audio visual services. Student services include all scholarships, bursaries and activities or services to the student body of the College. Institutional support includes all activities that provide institution-wide support to other programs.

	2006		2005
	Budget	Actual	Actual
	(Note 22)		
Instruction	\$ 25,222,612	\$ 24,649,326	\$ 23,682,197
Academic support	4,086,496	4,052,405	3,850,410
Student services	2,666,127	3,263,202	2,629,174
Institutional support	10,820,574	10,935,260	9,903,960
Ancillary services (Note 15)	6,203,449	5,791,303	5,631,158
Computer services	4,345,577	2,877,954	2,698,135
Amortization of capital assets	4,308,873	4,507,902	4,159,746
	57,653,708	56,077,352	52,554,780
Less amortization of capital assets			
- Ancillary services	362,998	358,467	359,105
	<u>\$ 57,290,710</u>	<u>\$ 55,718,885</u>	<u>\$ 52,195,675</u>

Note 18 Salaries and Benefits

	2006					2005	
	Number of Individuals ^(a)	Base Salary ^(b)	Other Cash Benefits ^(c)	Other Non- Cash Benefits ^(d)	Total	Number of Individuals ^(a)	Total
Chairman of the Board of Governors	1		\$ 4,440	\$ 67	\$ 4,507	1	\$ 4,468
Board members ^(e)	9		16,800	970	17,770	9	18,263
	<u>10</u>		21,240	1,037	22,277	<u>10</u>	22,731
President ^(f)	1.0	150,000	15,000	24,678	189,678	1.0	248,294
Vice President							
Corporate Services	1.0	132,345	-	17,411	149,756	1.0	142,997
Vice President							
Enrolment Management	1.0	117,742	-	17,914	135,656	0.8	105,844
Vice President							
Academic & Chief Learning Officer	0.6	67,013	-	11,784	78,797	0.5	81,564
Dean							
Agriculture, Trades & Tech	0.4	44,524	-	5,759	50,283	1.0	113,230
Dean							
Access	1.0	97,049	22,435	16,063	135,547	1.0	109,289
Dean							
Health, Justice & Human Serv	1.0	104,949	-	16,839	121,788	1.0	112,975
Dean							
Applied Arts & Sciences	1.0	102,139	-	16,560	118,699	1.0	110,274
Dean							
Applied Management	1.0	101,201	-	13,608	114,809	1.0	103,524
Directors/Managers							
(average: 2006 - \$89,174, 2005 - \$85,184)	19.7	1,490,555	-	266,179	1,756,734	32.9	2,802,565
Other salaried staff:							
Administration							
(average: 2006 - \$63,662 2005 - \$58,122)	48.2	2,548,658	14,370	505,479	3,068,507	39.0	2,266,751
Academic (average: 2006 - \$83,990 2005 - \$77,768)	188.1	13,446,918	49,773	2,301,940	15,798,631	185.6	14,433,771
Support (average: 2006 - \$44,700 2005 - \$39,101)	183.8	6,904,030	96,080	1,215,796	8,215,906	195.4	7,640,296
Non-salaried staff: ^(g)							
Administration	-	503,185	6,959	37,696	547,840	-	136,184
Academic	-	3,803,658	-	274,222	4,077,880	-	4,516,267
Support	-	1,171,218	30,459	281,361	1,483,038	-	1,396,340
	<u>447.8</u>	30,785,184	256,316	5,024,326	36,065,826	<u>461.2</u>	34,342,896
Other payroll adjustments:							
Severance payments ^(h)		158,126	-	-	158,126		27,032
Vacation accruals		88,227	-	-	88,227		25,182
Memberships and tuitions		-	-	(8,201)	(8,201)		(5,583)
Curriculum development costs in progress		(48,308)	-	-	(48,308)		(268)
Early Retirement Payments ^(h)		-	-	-	-		67,525
Addition on capital projects		(40,203)	-	(3,131)	(43,334)		(190,420)
		<u>\$ 30,943,026</u>	<u>\$ 256,316</u>	<u>\$ 5,012,994</u>	<u>\$ 36,212,336</u>		<u>\$ 34,266,364</u>

Note 18 Salaries and Benefits (continued)

- (a) Except for Board members, the number of individuals is expressed as full-time equivalents. The total actual discrete number of individual employees at June 30, 2006 was 1,471 (2005 – 1,544).
- (b) Salary includes regular base pay, shift differential, sick-time payments and any other direct cash remuneration.
- (c) Other cash benefits include bonuses, overtime, vacation payouts, lump sum payments and honoraria.
- (d) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, Employment Insurance, Workers' Compensation, health care, dental coverage, group life insurance, accidental disability and dismemberment, educational sabbaticals, vehicle allowances, professional memberships, club memberships and remission of tuition fees.
- (e) Board members include one representative from each of the academic and support staff. This includes their stipends as Board members, while their salaries and benefits as full-time employees are included under other salaried staff.
- (f) An executive compensation package includes an automobile provided to the President. The automobile is not included in the value of benefits disclosed on the schedule.
- (g) Non-salaried staff comprises individuals who work less than 29 hours per week; benefits consist of contributions to Employment Insurance, Canada Pension Plan and Workers' Compensation. In addition, for continuing employees working more than 15 hours a week, benefits also include health care, dental coverage, group life insurance, accidental death and dismemberment and vacation payouts.
- (h) Severance payments and early retirement payments include all monies paid, directly or on behalf of an employee, upon termination. During the year, the College identified 1 (2005 – 2) redundant position which resulted in a severance payment and no (2005 – 2) individuals received early retirement payments.

Note 19 Related Party Transactions

- a) The College is a Provincial Corporation as all members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Alberta Advanced Education. Transactions between the College and the Province are described in Notes 4, 6 b), 8, 10 and 14 to the consolidated financial statements.
- b) The College accounts for funds of certain associations and clubs related to College activities through Funds Held on Behalf of Others (Note 20). Certain administrative services are provided without charge to these entities.

Note 19 Related Party Transactions (continued)

- c) During the year, the College engaged the services of, and purchased goods from, organizations that are controlled or significantly influenced by members of its Board. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2006, the value of such services was \$12,397 (2005 - \$15,930).
- d) During the year, the College engaged the services of, and purchased goods from, other Alberta post secondary education institutions. Amounts of any such services were determined through fair and open competition in the normal course of operations. For the year ended June 30, 2006, the value of such services purchased was \$502,243 (2005 - \$529,271) and the value of services provided was \$183,034 (2005 - \$99,072).
- e) The College administers a program that permits advances to staff members for the specific purpose of acquiring and maintaining technological currency in computer hardware and software developments. Such advances are repaid over a maximum period of two years at the prescribed interest rate. The balance of advances outstanding as at June 30, 2006 was \$22,176 (2005 - \$36,026).

Note 20 Funds Held on Behalf of Others

Lethbridge Community College provides administrative services and administers funds on behalf of other organizations. These amounts are held in trust but are not included in the College's statement of financial position and are summarized as follows:

	2006	2005
Lethbridge Community College Students		
Association, clubs and activities	\$ 821,800	\$ 922,295
Chinook Educational Consortium	518,477	459,798
Associated agencies	147,437	159,803
Other agencies	96,785	93,355
Agricultural research projects	44,919	36,714
	<u>\$ 1,629,418</u>	<u>\$ 1,671,965</u>

Note 21 Commitments and Contingencies

- a) The College leases facilities and equipment with lease terms up to three years. The minimum operating lease payments for each of the next three fiscal years are as follows:

2007	\$ 897,414
2008	615,183
2009	216,521

- b) During the year, Lethbridge Community College continued with two major capital projects. As at June 30, 2006, the College had commitments in relation to these projects as follows:

	<u>Contract</u>	<u>Expended</u>	<u>Commitments</u>
Technology Infrastructure Upgrade:			
Consulting	\$ 5,588,811	\$ 4,362,179	\$ 1,226,632
Software and implementation	3,446,891	2,792,628	654,263
Technology systems	<u>2,472,404</u>	<u>1,205,080</u>	<u>1,267,324</u>
	<u>\$ 11,508,106</u>	<u>\$ 8,359,887</u>	<u>\$ 3,148,219</u>
Cousins Building (Note 6):			
Consulting and design	\$ 750,000	\$ 638,915	\$ 111,085
Building renovations	10,264,438	1,990,956	8,273,482
Science equipment	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	<u>\$ 12,014,438</u>	<u>\$ 2,629,871</u>	<u>\$ 9,384,567</u>
Total capital projects	<u>\$23,522,544</u>	<u>\$10,989,758</u>	<u>\$12,532,786</u>

- c) The College, in the conduct of its normal activities, is named a defendant in a legal proceeding. While the ultimate outcome of this proceeding cannot be predicted at this time, it is the opinion of the administration that adequate provision for this proceeding has been made in the College's accounts. It is believed that the resolution of the proceeding will not have a material effect on the financial position of the College, however, should any additional loss result from the resolution of this proceeding, such amounts would be expensed as the related amounts become known to the College.

Note 21 Commitments and Contingencies (continued)

- d) The College has not recognized a liability for certain obligations, primarily special handling for the removal and disposal of encapsulated asbestos from facilities and equipment, except as related to the Cousins Building renovations. During the year, the College had identified and included an amount of approximately \$400,000 in the renovation contract for the removal and disposal of asbestos within that building. As at June 30, 2006, the College has expended approximately \$310,000 for such removal, with the balance to be completed. The fair value of the remaining obligations, if any, cannot be reasonably estimated as the settlement dates are unknown.

Note 22 Budget

The 2006 budget was approved by the Board of Governors on April 19, 2005 and submitted to the Minister of Advanced Education on May 31, 2005.

Note 23 Pledges

As at June 30, 2006, outstanding pledges comprise the following:

Endowments	\$ 233,635
Science Equipment – Cousins Building	205,780
Comprehensive fundraising campaign	124,500
Other	<u>50,296</u>
Total	<u>\$ 614,211</u>

These amounts have not been recognized as revenue in the financial statements. The pledges are expected to be collected over the next five years as follows:

2007	\$ 438,879
2008	145,612
2009	29,070
2010	620
2011	<u>30</u>
Total	<u>\$ 614,211</u>

Note 24 Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in the current year.

Note 25 Approval of Consolidated Financial Statements

These consolidated financial statements have been approved by the Board of Governors.