



***ANNUAL FINANCIAL REPORT***

**AUGUST 31, 2022 and 2021**

SOUTH PLAINS COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021  
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SOUTH PLAINS COLLEGE  
ORGANIZATIONAL DATA  
FOR THE FISCAL YEAR 2021-2022

Board of Regents

Officers

Mike Box	Chairman
Ronny Alexander	Vice-Chairman
Richard Ellis	Secretary

Members

		Term Expires <u>May 31,</u>
Mike Box	Levelland, Texas	2028
Ronny Alexander	Levelland, Texas	2028
Richard Ellis	Levelland, Texas	2024
Jim Mara	Levelland, Texas	2026
Ty Gregory	Levelland, Texas	2026
Joe Tubb	Levelland, Texas	2024
Chris Edens	Levelland, Texas	2024

Executive Administration

Dr. Robin Satterwhite – President  
Teresa Green – Vice President for Business Affairs  
Dr. Ryan Gibbs – Vice President for Academic Affairs  
Julie Gerstenberger – Vice President for Institutional Advancement  
Dr. Stanley DeMerritt – Vice President for Student Affairs

## **Financial Section**

November 9, 2022

**To the Board of Regents  
South Plains College  
Levelland, Texas**

INDEPENDENT AUDITOR'S REPORT

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of South Plains College (the "College"), as of and for the years ended August 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the fiduciary activities of the College as of August 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-15, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of College's Contributions for Pensions on pages 54-55, Schedule of College's Proportionate Share of Net OPEB Liability and Schedule of College's Contributions for OPEB on pages 56-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supporting schedules (Schedules A-F), including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of state awards as required by the *State of Texas Single Audit Circular* are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting

schedules, which includes the schedule of expenditures of federal awards and schedule of expenditures of state awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Condly and Company, L.L.P.".

Certified Public Accountants

**Management's Discussion and Analysis  
Required Supplementary Information**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Plains College Annual Financial Report presents our discussion and analysis of the College's financial performance during the fiscal year ending August 31, 2022. This section should be read in conjunction with the College's financial statements presented in the tables that follow.

This section provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues. While maintaining financial health is critical to the long-term viability of the College, the primary mission of South Plains College, as a public institution of higher education, is to provide education and public service. Therefore, net assets are accumulated, only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs.

<b>FINANCIAL HIGHLIGHTS 2020-2022</b>					
	<b>2022</b>	<b>2021</b>	<b>% CHANGE 2022</b>	<b>2020</b>	<b>% CHANGE 2022</b>
<b>REVENUES</b>					
OPERATING REVENUES	\$ 22,449,088	\$23,336,639	-3.9%	\$22,792,726	-1.5%
NON-OPERATING REVENUES	\$ 65,519,031	\$57,755,806	10.3%	\$75,022,320	-12.7%
<b>TOTAL</b>	<b>\$ 87,968,119</b>	<b>\$81,092,445</b>	<b>8.5%</b>	<b>\$97,815,046</b>	<b>-10.1%</b>
<b>EXPENSES</b>					
OPERATING EXPENSES	\$ 78,495,411	\$78,352,653	0.2%	\$73,198,540	7.2%
NON-OPERATING EXPENSES	\$ 462,907	\$ 501,747	-7.7%	\$ 575,047	-19.5%
<b>TOTAL</b>	<b>\$ 78,958,318</b>	<b>\$78,854,400</b>	<b>0.1%</b>	<b>\$73,773,587</b>	<b>7.0%</b>
<b>INCREASE IN NET POSITION</b>	<b>\$ 9,009,801</b>	<b>\$ 2,238,045</b>	<b>302.6%</b>	<b>\$24,041,459</b>	<b>-62.5%</b>
<b>TOTAL NET POSITION</b>	<b>\$ 47,222,948</b>	<b>\$38,213,147</b>	<b>23.6%</b>	<b>\$35,975,102</b>	<b>31.3%</b>
<b>CURRENT ASSETS</b>	<b>\$ 53,991,665</b>	<b>\$55,669,937</b>	<b>-3.0%</b>	<b>\$52,271,427</b>	<b>3.3%</b>
<b>CURRENT LIABILITIES</b>	<b>\$ 23,239,570</b>	<b>\$21,958,972</b>	<b>5.8%</b>	<b>\$21,269,626</b>	<b>9.3%</b>
<b>CURRENT RATIO</b>	<b>2.32</b>	<b>2.54</b>	<b>N/A</b>	<b>2.46</b>	<b>N/A</b>

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—*management's discussion and analysis, pension and OPEB schedules (required supplementary information), the financial statements, and other supplementary information*. The financial statements include the Statement of Net Position (Exhibit 1); Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2); Statement of Cash Flows (Exhibit 3); and the Notes to the Financial Statements.

One of the most important questions asked about the College's finances is: "Is the College as a whole better off or worse off as a result of the year's activities?" The financial statements mentioned above report information about the College as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is like the accounting used by most private-sector companies. All the current year's revenues and expenses are recorded when the expense or revenue event takes place, regardless of when cash is received or paid.

The Statement of Net Position (Exhibit 1) reports the assets, liabilities, and the net position of the College as of the end of the fiscal year. The purpose is to give users a snapshot of the financial position of South Plains College on the last day of the fiscal year. Net position is the difference between assets and deferred outflow of resources, less liabilities, and deferred inflows of resources. It is one way to measure the financial health, or solvency of the College. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. The College's net position is one way to measure the College's financial health, or solvency.

Other non-financial indicators such as changes in the College's property tax base, enrollment levels, state funding, and the condition of the College's facilities should be considered when analyzing the health of the College.

The Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2) presents the operating results of the College as well as the non-operating revenues and expenses. Revenues received in exchange for providing the College goods and services are operating revenues. Operating expenses are those paid to acquire the goods and services provided in return for the operating revenues. Non-operating revenue are funds received with no direct relationship to the goods and services provided. Such things as state appropriations, local property taxes, gifts, investment income, and federal student aid grants and HEERF funds are non-operating revenues.

The Statement of Cash Flows (Exhibit 3) analyzes the cash activities of the College for the year. The statement (divided into activities) includes the following:

- Cash provided by or used for operating activities
- Cash flows from non-capital financing activities
- Cash flows from investing activities, and
- Cash provided by or used for capital and related financing activities

## FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

The College's combined net position was \$47.2 million as of August 31, 2022. See Table A-1.

TABLE A-1  
CONDENSED STATEMENT OF NET POSITION  
(In millions)

<u>ASSETS</u>			% CHANGE		% CHANGE	
	2022	2021	2022	2020	2021	
CURRENT ASSETS	\$ 54.0	\$ 55.7	-3.1%	\$ 52.3	3.3%	
CAPITAL ASSETS	\$ 101.0	\$ 84.7	19.2%	\$ 78.5	28.7%	
OTHER NON CURRENT ASSETS	\$ 3.7	\$ 4.7	-21.3%	\$ 8.3	-55.4%	
<b>TOTAL</b>	<b>\$ 158.7</b>	<b>\$ 145.1</b>	<b>9.4%</b>	<b>\$ 139.1</b>	<b>14.1%</b>	
DEFERRED OUTFLOWS	\$ 14.3	\$ 17.4	-17.8%	\$ 21.3	-32.9%	
<u>LIABILITIES</u>						
LONG TERM DEBT OUTSTANDING	\$ 86.2	\$ 84.1	2.5%	\$ 83.8	2.9%	
OTHER LIABILITIES	\$ 23.2	\$ 22.0	5.5%	\$ 21.3	8.9%	
<b>TOTAL</b>	<b>\$ 109.4</b>	<b>\$ 106.1</b>	<b>3.1%</b>	<b>\$ 105.1</b>	<b>4.1%</b>	
DEFERRED INFLOWS	\$ 16.3	\$ 18.2	-10.4%	\$ 19.3	-15.5%	
<u>NET POSITION</u>						
INVESTED IN CAPITAL ASSETS						
NET OF DEBT	\$ 78.2	\$ 65.4	19.6%	\$ 61.2	27.8%	
RESTRICTED	\$ 15.2	\$ 19.8	-23.2%	\$ 21.1	-28.0%	
UNRESTRICTED	\$ (46.2)	\$ (47.0)	1.7%	\$ (46.3)	0.2%	
<b>TOTAL NET POSITION</b>	<b>\$ 47.2</b>	<b>\$ 38.2</b>	<b>23.6%</b>	<b>\$ 36.0</b>	<b>31.1%</b>	

The negative \$46.2 million unrestricted net position is primarily due to Government Accounting Standards Board (GASB) Statement 68 and 75 requirements. GASB 68 requires the college to record long term obligations for pensions (TRS) and GASB 75 requires the college to record long term obligations for other post-employment benefits (insurance for retirees). GASB 68 was implemented in FY2015 and GASB 75 was implemented in FY2018. These statements require the posting of non-cash entries that have a negative effect on the unrestricted net position. Without these entries, the unrestricted net position would be \$21,443,192 on August 31, 2022.

**Changes in net position.** As Table A-1 illustrates, the College's net position for FY2022 increased by \$9 million (23.6%). This change is due an increase of \$12.8 million in capital asset net position, an increase in unrestricted net position of .8 million and a decrease of \$4.6 million in restricted net position.

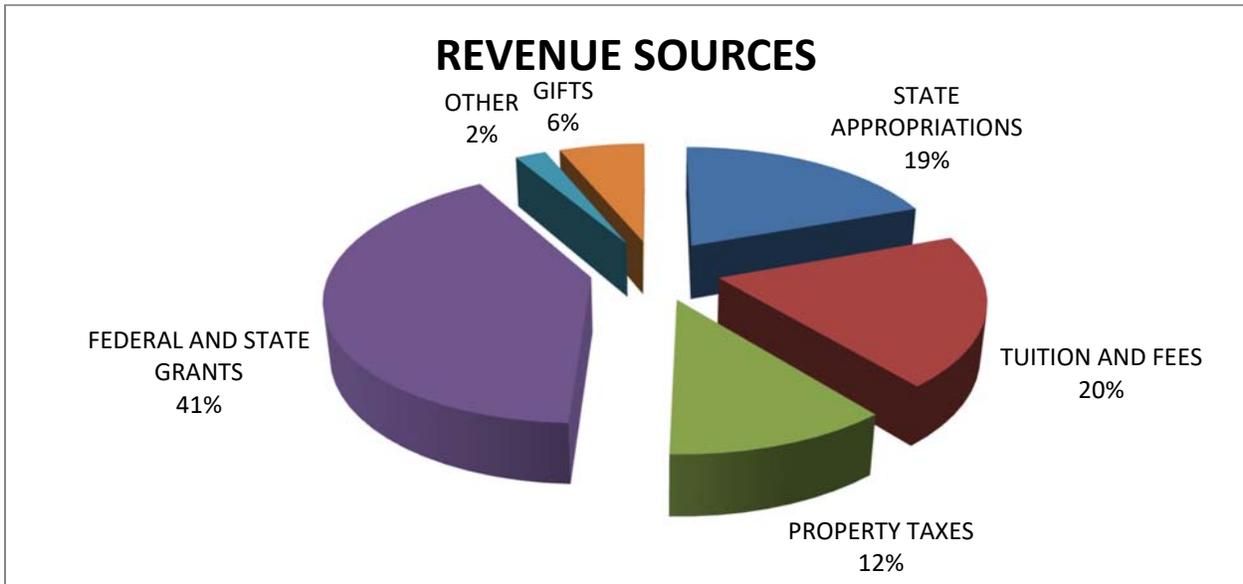
### COLLEGE REVENUES AND EXPENSES

The College's total revenues for FY2022 were \$88 million. This represents a \$6.9 increase from FY2021. The change is primarily from an increase in gifts of \$4 million and an increase in federal and state grants of \$6 million. Additionally, there was a decrease in property taxes of \$1.4 million. Approximately 41% of total revenues comes from federal and state grants and contracts, 19% comes from state appropriations, 20% from tuition and fees, 12% from property taxes, 6% from gifts, and the remaining 2% from other sources. The College's total operating expenses were \$78.5 million in FY2022, compared to \$78.4 million in FY21. The following are financial highlights presented in Table A-2.

- Property tax revenues decreased \$1,421,945 from FY2021 to FY2022 and decreased \$281,338 from FY2020 to FY2021.
- State appropriations decreased by \$719,203 from FY2021 to FY2022. Although general state support increased by \$153,362, and nursing increased by \$74,639, there was a decrease in OPEB and TRS non-cash revenue.
- Tuition and fees decreased by .6 million from FY2021 to FY2022. Tuition and fee rates stayed the same for FY22 as the previous year.
- Gifts increased by \$4 million from FY2021 to FY2022. The primary reason for the increase is a \$5 million increase in gifts in aid of construction and a \$1 million decrease in gifts in aid of debt service.
- Federal and state grants increased by \$6 million for a total of \$36 million. This is primarily due to HEERF revenue increases.

**TABLE A-2  
SOUTH PLAINS COLLEGE  
SOURCES OF REVENUE  
FY2022**

<b>REVENUE SOURCES(millions)</b>	<b>2022</b>		<b>2021</b>		<b>2020</b>	
STATE APPROPRIATIONS	\$ 17.1	19.4%	\$ 17.9	22.1%	\$ 18.5	18.9%
TUITION AND FEES	\$ 17.3	19.7%	\$ 17.9	22.1%	\$ 17.6	18.0%
PROPERTY TAXES	\$ 10.1	11.5%	\$ 11.5	14.2%	\$ 11.8	12.1%
FEDERAL AND STATE GRANTS	\$ 36.0	40.9%	\$ 30.0	37.0%	\$ 24.3	24.8%
OTHER	\$ 2.0	2.3%	\$ 2.3	2.8%	\$ 2.4	2.5%
GIFTS	\$ 5.5	6.3%	\$ 1.5	1.8%	\$ 23.2	23.7%
<b>TOTAL</b>	<b>\$ 88.0</b>	<b>100.0%</b>	<b>\$ 81.1</b>	<b>100.0%</b>	<b>\$ 97.8</b>	<b>100.0%</b>



<b>TABLE A-3</b>						
<b>CHANGES IN THE NET POSITION OF SOUTH PLAINS COLLEGE</b>						
<b>(in millions)</b>						
				<b>% CHANGE 2022</b>		<b>% CHANGE 2022</b>
<b><u>OPERATING REVENUES</u></b>	<b>2022</b>	<b>2021</b>			<b>2020</b>	
TUITION AND FEES(NET OF DISCOUNTS )	\$ 17.3	\$ 18.0		-3.9%	\$ 17.6	-1.7%
FEDERAL GRANTS AND CONTRACTS	\$ 2.4	\$ 2.1		14.3%	\$ 2.1	14.3%
STATE GRANTS AND CONTRACTS	\$ 1.0	\$ 1.0		0.0%	\$ 1.0	0.0%
NON GOVERNMENTAL GRANTS AND CONTRACTS	\$ 0.0	\$ 0.2		-99.5%	\$ 0.1	-99.0%
SALES AND SERVICES EDUCATIONAL ACTIVITIES	\$ 0.2	\$ 0.1		100.0%	\$ 0.1	100.0%
AUXILIARY ENTERPRISES (NET OF DISCOUNTS)	\$ 1.4	\$ 1.8		-22.2%	\$ 1.8	-22.2%
GENERAL OPERATING REVENUES	\$ 0.1	\$ 0.1		0.0%	\$ 0.1	0.0%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 22.4</b>	<b>\$ 23.3</b>		<b>-3.9%</b>	<b>\$ 22.8</b>	<b>-1.8%</b>
<b><u>OPERATING EXPENSES</u></b>						
INSTRUCTION	\$ 33.3	\$ 31.3		6.4%	\$ 32.1	3.7%
PUBLIC SERVICE	\$ 0.4	\$ 0.3		33.3%	\$ 0.3	33.3%
ACADEMIC SUPPORT	\$ 4.0	\$ 4.0		0.0%	\$ 3.9	2.6%
STUDENT SERVICES	\$ 8.6	\$ 7.4		16.2%	\$ 7.1	21.1%
INSTITUTIONAL SUPPORT	\$ 10.4	\$ 10.0		4.0%	\$ 10.2	2.0%
OPERATING AND MAINTENANCE OF PLANT	\$ 6.9	\$ 7.0		-1.4%	\$ 6.3	9.5%
SCHOLARSHIPS AND FELLOWSHIPS	\$ 8.6	\$ 12.4		-30.6%	\$ 7.4	16.2%
AUXILIARY ENTERPRISES	\$ 3.3	\$ 3.1		6.5%	\$ 3.1	6.5%
DEPRECIATION	\$ 3.0	\$ 2.9		3.4%	\$ 2.8	7.1%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 78.5</b>	<b>\$ 78.4</b>		<b>0.1%</b>	<b>\$ 73.2</b>	<b>7.2%</b>
<b><u>NON-OPERATING REVENUES(EXPENSES)</u></b>						
STATE APPROPRIATIONS	\$ 17.1	\$ 17.9		-4.5%	\$ 18.5	-7.6%
TAXES-MAINTENANCE AND OPERATIONS	\$ 10.1	\$ 11.5		-12.2%	\$ 11.8	-14.4%
FEDERAL REVENUE, NON-OPERATING	\$ 32.6	\$ 26.8		21.6%	\$ 21.2	53.8%
GIFTS	\$ 5.5	\$ 1.5		266.7%	\$ 23.2	-76.3%
INVESTMENT INCOME	\$ 0.2	\$ 0.1		100.0%	\$ 0.3	-33.3%
INTEREST ON CAPITAL RELATED DEBT	\$ (0.4)	\$ (0.5)		-20.0%	\$ (0.6)	-33.3%
<b>TOTAL NON-OPERATING REVENUES(EXPENSES)</b>	<b>\$ 65.1</b>	<b>\$ 57.3</b>		<b>13.6%</b>	<b>\$ 74.4</b>	<b>-12.5%</b>
<b>INCREASE(DECREASE) IN NET ASSETS</b>	<b>\$ 9.0</b>	<b>\$ 2.2</b>		<b>309.1%</b>	<b>\$ 24.0</b>	<b>137.5%</b>

## Capital Assets

At the end of FY2022, the College had invested \$164.8 million (excluding accumulated depreciation) in a broad range of capital assets, including land, equipment, buildings, vehicles, and operating leases. This amount represents a net increase (including additions and deductions) of \$19.7 million or 13.6% over last year. A detail listing of activity in the capital assets is presented in Table A-4.

**TABLE A-4**  
**Changes in Capital Assets**  
**(In millions)**

<b>CHANGES IN CAPITAL ASSETS(millions)</b>	<b>2022</b>	<b>2021</b>	<b>% CHANGE 2021</b>	<b>2020</b>	<b>% CHANGE 2021</b>
LAND	\$ 2.0	\$ 2.0	0.0%	\$ 2.0	0.0%
LIBRARY BOOKS	\$ 3.2	\$ 3.2	0.0%	\$ 3.1	3.2%
CONSTRUCTION IN PROGRESS	\$ 15.1	\$ 15.4	-1.9%	\$ 8.0	88.8%
BUILDINGS	\$ 119.6	\$ 103.3	15.8%	\$ 103.3	15.8%
LAND IMPROVEMENTS	\$ 3.5	\$ 2.8	25.0%	\$ 2.4	45.8%
FURNITURE, MACHINERY,VEHICLES, OTHER EQUIP.	\$ 13.5	\$ 13.0	3.8%	\$ 14.3	-5.6%
TELECOMMUNICATIONS AND PERIPHERAL EQUIP.	\$ 6.9	\$ 5.4	27.8%	\$ 8.4	-17.9%
RIGHT-OF-USE ASSET FINANCE	\$ 0.7	\$ -	N/A	\$ -	N/A
RIGHT-OF-USE ASSET OPERATING	\$ 0.3	\$ -	N/A	\$ -	N/A
<b>TOTAL</b>	<b>\$ 164.8</b>	<b>\$ 145.1</b>	<b>13.6%</b>	<b>\$ 141.5</b>	<b>16.5%</b>
LESS ACCUMULATED DEPRECIATION	\$ (63.8)	\$ (60.4)	5.6%	\$ (63.0)	1.3%
<b>NET CAPITAL ASSETS</b>	<b>\$ 101.0</b>	<b>\$ 84.7</b>	<b>19.2%</b>	<b>\$ 78.5</b>	<b>28.7%</b>

## Long Term Debt

At year-end, the College had \$22,275,000 in long-term bonds outstanding as shown in Table A-5 below. This increase occurred because during the year, an additional \$5 million in bond funds that were authorized in December 2020, were issued on July 12, 2022, for the renovation of the Lubbock Downtown Center. The previous balance of \$19,315,000, increased by \$5,000,000 of additional debt was reduced by the payment of principal of \$2,040,000 to make the balance \$22,275,000.

The net pension liability decreased by \$6.1 million, but the net OPEB liability decreased by \$5 million, for a total of \$60.4 million. The Other Post-Employment Benefits (OPEB) liability is recorded to comply with Governmental Accounting Standards Board (GASB) 75. GASB 75 requires the college to record long term obligations for other post-employment benefits (insurance for retirees). The pension liability is recorded to comply with (GASB) Statement 68. GASB 68 states that beginning in fiscal year 2015, participating employers must report their proportionate share of the unfunded net pension (TRS) liability on the balance sheet. More detailed information about the College's debt is presented in the notes to the financial statements. The leases payable liabilities were added because GASB 87 became effective and requires the College to record a lease liability as well as a right-to-use asset for certain leases.

**TABLE A-5**  
**Long-Term Debt**

<b>South Plains College Long Term Debt</b>			
<b>(in millions of dollars)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Tuition Revenue Bonds Payable	\$ 22.2	\$ 19.3	\$ 17.3
Net Pension Liability (TRS)	\$ 5.3	\$ 11.4	\$ 11.5
Net OPEB Liability	\$ 60.4	\$ 55.4	\$ 56.3
Finance Leases Payable	\$ 0.3	\$ -	\$ -
Operating Leases Payable	\$ 0.3	\$ -	\$ -
<b>Total long-term debt</b>	<b>\$ 88.5</b>	<b>\$ 86.1</b>	<b>\$ 85.1</b>

## **POSSIBLE FUTURE FINANCIAL EFFECTS ON COLLEGE OPERATIONS**

Enrollment levels directly affect tuition and fee revenues and auxiliary enterprise sales, services, and fee revenues. Population demographics (number of potential students) and the overall region's economic condition also affect enrollment. South Plains College continues to experience relatively stable enrollment numbers. The unduplicated headcount in the fall 2019 semester was 9,196, which was less than a 1% decrease from fall 2018, which had a headcount of 9,279. The headcount for the fall 2020 term was 8,879 (a 3.5% decrease from fall 2019). The unduplicated headcount for fall 2021 was 8,912, which is a .4% increase from fall 2020. The unduplicated headcount for the fall 2022 term was 8,574, which is a 3.8% decrease from fall 2021. The unduplicated enrollment has decreased 6.76% since fall 2019 term. Although this is concerning, it is indicative of enrollment in community colleges and higher education across the state and nation.

South Plains College has continued to plan for the expansion of facilities. The College completed Phase 2 of new construction and renovation of the Science Building on the Levelland campus during this fiscal year. The College received a \$7 million donation from The William R. and Sandra L. Wheeler Charitable Foundation to help with construction. Additionally, \$5 million from The Helen Jones Foundation was donated, as well as \$350,000 from the Montgomery Family Foundation.

The City Hall building in downtown Lubbock was purchased by the college for \$2 million on July 27, 2020 and was remodeled to serve as an academic classroom facility to serve the Lubbock population. This facility opened for classes in the fall of 2022 and will serve as a downtown academic center. The renovations were funded in entirety by \$16 million in grants. The Lubbock Economic Development Alliance (LEDA) donated \$10 million in grants, and The CH Foundation has committed to \$6 million in grants (\$1 million has been received). In addition, LEDA will also be providing six annual payments of \$500,000 to support administrative and operating costs during the first six years of operations. The student population in Lubbock County will have improved service and access with the addition of this facility. Furthermore, this center will better serve the students that are co-enrolled at South Plains College and Texas Tech University which is located only 7 blocks away.

The State of Texas contributes a portion of the College's revenues through state appropriations for educational operations and employee benefits. The contact hour funding remained the same from FY2018 to FY2019. Contact hour funding decreased by \$219,454 from FY2019 to FY2020 and FY2021. The College is funded every two years, so contact hour funding will increase by \$153,262 for FY22 and FY23 from the previous biennium. Judicious budgeting, raising tuition/fee charges, and the stability of state appropriations has been successful in maintaining normal operations.

The implementation of GASB 68 to record the unfunded TRS liability has created a net pension liability of \$5.3 million as of FY2022. Implementation of GASB 75 created a restatement of fund balance of (\$51,030,991) for FY2017. There is currently a liability of OPEB (other post-employment benefits) of \$60.4 million as of FY2022.

Investment markets and the economy affect interest rates and interest income. Given the current state of the economy, markets, and interest rates, the outlook for the College's investment income is unpredictable. Investment income earned was \$366,429 in FY2018. The investment income increased in FY2019 to \$573,211 and declined to \$347,697 in FY2020. A further decrease to \$139,142 was realized in FY2021. Investment income increased slightly to \$207,425 in FY22. A significant increase in investment income is expected for FY23 due to recent increases in interest rates by the federal government. The College will continue with the stated policy of preserving capital first and maximizing investment returns second.

The volatility of the oil and gas market will continue to affect the mineral tax base of the College. The taxable assessed value fell from \$4.7 billion in FY2015 to \$3.4 billion in FY2016. The values decreased again for FY2017 to \$2.3 billion. South Plains College reached the taxation cap of \$0.40 per \$100 valuation in FY2017, causing the College to lose approximately \$3.3 million in revenue in FY2017. The taxable assessed value for FY2018 was \$2.5 billion, an increase of \$212 million from the previous year. This resulted in an increase of \$748,541 in tax revenues received in FY2018. The values increased again for FY2019 to \$3.1 billion. This increase represents an increase of \$656,627 received in FY2019. Mineral values increased again for FY2020 resulting in

about a \$946,000 increase in revenue. Values were down slightly in FY21 to \$2.9 billion resulting in revenue of \$11.5 million (a decrease of \$281,338). Values were down again in FY22 by \$361 million for a decrease of over \$1 million in property tax revenue for FY22. Valuations were up about \$1 billion for FY23 with a budgeted increase of about \$850,000 in property tax revenue for FY23. It is difficult to predict property tax revenue with the volatility of the mineral base, which is a substantial portion of the valuation for the taxing district. In addition, when values increase, the college is restricted to an 8% revenue increase from prior year.

The College has several initiatives underway that will contribute to needed enrollment growth once fully implemented. Workforce development has increased enrollment in truck driving significantly this fiscal year and is looking for options to accommodate more students in the future. South Plains College began offering 8-week courses in fall 2020 as a pilot program. A total of 139 unduplicated students enrolled in these classes for fall 2020 and enrollment increased to 290 unduplicated students in fall 2021. The enrollment for fall 2022 increased to 319 unduplicated students. The 8-week courses will continue to be available in the future to give students greater flexibility. The opening of the Lubbock Downtown Center should also increase enrollment opportunities in the future.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
AFFILIATED UNIT INFORMATION  
SOUTH PLAINS COLLEGE FOUNDATION**

The South Plains College Foundation is governed by a Board of 13 to 30 Directors that is committed to a long-standing tradition of service to the students of South Plains College. The purpose of the Foundation is to advance the College by raising and receiving funds to support the educational mission of the College through scholarships, program enrichment and capital improvements. To this end, the Foundation has traditionally focused its operations on maximizing efforts to grow scholarship endowments to support the educational dreams of SPC students. Recent development efforts have been directed at securing private and public grants to support capital improvements, such as the Science Center project, the Lubbock Downtown Center and the Welding Technology expansion project. The Foundation began receiving funds for these projects in FY 2020 and will continue to receive funds through FY 2026. These future grant pledges are reported on the Foundation's Statement of Financial Position at a net present value of \$4,697,933 as of August 31, 2022.

<b>FINANCIAL HIGHLIGHTS FY 2020 to FY 2022</b>					
	FY 2022	FY 2021	PERCENT CHANGE FY 2022	FY 2020	PERCENT CHANGE FY 2022
<b>REVENUES</b>					
Gifts	\$1,308,698	\$1,877,953	-30.31%	\$1,182,476	10.67%
Grants for SPC	\$2,600,000	\$9,825,000	-73.54%	\$19,767,182	-86.85%
Less: Agency	(\$2,600,000)	(\$9,825,000)	-73.54%	(\$19,767,182)	-86.85%
Fundraising	\$327,578	\$204,226	60.40%	\$253,336	29.31%
Investments <sup>1</sup>	(\$3,477,416)	\$4,779,317	-172.76%	\$2,133,700	-262.98%
Other	\$18,610	\$24,975	-25.49%	\$26,611	-30.07%
<b>Total</b>	<b>(\$1,822,530)</b>	<b>\$6,886,471</b>	<b>-126.47%</b>	<b>\$3,596,123</b>	<b>-150.68%</b>
<b>EXPENSES</b>					
Scholarships	\$1,087,260	\$1,013,063	7.32%	\$969,158	12.19%
Grants to SPC	\$2,600,000	\$9,831,940	-73.56%	\$3,762,693	-30.90%
Less: Agency	(\$2,600,000)	(\$9,825,000)	-73.54%	(\$3,725,000)	-30.20%
Fundraising	\$56,380	\$20,320	177.46%	\$29,503	91.10%
Operating <sup>2</sup>	\$129,461	\$130,695	-0.94%	\$116,313	11.30%
<b>Total</b>	<b>\$1,273,101</b>	<b>\$1,171,018</b>	<b>8.72%</b>	<b>\$1,152,667</b>	<b>10.45%</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b><u>(\$3,095,631)</u></b>	<b><u>\$5,715,453</u></b>	<b>-44.25%</b>	<b><u>\$2,443,456</u></b>	<b>30.40%</b>
<b>TOTAL NET POSITION</b>	<b>\$28,248,239</b>	<b>\$31,343,870</b>	<b>-9.88%</b>	<b>\$25,628,417</b>	<b>10.22%</b>

The South Plains College Foundation recorded a 9.88 percent loss in total net position over the prior period with total net assets of \$28,248,239 for FY 2022. The Foundation's invested assets took a hard hit for the fiscal year resulting in \$3,477,416 of unrealized investment loss, as illustrated in the Financial Highlights Table. The Foundation's investment goal is twofold: 1) provide long-term growth of fund assets with preservation of capital and purchasing power; and 2) provide sufficient current income to support the activities of the Foundation. In order to provide South Plains College with adequate annual scholarship funds, the South Plains College Foundation Board of Directors has set a target annual return on investment

<sup>1</sup> Brokerage fees are shown net against investment income (loss) on the statements of activities.

<sup>2</sup> Includes brokerage fees which are shown net against investment income (loss) on the statements of activities.

of 8.0 percent. This allows the Foundation to disburse on the average 5.0 percent annually from scholarship endowment funds, while hedging for inflation.

For fiscal year 2022, the Foundation recorded \$1,636,276 in gifts and fundraising, about 21 percent less than the prior year. The Foundation received \$2,600,000 in non-scholarship restricted grant funds for capital improvement projects at South Plains College and posted an additional \$4,697,933 in pledges. Realized and unrealized investment income totaled -\$3,477,416. Total revenues for the fiscal year were -\$1,822,530.

The Foundation distributed to the College a record \$1,087,260 in scholarship funds, providing financial assistance to 930 South Plains College students during the academic year which is a 1.4% increase in students served over last year. The dollar amount was a 7.32 percent increase in scholarship spending. A major goal of the Foundation’s Board of Directors has been to provide an increasing amount of scholarship funds annually. Over the past five years, the amount of Foundation Scholarship funds awarded has increased 19.5 percent. An additional \$2,600,000 in non-scholarship restricted and unrestricted grants were disbursed for total support of \$3,687,260 to the College.

The direct operating expenses of the Foundation showed a very modest savings of -0.94 percent to \$129,461. These expenses included investment expense (82 percent), planned gift expense (5 percent), liability insurance (6 percent), and other operational expense (7 percent). The College, through its partnership with the Foundation, contributes to the operations of the Foundation by providing in-kind support of personnel, office space, computer resources, travel, office supplies and other administrative support estimated to be unchanged from the previous year at \$270,506 (unaudited).

<b>ENDOWMENT GROWTH FY 2020 to FY 2022</b>					
	<b>FY 2022</b>	<b>FY 2021</b>	<b>Percent Change FY 2022</b>	<b>FY 2020</b>	<b>Percent Change FY 22</b>
<b>Original Corpus Restricted</b>	\$18,113,385	\$17,402,998	4.08%	\$15,414,645	17.51%
<b>Net Earnings on Corpus Restricted</b>	\$7,935,031	\$11,460,715	-30.76%	\$7,884,189	0.64%
<b>Total Endowment Value</b>	<b>\$26,048,416</b>	<b>\$28,863,713</b>	<b>-9.75%</b>	<b>\$23,298,834</b>	<b>11.80%</b>
<b>% Original Corpus Endowment</b>	<b>69.5%</b>	<b>60.3%</b>		<b>66.2%</b>	

The Foundation’s permanent endowment increased 4.08 percent during the fiscal year to \$18,113,385 due to the establishment of new endowments and additions to existing funds. In total, eight new scholarship endowments totaling \$659,000 were established during the fiscal year and two existing scholarship funds reached permanent endowment status. The total endowment decreased in value by 9.75 percent to \$26,048,416 with 69.5 percent of funds permanently restricted.

The future ability of the Foundation to grow endowments and sustain its current level of scholarship distributions is contingent upon a number of factors that include fundraising, investment market and economic conditions, and capital preservation strategies. Development efforts are focused on identifying new opportunities among SPC alumni and friends for establishing future scholarship endowments. Additional efforts have been made to increase annual giving to provide for unrestricted scholarship funds that can be awarded annually on demand. Giving to the Foundation is always a product of economic conditions as well as the philanthropic spirit of current and new donors.

Given the current state of the economy, investment markets and interest rates, the outlook for Foundation investment income for the foreseeable future is contingent upon how quickly economic recovery is achieved. In response to volatility in equity markets and low rates of return in fixed income markets, the Foundation’s current investment policy and strategies are positioned to provide for an acceptable rate of return that will help fund future scholarships from endowments. In order to achieve its annual goal of 8.0 percent return on investment, the Foundation’s invested asset distribution was expanded to encompass a greater percentage

of alternative investments. The Foundation Board of Directors continues to investigate and consider ways to maximize the investments.

The earnings on corpus restricted reported in the Endowment Growth Table represent future scholarships that can be awarded. With all things being equal, these reserves are sufficient to fund scholarships at current disbursement levels for the next seven years. However, market conditions and returns are never certain, and the Foundation will continue with its policy of preserving capital, minimizing risk and providing sufficient income to support activities.

## **Basic Financial Statements**

SOUTH PLAINS COLLEGE  
STATEMENTS OF NET POSITION  
AUGUST 31, 2022 AND 2021  
EXHIBIT 1

	2022	2021
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 37,451,039	\$ 37,413,122
Accounts receivable (net)	14,784,001	15,516,655
Other receivables	1,000,000	2,110,000
Prepaid expenses	748,000	614,760
Inventories	8,625	15,400
Total Current Assets	53,991,665	55,669,937
Noncurrent Assets:		
Capital assets (net)	101,001,201	84,682,610
Other receivables	3,697,933	4,744,983
Total Noncurrent Assets	104,699,134	89,427,593
<b>TOTAL ASSETS</b>	<b>158,690,799</b>	<b>145,097,530</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	3,388,152	4,326,021
Deferred outflows of resources related to OPEB	10,869,657	13,121,599
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,257,809</b>	<b>17,447,620</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	2,203,240	2,045,125
Accrued liabilities	1,152,655	1,084,135
Funds held for others	984,846	798,713
Unearned revenues	16,644,292	15,990,999
Lease liabilities - current portion	189,537	-
Bonds payable - current portion	2,065,000	2,040,000
Total Current Liabilities	23,239,570	21,958,972
Noncurrent Liabilities:		
Net pension liability	5,268,512	11,417,765
Net OPEB liability	60,414,215	55,443,489
Lease liabilities	336,105	-
Bonds payable	20,210,000	17,275,000
Total Noncurrent Liabilities	86,228,832	84,136,254
<b>TOTAL LIABILITIES</b>	<b>109,468,402</b>	<b>106,095,226</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	6,493,770	2,227,456
Deferred inflows of resources related to OPEB	9,763,488	16,009,321
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>16,257,258</b>	<b>18,236,777</b>
<b>NET POSITION</b>		
Net investment in capital assets	78,200,559	65,367,610
Restricted:		
Expendable for:		
Student aid	407,781	427,014
Construction	9,544,252	16,594,877
Debt service	5,144,687	2,800,055
Nursing program	164,654	67,765
Unrestricted	(46,238,985)	(47,044,174)
<b>TOTAL NET POSITION</b>	<b>\$ 47,222,948</b>	<b>\$ 38,213,147</b>

*The accompanying notes are an integral part of the financial statements.*

SOUTH PLAINS COLLEGE FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 AUGUST 31, 2022 AND 2021  
 EXHIBIT 1.1

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 1,287,719	\$ 1,209,362
Accrued interest and dividends receivable	1,945	2,088
Investments	26,589,567	29,782,022
Planned gift cash value	356,508	337,898
Vacation time share	12,500	12,500
Deferred scholarships	578,393	476,180
Pledges receivable	<u>4,697,933</u>	<u>6,854,983</u>
TOTAL ASSETS	<u>\$ 33,524,565</u>	<u>\$ 38,675,033</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Scholarships payable to South Plains College	\$ 578,393	\$ 476,180
Pledges payable to South Plains College	<u>4,697,933</u>	<u>6,854,983</u>
Total Liabilities	<u>5,276,326</u>	<u>7,331,163</u>
 NET ASSETS		
Without donor restrictions	283,944	339,150
With donor restrictions	<u>27,964,295</u>	<u>31,004,720</u>
Total Net Assets	<u>28,248,239</u>	<u>31,343,870</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,524,565</u>	<u>\$ 38,675,033</u>

*The accompanying notes are an integral part of the financial statements.*

SOUTH PLAINS COLLEGE  
STATEMENTS OF FIDUCIARY NET POSITION  
AUGUST 31, 2022 AND 2021  
EXHIBIT 1.2

	2022	2021
<b>ASSETS</b>		
Receivables:		
Employer contributions	\$ 104,700	\$ 106,800
Participant contributions	180	155
Investments at fair value:		
Mutual funds	1,706,003	2,277,145
Uninvested cash	1,201	1,147
<b>TOTAL ASSETS</b>	<b>1,812,084</b>	<b>2,385,247</b>
<b>LIABILITIES</b>		
Accounts payable:		
South Plains College	25,660	29,324
Other payables	1,381	1,302
<b>TOTAL LIABILITIES</b>	<b>27,041</b>	<b>30,626</b>
<b>NET POSITION</b>		
Restricted for:		
Pensions	1,785,043	2,354,621
<b>TOTAL NET POSITION</b>	<b>\$ 1,785,043</b>	<b>\$ 2,354,621</b>

*The accompanying notes are an integral part of the financial statements.*

SOUTH PLAINS COLLEGE  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021  
EXHIBIT 2

	2022	2021
<b>OPERATING REVENUES AND EXPENSES</b>		
Operating Revenues:		
Tuition and fees (net of discounts of \$17,325,701 and \$15,826,823, respectively)	\$ 17,276,050	\$ 17,949,213
Federal grants and contracts	2,428,277	2,135,444
State grants and contracts	956,108	1,049,827
Nongovernmental grants and contracts	1,257	123,176
Sales and services of educational activities	173,547	142,992
Investment income - program restricted	795	1,756
Auxiliary enterprises (net of discounts of \$836,492 and \$433,407, respectively)	1,473,034	1,798,866
General operating revenues (net of discounts of \$0, both years)	140,020	135,365
Total Operating Revenues (Schedule A)	22,449,088	23,336,639
Operating Expenses:		
Instruction	33,269,177	31,288,861
Public service	424,167	309,114
Academic support	4,038,516	3,953,093
Student services	8,582,152	7,439,116
Institutional support	10,347,182	10,052,175
Operation and maintenance of plant	6,937,480	6,966,215
Scholarships and fellowships	8,616,250	12,406,713
Auxiliary enterprises	3,324,474	3,055,595
Depreciation	2,956,013	2,881,771
Total Operating Expenses (Schedule B)	78,495,411	78,352,653
Operating Loss	(56,046,323)	(55,016,014)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	17,139,106	17,858,309
Maintenance ad valorem taxes	10,055,928	11,477,873
Federal revenue, non-operating	32,613,622	26,809,233
Gifts	-	500
Gifts in kind	-	14,000
Gifts in aid of debt services	-	1,000,000
Gifts in aid of construction	5,502,950	452,801
Investment income	207,425	139,142
Interest on capital related debt	(462,907)	(501,747)
Gain on disposal of fixed assets	-	3,948
Net Non-Operating Revenues (Schedule C)	65,056,124	57,254,059
Increase in Net Position	9,009,801	2,238,045
<b>NET POSITION</b>		
Net position - beginning of year	38,213,147	35,975,102
Net position - end of year	\$ 47,222,948	\$ 38,213,147

*The accompanying notes are an integral part of the financial statements.*

SOUTH PLAINS COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2022  
EXHIBIT 2.1

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$	\$ 3,908,698	\$ 3,908,698
Less: amounts considered agency transactions		(2,600,000)	(2,600,000)
Fundraising revenue	220	327,358	327,578
Investment income (loss)	(55,426)	(3,528,181)	(3,583,607)
Planned gift change in value		18,610	18,610
Net assets released from restriction	1,087,260	(1,087,260)	-
 TOTAL REVENUE	 1,032,054	 (2,960,775)	 (1,928,721)
 EXPENSE			
Scholarships	1,087,260		1,087,260
Fundraising expenses		56,380	56,380
Planned gift expenses		6,711	6,711
Restricted program support		2,600,000	2,600,000
Less: amounts considered agency transactions		(2,600,000)	(2,600,000)
Other expenses		16,559	16,559
 TOTAL EXPENSE	 1,087,260	 79,650	 1,166,910
 DECREASE IN NET ASSETS	 (55,206)	 (3,040,425)	 (3,095,631)
 NET ASSETS AT BEGINNING OF YEAR	 339,150	 31,004,720	 31,343,870
 NET ASSETS AT END OF YEAR	 \$ 283,944	 \$ 27,964,295	 \$ 28,248,239

*The accompanying notes are an integral part of the financial statements.*

SOUTH PLAINS COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2021  
EXHIBIT 2.2

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$	\$ 11,677,985	\$ 11,677,985
Less: amounts considered agency transactions		(9,825,000)	(9,825,000)
Fundraising revenue	525	203,701	204,226
Investment income	38,530	4,632,028	4,670,558
Non-cash gifts		24,968	24,968
Planned gift change in value		24,930	24,930
Other income		45	45
Net assets released from restriction	<u>1,013,063</u>	<u>(1,013,063)</u>	<u>-</u>
 TOTAL REVENUE	 <u>1,052,118</u>	 <u>5,725,594</u>	 <u>6,777,712</u>
EXPENSE			
Scholarships	1,013,063		1,013,063
Fundraising expenses		20,320	20,320
Planned gift expenses		6,711	6,711
Restricted program support		9,825,000	9,825,000
Less: amounts considered agency transactions		(9,825,000)	(9,825,000)
Unrestricted program support		6,940	6,940
Other expenses		15,225	15,225
 TOTAL EXPENSE	 <u>1,013,063</u>	 <u>49,196</u>	 <u>1,062,259</u>
 DECREASE IN NET ASSETS	 <u>39,055</u>	 <u>5,676,398</u>	 <u>5,715,453</u>
NET ASSETS AT BEGINNING OF YEAR	<u>300,095</u>	<u>25,328,322</u>	<u>25,628,417</u>
NET ASSETS AT END OF YEAR	<u>\$ 339,150</u>	<u>\$ 31,004,720</u>	<u>\$ 31,343,870</u>

*The accompanying notes are an integral part of the financial statements.*

SOUTH PLAINS COLLEGE  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021  
EXHIBIT 2.3

	2022	2021
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 110,100	\$ 109,800
Participant	2,135	1,860
Total Contributions	112,235	111,660
Investment earnings:		
Net increase in fair value of investments	-	360,306
Interest, dividends and other	48,338	49,485
Net investment earnings	48,338	409,791
<b>TOTAL ADDITIONS</b>	<b>160,573</b>	521,451
<b>DEDUCTIONS</b>		
Benefits paid to participants or beneficiaries	362,751	160,964
Net decrease in fair value of investments	312,366	-
Forfeitures	25,660	29,323
Administrative expense	29,374	29,173
<b>TOTAL DEDUCTIONS</b>	<b>730,151</b>	219,460
Increase (Decrease) in Net Position	<b>(569,578)</b>	301,991
<b>NET POSITION</b>		
Net position restricted for pensions - beginning of year	2,354,621	2,052,630
Net position restricted for pensions - end of year	\$ 1,785,043	\$ 2,354,621

*The accompanying notes are an integral part of the financial statements.*

SOUTH PLAINS COLLEGE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021  
EXHIBIT 3

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 19,359,002	\$ 19,378,581
Receipts of appropriations, grants, and contracts	3,993,169	2,589,163
Other receipts	140,815	137,121
Payments to or on behalf of employees	(43,033,932)	(41,869,637)
Payments to suppliers for goods or services	(21,226,312)	(15,285,007)
Payments of scholarships	(8,616,250)	(12,406,713)
Net cash used in operating activities	<u>(49,383,508)</u>	<u>(47,456,492)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	13,960,454	13,738,757
Ad valorem tax revenues	10,079,278	11,624,244
Federal revenue, nonoperating	33,120,263	26,833,066
Gifts and grants (other than capital)	-	500
Net cash provided by non-capital financing activities	<u>57,159,995</u>	<u>52,196,567</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions received in aid of construction	5,000,000	5,000,000
Contributions received in aid of construction	7,660,000	8,835,000
Contributions received in aid of debt service	-	1,000,000
Purchases of capital assets	(18,097,235)	(9,607,272)
Proceeds from sale of capital assets	-	3,948
Payments on capital debt - principal	(2,040,000)	(2,935,000)
Payments on capital debt - interest	(468,760)	(533,599)
Net cash provided by (used in) capital and related financing activities	<u>(7,945,995)</u>	<u>1,763,077</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	207,425	139,170
Net cash provided by investing activities	<u>207,425</u>	<u>139,170</u>
Increase in cash and cash equivalents	37,917	6,642,322
Cash and cash equivalents - September 1	<u>37,413,122</u>	<u>30,770,800</u>
Cash and cash equivalents - August 31	<u>\$ 37,451,039</u>	<u>\$ 37,413,122</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (56,046,323)	\$ (55,016,014)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,956,013	2,881,771
Bad debt expense	637,207	-
Gift in kind expenditure	-	14,000
Payments made directly by state for benefits	3,178,652	4,119,552
TRS non cash items	(945,070)	536,189
ERS non cash items	976,835	1,299,616
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Increase in accounts receivable (net)	(434,545)	(1,490,057)
Decrease in inventories	6,775	5,300
Increase in prepaid expenses	(133,240)	(266,662)
Increase (decrease) in accounts payable	(493,611)	164,529
Increase in accrued liabilities	74,372	43
Increase in funds held for others	186,133	11,588
Increase in unearned revenues	653,294	283,653
Net cash used in operating activities	<u>\$ (49,383,508)</u>	<u>\$ (47,456,492)</u>

The accompanying notes are an integral part of the financial statements.

SOUTH PLAINS COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021  
EXHIBIT 3.1

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from contributions	\$ 1,308,698	\$ 1,852,985
Receipts from fundraising	327,578	204,226
Payments to suppliers for goods or services	(79,650)	(49,196)
Payments of scholarships	<u>(1,087,260)</u>	<u>(1,013,063)</u>
Net cash provided by operating activities	<u>469,366</u>	<u>994,952</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings (loss)	(41,009)	189,615
Purchase of investments	<u>(350,000)</u>	<u>(1,200,000)</u>
Net cash used in investing activities	<u>(391,009)</u>	<u>(1,010,385)</u>
Increase (Decrease) in cash and cash equivalents	78,357	(15,433)
Cash and cash equivalents - September 1	<u>1,209,362</u>	<u>1,224,795</u>
Cash and cash equivalents - August 31	<u>\$ 1,287,719</u>	<u>\$ 1,209,362</u>
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (3,095,631)	\$ 5,715,453
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized and realized gains on investments	3,604,852	(4,371,888)
Investment income reinvested	(146,189)	(432,071)
Bank/Brokerage fees paid as reduction in investment basis	106,191	108,759
Non-cash gift	-	(24,968)
Other income	-	(45)
Changes in assets and liabilities:		
(Increase) Decrease in accrued interest and dividends receivable	143	(288)
(Increase) Decrease in deferred scholarships	(102,213)	1,257
Decrease in pledges receivable	2,157,050	9,187,199
Increase (Decrease) in scholarships payable to South Plains College	102,213	(1,257)
Decrease in pledges payable to South Plains College	<u>(2,157,050)</u>	<u>(9,187,199)</u>
Net cash provided by operating activities	<u>\$ 469,366</u>	<u>\$ 994,952</u>

*The accompanying notes are an integral part of the financial statements.*

**SOUTH PLAINS COLLEGE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AUGUST 31, 2022 and 2021*

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**Note 1: Reporting Entity**

South Plains College (the 'College') was established in 1958 in accordance with the laws of the State of Texas to serve the educational needs of Hockley County and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

The Board of Regents (the "Board"), a five-member group, is the level of government which has governance responsibilities over all activities related to the education of students who attend the College. The Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for the fiscal matter concerning the College. The College has four campuses, Levelland, Lubbock Center, Reese Center and Plainview, which offer a wide variety of general academic and vocational courses in a two-year curriculum.

Component Unit

South Plains College Foundation (the "Foundation") was established as a separate nonprofit organization in 1979 for providing student scholarships and assistance in the development and growth of the College. Under Governmental Standards Board Statement 39, *Determining Whether Certain Organizations are Component Units*, the Foundation is a component unit of the College because:

- the College provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the College,
- the College is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the Foundation, and
- the economic resources held by the Foundation that the College is entitled to or has the ability to otherwise access, are significant to the College.

Accordingly, the Foundation financial statements are included in the College's annual report as a discrete component unit. Complete financial statements of the South Plains College Foundation can be obtained from the administrative office of the South Plains College Foundation.

**Note 2: Summary of Significant Accounting Policies**

The significant accounting policies followed by South Plains College in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community Colleges. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code 56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

**SOUTH PLAINS COLLEGE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AUGUST 31, 2022 and 2021*

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Title IV, Higher Education Act Program Funds

Certain Title IV HEA Program funds are received by the College to pass through to students. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Basis of Accounting

The financial statements of South Plains College have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Regents adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows

In addition to assets, South Plains College is aware that the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge on refunding debt.

Investments

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at a time of purchase. The governing board has designated public funds investment pools comprised of \$3,050,604 and \$1,033,098 as of August 31, 2022 and 2021, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

The Foundation investments are carried at fair value. Realized and unrealized gains and losses on marketable equity securities are recorded monthly and are added to or subtracted from the applicable category of net assets.

**SOUTH PLAINS COLLEGE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AUGUST 31, 2022 and 2021*

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Inventories

Inventories consist of consumable office supplies and physical plan supplies. Inventories are valued at cost and charged to expense when purchased, except for miscellaneous items purchased at year end which are more appropriately charged to the subsequent year.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the life of the structure are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

<u>Asset Type</u>	<u>Years</u>
Buildings	50
Facilities and other improvements	20
Library books	15
Furniture, machinery, vehicles and other equipment	10
Telecommunications and peripheral equipment	5

Other Postemployment Benefits (OPEB)

The College participates in the Employee's Retirement System of Texas (ERS) postemployment health care plan, a multiple-employer cost sharing defined benefit plan with a special funding situation. The fiduciary net position of ERS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from ERS's fiduciary net position. Benefit payments (including refunds of employer contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus on full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Unearned Revenues

Tuition and fees of \$16,180,388 and \$15,880,278 and federal, state and local grants of \$463,904 and \$110,721 have been reported as unearned revenues as of August 31, 2022 and 2021, respectively.

**SOUTH PLAINS COLLEGE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AUGUST 31, 2022 and 2021*

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Deferred Inflows

In addition to liabilities, South Plains College is aware that the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenues) until that time. Governments are permitted to report deferred inflows in circumstances specifically authorized by the GASB.

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. The operation of the bookstore and cafeteria are outsourced and not performed by the College.

When the College incurs an expense for which both restricted and unrestricted resources may be used, it is the College's policy to use restricted resources first, then unrestricted resources.

Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include bonds payable, capital lease and any premiums or discounts associated with these debts that will not be paid within the next fiscal year.

Receivables

Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the Federal government, state and local governments. Receivables are recorded net of estimated uncollectible amounts.

Net Position

The College's Net Position includes the following:

*Net investment in capital assets* – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those assets.

*Restricted – expendable net position* – Expendable restricted includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

*Unrestricted net position* – All other net positions that do not meet the definition of the "restricted" or "net investment in capital assets".

**SOUTH PLAINS COLLEGE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AUGUST 31, 2022 and 2021*

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It is the College's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Net Assets – SPC Foundation

The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

**Note 3: Authorized Investments**

The College is authorized to invest in obligations and instruments as defined in the Public Funds Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

South Plains College is required to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits. The Public Funds Investment Act requires an annual audit of investment practices.

We have performed tests designed to verify South Plains College's compliance with the requirements of the Public Funds Investment Act. During the year ended August, 31, 2022, no instances of noncompliance were found.

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

**Note 4: Deposits and Investments**

Cash and Deposits

South Plains College Cash and Deposits included in Exhibit 1 and Exhibit 1.1, Statement of Net Position and Statement of Financial Position, consist of the items reported below:

	Primary Institution		Component Unit	
	2022	2021	2022	2021
Bank Deposits				
Demand deposits	\$ 15,579,508	\$ 15,734,537	\$ 616,784	\$ 72,032
Time deposits	18,810,042	20,633,100	670,935	1,137,330
Total Bank Deposits	34,389,550	36,367,637	1,287,719	1,209,362
Cash and Cash Equivalents				
Petty cash on hand	10,885	12,387	-	-
Cash equivalents – investment pools	3,050,604	1,033,098	-	-
Total Cash and Cash Equivalents	3,061,489	1,045,485	-	-
Total Cash and Deposits	\$ 37,451,039	\$ 37,413,122	\$ 1,287,719	\$ 1,209,362

Reconciliation of Deposits and Investments to Exhibit 1 and Exhibit 1.1:

	Primary Institution		Component Unit	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
Type of Security:				
Cash and cash equivalents	\$ -	\$ -	\$ 341,395	\$ 383,345
Corporate equities	-	-	1,218,790	1,689,687
U.S. government agencies	-	-	233,061	234,110
Corporate obligations	-	-	721,101	184,197
Mutual funds	-	-	4,999,984	26,910,695
Alternative investments	-	-	19,416,631	763,334
Other	-	-	369,008	350,398
Total	-	-	27,299,970	30,515,766
Total Cash and Deposits	37,451,039	37,413,122	946,324	826,016
Total Investments	-	-	27,299,970	30,515,766
Total Deposits and Investments	37,451,039	37,413,122	28,246,294	31,341,782
Per Exhibit 1 and Exhibit 1.1:				
Cash and cash equivalents	37,451,039	37,413,122	1,287,719	1,209,362
Investments	-	-	26,958,575	30,132,420
Total	\$ 37,451,039	\$ 37,413,122	\$ 28,246,294	\$ 31,341,782

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

As of August 31, 2022, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Investment in Maturities (in Years)		
		Less than 1	1 to 2	2 to 3
Corporate equities	\$ 1,218,790	N/A	N/A	N/A
U.S. government agencies	233,061	N/A	N/A	N/A
Corporate obligations	721,101	N/A	N/A	N/A
Mutual funds	4,999,984	N/A	N/A	N/A
Alternative investments	19,416,631	N/A	N/A	N/A
Other	369,008	N/A	N/A	N/A
Total Fair Value	\$ 26,958,575	\$ N/A	\$ N/A	\$ N/A

As of August 31, 2022, the Foundation's cost basis for investments was as follows:

Investment Type	Cost
Corporate equities	\$ 4,353,904
U.S. government agencies	256,582
Corporate obligations	160,542
Mutual funds	2,215,307
Alternative investments	20,319,566
Other	356,508
Total Fair Value	\$ 27,662,409

The Foundation held the following investments with a continuous unrealized loss position at August 31, 2022:

Investment Type	Less than 12 months		12 months or longer	
	Fair Value	Unrealized	Fair Value	Unrealized
		Loss		Loss
Corporate equities	\$ 1,268,191	\$ (228,070)	\$ 610,648	\$ (645,049)
U.S. government agencies	803,954	(98,668)	10,964	(17,169)
Corporate obligations	222,097	(21,880)	59,448	(1,642)
Mutual funds	75,399	(8,993)	248,025	(16,702)
Alternative investments	18,702,991	(681,242)	-	-
Total Fair Value	\$ 21,072,632	\$ (1,038,853)	\$ 929,085	\$ (680,562)

The unrealized losses are considered temporary and are generally caused by market fluctuations. The Foundation has the intent and ability to hold the investments until recovery of fair value.

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College did not invest in repurchase agreements.

As of August 31, 2022, the carrying amount of the College's bank balances was \$35,380,907. Bank balances of \$250,000 were covered by Federal Depository Insurance. Bank balances in the amount of \$35,130,907 were covered by securities held by the bank in the College's name.

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

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Fair Value of Financial Instruments

The three levels of the fair value of hierarchy are as follows:

*Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.

*Level 2* inputs are inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3* inputs are unobservable inputs for the asset or liability.

The application of valuation techniques applied to similar assets has been consistent and there were no transfers between levels during the year. The following is a description of the valuation methodologies used for instruments measured at fair value:

*Corporate equities, U.S. government agencies, corporate obligations:* valued at the closing price reported on the active market on which the individual securities are traded. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

*Mutual funds:* valued at the net asset value of shares held at year end at the closing price reported on the active market.

*Alternative investments:* valued based on models externally developed by management of the respective instrument using unobservable inputs to the limited market activity of the entity. Where external valuations were not available, cost is utilized which approximates fair value.

*Other:* valued based on cost which approximates fair value.

The fair value hierarchy of investments at August 31, 2022 follows:

Investment Type	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Corporate equities	\$ 1,218,790	\$ -	\$ -	\$ 1,218,790
U.S. government agencies	-	233,061	-	233,061
Corporate obligations	-	721,101	-	721,101
Mutual funds	4,999,984	-	-	4,999,984
Alternative investments	-	-	19,416,631	19,416,631
Other	-	-	369,008	369,008
Total	\$ <u>6,218,774</u>	\$ <u>954,162</u>	\$ <u>19,785,639</u>	\$ <u>26,958,575</u>

**SOUTH PLAINS COLLEGE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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Credit Risk

This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. In accordance with state law and the College's investment policy, investment in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations other than states, municipalities, counties, etc. must be rated at least A as well.

The College's credit ratings for its investments are as follows:

<u>Type of Investment</u>	<u>Rating</u>
Money market accounts	Unrated
Investment pools	AAA

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the College does not purchase any investments with maturities greater than 10 years.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The College is not exposed to foreign currency risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the College's investment in a single issuer (i.e., lack of diversification). The College does not place a limit on the amount the College may invest in any one issuer. Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. More than 5% of the Component Unit's investments are in CFI Multi-Strategy Equity Fund (37%), CFI Multi Strategy Bond Fund, LLC (18%), and CF Global Multi-Asset Portfolio, LLC (13%).

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 5: Capital Assets**

Capital asset activity for the year ended August 31, 2022, was as follows:

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,013,473	\$ -	\$ -	\$ 2,013,473
Construction in progress	15,419,092	14,528,614	(14,849,540)	15,098,165
<b>Total capital assets not being depreciated</b>	<b>17,432,565</b>	<b>14,528,614</b>	<b>(14,849,540)</b>	<b>17,111,639</b>
<b>Capital assets being depreciated:</b>				
Buildings	103,337,336	16,294,099	-	119,631,435
Improvements	2,786,232	651,879	-	3,438,111
Library books	3,183,498	56,067	-	3,239,565
Right of use assets	-	702,883	-	702,883
Furniture, machinery, vehicles and other equipment	12,908,572	586,910	-	13,495,482
Telecommunications and peripheral equipment	5,401,003	1,489,715	-	6,890,718
<b>Total capital assets being depreciated</b>	<b>127,616,641</b>	<b>19,078,670</b>	<b>-</b>	<b>147,398,194</b>
<b>Less accumulated depreciation for:</b>				
Buildings	(44,086,461)	(1,359,067)	-	(45,445,528)
Improvements	(1,055,297)	(129,330)	-	(1,184,627)
Library books	(3,171,118)	(53,677)	-	(3,224,795)
Right of use assets	-	(186,023)	-	(186,023)
Furniture, machinery, vehicles and other equipment	(8,063,799)	(866,528)	-	(8,930,327)
Telecommunications and peripheral equipment	(3,989,921)	(547,411)	-	(4,537,332)
<b>Total accumulated depreciation</b>	<b>(60,366,596)</b>	<b>(2,956,013)</b>	<b>-</b>	<b>(63,508,632)</b>
<b>Net other capital assets</b>	<b>67,250,045</b>	<b>(1,273,117)</b>	<b>-</b>	<b>83,889,562</b>
<b>Capital assets, net</b>	<b>\$ 84,682,610</b>	<b>\$ 30,651,271</b>	<b>\$ (14,849,540)</b>	<b>\$ 101,001,201</b>

Construction in progress at August 31, 2022 primarily relates to the Lubbock Downtown Center.

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Capital asset activity for the year ended August 31, 2021, was as follows:

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,013,473	\$ -	\$ -	\$ 2,013,473
Construction in progress	<u>7,957,945</u>	<u>7,461,147</u>	<u>-</u>	<u>15,419,092</u>
Total capital assets not being depreciated	<u>9,971,418</u>	<u>7,461,147</u>	<u>-</u>	<u>17,432,565</u>
Capital assets being depreciated:				
Buildings	103,337,336	-	-	103,337,336
Improvements	2,420,734	365,498	-	2,786,232
Library books	3,138,825	44,673	-	3,183,498
Furniture, machinery, vehicles and other equipment	14,338,910	501,035	(1,931,373)	12,908,572
Telecommunications and peripheral equipment	<u>8,377,724</u>	<u>706,305</u>	<u>(3,683,026)</u>	<u>5,401,003</u>
Total capital assets being depreciated	<u>131,613,529</u>	<u>1,617,511</u>	<u>(5,614,399)</u>	<u>127,616,641</u>
Less accumulated depreciation for:				
Buildings	(42,643,901)	(1,442,560)	-	(44,086,461)
Improvements	(944,507)	(110,790)	-	(1,055,297)
Library books	(3,119,133)	(51,985)	-	(3,171,118)
Furniture, machinery, vehicles and other equipment	(9,157,742)	(837,430)	1,931,373	(8,063,799)
Telecommunications and peripheral equipment	<u>(7,233,941)</u>	<u>(439,006)</u>	<u>3,683,026</u>	<u>(3,989,921)</u>
Total accumulated depreciation	<u>(63,099,224)</u>	<u>(2,881,771)</u>	<u>5,614,399</u>	<u>(60,366,596)</u>
Net other capital assets	68,514,305	(1,264,260)	-	67,250,045
Capital assets, net	<u>\$ 78,485,723</u>	<u>\$ 6,196,887</u>	<u>\$ -</u>	<u>\$ 84,682,610</u>

**Note 6: Long-Term Obligations**

Long-term liability activity for the year ended August 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds and notes	\$ 19,315,000	\$ 5,000,000	\$ 2,040,000	\$ 22,275,000	\$ 2,065,000
Leases	643,355	68,750	186,463	525,642	189,537
Net pension liability	11,417,765	-	6,149,253	5,268,512	-
Net OPEB liability	<u>55,443,489</u>	<u>4,970,726</u>	<u>-</u>	<u>60,414,215</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 86,176,253</u>	<u>\$ 9,970,726</u>	<u>\$ 8,189,253</u>	<u>\$ 87,957,726</u>	<u>\$ 2,065,000</u>

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Long-term liability activity for the year ended August 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds and notes	\$ 17,250,000	\$ 19,315,000	\$ 17,250,000	\$ 19,315,000	\$ 2,040,000
Net pension liability	11,453,805	-	36,040	11,417,765	-
Net OPEB liability	56,360,245	-	916,756	55,443,489	-
<b>Total Long-Term Liabilities</b>	<b>\$ 85,064,050</b>	<b>\$ 19,315,000</b>	<b>\$ 18,202,796</b>	<b>\$ 86,176,254</b>	<b>\$ 2,040,000</b>

**Note 7: Debt and Lease Obligations**

Debt service requirements as of August 31, 2022 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2023	\$ 2,065,000	\$ 516,634	\$ 2,581,634
2024	2,090,000	466,957	2,556,957
2025	2,115,000	416,644	2,531,644
2026	2,140,000	365,692	2,505,692
2027-2031	10,130,000	1,095,645	11,225,645
2032-2034	3,735,000	144,394	3,879,394
	<b>\$ 22,275,000</b>	<b>\$ 3,005,966</b>	<b>\$ 25,280,966</b>

Obligations under leases as of August 31, 2022 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2023	\$ 189,537	\$ 4,165	\$ 193,702
2024	167,193	1,092	168,285
2025	41,113	87	41,200
2026	23,931	69	24,000
2027-2030	103,868	132	104,000
	<b>\$ 525,642</b>	<b>\$ 5,545</b>	<b>\$ 531,187</b>

As of August 31, 2022 and 2021, the College was in compliance with all material aspects of the bond indentures.

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**Note 8: Bonds Payable**

On November 12, 2020, the College authorized a bond refunding transaction by issuing the “South Plains Junior College District Revenue Financing System Refunding and Improvements Bonds, Series 2020A” in the amount of \$14,315,000 for the purpose of providing funds to (a) refund and defease certain outstanding obligations of the district and (b) pay the costs of issuance related to the bonds. The source of revenues shall be payable from a first lien on the pledged revenues. The bonds outstanding as of August 31, 2022 was \$13,375,000. The bonds are scheduled to mature on August 31, 2034.

On November 12, 2020, the College authorized a bond refunding transaction by issuing the “South Plains Junior College District Revenue Financing System Refunding and Improvements Bonds, Series 2020B” in the amount of \$10,000,000 for the purpose of providing funds to (a) acquire, purchase, construct, improve, renovate, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, of any nature, for and on behalf of the College owned and operated by the College and (b) pay the costs of issuance related to the bonds. The source of revenues shall be payable from a first lien on the pledged revenues. The bonds outstanding as of August 31, 2022 was \$8,900,000. The bonds are scheduled to mature on August 31, 2031.

See **Note 6** for changes in long-term liabilities and **Note 7** for debt service requirements.

**Note 9: Employee’s Retirement Plan**

The State of Texas has joint contributory retirement plans for almost all of its employees. TRS issues suggested footnote disclosures for pension plans resulting from the implementation of GASB Statement No. 68. The TRS sample footnotes are displayed below and can also be obtained from the TRS website. Certain revisions, including additions and deletions, have been made to the TRS suggested footnote disclosures below to achieve appropriate disclosure for community colleges.

Teacher Retirement System of Texas

*Plan Description*

The College participates in a cost-sharing, multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension’s Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

*Pension Plan Fiduciary Net Pension*

Detailed information about the TRS’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at:

[https://www.trs.texas.gov/TRS%20Documents/cafr\\_2020.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf) or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

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*Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There is no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefits changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description above.

*Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

Contribution Rates	2021	2020
Member	7.7%	7.7%
Non-employer contributing entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
FY2021 Member contributions	<b>\$1,538,260</b>	
FY2021 State of Texas on-behalf contributions	<b>598,304</b>	
FY2021 College contributions	<b>881,184</b>	

College contributions to the TRS pension plan in 2022 were \$986,614 as reported in the Schedule of College's Contributions for Pensions in the required supplementary information section of these financial statements. Estimated State of Texas on-behalf contributions for 2022 were \$614,450.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

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Public junior colleges or junior college districts are required to pay the employer contributions rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Net Pension Liability (Asset)

*Actuarial Assumptions*

The total Pension Liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2021
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions:	
Single discount rate	7.25%
Long-term expected investment rate of return*	7.25%
Municipal bond rate*	1.95%
Last year ending August 31 in the 2016 to 2116 projection period (100 years)	2120
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Payroll growth rate	3.00%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

*\*The municipal bond rate used is 2.33% as of August 2020 (i.e., the rate closest to but not later than the Measurement Date). Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were not updated from the prior year's report.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

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*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS' target asset allocation as of August 31, 2021, is summarized below:

Asset Class	FY2021 Target Allocation	New Target Allocation	Long-Term Expected Geometric Real Rate of Return
<b>Global Equity</b>			
U.S	18.0%	18.0%	3.60%
Non-U.S. developed	13.0%	13.0%	4.40%
Emerging markets	9.0%	9.0%	4.60%
Private equity	14.0%	14.0%	6.30%
<b>Stable Value</b>			
Government bonds	16.0%	16.0%	(0.2)%
Absolute return	0.0%	0.0%	1.10%
Stable value hedge funds	5.0%	5.0%	2.20%
<b>Real Return</b>			
Real assets	15.0%	15.0%	4.50%
Energy and natural resources	6.0%	6.0%	4.70%
Commodities	0.0%	0.0%	1.70%
<b>Risk Parity</b>			
Risk parity	8.0%	8.0%	2.80%
Cash	2.0%	2.0%	(0.70)%
Asset allocation leverage	(6.0%)	(6.0%)	(0.50)%
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>34.50%</u>

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*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2021 Net Pension Liability.

	1% Decrease (6.25%)	Current Rate (7.25 %)	1% Increase (8.25%)
College's proportionate share of the net pension liability (asset)	\$ 11,512,535	\$ 5,268,512	\$ 202,714

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

As of August 31, 2022, the College reported a liability of \$5,268,512 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	\$ 5,268,512
State's proportionate share that is associated with the College	3,666,772
Total	\$ 8,935,284

The net pension liability was measured as of August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At the measurement date of August 31, 2021, the employer's proportion of the collective net pension liability was 0.0206880421%, which was a decrease of 0.0006304789% from its proportion measured of as of August 31, 2020.

For the year ended August 31, 2021, the College recognized pension expense of \$14,659 and revenue of \$14,659 for support provided by the State.

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As of August 31, 2022, the College reported its proportion share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 8,817	\$ 370,907
Changes in actuarial assumptions	1,862,316	811,810
Difference between projected and actual investment earnings	327,242	4,744,821
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	203,163	566,232
Contributions paid to TRS subsequent to the measurement date	986,614	-
<b>Total</b>	<b>\$ 3,388,152</b>	<b>\$ 6,493,770</b>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense below as follows:

Year ended August 31:	Pension Expense Amount
2022	\$ 251,462
2023	(735,109)
2024	(1,098,824)
2025	(1,401,836)
2026	(96,792)
Thereafter	(24,519)
Total	\$ (3,105,618)

Optional Retirement Plan – Defined Contribution Plan

*Plan Description*

Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

*Funding Policy*

Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.60% and 6.60% for 2021 and 2020. The College does not contribute for employees who were participating in the Optional Retirement Program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting College.

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The retirement expense to the State for the College was \$275,095 and \$1,207,065 for the fiscal years ended August 31, 2022 and 2021, respectively.

The total payroll for all College employees was \$31,793,131 and \$30,804,203 for fiscal years 2022 and 2021, respectively. The total payroll for employees covered by the Teacher Retirement System was \$21,112,732 and \$19,977,396, and the total payroll for employees covered by the Optional Retirement Program was \$8,710,338 and \$8,532,199 for fiscal years 2022 and 2021, respectively.

**Note 10: Deferred Compensation Program**

The Pension Trust for South Plains College 401(a) Money Purchase Plan (the “Plan”) is a defined contribution plan that allows College employees to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. The Plan is essentially an unfunded promise to pay by the employer to each of the Plan participants.

As of August 31, 2022, the College has 348 employees participating in the Plan. There were 160 employees vested as of August 31, 2022. A total of \$110,100 in contributions were invested in the Plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$1,706,003.

As of August 31, 2021, the College had 355 employees participating in the Plan. There were 163 employees vested as of August 31, 2021. A total of \$109,800 in contributions were invested in the Plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$2,278,292.

The College implemented GASB Statement No. 84, Fiduciary Activities during the year ended August 31, 2021, which resulted in the Plan activities being reported as part of the College financial statements as fiduciary activities.

**Note 11: Compensated Absences**

The College has adopted a “use it or lose it” policy and does not compensate for unused vacation or sick leave.

**Note 12: Health Care and Life Insurance Benefits**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state’s total contributions for the years ended August 31, 2022 and 2021 were \$3,687,006 and \$3,653,000, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

**Note 13: Other Post-Employment Benefits (OPEB)**

*Plan Description*

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPES) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain post-employment health care, life, and dental insurance benefits to retired employees of participating universities, community colleges, and state agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the state and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of

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these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by state law and may be amended by the Texas Legislature.

*OPEB Plan Fiduciary Net Position*

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements, and required supplementary information. That report may be obtained on the internet at <https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2019-CAFR.pdf> or by writing to ERS at: 200 East 18th Street, Austin, Texas 78701; or by calling (877) 275-4377.

*Benefits Provided*

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

*Contributions*

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution  
Retiree Health and Basic Life Premium  
Fiscal Years Ended August 31, 2022 and 2021

		<b>2022</b>		2021
Retiree only	\$	<b>624.82</b>	\$	624.82
Retiree & spouse	\$	<b>1,339.90</b>	\$	1,339.90
Retiree & children	\$	<b>1,103.58</b>	\$	1,103.58
Retiree & family	\$	<b>1,818.66</b>	\$	1,818.66

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Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Premium Contributions by Source  
 Group Benefits Program Plan  
 For the Years Ended August 31, 2022 and 2021

	<b>2022</b>	2021
Employers	\$ <b>766,689,167</b>	\$ 748,369,212
Members (Employees)	\$ <b>192,426,941</b>	\$ 230,151,101
Nonemployer contributing entity (State of Texas)	\$ <b>39,188,518</b>	\$ 37,736,903

*Source: ERS 2021 Comprehensive Annual Financial Report*

*Actuarial Assumptions*

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2021 using the following actuarial assumptions:

Valuation date	August 31, 2021
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	2.14%
Projected annual salary increase (includes inflation)	2.30% to 9.05%
Annual healthcare trend rate	
HealthSelect	5.25% for 2023, 5.15% for 2024, 5.00% for 2025, 4.75% for 2026, 4.60 for 2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2030 and later years
HealthSelect Medicare Advantage	0% for 2023, 66.67% for 2024, 24% for 2025, 4.75% for 2026, 4.6% for 2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2030 and later years
Pharmacy	10% for 2023 and 2024, decreasing 100 basis points per year to an ultimate rate of 5% for 2029 and 4.3% for 2030 and later years
Inflation assumption rate	2.30%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience Ultimate MP Projection Scale from year 2020.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014.

*Source: 2021 ERS CAFR except for amortization method, amortization period remaining, and asset valuation method obtained from 2019 ERS CAFR.*

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

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Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2017, for higher education members.

*Investment Policy*

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

*Discount Rate*

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 2.2%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.14%, which amounted to a decrease of 0.06%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating.

*Discount Rate Sensitivity Analysis*

The following schedules shows the impact of South Plains College College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (2.14%) in measuring the net OPEB liability.

	1% Decrease <u>(1.14%)</u>	Current Rate <u>(2.14%)</u>	1% Increase <u>(3.14%)</u>
College's proportionate share of the net OPEB liability	\$ 71,955,623	\$ 60,414,215	\$ 51,384,787

*Healthcare Trend Rate Sensitivity Analysis*

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact of the college's proportionate share of the collective net OPEB liability if the healthcare cost trend rate used was 1 percent less than 1 percent greater than the healthcare cost trend rate that was used (7.3%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Cost Trend Rates 4.25% decreasing to <u>3.3%</u>	Current Healthcare Cost Trend Rates 5.25% decreasing to <u>4.3%</u>	1% Increase in Healthcare Cost Trend Rates 6.25% decreasing to <u>5.3%</u>
College's proportionate share of the net OPEB liability	\$ 46,572,904	\$ 55,647,031	\$ 67,542,263

**SOUTH PLAINS COLLEGE**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AUGUST 31, 2022 and 2021*

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*OPEB Liabilities, OPEB Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to OPEB*

As of August 31, 2022, the College reported a liability of \$60,414,215 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's Proportionate share of the collective net OPEB liability	\$	60,414,215
State's proportionate share that is associated with the college		43,604,256
Total	\$	<u>104,018,471</u>

The net OPEB liability was measured as of August 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At the measurement date of August 31, 2021, the College's proportion of the collective net OPEB liability was .16839961%, which is an increase of .00061596% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the College recognized OPEB expense of \$2,075,637 and revenue of (\$532,013) for the support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future female retirees assumed to be married and electing coverage for their spouse.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the opt-out credit at retirement.
- The percentage of Higher Education vested terminated members assumed to have terminate less than one year before the valuation date.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent health plan experience and its effects on our short-term expectations. The annual rate of increase in the Patient-Centered Outcomes Research Institute Fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations. Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions.
- The discount rate assumption was changed from 2.20% to 2.14% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The valuation reflects the minor benefit changes that will become effective September 1, 2021, since these changes were communicated to plan members in advance of the preparation of this report. These changes, which are not expected to have a significant impact on plan costs for fiscal year 2022, are provided for in the fiscal year 2022 Assumed Per Capita Health Benefit Costs.

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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As of August 31, 2022, the College reported its proportionate share of the ERS plan's collective deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 1,481,893
Changes in actuarial assumptions	4,136,194	6,728,791
Difference between projected and actual investment earnings	10,700	-
Effect of change in proportion and contribution difference	5,937,383	1,552,804
Contributions paid subsequent to the measurement date	785,380	-
	<u>10,869,657</u>	<u>9,763,488</u>
<b>Total</b>	<b>\$ 10,869,657</b>	<b>\$ 9,763,488</b>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense below as follows:

Year ended August 31:	OPEB Expense Amount
2023	\$ 539,699
2024	582,929
2025	(233,621)
2026	557
2027	216,605
Thereafter	-
Total	<u>\$ 1,106,169</u>

**Note 14: Pending Lawsuits and Claims**

None as of report date.

**Note 15: Disaggregation of Receivables and Payables Balances**

Receivables as of August 31, 2022 and 2021 were as follows:

	2022	2021
Student receivables	\$ 13,293,343	\$ 13,268,619
Taxes receivable	279,367	302,717
Federal receivables	684,193	1,499,048
State receivables	102,404	43,060
Other receivables	424,694	403,211
Total	<u>\$ 14,784,001</u>	<u>\$ 15,516,655</u>

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

Payables as of August 31, 2022 and 2021 were as follows:

	<b>2022</b>	2021
Vendor payables	\$ <b>2,203,240</b>	\$ 2,045,125
Salaries and benefits payable	<b>975,453</b>	901,081
Students payable	<b>984,846</b>	798,713
Accrued interest	<b>177,202</b>	183,054
Total	<b>\$ 4,340,741</b>	\$ 3,927,973

**Note 16: Contract and Grant Awards**

Contract and grant awards are accounted for in accordance with requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2022 and 2021 for which monies have not been received nor funds expended totaled \$8,940,442 and \$24,228,149. Of these amounts \$8,820,657 and \$23,935,218 were from Federal Contract and Grant Awards; \$119,785 and \$262,931 were from State Contract and Grant Awards; and \$0 and \$30,000 were from Non-governmental Grants for the fiscal years ended 2022 and 2021, respectively.

**Note 17: Ad Valorem Tax**

The College's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College.

Fiscal Year Ending August 31,	<b>2022</b>	2021
Assessed Valuation of the College	\$ <b>2,975,796,403</b>	\$ 3,337,119,463
Less: Exemptions	<b>(419,095,460)</b>	(418,705,669)
Net Assessed Value of the College	<b>\$ 2,556,700,943</b>	\$ 2,918,413,794

Fiscal Year Ending August 31,	<b>2022</b>			2021		
	<b>Current Operations</b>	<b>Debt Service</b>	<b>Total</b>	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ <b>0.4000</b>	\$ <b>0.1000</b>	\$ <b>0.5000</b>	\$ 0.4000	\$ 0.1000	\$ 0.5000
Assessed tax rate per \$100 valuation	\$ <b>0.3927</b>	\$ <b>N/A</b>	\$ <b>0.3927</b>	\$ 0.3927	\$ <b>N/A</b>	\$ 0.3927

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

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Taxes levied for the year ended August 31, 2022 and 2021 totaled \$9,948,415 and \$11,370,750, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed.

Taxes Collected	2022 Current Operations	2021 Current Operations
Current taxes collected	\$ 9,785,416	\$ 11,169,613
Delinquent taxes collected	143,985	151,527
Penalties and interest collected	119,568	111,114
Total Collections	\$ 10,048,969	\$ 11,432,254

Tax collections for the year ended August 31, 2022 and 2021 were 98.36% and 98.23% of the actual tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations, or general obligation debt service.

**Note 18: Risk Management**

The College is exposed to various risks of loss related to liability, property, and errors and omissions. These exposures to loss are handled by commercial insurance. The College has self-insured arrangements for coverage in the areas of unemployment compensation and workers' compensation. Unemployment compensation is on a pay-as-you-go basis and workers' compensation is handled by a risk management fund which specializes in handling colleges and school College workers' compensation claims. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage.

**Note 19: Income Taxes**

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2022 and 2021.

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

**Note 20: Liquidity and Availability – SPC Foundation**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of August 31:

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash and cash equivalents	\$ <b>1,287,719</b>	\$ 1,209,362
Accrued interest and dividends receivable	<b>1,945</b>	2,088
Investments	<b>26,589,567</b>	29,782,022
Planned gift cash value	<b>356,508</b>	337,898
Vacation time share	<b>12,500</b>	12,500
Pledges receivable	<b>4,697,933</b>	6,854,983
Total Financial assets	<b>32,946,172</b>	38,198,853
Less:		
Donor restricted net assets	<b>(27,964,295)</b>	(31,004,720)
Agency amounts	<b>(4,697,933)</b>	(6,854,983)
	<b>(32,662,228)</b>	(37,859,703)
Financial assets available within one year to meet cash needs for general expenditures	<b>\$ 283,944</b>	\$ 339,150

The Foundation’s goal is to maintain a sufficient level of assets to meet a full year of operating expenditures.

**Note 21: Endowments and Other Donor Restricted Net Assets – SPC Foundation**

The Foundation’s Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of August 31, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity: (a) the original value of initial and subsequent gift amounts donated to the Endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Foundation and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and appreciation of the investments,
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Changes in endowment net assets consist of the following as of August 31:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 28,863,713	\$ 23,298,834
Contributions	1,414,212	1,911,749
Investment earnings (loss)	(3,390,623)	4,365,393
Scholarships	(838,886)	(712,263)
Endowment net assets, end of year	<u>\$ 26,048,416</u>	<u>\$ 28,863,713</u>

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Funds with Deficiencies: From time to time, certain donor-restricted and quasi-endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

There were no endowments considered to be underwater as of August 31, 2022 and 2021.

The remaining net assets with donor restrictions totaling \$1,927,522 and \$2,141,007 as of August 31, 2022 and 2021, respectively primarily represent amounts held for scholarships which are not considered endowed funds.

**Note 22: Expenses by Nature and Function – SPC Foundation**

The table below presents expenses by both their nature and their function for the year ended August 31, 2022.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 1,087,260	\$ -	\$ -	\$ 1,087,260
Fundraising expenses	-	-	56,380	56,380
Planned gift expenses	6,711	-	-	6,711
Restricted program support	2,600,000	-	-	2,600,000
Less: amounts considered agency transactions	(2,600,000)	-	-	(2,600,000)
Other expenses	-	16,559	-	16,559
	<u>\$ 1,093,971</u>	<u>\$ 16,559</u>	<u>\$ 56,380</u>	<u>\$ 1,166,910</u>

**SOUTH PLAINS COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 and 2021**

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The table below presents expenses by both their nature and their function for the year ended August 31, 2021.

	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 1,013,063	\$ -	\$ -	\$ 1,013,063
Fundraising expenses	-	-	20,320	20,320
Planned gift expenses	6,711	-	-	6,711
Restricted program support	9,825,000	-	-	9,825,000
Less: amounts considered agency transactions	(9,825,000)	-	-	(9,825,000)
Unrestricted program support	6,940	-	-	6,940
Other expenses	-	15,225	-	15,225
	<u>\$ 1,026,714</u>	<u>\$ 15,225</u>	<u>\$ 20,320</u>	<u>\$ 1,062,259</u>

**Note 23: Pledges Receivable – SPC Foundation**

Pledges receivable for the Foundation as of August 31, 2022 totaled \$5,000,000 (gross) and were reduced by a present value discount totaling \$302,067 for a net balance of \$4,697,933. The Foundation is reflecting the pledges related to the renovation and construction projects as agency transactions as the pledges were designated for specific College projects by the donors and the lack of discretion for the Foundation in use of the funds. The pledges mature as follows:

Amounts due in:	
Less than one year	\$ 1,000,000
One to five years	4,000,000
TOTAL	<u>\$ 5,000,000</u>

Pledges receivable (gross) for the Foundation were provided for the following as of August 31, 2022:

Downtown Lubbock Center	5,000,000
TOTAL	<u>\$ 5,000,000</u>

**Note 24: Subsequent Events**

Management has evaluated subsequent events through November 9, 2022; the date which the financial statement were available for distribution.

**Required Supplementary Information**

SOUTH PLAINS COLLEGE  
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2022 \*  
EXHIBIT 4

Fiscal Year Ending August 31, *	2021	2020	2019	2018	2017	2016	2015	2014
College's proportionate share of collective net pension liability (%)	.0206880421	.0213185210	.0220336984	.0210632914	.0216430538	.0215355517	.0219025000	.0240324000
College's proportionate share of collective net pension liability (\$)	\$ 5,268,512	\$ 11,417,765	\$ 11,453,805	\$ 11,593,747	\$ 6,920,283	\$ 8,137,965	\$ 7,742,242	\$ 6,419,386
State's proportional share of net pension liability associated with College (\$)	3,666,772	7,817,968	7,618,648	8,321,857	5,065,774	5,863,387	5,595,333	4,671,566
Total	<u>\$ 8,935,284</u>	<u>\$ 19,235,733</u>	<u>\$ 19,072,453</u>	<u>\$ 19,915,604</u>	<u>\$ 11,986,057</u>	<u>\$ 14,001,352</u>	<u>\$ 13,337,575</u>	<u>\$ 11,090,952</u>
College's covered payroll	\$ 19,977,396	\$ 19,793,642	\$ 19,113,504	\$ 18,062,784	\$ 18,022,687	\$ 17,207,261	\$ 16,361,175	\$ 15,402,251
College's proportionate share of collective net pension liability as a percentage of covered payroll	26.37%	57.68%	59.93%	64.19%	38.40%	47.29%	47.32%	41.68%
Plan fiduciary net position as percentage of total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

\*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SOUTH PLAINS COLLEGE  
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR PENSIONS  
LAST EIGHT FISCAL YEARS  
EXHIBIT 5

Fiscal Year Ending August 31, *	2022**	2021**	2020**	2019**	2018**	2017**	2016**	2015**
Legally required contributions	\$ 986,614	\$ 881,184	\$ 879,195	\$ 770,990	\$ 707,964	\$ 684,239	\$ 679,003	\$ 653,502
Actual contributions	(986,614)	(881,184)	(879,195)	(770,990)	(707,964)	(684,239)	(679,003)	(653,502)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$21,679,296	\$19,977,396	\$19,793,642	\$19,113,504	\$18,062,784	\$18,022,687	\$17,207,261	\$16,361,175
Contributions as a percentage of covered payroll	4.55%	4.41%	4.44%	4.03%	3.92%	3.80%	3.95%	3.99%

\*The amounts presented above are as of the College's respective fiscal year-end.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SOUTH PLAINS COLLEGE  
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF NET OPEB LIABILITY  
FOR THE YEAR ENDED AUGUST 31, 2022  
EXHIBIT 6

Fiscal Year Ending August 31, *	2021**	2020**	2019**	2018**	2017**
College's proportionate share of collective net OPEB liability (%)	0.16839961	0.1677836500	0.1630667900	0.1706928100	0.1283232400
College's proportionate share of collective net OPEB liability (\$)	\$ 60,414,215	\$ 55,443,489	\$ 56,360,245	\$ 50,589,495	\$ 43,723,593
State's proportional share of net OPEB liability associated with College (\$)	43,604,526	40,154,800	43,371,167	36,306,041	34,838,121
Total	<u>\$ 104,018,741</u>	<u>\$ 95,598,289</u>	<u>\$ 99,731,412</u>	<u>\$ 86,895,536</u>	<u>\$ 78,561,714</u>
College's covered payroll	\$ 25,198,968	\$ 27,921,118	\$ 25,106,985	\$ 24,329,118	\$ 24,896,761
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	239.75%	198.57%	224.48%	207.94%	175.62%
Plan fiduciary net position as percentage of total OPEB liability	0.38%	0.32%	0.17%	1.27%	2.04%

\*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SOUTH PLAINS COLLEGE  
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB  
FOR THE YEAR ENDED AUGUST 31, 2022  
EXHIBIT 7

<b>Fiscal Year Ending August 31, *</b>	<b>2022**</b>	<b>2021**</b>	<b>2020**</b>	<b>2019**</b>	<b>2018**</b>
Legally required contributions	\$ 785,380	\$ 871,321	\$ 843,185	\$ 442,595	\$ 1,304,810
Actual contributions	<u>(785,380)</u>	<u>(871,321)</u>	<u>(843,185)</u>	<u>(442,595)</u>	<u>(1,304,810)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 College's covered payroll amount	 \$ 25,923,798	 \$ 25,198,968	 \$ 27,921,118	 \$25,106,985	 \$24,329,118
Contributions as a percentage of covered payroll	3.03%	3.46%	3.02%	1.76%	5.36%

\*The amounts presented above are as of the College's respective fiscal year-end.

\*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## **Supplemental Schedules**

SOUTH PLAINS COLLEGE  
SCHEDULE OF OPERATING REVENUES  
FOR THE YEAR ENDED AUGUST 31, 2022  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)  
SCHEDULE A

			Total	Auxiliary	Totals	
	Unrestricted	Restricted	Educational Activities	Enterprises	Fiscal Year 2022	Fiscal Year 2021
<b>Tuition</b>						
State-funded courses						
In-district resident tuition	\$ 378,120	\$	\$ 378,120	\$	\$ 378,120	\$ 364,480
Out-of-district resident tuition	14,557,141		14,557,141		14,557,141	14,476,251
Non-resident tuition	822,775		822,775		822,775	842,254
TPEG - credit (set aside)*	274,660		274,660		274,660	271,135
State funded continuing education	231,104		231,104		231,104	301,889
Non-state funded educational programs	173,736		173,736		173,736	44,037
<b>Total Tuition</b>	<b>16,437,536</b>	<b>-</b>	<b>16,437,536</b>	<b>-</b>	<b>16,437,536</b>	<b>16,300,046</b>
<b>Fees</b>						
General fee	12,293,392		12,293,392		12,293,392	12,204,681
Student service fee	2,843,175		2,843,175		2,843,175	3,067,132
Special course fee	1,044,568		1,044,568		1,044,568	975,146
Installment plan fee	135,090		135,090		135,090	134,160
Continuing education fees	1,238,170		1,238,170		1,238,170	508,175
Three peat fee	234,082		234,082		234,082	207,139
Testing fee	154,878		154,878		154,878	161,247
Reinstatement fee	-		-		-	-
Building use fee	220,860		220,860		220,860	218,310
<b>Total Fees</b>	<b>18,164,215</b>	<b>-</b>	<b>18,164,215</b>	<b>-</b>	<b>18,164,215</b>	<b>17,475,990</b>
<b>Scholarship Allowances and Discounts</b>						
Bad debt allowances			-		-	-
Remissions and exemptions - state	(3,413,908)		(3,413,908)		(3,413,908)	(3,475,382)
Title IV federal grants	(11,703,193)		(11,703,193)		(11,703,193)	(11,281,280)
TPEG awards	(54,140)		(54,140)		(54,140)	(129,697)
Scholarship allowances	(683,057)		(683,057)		(683,057)	(753,907)
HEERF	(1,471,403)		(1,471,403)		(1,471,403)	(186,557)
<b>Total Scholarship Allowances and Discounts</b>	<b>(17,325,701)</b>	<b>-</b>	<b>(17,325,701)</b>	<b>-</b>	<b>(17,325,701)</b>	<b>(15,826,823)</b>
<b>Total Net Tuition and Fees</b>	<b>17,276,050</b>	<b>-</b>	<b>17,276,050</b>	<b>-</b>	<b>17,276,050</b>	<b>17,949,213</b>
<b>Other Operating Revenues</b>						
Federal grants and contracts	118,937	2,309,340	2,428,277		2,428,277	2,135,444
State grants and contracts		956,108	956,108		956,108	1,049,827
Non-governmental grants and contracts		1,257	1,257		1,257	123,176
Sales and services of educational activities	173,547		173,547		173,547	142,992
Investment income (program restricted)		795	795		795	1,756
General operating revenues	140,020		140,020		140,020	135,365
<b>Total Other Operating Revenues</b>	<b>432,504</b>	<b>3,267,500</b>	<b>3,700,004</b>	<b>-</b>	<b>3,700,004</b>	<b>3,588,560</b>
<b>Auxiliary Enterprises</b>						
Residential life				2,033,684	2,033,684	1,966,925
Scholarship allowances				(88,985)	(88,985)	(46,048)
TPEG awards				(1,364)	(1,364)	(10,588)
Title IV federal grants				(470,482)	(470,482)	(376,156)
HEERF				(275,661)	(275,661)	(615)
Commissions				183,749	183,749	161,887
Student programs				92,093	92,093	103,461
<b>Total Net Auxiliary Enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,473,034</b>	<b>1,473,034</b>	<b>1,798,866</b>
<b>Total Operating Revenues</b>	<b>\$ 17,708,554</b>	<b>\$ 3,267,500</b>	<b>\$ 20,976,054</b>	<b>\$ 1,473,034</b>	<b>\$ 22,449,088</b>	<b>\$ 23,336,639</b>
					(Exhibit 2)	(Exhibit 2)

\* - In accordance with Education Code 56.033, \$274,660 and \$271,135 for years August 31, 2022 and 2021, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

SOUTH PLAINS COLLEGE  
STATEMENT OF OPERATING EXPENSES BY OBJECT  
FOR THE YEAR ENDED AUGUST 31, 2022  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)  
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits		Other Expenses	Fiscal Year 2022	Fiscal Year 2021
		State	Local			
Unrestricted - Educational and General						
Instruction	\$ 18,236,850	\$	\$ 4,102,912	\$ 4,961,191	\$ 27,300,953	\$ 26,109,394
Public service	209,030		51,039	141,750	401,819	281,610
Academic support	2,164,593		685,977	747,633	3,598,203	3,564,649
Student services	2,718,513		795,004	2,077,764	5,591,281	5,379,444
Institutional support	3,397,690		3,377,745	2,368,787	9,144,222	8,993,521
Operation and maintenance of plant	2,111,484		1,199,611	3,626,385	6,937,480	6,966,215
Scholarships and fellowships				59,558	59,558	113,357
Total Unrestricted	<u>28,838,160</u>	<u>-</u>	<u>10,212,288</u>	<u>13,983,068</u>	<u>53,033,516</u>	<u>51,408,190</u>
Restricted - Educational and General						
Instruction	1,092,996	2,689,357	229,571	1,956,300	5,968,224	5,179,467
Public service		22,348			22,348	27,504
Academic support	7,118	313,220	1,253	118,722	440,313	388,444
Student services	817,707	416,859	316,323	1,439,982	2,990,871	2,059,672
Institutional support		(2,698)		1,205,658	1,202,960	1,058,654
Scholarships and fellowships				8,556,692	8,556,692	12,293,356
Total Restricted	<u>1,917,821</u>	<u>3,439,086</u>	<u>547,147</u>	<u>13,277,354</u>	<u>19,181,408</u>	<u>21,007,097</u>
Total Educational and General	<u>30,755,981</u>	<u>3,439,086</u>	<u>10,759,435</u>	<u>27,260,422</u>	<u>72,214,924</u>	<u>72,415,287</u>
Auxiliary Enterprises	1,037,150		327,070	1,960,254	3,324,474	3,055,595
Depreciation expense - buildings and other real estate				1,488,397	1,488,397	1,553,349
Depreciation expense - equipment and furniture				1,413,939	1,413,939	1,276,436
Depreciation expense - library books				53,677	53,677	51,986
Total Operating Expenses	<u>\$ 31,793,131</u>	<u>\$ 3,439,086</u>	<u>\$ 11,086,505</u>	<u>\$ 32,176,689</u>	<u>\$ 78,495,411</u>	<u>\$ 78,352,653</u>
					(Exhibit 2)	(Exhibit 2)

The accompanying notes are an integral part of the financial statements.

SOUTH PLAINS COLLEGE  
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2022  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)  
SCHEDULE C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				Fiscal Year 2022	Fiscal Year 2021
<b>NON-OPERATING REVENUES:</b>					
State Appropriations					
Education and general state support	\$ 13,544,798	\$	\$	\$ 13,544,798	\$ 13,391,436
State group insurance		3,163,993		3,163,993	3,179,224
State retirement matching		275,092		275,092	1,207,065
Professional nursing shortage reduction		155,223		155,223	80,584
Total State Appropriations	<u>13,544,798</u>	<u>3,594,308</u>	-	<u>17,139,106</u>	<u>17,858,309</u>
Maintenance ad valorem taxes	10,055,928			10,055,928	11,477,873
Federal revenue, non-operating	3,161,307	29,452,315		32,613,622	26,809,233
Gifts				-	500
Gifts in kind				-	14,000
Gifts in aid of debt service				-	1,000,000
Gifts in aid of construction		5,502,950		5,502,950	452,801
Gain on disposal of capital assets				-	3,948
Investment income	140,269	57,175	9,981	207,425	139,142
Total Non-Operating Revenues	<u>26,902,302</u>	<u>38,606,748</u>	<u>9,981</u>	<u>65,519,031</u>	<u>57,755,806</u>
<b>NON-OPERATING EXPENSES:</b>					
Interest on capital related debt	8,782	454,125		462,907	501,747
Total Non-Operating Expenses	<u>8,782</u>	<u>454,125</u>	-	<u>462,907</u>	<u>501,747</u>
<b>NET NON-OPERATING REVENUES</b>	<u>\$ 26,893,520</u>	<u>\$ 38,152,623</u>	<u>\$ 9,981</u>	<u>\$ 65,056,124</u> (Exhibit 2)	<u>\$ 57,254,059</u> (Exhibit 2)

The accompanying notes are an integral part of the financial statements.

SOUTH PLAINS COLLEGE  
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
FOR THE YEAR ENDED AUGUST 31, 2022  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2021)  
SCHEDULE D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (49,077,661)				\$ (49,077,661)	\$ (49,077,661)	
Restricted		572,435			572,435		572,435
Auxiliary enterprises	2,838,676				2,838,676	2,838,676	
Plant:							
Construction				9,544,252	9,544,252		9,544,252
Debt Service				5,144,687	5,144,687		5,144,687
Investment in Plant				78,200,559	78,200,559		78,200,559
<b>Total Net Position, August 31, 2022</b>	<u>(46,238,985)</u>	<u>572,435</u>	-	<u>92,889,498</u>	<u>47,222,948</u>	<u>(46,238,985)</u>	<u>93,461,933</u>
Total Net Position, August 31, 2021	<u>(47,044,174)</u>	<u>494,779</u>	-	<u>84,762,542</u>	<u>38,213,147</u>	<u>(47,044,174)</u>	<u>85,257,321</u>
Net Increase (Decrease) in Net Position	<u>\$ 805,189</u>	<u>\$ 77,656</u>	<u>\$ -</u>	<u>\$ 8,126,956</u>	<u>\$ 9,009,801</u>	<u>\$ 805,189</u>	<u>\$ 8,204,612</u>
				(Exhibit 2)			

The accompanying notes are an integral part of the financial statements.

SOUTH PLAINS COLLEGE  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2022  
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Direct Awards	Pass-Through Awards	Total Expenditures
<b>U.S. Department of Education</b>					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		\$ 420,463		\$ 420,463
Federal Work-Study Program	84.033		189,632		189,632
Federal Pell Grant Program	84.063		15,928,926		15,928,926
Federal Direct Student Loans	84.268		9,049,309		9,049,309
Total Student Financial Aid Cluster			<u>25,588,330</u>		<u>25,588,330</u>
TRIO Cluster					
TRIO Student Support Services	84.042A	P0A42A200517	277,317		277,317
TRIO Upward Bound Program	84.047A	P047A170162	366,845		366,845
Total TRIO Cluster			<u>644,162</u>		<u>644,162</u>
Developing Hispanic-Serving Institutions-Endgame	84.031S	P0315200262	592,953		592,953
CARES - Institutional Portion	84.425F		10,539,455		10,539,455
CARES - Student Aid Portion	84.425E		5,042,782		5,042,782
CARES - MSI	84.425L		793,837		793,837
Total CARES Act			<u>16,376,074</u>		<u>16,376,074</u>
Total Direct Programs			43,201,519		43,201,519
Passed Through From:					
Texas Higher Education Coordinating Board					
Career & Technical Education-Basic Grants	84.048	25015		\$ 764,648	764,648
<b>Total U.S. Department of Education</b>					<u>43,966,167</u>
<b>U.S. Department of Health and Human Services</b>					
Passed Through From:					
Texas Tech University					
Plains Bridges to the Baccalaureate	93.859	21F178-01		14,081	14,081
<b>Total U.S. Department of Health and Human Services</b>					<u>14,081</u>
<b>U.S. Department of Labor</b>					
Passed Through From:					
Texas Tech University					
Cyber Security	17.207			12,605	12,605
<b>Total U.S. Department of Labor</b>					<u>12,605</u>
<b>National Science Foundation</b>					
Direct Programs:					
NSF Grant 2116810	47.076	2116810	59,329		59,329
Passed Through From:					
Texas Tech University					
National Science Foundation TT Dwyer	47.076	1852944		11,386	11,386
LSAMP	47.076	21P684-01		25,440	25,440
Passed Through From:					
Lone Star Education and Research					
	47.070			2,200	2,200
<b>Total U.S. Department of Treasury</b>					<u>98,355</u>
<b>Total Federal Financial Assistance</b>					<u>\$ 44,091,208</u>
<b>Note 1: Federal Assistance Reconciliation</b>					
Federal Grants and Contracts From Schedule A					
Federal Grants, Non-Operating From Schedule C					
Total Federal Revenues Per Schedule A and C					
					<u>\$ 2,428,277</u>
Direct Student Loans					
					<u>9,049,309</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards					
					<u>\$ 44,091,208</u>

**Note 2: Significant accounting policies used in preparing the schedule.**  
The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the College has an agency-approved Indirect Recovery Rate it has elected to not use the 10% de minimis cost rate as permitted in the UG, section 200.414.

**Note 3: Student Loans Processed and Administrative Cost Recovery**

Federal Grantor CFDA Number/Program Name	Total Loans Processed
U.S Department of Education CFDA 84.268 Federal Direct Student Loans	\$ 9,049,309
Total U.S. Department of Education	\$ 9,049,309
(There were no administrative costs recovered and included in above amount)	

**Note 4: Pass through amounts included in program expenditures:**

None.

SOUTH PLAINS COLLEGE  
Schedule of Expenditures of State Awards  
For the Year Ended August 31, 2022  
Schedule F

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
<b><u>Texas Higher Education Coordinating Board</u></b>		
Direct Programs:		
Texas Education Opportunities Grant	13399	\$ 811,014
Nursing Shortage Reduction Program	13129	<u>58,334</u>
<b>Total Texas Higher Education Coordinating Board</b>		<u>869,348</u>
<b><u>Texas Workforce Commission</u></b>		
JET 00221 001 Grant	0221JET001	144,195
<b>Total Workforce Commission</b>		<u>144,195</u>
<b><u>Texas Comptroller of Public Accounts</u></b>		
Peace Officer Allocation		899
<b>Total State Financial Assistance</b>		<u>\$ 1,014,442</u>

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:	\$ 956,108
State Financial Assistance per Schedule of Expenditures of State Awards	<u>1,014,442</u>
Difference (Nursing Shortage Reduction Program Expenditures \$58,334)	<u>\$ (58,334)</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

**Internal Control Section**

November 9, 2022

**To the Board of Regents  
South Plains College  
Levelland, Texas**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of South Plains College, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise South Plains College's basic financial statements, and have issued our report thereon dated November 9, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Plains College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Plains College's internal control. Accordingly, we do not express an opinion on the effectiveness of South Plains College's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Plains College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements (including the Public Funds Investment Act Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Condley and Company, L.L.P.*

Certified Public Accountants

November 9, 2022

**To the Board of Regents  
South Plains College  
Levelland, Texas**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

**Report on Compliance for Each Major Federal and State Program**

**Opinion on Each Major Federal and State Program**

We have audited South Plains College's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of South Plains College's major federal and state programs for the year ended August 31, 2022. South Plains College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Plains College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2022.

**Basis for Opinion on Each Major Federal and State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State of Texas Single Audit Circular*. Our responsibilities under those standards, the Uniform Guidance, and the *State of Texas Single Audit Circular* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Plains College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of South Plains College's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to South Plains College's federal and state programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Plains College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *State of Texas Single Audit Circular* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Plains College's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *State of Texas Single Audit Circular*, we

- exercise reasonable judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Plain College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of South Plains College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of South Plains College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that we not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

*Condly and Company, L.L.P.*

Certified Public Accountants

**SOUTH PLAINS COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2022

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements? No

*Federal and State Awards*

Internal controls over major program:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major program:

<u>CFDA Number (s)</u>	<u>Name of Federal/State Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.425, 84.425E, 84.425F, 84.425L	Education Stabilization Fund
N/A – State Program	Texas Education Opportunities Grant (TEOG)
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000 (Federal) \$300,000 (State)
Auditee qualified as low-risk auditee?	Yes

**SECTION II – FINANCIAL STATEMENT FINDINGS**

The results of our audit procedures disclosed no findings to be reported for the year ended August 31, 2022.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SOUTH PLAINS COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2022

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**SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SOUTH PLAINS COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended August 31, 2022

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Identifying number 2021-001

Status: Finding was fully corrected.