SECTION: 4.0 Administrative

SUBJECT: Accounting Standards

**Background:** This policy is provided to summarize the significant accounting policies and practices that guide Lewis-Clark State College in the recording of accounting transactions that culminate in the annual preparation of the audited financial statements. A copy of the College’s current financial statement is available at [http://www.lcsc.edu/administrative-services/lcsc-financial-statements/](http://www.lcsc.edu/administrative-services/lcsc-financial-statements/)

**Point of Contact:** Controller

**Other LCSC offices directly involved with implementation of this policy, or significantly affected by the policy:** Budget Office

**Date of approval by LCSC authority:** October 26, 2010

**Date of State Board Approval:** N/A

**Date of Most Recent Review:** October 2010

**Summary of Major Changes incorporated in this revision to the policy:** N/A

**Policy:**

1. **Financial statement presentation.**
   Lewis-Clark State College’s (the “College’s”) financial statements are prepared according to pronouncements of the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* and in November 1999, Statement 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. These statements establish financial reporting requirements for state and local governments and public colleges and universities throughout the United States, and were implemented by the State and Idaho public Colleges and Universities for the fiscal year ended June 30, 2002.

2. **Basis of accounting.**
   For financial reporting purposes, the College is considered a special-purpose government engaged in only business-type activities. Accordingly, Lewis-Clark State College prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. For financial statement presentation, all significant intra-agency transactions are eliminated.

3. **Cash and cash equivalents.**
   The College considers all liquid investments with a remaining maturity of three (3) months or less at the date of acquisition to be cash equivalents.
SECTION: 4.0 Administrative

SUBJECT: Accounting Standards

4. **Student loans receivable.**
   Loans receivable from students bear interest at the rate of 5% and are generally repayable in installments to the College over a 10 year period commencing 9 months after the date of separation from the College.

5. **Accounts receivable.**
   Accounts receivable consists of fees charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Idaho. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the College’s grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

6. **Investments.**
   The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the *Statements of Revenues, Expenses, and Changes in Net Assets*. More comprehensive disclosure of common risks associated with the deposits and investments are detailed in footnotes to the financial statements as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk*.

7. **Capital assets and capitalization methodology.**
   Capitals assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of gift. The College’s capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

8. **Depreciation**
   Depreciation is computed using the straight-line method over the estimated useful lives of the assets; 50 years for buildings, 10 to 40 years for building improvements, 10 years for library books, and 5 to 15 years for equipment.

9. **Compensated absences**
   Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes.

10. **Deferred revenues.**
    Deferred revenues are reported in the financial statements. Deferred revenues include amounts received for fees and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Also included is the portion of summer school revenues related to the number of days of instruction occurring in the subsequent fiscal year.
SECTION: 4.0 Administrative

SUBJECT: Accounting Standards

11. **Noncurrent liabilities.**

   Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year.

12. **Net assets.**

   In its financial statement presentation, the College’s net assets are classified as follows:

   - **Invested in capital assets, net of related debt** - This represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as component of invested in capital assets, net of related debt.

   - **Restricted Expendable** - Restricted expendable net assets include resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

   - **Restricted Nonexpendable** – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

   - **Unrestricted** - Unrestricted net assets represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the College, and may be used to meet current expenses for any lawful purpose in compliance with State Board of Education (“Board”) Policy.

   When an expense is incurred that can be paid using either restricted or unrestricted resources, expense allocation decisions are made on a program-by-program basis.

13. **Income taxes.**

   The college, as a political subdivision of the State of Idaho, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

14. **Classification of revenues.** For financial statement reporting purposes, the College classifies its revenues as either operating or nonoperating according to the following criteria:

   - **Operating Revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts, and federal appropriations, and (4) interest on institutional student loans.

   - **Nonoperating Revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state general Appropriations, federal grant revenue and investment income.
SECTION: 4.0 Administrative

SUBJECT: Accounting Standards

15. Scholarship discounts and allowances. Student fee revenues and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or other third parties making payments on the students’ behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College’s financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the College has recorded a scholarship discount and allowance.

16. Fund definitions and allowable uses. Common terminology in budgeting and accounting at Lewis-Clark State College includes “appropriated,” “local,” and “restricted or grant” funds.

1) Appropriated funds are those amounts provided or “appropriated” to the colleges and universities by the state legislature. Appropriated fund expenditures represent a claim against an authorized budget, and are reimbursed after the State receives documentation of authorized expenditures from the Accounts Payable Department.

2) Local funds represent cash deposits in the form of student fees, auxiliary revenues, and other miscellaneous revenues that have been deposited to the Lewis-Clark State College general bank account.

3) Restricted funds or grant funds are local funds that are restricted to specific uses by a third party.

Generally, State of Idaho regulations that are applicable to appropriated funds are equally applicable to local funds. Some limited exceptions exist under State Board of Education policy for entertainment expenses at official College functions.

17. Related organization
The Lewis-Clark State College Foundation, Inc. (the “Foundation”) is a legally and fiscally independent organization affiliated with Lewis-Clark State College and was established for the exclusive benefit of the College. The College does not exercise control over the Board or the resources of this related organization. However, it is presented in a discrete column in the financial statements according to GASB Statement No. 39 Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14.3.