



***ANNUAL FINANCIAL REPORT***

**AUGUST 31, 2021 and 2020**

SOUTH PLAINS COLLEGE  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020  
TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>INTRODUCTORY SECTION</b>		
Organizational Data	1	
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report	2-3	
Management's Discussion and Analysis (Required Supplementary Information)	4-13	
<u>Basic Financial Statements</u>		
Statements of Net Position	14	1
Statements of Financial Position – Component Unit	15	1.1
Statement of Fiduciary Net Position	16	1.2
Statements of Revenues, Expenses and Changes in Net Position	17	2
Statement of Activities – Component Unit (2021)	18	2.1
Statement of Activities – Component Unit (2020)	19	2.2
Statements of Changes in Fiduciary Net Position	20	2.3
Statements of Cash Flows	21	3
Statements of Cash Flows – Component Unit	22	3.1
Notes to the Financial Statements	23-49	
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Schedule of College's Proportionate Share of the Net Pension Liability	50	4
Schedule of College's Contributions for Pensions	51	5
Schedule of College's Proportionate Share of the Net OPEB Liability	52	6
Schedule of College's Contributions for OPEB	53	7
<b>SUPPLEMENTAL SCHEDULES</b>		
Schedule of Operating Revenues	54	<u>Schedule</u> A
Schedule of Operating Expenses by Object	55	B
Schedule of Non-Operating Revenues and Expenses	56	C
Schedule of Net Position by Source and Availability	57	D
Schedule of Expenditures of Federal Awards	58-59	E
Schedule of Expenditures of State Awards	60	F
<b>OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION</b>		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61-62	
<b>FEDERAL AWARDS SECTION</b>		
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas Single Audit Circular (As Reissued)	63-64	
Schedule of Findings and Questioned Costs (As Reissued)	65-67	
Corrective Action Plan for Audit Findings and Questioned Costs	68	
Summary Schedule of Prior Audit Findings	69	

SOUTH PLAINS COLLEGE  
ORGANIZATIONAL DATA  
FOR THE FISCAL YEAR 2020-21

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	2022
Ronny Alexander	Levelland, Texas	2022
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 17, 2021

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

**INDEPENDENT AUDITORS' REPORT**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of South Plains College (the "College") as of and for the years ended August 31, 2021 and 2020, the fiduciary activities as of and for the year ended August 31, 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.

**Management's Responsibility 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; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of South Plains College as of August 31, 2021 and 2020, and the respective changes in financial position, and cash flows for the years then ended; and the respective financial position of the fiduciary activities as of August 31, 2021, and the respective changes in fiduciary activities for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-13, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of College's Contributions for Pensions on pages 50-51, Schedule of College's Proportionate Share of Net OPEB Liability and Schedule of College's Contributions for OPEB on pages 52-53 be presented to supplement the basic financial statements. Such information, 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.

### *Other 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*, the schedule of expenditures of state awards as required by the *State of Texas Single Audit Circular*, and the introductory section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### *Prior Year Financial Information*

The fiduciary activities of South Plains College as of and for the year ended August 31, 2020, were audited by other auditors, whose report dated December 31, 2020, expressed an unmodified opinion on those activities.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2021, 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.

*Condley 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 ended August 31, 2021. 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 2019-2021</b>					
	<b>2021</b>	<b>2020</b>	<b>% CHANGE 2021</b>	<b>2019</b>	<b>% CHANGE 2021</b>
<b>REVENUES</b>					
OPERATING REVENUES	\$ 23,336,639	\$ 22,792,726	2.4%	\$ 21,609,312	8.0%
NON-OPERATING REVENUES	\$ 57,755,806	\$ 75,022,320	-23.0%	\$ 48,440,431	19.2%
<b>TOTAL</b>	<b>\$ 81,092,445</b>	<b>\$ 97,815,046</b>	<b>-17.1%</b>	<b>\$ 70,049,743</b>	<b>15.8%</b>
<b>EXPENSES</b>					
OPERATING EXPENSES	\$ 78,352,653	\$ 73,198,540	7.0%	\$ 69,829,292	12.2%
NON-OPERATING EXPENSES	\$ 501,747	\$ 575,047	-12.7%	\$ 614,678	-18.4%
<b>TOTAL</b>	<b>\$ 78,854,400</b>	<b>\$ 73,773,587</b>	<b>6.9%</b>	<b>\$ 70,443,970</b>	<b>11.9%</b>
<b>INCREASE IN NET POSITION</b>	<b>\$ 2,238,045</b>	<b>\$ 24,041,459</b>	<b>-90.7%</b>	<b>\$ (394,227)</b>	<b>-667.7%</b>
<b>TOTAL NET POSITION</b>	<b>\$ 38,213,147</b>	<b>\$ 35,975,102</b>	<b>6.2%</b>	<b>\$ 11,993,643</b>	<b>218.6%</b>
<b>CURRENT ASSETS</b>	<b>\$ 55,669,937</b>	<b>\$ 52,271,427</b>	<b>6.5%</b>	<b>\$ 40,830,405</b>	<b>36.3%</b>
<b>CURRENT LIABILITIES</b>	<b>\$ 21,958,972</b>	<b>\$ 21,269,626</b>	<b>3.2%</b>	<b>\$ 22,065,622</b>	<b>-0.5%</b>
<b>CURRENT RATIO</b>	<b>2.54</b>	<b>2.46</b>	<b>N/A</b>	<b>1.85</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. Generally, 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 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 related financing activities

## FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

The College's combined net position was \$38.2 million as of August 31, 2021. See Table A-1.

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

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>	<b>% CHANGE 2021</b>	<b>2019</b>	<b>% CHANGE 2021</b>
CURRENT ASSETS	\$ 55.7	\$ 52.3	6.5%	\$ 40.8	36.5%
CAPITAL ASSETS	\$ 84.7	\$ 78.5	7.9%	\$ 73.1	15.9%
OTHER NON CURRENT ASSETS	\$ 4.7	\$ 8.3	N/A	\$ 0.2	2250.0%
<b>TOTAL</b>	<b>\$ 145.1</b>	<b>\$ 139.1</b>	<b>4.3%</b>	<b>\$ 114.1</b>	<b>27.2%</b>
DEFERRED OUTFLOWS	\$ 17.4	\$ 21.3	-18.3%	\$ 20.0	-13.0%
<b>LIABILITIES</b>					
LONG TERM DEBT OUTSTANDING	\$ 84.1	\$ 83.8	0.4%	\$ 79.4	5.9%
OTHER LIABILITIES	\$ 22.0	\$ 21.3	3.3%	\$ 22.1	-0.5%
<b>TOTAL</b>	<b>\$ 106.1</b>	<b>\$ 105.1</b>	<b>1.0%</b>	<b>\$ 101.5</b>	<b>4.5%</b>
DEFERRED INFLOWS	\$ 18.2	\$ 19.3	-5.7%	\$ 20.7	-12.1%
<b>NET POSITION</b>					
INVESTED IN CAPITAL ASSETS					
NET OF DEBT	\$ 65.4	\$ 61.2	6.9%	\$ 54.7	19.6%
RESTRICTED	\$ 19.8	\$ 21.1	-6.2%	\$ 2.3	760.9%
UNRESTRICTED	\$ (47.0)	\$ (46.3)	-1.5%	\$ (45.1)	-4.2%
<b>TOTAL NET POSITION</b>	<b>\$ 38.2</b>	<b>\$ 36.0</b>	<b>6.1%</b>	<b>\$ 11.9</b>	<b>221.0%</b>

The negative \$47.0 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 \$20,606,237 on August 31, 2021.

**Changes in net position.** As Table A-1 illustrates, the College's net position for FY2021 increased by \$2.2 million (6.1%). This change is due an increase of \$4.2 million in capital asset net position, a decrease in unrestricted net position of .7 million and a decrease of \$1.3 million in restricted net position.

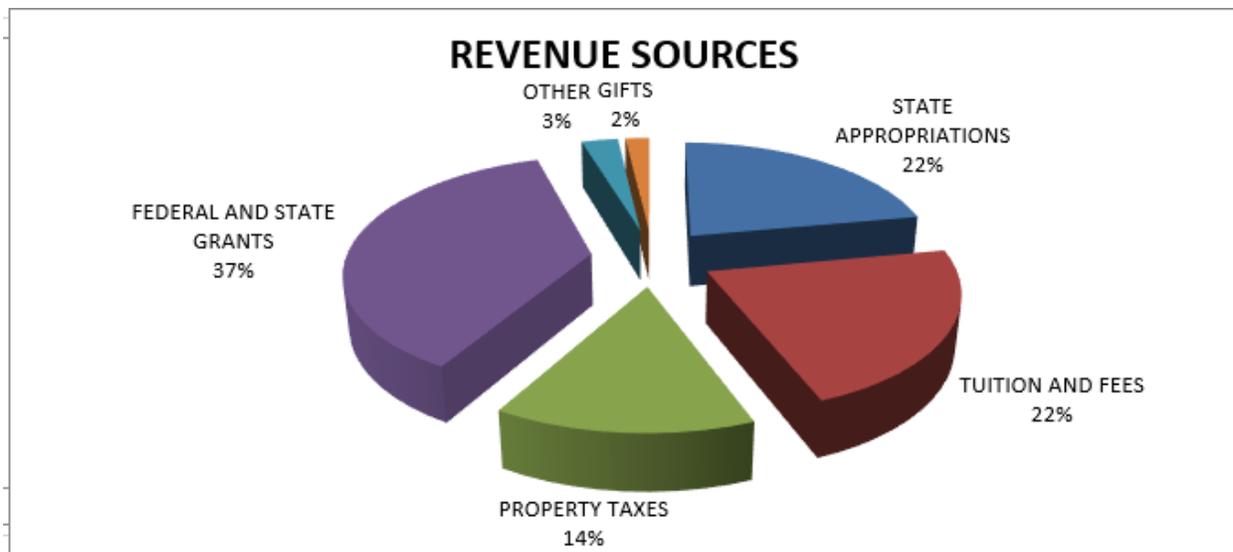
## COLLEGE REVENUES AND EXPENSES

The College's total revenues for FY2021 were \$81.1 million. This represents a \$16.7 million decrease from FY2020. The change is primarily from a decrease in gifts of \$21.8 million and an increase in federal revenue, non-operating of \$5.7 million (CARES act increase of \$7.6 million and decrease of \$1.9 million for other federal non-operating revenue). Approximately 37% of total revenues comes from federal and state grants and contracts, 22% comes from state appropriations, 22% from tuition and fees, 14% from property taxes, 2% from gifts, and the remaining 3% from other sources. The College's total operating expenses were \$78.4 million in FY2021 (Table A-3). This represents a \$5.2 million (7.1%) increase from FY2020. The increase is primarily due to scholarships, which increased by \$5 million (67.6%) since last year. CARES grants to students increased by \$5.8 million from FY 2020 and is the reason for the large increase in scholarships. The following are financial highlights presented in Table A-2.

- Property tax revenues decreased \$281,338 from FY2020 to FY2021 and increased \$946,001 from FY2019 to FY2020.
- State appropriations decreased by \$669,911 from FY2020 to FY2021. Although general state support and nursing shortage remained about the same, there was a decrease in OPEB and TRS non-cash revenue.
- The out-of-district and non-resident tuition amounts increased by \$7 per semester credit hour. Instructional support fee increased by \$10 per semester hour for Reese, Lubbock Center and Plainview Center.
- Gifts decreased by \$22 million from FY2020 to FY2021. The primary reason for the decrease is a \$21.7 million decrease in gifts to support construction.
- Federal and state grants increased by \$5.7 million for a total of \$30 million. This is primarily because CARES revenue increased by \$7.6 million from FY2020. This number represents 37% of total revenue.

**TABLE A-2  
SOUTH PLAINS COLLEGE  
SOURCES OF REVENUE  
FY2021**

<b>REVENUE SOURCES(millions)</b>	<b>2021</b>		<b>2020</b>		<b>2019</b>	
STATE APPROPRIATIONS	\$ 17.9	22.1%	\$ 18.5	18.9%	\$ 18.2	26.0%
TUITION AND FEES	\$ 17.9	22.1%	\$ 17.6	18.0%	\$ 16.3	23.3%
PROPERTY TAXES	\$ 11.5	14.2%	\$ 11.8	12.1%	\$ 10.8	15.4%
FEDERAL AND STATE GRANTS	\$ 30.0	37.0%	\$ 24.3	24.8%	\$ 20.3	29.0%
OTHER	\$ 2.3	2.8%	\$ 2.4	2.5%	\$ 2.9	4.1%
GIFTS	\$ 1.5	1.8%	\$ 23.2	23.7%	\$ 1.5	2.1%
<b>TOTAL</b>	<b>\$ 81.1</b>	<b>100.0%</b>	<b>\$ 97.8</b>	<b>100.0%</b>	<b>\$ 70.0</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>%</b>		<b>%</b>
	<b>2021</b>	<b>2020</b>		<b>CHANGE</b>	<b>2019</b>	<b>CHANGE</b>
<b>OPERATING REVENUES</b>				<b>2021</b>		<b>2021</b>
TUITION AND FEES(NET OF DISCOUNTS )	\$ 18.0	\$ 17.6		2.3%	\$ 16.3	10.4%
FEDERAL GRANTS AND CONTRACTS	\$ 2.1	\$ 2.1		0.0%	\$ 2.1	0.0%
STATE GRANTS AND CONTRACTS	\$ 1.0	\$ 1.0		0.0%	\$ 0.8	25.0%
NON GOVERNMENTAL GRANTS AND CONTRACTS	\$ 0.2	\$ 0.1		100.0%	\$ 0.1	100.0%
SALES AND SERVICES EDUCATIONAL ACTIVITIES	\$ 0.1	\$ 0.1		0.0%	\$ 0.1	0.0%
AUXILIARY ENTERPRISES (NET OF DISCOUNTS)	\$ 1.8	\$ 1.8		0.0%	\$ 2.0	-10.0%
GENERAL OPERATING REVENUES	\$ 0.1	\$ 0.1		0.0%	\$ 0.2	-50.0%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 23.3</b>	<b>\$ 22.8</b>		<b>2.2%</b>	<b>\$ 21.6</b>	<b>7.9%</b>
<b>OPERATING EXPENSES</b>						
INSTRUCTION	\$ 31.3	\$ 32.1		-2.5%	\$ 29.8	5.0%
PUBLIC SERVICE	\$ 0.3	\$ 0.3		0.0%	\$ 0.5	-40.0%
ACADEMIC SUPPORT	\$ 4.0	\$ 3.9		2.6%	\$ 3.5	14.3%
STUDENT SERVICES	\$ 7.4	\$ 7.1		4.2%	\$ 6.8	8.8%
INSTITUTIONAL SUPPORT	\$ 10.0	\$ 10.2		-2.0%	\$ 10.7	-6.5%
OPERATING AND MAINTENANCE OF PLANT	\$ 7.0	\$ 6.3		11.1%	\$ 6.3	11.1%
SCHOLARSHIPS AND FELLOWSHIPS	\$ 12.4	\$ 7.4		67.6%	\$ 6.3	96.8%
AUXILIARY ENTERPRISES	\$ 3.1	\$ 3.1		0.0%	\$ 3.3	-6.1%
DEPRECIATION	\$ 2.9	\$ 2.8		3.6%	\$ 2.6	11.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 78.4</b>	<b>\$ 73.2</b>		<b>7.1%</b>	<b>\$ 69.8</b>	<b>12.3%</b>
<b>NON-OPERATING REVENUES(EXPENSES)</b>						
STATE APPROPRIATIONS	\$ 17.9	\$ 18.5		-3.2%	\$ 18.2	-1.6%
TAXES-MAINTENANCE AND OPERATIONS	\$ 11.5	\$ 11.8		-2.5%	\$ 10.8	6.5%
FEDERAL REVENUE, NON-OPERATING	\$ 26.8	\$ 21.2		26.4%	\$ 17.3	54.9%
GIFTS	\$ 1.5	\$ 23.2		-93.5%	\$ 1.5	0.0%
INVESTMENT INCOME	\$ 0.1	\$ 0.3		-66.7%	\$ 0.6	-83.3%
INTEREST ON CAPITAL RELATED DEBT	\$ (0.5)	\$ (0.6)		-16.7%	\$ (0.6)	-16.7%
<b>TOTAL NON-OPERATING REVENUES(EXPENSES)</b>	<b>\$ 57.3</b>	<b>\$ 74.4</b>		<b>-23.0%</b>	<b>\$ 47.8</b>	<b>19.9%</b>
<b>INCREASE(DECREASE) IN NET ASSETS</b>	<b>\$ 2.2</b>	<b>\$ 24.0</b>		<b>-90.8%</b>	<b>\$ (0.4)</b>	<b>-450.0%</b>

### Capital Assets

At the end of FY2021, the College had invested \$145.1 million (excluding accumulated depreciation) in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$3.6 million or 2.5% 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>% CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2019</b>
LAND	\$ 2.0	\$ 2.0	0.0%	\$ 2.0
LIBRARY BOOKS	\$ 3.2	\$ 3.1	3.2%	\$ 3.1
CONSTRUCTION IN PROGRESS	\$ 15.4	\$ 8.0	92.5%	\$ 0.7
BUILDINGS	\$ 103.3	\$ 103.3	0.0%	\$ 103.2
LAND IMPROVEMENTS	\$ 2.8	\$ 2.4	16.7%	\$ 2.4
FURNITURE, MACHINERY, VEHICLES, OTHER EQUIP.	\$ 13.0	\$ 14.3	-9.1%	\$ 13.9
TELECOMMUNICATIONS AND PERIPHERAL EQUIP.	\$ 5.4	\$ 8.4	-35.7%	\$ 8.2
<b>TOTAL</b>	<b>\$ 145.1</b>	<b>\$ 141.5</b>	<b>2.5%</b>	<b>\$ 133.5</b>
LESS ACCUMULATED DEPRECIATION	\$ (60.4)	\$ (63.0)	-4.1%	\$ (60.3)
<b>NET CAPITAL ASSETS</b>	<b>\$ 84.7</b>	<b>\$ 78.5</b>	<b>7.9%</b>	<b>\$ 73.2</b>

**Long Term Debt**

At year-end, the College had \$17,275,000 in long-term bonds outstanding as shown in Table A-5 below. This increase occurred because during the year, the College authorized a bond refunding transaction in which \$16 million of the SPC bonds were refinanced for \$14,315,000, using reserve funds to pay the difference. Additionally, \$10 million in construction bonds were approved with \$5 million issued, and an additional \$5 million authorized but not issued at year-end. The result of this transaction increased the long-term debt by \$1.275 million to \$17.275 million in FY2021 and the current bond debt increased from \$1.25 million to \$2.040 million from FY2020 to FY2021.

The net pension liability remained about the same, but the net OPEB liability decreased by \$916,756, for a total of \$55.4 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.

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

<b>South Plains College Long Term Debt</b>			
<b>(in millions of dollars)</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Tuition Revenue Bonds Payable	\$ 17.3	\$ 16.0	\$ 17.2
Net Pension Liability (TRS)	\$ 11.4	\$ 11.5	\$ 11.6
Net OPEB Liability	\$ 55.4	\$ 56.3	\$ 50.6
<b>Total long term debt</b>	<b>\$ 84.1</b>	<b>\$ 83.8</b>	<b>\$ 79.4</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 a relatively stable enrollment. 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. Student enrollment needs to increase or at least stabilize for the College to sustain its present level of operations.

South Plains College has continued to plan for the expansion of facilities. The College completed Phase 1 of new construction and renovation of the Science Building on the Levelland campus during this fiscal year and classes began fall of 2021 in the renovated building. Phase 2 of the Science Building renovation is projected to be completed in April 2022. The College has received a \$7 million donation from The William R. and Sandra L. Wheeler Charitable Foundation to help with construction. Additionally, The Helen Jones Foundation has committed \$5 million in grants toward this project (\$4 million has been received). An additional grant of \$350,000 from the Montgomery Family Foundation has been pledged toward this project, of which \$250,000 has been received. A \$100 building use fee for every class taught in the Science Building was implemented during FY2019 to help with construction costs.

The City Hall building in downtown Lubbock was purchased for \$2 million on July 27, 2020. The College plans to renovate this facility to serve as a downtown academic center. The renovations will be funded by \$16 million in grants. The Lubbock Economic Development Alliance (LEDA) has donated \$10 million in grants and The CH Foundation has committed to \$6 million in grants. In addition, LEDA will also be providing six annual payments of \$500,000 for help with administrative costs during the first six years of operations. The new facility is projected to open for classes in fall 2022. The student population in Lubbock County will be better served with the addition of this facility. 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. There was a decrease in non-cash items for OPEB and TRS in FY2021. The judicious use of deferred maintenance funds for normal College operations, raising tuition/fee charges, and the stability of state appropriations has been successful in maintaining normal operations. The College will continue to implement strategies to increase contact hours through higher enrollment.

The implementation of GASB 68 to record the unfunded TRS liability has created a net pension liability of \$11.4 million as of FY2021. Implementation of GASB 75 created a restatement of fund balance of (\$51,030,991) for FY2017. There is currently a liability of OPEB of \$55.4 million as of FY2021.

Investment markets and the economy affect interest rates. Given the current state of the economy, markets, and interest rates, the outlook for the College's investment income is unpredictable. Investment income increased from \$58,917 in FY2015 to \$366,429 in FY2018. The investment income increased again in FY2019 to \$573,211 and declined to \$347,697 in FY2020. A further decrease to \$139,142 was recorded in FY2021. 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 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 for FY21 to \$2.9 billion resulting in revenue of \$11.5 million (a decrease of \$281,338). Values are down again in FY22 by \$361 million for a budgeted decrease of over \$1 million in property tax revenue for FY22.

The College has several initiatives underway that will contribute to needed enrollment growth once fully implemented. New program development, such as the culinary arts program, will contribute to future enrollment growth. The College began expanding its career and technical education dual credit course offerings in the spring 2019 semester which increased dual credit student enrollment. The enrollment of dual credit students increased by 278 from fall 2019 to fall 2020, but then decreased by 53 students from fall 2020 to fall 2021. 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 in fall 2021. The 8-week courses will be offered in the future to give students flexibility. The opening of the Lubbock Downtown Center will most certainly increase enrollment beginning in the fall 2022 semester.

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

The South Plains College Foundation is governed by a 25-member Board of 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. However, development efforts recently have been directed at securing private and public grants to support capital improvements, such as the Lubbock Career and Technical Center project and the culinary arts program start-up. The Foundation began receiving these grants for capital improvements during the 2018 fiscal year and will continue to receive grants for these two projects through Fiscal Year 2021. Additionally, the Foundation has secured capital improvement grants for the Science Building renovation project and the Lubbock Downtown Center. 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 \$6,854,983 as of August 31, 2021.

<b>FINANCIAL HIGHLIGHTS FY 2019 to FY 2021</b>					
	<b>FY 2021</b>	<b>FY 2020</b>	<b>Percent Change FY 2021</b>	<b>FY 2019</b>	<b>Percent Change FY 2021</b>
<b>REVENUES</b>					
Gifts	\$1,877,953	\$1,182,476	58.82%	\$551,228	240.69%
Grants for SPC	\$9,825,000	\$19,767,182	-15.62%	\$1,125,000	1382.67%
Less: Agency	(\$9,825,000)	(\$19,767,182)	-15.62%	\$0	N/A
Fundraising	\$204,226	\$253,336	-19.39%	\$242,080	-15.64%
Investments	\$4,779,317	\$2,133,700	123.99%	\$881,291	442.31%
Other	\$24,975	\$26,611	-6.15%	\$10,691	133.61%
<b>Total</b>	<b>\$6,886,471</b>	<b>\$3,596,123</b>	<b>91.5%</b>	<b>\$2,810,290</b>	<b>145.04%</b>
<b>EXPENSES</b>					
Scholarships	\$1,013,063	\$969,158	4.53%	\$953,095	6.29%
Grants to SPC	\$9,831,940	\$3,762,693	161.30%	\$1,127,345	772.13%
Less: Agency	(\$9,825,000)	(\$3,725,000)	163.76%	\$0	N/A
Fundraising	\$20,320	\$29,503	-31.13%	\$42,042	-51.67%
Operating	\$130,695	\$116,313	12.36%	\$112,655	16.01%
<b>Total</b>	<b>\$1,171,018</b>	<b>\$1,152,667</b>	<b>1.59%</b>	<b>\$2,235,137</b>	<b>-47.61%</b>
<b>INCREASE IN NET POSITION</b>	<b>\$5,715,453</b>	<b>\$2,443,456</b>	<b>133.91%</b>	<b>\$575,153</b>	<b>893.73%</b>
<b>TOTAL NET POSITION</b>	<b>\$31,343,870</b>	<b>\$25,628,417</b>	<b>22.30%</b>	<b>\$23,184,961</b>	<b>35.19%</b>

The South Plains College Foundation recorded a 22.3 percent increase in total net position over the prior period with total net assets of \$31,343,870 for FY 2021. The Foundation's invested assets earned an impressive average return on investment for the fiscal year resulting in \$4,779,317 of short-term investment revenue, 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 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. Over the past three

years, the Foundation Board of Directors, working with its investment managers, has met this benchmark two of the past three years. The three-year average annual return is 8.8 percent net of fees.

For fiscal year 2021, the Foundation recorded \$2,082,179 in gifts and fundraising, about 45 percent more than the prior year. The Foundation also received \$9,825,000 in non-scholarship restricted grant funds for capital improvement projects at South Plains College. Realized and unrealized investment income totaled \$4,371,888. Total revenues for the fiscal year were \$6,886,471.

The Foundation distributed to the College a record \$1,013,063 in scholarship funds, providing financial assistance to 912 South Plains College students during the academic year. This was a 5.43 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 19.6 percent. An additional \$9,831,940 in non-scholarship restricted and unrestricted grants were disbursed for total support of \$10,845,003 to the College.

The direct operating expenses of the Foundation grew by 12.6 percent to \$130,695. These expenses included investment expense (83 percent), planned gift expense (5 percent), liability insurance (5 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 \$270,506 (unaudited).

<b>ENDOWMENT GROWTH FY 2019 to FY 2021</b>					
	<b>FY 2021</b>	<b>FY 2020</b>	<b>Percent Change FY 2021</b>	<b>FY 2019</b>	<b>Percent Change FY 21</b>
<b>Original Corpus Restricted</b>	\$17,402,998	\$15,414,645	12.9%	\$14,285,879	21.8%
<b>Earnings on Corpus Restricted</b>	<u>\$11,460,715</u>	<u>\$7,884,189</u>	45.6%	<u>\$6,803,561</u>	68.7%
<b>Total Endowment Value</b>	<b>\$28,863,713</b>	<b>\$23,298,834</b>	<b>23.9%</b>	<b>\$21,089,440</b>	<b>36.9%</b>
<b>% Original Corpus Endowment</b>	<b>60.3%</b>	<b>66.2%</b>		<b>67.7%</b>	

The Foundation's permanent endowment increased 12.9 percent during the fiscal year to \$17,402,998 due to the establishment of new endowments and additions to existing funds. Overall, nineteen new scholarship endowments totaling \$290,857 were established during the fiscal year and seven existing scholarship funds reached permanent endowment status. The total endowment increased in value by 23.9 percent to \$28,878,634 with 60.3 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. The number of new endowments established on a yearly basis has been steadily increasing and has averaged 14 per year over the past five years. 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.

### **Contacting South Plains College Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Vice President of Business Affairs: South Plains College, 1401 College Avenue, Levelland, TX 79336.

## **Basic Financial Statements**

SOUTH PLAINS COLLEGE  
STATEMENTS OF NET POSITION  
AUGUST 31, 2021 AND 2020  
EXHIBIT 1

	2021	2020
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 37,413,122	\$ 30,770,800
Accounts receivable (net)	15,516,655	14,196,829
Other receivables	2,110,000	6,935,000
Prepaid expenses	614,760	348,098
Inventories	15,400	20,700
Total Current Assets	55,669,937	52,271,427
Noncurrent Assets:		
Capital assets (net)	84,682,610	78,485,723
Other receivables	4,744,983	8,302,182
Total Noncurrent Assets	89,427,593	86,787,905
<b>TOTAL ASSETS</b>	<b>145,097,530</b>	<b>139,059,332</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	4,326,021	5,498,345
Deferred outflows of resources related to OPEB	13,121,599	15,826,144
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>17,447,620</b>	<b>21,324,489</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	2,045,125	2,409,210
Accrued liabilities	1,084,135	1,115,943
Funds held for others	798,713	787,125
Unearned revenues	15,990,999	15,707,346
Bonds payable - current portion	2,040,000	1,250,000
Total Current Liabilities	21,958,972	21,269,624
Noncurrent Liabilities:		
Net pension liability	11,417,765	11,453,805
Net OPEB liability	55,443,489	56,360,245
Bonds payable	17,275,000	16,000,000
Total Noncurrent Liabilities	84,136,254	83,814,050
<b>TOTAL LIABILITIES</b>	<b>106,095,226</b>	<b>105,083,674</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	2,227,456	2,827,551
Deferred inflows of resources related to OPEB	16,009,321	16,497,494
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>18,236,777</b>	<b>19,325,045</b>
<b>NET POSITION</b>		
Net investment in capital assets	65,367,610	61,235,723
Restricted:		
Expendable for:		
Student aid	427,014	537,945
Construction	16,594,877	18,763,317
Debt service	2,800,055	1,719,885
Nursing program	67,765	56,518
Unrestricted	(47,044,174)	(46,338,286)
<b>TOTAL NET POSITION</b>	<b>\$ 38,213,147</b>	<b>\$ 35,975,102</b>

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

SOUTH PLAINS COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2021 AND 2020  
EXHIBIT 1.1

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 1,209,362	\$ 1,224,795
Accrued interest and dividends receivable	2,088	1,800
Investments	29,782,022	24,076,355
Planned gift cash value	337,898	312,967
Vacation time share	12,500	12,500
Deferred scholarships	476,180	477,437
Pledges receivable	<u>6,854,983</u>	<u>16,042,182</u>
TOTAL ASSETS	<u>\$ 38,675,033</u>	<u>\$ 42,148,036</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Scholarships payable to South Plains College	\$ 476,180	\$ 477,437
Pledges payable to South Plains College	<u>6,854,983</u>	<u>16,042,182</u>
Total Liabilities	<u>7,331,163</u>	<u>16,519,619</u>
NET ASSETS		
Without donor restrictions	339,150	300,095
With donor restrictions	<u>31,004,720</u>	<u>25,328,322</u>
Total Net Assets	<u>31,343,870</u>	<u>25,628,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,675,033</u>	<u>\$ 42,148,036</u>

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

SOUTH PLAINS COLLEGE  
STATEMENTS OF FIDUCIARY NET POSITION  
AUGUST 31, 2021 AND 2020  
EXHIBIT 1.2

	2021	2020
<b>ASSETS</b>		
Receivables:		
Employer contributions	\$ 106,800	\$ 108,000
Participant contributions	155	155
Investments at fair value:		
Mutual funds	2,277,145	1,956,714
Uninvested cash	1,147	1,397
<b>TOTAL ASSETS</b>	<b>2,385,247</b>	<b>2,066,266</b>
<b>LIABILITIES</b>		
Accounts payable:		
South Plains College	29,324	13,093
Other payables	1,302	543
<b>TOTAL LIABILITIES</b>	<b>30,626</b>	<b>13,636</b>
<b>NET POSITION</b>		
Restricted for:		
Pensions	2,354,621	2,052,630
<b>TOTAL NET POSITION</b>	<b>\$ 2,354,621</b>	<b>\$ 2,052,630</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, 2021 AND 2020  
EXHIBIT 2

	2021	2020
<b>OPERATING REVENUES AND EXPENSES</b>		
Operating Revenues:		
Tuition and fees (net of discounts of \$15,826,823 and \$16,226,427, respectively)	\$ 17,949,213	\$ 17,573,879
Federal grants and contracts	2,135,444	2,104,401
State grants and contracts	1,049,827	1,036,098
Nongovernmental grants and contracts	123,176	25,856
Sales and services of educational activities	142,992	113,218
Investment income - program restricted	1,756	2,202
Auxiliary enterprises (net of discounts of \$433,407 and \$542,427, respectively)	1,798,866	1,768,923
General operating revenues (net of discounts of \$0, both years)	135,365	168,149
Total Operating Revenues (Schedule A)	23,336,639	22,792,726
Operating Expenses:		
Instruction	31,288,861	32,061,936
Public service	309,114	305,188
Academic support	3,953,093	3,864,801
Student services	7,439,116	7,116,703
Institutional support	10,052,175	10,233,273
Operation and maintenance of plant	6,966,215	6,313,664
Scholarships and fellowships	12,406,713	7,387,916
Auxiliary enterprises	3,055,595	3,102,744
Depreciation	2,881,771	2,812,315
Total Operating Expenses (Schedule B)	78,352,653	73,198,540
Operating Loss	(55,016,014)	(50,405,814)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	17,858,309	18,528,220
Maintenance ad valorem taxes	11,477,873	11,759,211
Federal revenue, non-operating	26,809,233	21,136,803
Gifts	500	30,373
Gifts in kind	14,000	73,433
Gifts in aid of debt services	1,000,000	1,000,000
Gifts in aid of construction	452,801	22,137,176
Investment income	139,142	347,697
Interest on capital related debt	(501,747)	(575,047)
Gain on disposal of fixed assets	3,948	9,407
Net Non-Operating Revenues (Schedule C)	57,254,059	74,447,273
Increase in Net Position	2,238,045	24,041,459
<b>NET POSITION</b>		
Net position - beginning of year	35,975,102	11,933,643
Net position - end of year	\$ 38,213,147	\$ 35,975,102

*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 2.1

	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	55,498	351,931	407,429
Non-cash gifts		24,968	24,968
Realized capital gain		400,602	400,602
Planned gift change in value		24,930	24,930
Unrealized market gain		3,971,286	3,971,286
Other income		45	45
Net assets released from restriction	1,013,063	(1,013,063)	-
 TOTAL REVENUE	 1,069,086	 5,817,385	 6,886,471
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
Bank/Brokerage fees	16,968	91,791	108,759
Other expenses		15,225	15,225
 TOTAL EXPENSE	 1,030,031	 140,987	 1,171,018
 INCREASE IN NET ASSETS	 39,055	 5,676,398	 5,715,453
NET ASSETS AT BEGINNING OF YEAR	300,095	25,328,322	25,628,417
NET ASSETS AT END OF YEAR	\$ 339,150	\$ 31,004,720	\$ 31,343,870

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

SOUTH PLAINS COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2020  
EXHIBIT 2.2

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$	\$ 20,949,658	\$ 20,949,658
Less: amounts considered agency transactions		(19,767,182)	(19,767,182)
Fundraising revenue	909	252,427	253,336
Investment income	20,764	431,742	452,506
Realized capital gain		42,074	42,074
Planned gift change in value		26,611	26,611
Unrealized market gain		1,639,120	1,639,120
Net assets released from restriction	969,158	(969,158)	-
<b>TOTAL REVENUE</b>	<b>990,831</b>	<b>2,605,292</b>	<b>3,596,123</b>
EXPENSE			
Scholarships	969,158		969,158
Fundraising expenses		29,503	29,503
Planned gift expenses		6,711	6,711
Restricted program support		3,730,100	3,730,100
Less: amounts considered agency transactions		(3,725,000)	(3,725,000)
Unrestricted program support	9,410	23,183	32,593
Bank/Brokerage fees		95,973	95,973
Other expenses		13,629	13,629
<b>TOTAL EXPENSE</b>	<b>978,568</b>	<b>174,099</b>	<b>1,152,667</b>
<b>INCREASE IN NET ASSETS</b>	<b>12,263</b>	<b>2,431,193</b>	<b>2,443,456</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>287,832</b>	<b>22,897,129</b>	<b>23,184,961</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 300,095</b>	<b>\$ 25,328,322</b>	<b>\$ 25,628,417</b>

*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, 2021 AND 2020  
EXHIBIT 2.3

	2021	2020
ADDITIONS		
Contributions:		
Employer	\$ 109,800	\$ 114,000
Participant	1,860	2,515
Total Contributions	111,660	116,515
Investment earnings:		
Net increase in fair value of investments	360,306	145,396
Interest, dividends and other	49,485	76,952
Net investment earnings	409,791	222,348
TOTAL ADDITIONS	521,451	338,863
DEDUCTIONS		
Benefits paid to participants or beneficiaries	160,964	163,376
Forfeitures	29,323	13,093
Administrative expense	29,173	30,304
TOTAL DEDUCTIONS	219,460	206,773
Increase in Net Position	301,991	132,090
NET POSITION		
Net position - beginning of year	2,052,630	1,920,540
Net position - end of year	\$ 2,354,621	\$ 2,052,630

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

SOUTH PLAINS COLLEGE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020  
EXHIBIT 3

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 19,378,581	\$ 19,486,017
Receipts of appropriations, grants, and contracts	2,589,163	2,630,445
Other receipts	137,121	170,352
Payments to or on behalf of employees	(41,869,637)	(43,488,662)
Payments to suppliers for goods or services	(15,285,007)	(13,854,769)
Payments of scholarships	(12,406,713)	(7,387,916)
Net cash used in operating activities	(47,456,492)	(42,444,533)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	13,738,757	13,753,994
Ad valorem tax revenues	11,624,244	11,724,721
Federal revenue, nonoperating	26,833,066	21,123,252
Gifts and grants (other than capital)	500	30,373
Net cash provided by non-capital financing activities	52,196,567	46,632,340
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions received in aid of construction	5,000,000	-
Contributions received in aid of construction	8,835,000	7,740,100
Contributions received in aid of debt service	1,000,000	1,000,000
Purchases of capital assets	(9,607,272)	(6,962,249)
Proceeds from sale of capital assets	3,948	9,407
Payments on capital debt - principal	(2,935,000)	(1,250,000)
Payments on capital debt - interest	(533,599)	(590,620)
Net cash provided by (used in) capital and related financing activities	1,763,077	(53,362)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	139,170	350,615
Net cash provided by investing activities	139,170	350,615
Increase in cash and cash equivalents	6,642,322	4,485,060
Cash and cash equivalents - September 1	30,770,800	26,285,740
Cash and cash equivalents - August 31	\$ 37,413,122	\$ 30,770,800
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (55,016,014)	\$ (50,405,814)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,881,771	2,812,315
Bad debt expense	-	188,564
Gift in kind expenditure	14,000	-
Payments made directly by state for benefits	4,119,552	4,774,226
TRS non cash items	536,189	1,070,354
ERS non cash items	1,299,616	1,804,387
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Increase in accounts receivable (net)	(1,490,057)	(462,988)
Decrease in inventories	5,300	1,575
Increase in prepaid expenses	(266,662)	(348,098)
Increase in accounts payable	164,529	624,287
Increase (Decrease) in accrued liabilities	43	(2,246,301)
Increase in funds held for others	11,588	30,321
Increase (Decrease) in unearned revenues	283,653	(287,361)
Net cash used in operating activities	\$ (47,456,492)	\$ (42,444,533)

*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, 2021 AND 2020  
EXHIBIT 3.1

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from contributions	\$ 1,852,985	\$ 1,182,476
Receipts from fundraising	204,226	253,336
Payments to suppliers for goods or services	(49,196)	(82,436)
Payments of restricted support	-	(5,100)
Payments of scholarships	(1,013,063)	(969,158)
Net cash provided by operating activities	994,952	379,118
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	-	200,000
Investment earnings	189,615	102,623
Purchase of investments	(1,200,000)	(25,500)
Net cash provided by (used in) investing activities	(1,010,385)	277,123
Increase (Decrease) in cash and cash equivalents	(15,433)	656,241
Cash and cash equivalents - September 1	1,224,795	568,554
Cash and cash equivalents - August 31	\$ 1,209,362	\$ 1,224,795
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 5,715,453	\$ 2,443,456
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized and realized gains on investments	(4,371,888)	(1,681,194)
Investment income reinvested	(432,071)	(479,545)
Bank/Brokerage fees paid as reduction in investment basis	108,759	95,973
Non-cash gift	(24,968)	-
Other income	(45)	-
Changes in assets and liabilities:		
(Increase) Decrease in accrued interest and dividends receivable	(288)	428
(Increase) Decrease in deferred scholarships	1,257	(47,479)
Decrease (Increase) in pledges receivable	9,187,199	(16,042,182)
Increase (Decrease) in scholarships payable to South Plains College	(1,257)	47,479
(Decrease) Increase in pledges payable to South Plains College	(9,187,199)	16,042,182
Net cash provided by operating activities	\$ 994,952	\$ 379,118

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

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

**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.

#### 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 \$1,033,098 and \$1,032,484 as of August 31, 2021 and 2020, 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.

### 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 \$15,880,278 and \$15,559,836 and federal, state and local grants of \$110,721 and \$147,510 have been reported as unearned revenues as of August 31, 2021 and 2020, respectively.

### 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 – nonexpendable net position* – Nonexpendable restricted includes endowments and similar type assets whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity.

*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".

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, 2021, no instances of noncompliance were found.

#### 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	
	2021	2020	2021	2020
Bank Deposits				
Demand deposits	\$ 15,734,537	\$ 9,367,711	\$ 72,032	\$ 901,509
Time deposits	<u>20,633,100</u>	<u>20,357,584</u>	<u>1,137,330</u>	<u>323,286</u>
Total Bank Deposits	36,367,637	29,725,295	1,209,362	1,224,795
Cash and Cash Equivalents				
Petty cash on hand	12,387	13,021		
Cash equivalents – investment pools	<u>1,033,098</u>	<u>1,032,484</u>		
Total Cash and Cash Equivalents	1,045,485	1,045,505	-	-
Total Cash and Deposits	<u>\$ 37,413,122</u>	<u>\$ 30,770,800</u>	<u>\$ 1,209,362</u>	<u>\$ 1,224,795</u>

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

	Primary Institution		Component Unit	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Type of Security:				
Cash and cash equivalents	\$	\$	\$ 383,345	\$ 195,256
Corporate equities			1,689,687	1,299,338
U.S. government agencies			234,110	146,993
Corporate obligations			184,197	165,647
Mutual funds			26,910,695	21,887,161
Alternative investments			763,334	577,215
Other			350,398	325,468
Total	<u>-</u>	<u>-</u>	<u>30,515,766</u>	<u>24,597,078</u>
Total Cash and Deposits	37,413,122	30,770,800	826,016	1,029,539
Total Investments	<u>-</u>	<u>-</u>	<u>30,515,766</u>	<u>24,597,078</u>
Total Deposits and Investments	<u>37,413,122</u>	<u>30,770,800</u>	<u>31,341,782</u>	<u>25,626,617</u>
Per Exhibit 1 and Exhibit 1.1:				
Cash and cash equivalents	37,413,122	30,770,800	1,209,362	1,224,795
Investments			<u>30,132,420</u>	<u>24,401,822</u>
Total	<u>\$ 37,413,122</u>	<u>\$ 30,770,800</u>	<u>\$ 31,341,782</u>	<u>\$ 25,626,617</u>

As of August 31, 2021, 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	\$ 1,689,687	N/A	N/A	N/A
U.S. government agencies	234,110	N/A	N/A	N/A
Corporate obligations	184,197	N/A	N/A	N/A
Mutual funds	26,910,695	N/A	N/A	N/A
Alternative investments	763,334	N/A	N/A	N/A
Other	350,397	N/A	N/A	N/A
Total Fair Value	<u>\$ 30,132,420</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

As of August 31, 2021, the Foundation's cost basis for investments was as follows:

Investment Type	Cost
Corporate equities	\$ 1,442,383
U.S. government agencies	228,716
Corporate obligations	180,451
Mutual funds	15,610,199
Alternative investments	497,702
Other	350,398
Total Fair Value	\$ 18,309,849

The Foundation held the following investments with a continuous unrealized loss position at August 31, 2021:

Investment Type	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate equities	\$ -	\$ -	\$ 46,679	\$ (10,774)
U.S. government agencies			6,144	(2,743)
Corporate obligations			23,000	(4,888)
Mutual funds			206,779	(5,804)
Total Fair Value	\$ -	\$ -	\$ 282,602	\$ (24,209)

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, 2021, the carrying amount of the College's bank balances was \$38,239,138. Bank balances of \$250,000 were covered by Federal Depository Insurance. Bank balances in the amount of \$51,997,757 were covered by securities held by the Bank in the College's name.

#### 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, 2021 follows:

Investment Type	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Corporate equities	\$ 1,689,687	\$	\$	\$ 1,689,687
U.S. government agencies		234,110		234,110
Corporate obligations		184,197		184,197
Mutual funds	26,910,695			26,910,695
Alternative investments			763,334	763,334
Other			350,397	350,397
Total	\$ 28,600,382	\$ 418,307	\$ 1,113,731	\$ 30,132,420

### 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 (39.30%), CFI Multi Strategy Bond Fund, LLC (18.01%), and CF Global Multi-Asset Portfolio, LLC (13.44%).

## Note 5: Capital Assets

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

Business-type activities	Beginning Balances	Increases	Decreases	Ending Balances
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>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	44,674		3,183,494
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>706,304</u>	<u>(3,683,026)</u>	<u>5,401,002</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>

Construction in progress at August 31, 2021 relates to the science building renovation and the Lubbock Downtown Center.

Capital asset activity for the year ended August 31, 2020, was as follows:

Business-type activities	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 2,013,473	\$	\$	\$ 2,013,473
Construction in progress	<u>720,522</u>	<u>7,458,490</u>	<u>221,066</u>	<u>7,957,946</u>
Total capital assets not being depreciated	<u>2,733,995</u>	<u>7,458,490</u>	<u>221,066</u>	<u>9,971,419</u>
Capital assets being depreciated:				
Buildings	103,116,270	221,066		103,337,336
Improvements	2,420,733			2,420,733
Library books	3,091,434	47,391		3,138,825
Furniture, machinery, vehicles and other equipment	13,944,831	394,078		14,338,909
Telecommunications and peripheral equipment	<u>8,210,090</u>	<u>234,356</u>	<u>66,722</u>	<u>8,377,724</u>
Total capital assets being depreciated	<u>130,783,358</u>	<u>896,891</u>	<u>66,722</u>	<u>131,613,527</u>
Less accumulated depreciation for:				
Buildings	(41,298,169)	(1,345,731)		(42,643,900)
Improvements	(832,129)	(112,378)		(944,507)
Library books	(3,067,999)	(204,534)	153,400	(3,119,133)
Furniture, machinery, vehicles and other equipment	(8,318,133)	(839,609)		(9,157,742)
Telecommunications and peripheral equipment	<u>(6,837,198)</u>	<u>(463,465)</u>	<u>66,722</u>	<u>(7,233,941)</u>
Total accumulated depreciation	<u>(60,353,628)</u>	<u>(2,965,717)</u>	<u>220,122</u>	<u>(63,099,223)</u>
Net other capital assets	70,429,730	(2,068,826)		68,514,304
Capital assets, net	<u>\$ 73,163,725</u>	<u>\$ 5,389,664</u>	<u>\$ (67,666)</u>	<u>\$ 78,485,723</u>

#### Note 6: Long-Term Obligations

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	<u>56,360,245</u>		<u>916,756</u>	<u>55,443,489</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 85,064,050</u>	<u>\$ 19,315,000</u>	<u>\$ 18,202,796</u>	<u>\$ 86,176,254</u>	<u>\$ 2,040,000</u>

Long-term liability activity for the year ended August 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds and notes	\$ 18,500,000	\$	\$ 1,250,000	\$ 17,250,000	\$ 1,250,000
Net pension liability	11,593,747		139,942	11,453,805	-
Net OPEB liability	<u>50,589,495</u>	<u>5,770,750</u>		<u>56,360,245</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 80,683,242</u>	<u>\$ 5,770,750</u>	<u>\$ 1,389,942</u>	<u>\$ 85,064,050</u>	<u>\$ 1,250,000</u>

## Note 7: Debt and Lease Obligations

Debt service requirements as of August 31, 2021 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2022	\$ 2,040,000	\$ 565,673	\$ 2,605,673
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
2026-2030	6,085,000	1,046,213	7,131,213
2031-2034	4,920,000	254,745	5,174,745
	<u>\$ 19,315,000</u>	<u>\$ 3,266,866</u>	<u>\$ 22,581,866</u>

As of August 31, 2021 and 2020, the College was in compliance with all material aspects of the bond indentures.

## Note 8: Bonds Payable

On June 9, 2016, the College issued refunding and improvement bonds (Series 2016) in the amount of \$25,000,000 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, (b) refund of the refunded bonds, and (c) pay the costs related thereto. The source of revenues shall be no less than an amount equal to \$3.00 per semester hour for each enrolled student in both regular and summer semesters. If the college does need additional revenue, tuition will be pledged not to exceed 25% of the tuition charges collected from each enrolled student. Events of default include the failure to make payment of the principal or interest on any of the bonds when they become due and payable or the default in the performance or observance of any other covenant, agreement, or obligation of the College in relation to the bonds. The bonds have been issued as a private placement. The bonds were refunded on November 12, 2020.

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, 2021 was \$14,315,000. 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, 2021 was \$5,000,000, with an additional \$5,000,000 authorized but not issued. 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: Operating Lease Commitments and Rental Agreement**

The College has numerous agreements that are categorized as operating leases. Future annual lease requirements are as follows:

<u>Fiscal Year Ending August 31,</u>	<u>Total Requirement</u>
2022	\$ 143,925
2023	143,925
2024	112,244
2025	17,201
	<u>\$ 417,295</u>

**Note 10: 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.

### 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%
FY2020 Member contributions	\$1,522,558	
FY2020 State of Texas on-behalf contributions	587,508	
FY2020 College contributions	879,195	

College contributions to the TRS pension plan in 2021 were \$881,184 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2021 were \$602,284.

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. 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2020
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*	2.33%
Last year ending August 31 in the 2016 to 2116 projection period (100 years)	2119
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.

*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, 2020, is summarized below:

Asset Class	FY2020 Target Allocation	New Target Allocation	Long-Term Expected Geometric Real Rate of Return
<b>Global Equity</b>			
U.S	18.0%	18.0%	3.90%
Non-U.S. developed	13.0%	13.0%	5.10%
Emerging markets	9.0%	9.0%	5.60%
Private equity	14.0%	14.0%	6.70%
<b>Stable Value</b>			
Government bonds	16.0%	16.0%	(0.7)%
Absolute return	0.0%	0.0%	1.80%
Stable value hedge funds	5.0%	5.0%	5.00%
<b>Real Return</b>			
Real assets	15.0%	15.0%	4.60%
Energy and natural resources	6.0%	6.0%	6.00%
Commodities	0.0%	0.0%	0.80%
<b>Risk Parity</b>			
Risk parity	8.0%	8.0%	3.00%
Cash	2.0%	2.0%	(1.50)%
Asset allocation leverage	(6.0%)	(6.0%)	(1.30)%
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>33.00%</u>

#### *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 2020 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)	\$ 17,605,989	\$ 11,417,765	\$ 6,389,968

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

As of August 31, 2021, the College reported a liability of \$11,417,765 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	\$	11,417,765
State's proportionate share that is associated with the College		<u>7,817,968</u>
Total	\$	<u>19,235,733</u>

The net pension liability was measured as of August 31, 2020, 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, 2019 thru August 31, 2020.

At the measurement date of August 31, 2020, the employer's proportion of the collective net pension liability was 0.0213185210%, which was an increase of .00007151774% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the College recognized pension expense of \$940,328 and revenue of \$940,328 for support provided by the State.

As of August 31, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 20,848	\$ 318,640
Changes in actuarial assumptions	2,649,328	1,126,476
Difference between projected and actual investment earnings	508,632	277,489
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	266,029	504,851
Contributions paid to TRS subsequent to the measurement date	<u>881,184</u>	<u>-</u>
Total	<u>\$ 4,326,021</u>	<u>\$ 2,227,456</u>

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:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2022	\$ 987,421
2023	548,042
2024	547,394
2025	172,385
2026	(139,359)
Thereafter	<u>(17,318)</u>
Total	<u>\$ 2,098,565</u>

## 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.

The retirement expense to the State for the College was \$1,207,065 and \$1,476,807 for the fiscal years ended August 31, 2021 and 2020, respectively.

The total payroll for all College employees was \$30,804,203 and \$30,131,508 for fiscal years 2021 and 2020, respectively. The total payroll for employees covered by the Teacher Retirement System was \$19,977,396 and \$19,793,642, and the total payroll for employees covered by the Optional Retirement Program was \$8,532,199 and \$8,965,177 for fiscal years 2021 and 2020, respectively.

### **Note 11: 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, 2021, the College has 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.

As of August 31, 2020, the College had 360 employees participating in the Plan. There were 169 employees vested as of August 31, 2020. A total of \$114,000 in contributions were invested in the Plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$1,958,111.

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 12: Compensated Absences**

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

**Note 13: 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, 2021 and 2020 were \$3,653,000 and \$3,528,309, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees.

**Note 14: 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 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, 2021 and 2020

	2021	2020
Retiree only	\$ 624.82	\$ 624.82
Retiree & spouse	\$ 1,339.90	\$ 1,340.82
Retiree & children	\$ 1,103.58	\$ 1,104.22
Retiree & family	\$ 1,818.66	\$ 1,820.22

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, 2021 and 2020

	2021	2020
Employers	\$ 748,369,212	\$ 401,284,833
Members (Employees)	\$ 230,151,101	\$ 209,836,664
Nonemployer contributing entity (State of Texas)	\$ 37,736,903	\$ 20,182,872

Source: ERS 2020 Comprehensive Annual Financial Report

*Actuarial Assumptions*

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2020 using the following actuarial assumptions:

Valuation date	August 31, 2020
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	2.20%
Projected annual salary increase (includes inflation)	2.30% to 9.05%
Annual healthcare trend rate	
HealthSelect	8.8% for 2022, 5.25% for 2023, 5% for 2024, 4.75% for 2025, 4.6% for 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2029 and later years
HealthSelect Medicare Advantage	53.3% for 2022, 0% for 2023, 66.67% for 2024, 24% for 2025, 4.6% for 2026, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2029 and later years
Pharmacy	10% for 2022 and 2023, decreasing 100 basis points per year to an ultimate rate of 5% for 2028 and 4.3% for 2029 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 2018.
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: 2020 ERS CAFR except for amortization method, amortization period remaining, and asset valuation method obtained from 2019 ERS CAFR.

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 2.97%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 2.2%, which amounted to a decrease of 0.77%. 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. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

*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 (2.20%) in measuring the net OPEB liability.

	1% Decrease <u>(1.20%)</u>	Current Rate <u>(2.20%)</u>	1% Increase <u>(3.20%)</u>
College's proportionate share of the net OPEB liability (asset)	\$ 65,898,497	\$ 55,443,489	\$ 47,252,928

*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 7.8% decreasing to 3.3%	Current Healthcare Cost Trend Rates 8.8% decreasing to 4.3%	1% Increase in Healthcare Cost Trend Rates 9.8% decreasing to 5.3%
College's proportionate share of the net OPEB liability (asset)	\$ 46,402,553	\$ 55,443,489	\$ 67,295,212

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

As of August 31, 2021, the College reported a liability of \$55,443,489 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	\$ 55,443,489
State's proportionate share that is associated with the college	40,154,800
Total	<u>\$ 95,598,289</u>

The net OPEB liability was measured as of August 31, 2020, 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, 2019 thru August 31, 2020.

At the measurement date of August 31, 2020, the College's proportion of the collective net OPEB liability was .16778365%, which is an increase of .00471686% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the College recognized OPEB expense of \$2,173,904 and revenue of (\$473,776) 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:

- Demographic assumptions (including rates of preretirement and post-disability mortality for all State Agency members; assumed rates of termination and retirement for certain members who are Certified Peace Officers/Custodial Officers (CPO/CO); and assumed salary aggregate payroll increases and the assumed rate of general inflation) have been updated to reflect assumptions recently adopted by the System's Board of Trustees.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations.
- 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 cover dependent children have been updated to reflect recent plan experience and expected trends. Moreover, the PCORI fees payable under the ACA have been updated to reflect IRS Notice 2020-44.
- The discount rate assumption was changed from 2.97% to 2.20% 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 January 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 2021, are provided for in the fiscal year 2021 Assumed Per Capita Health Benefit Costs.

As of August 31, 2021, 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	\$ 3,209,793	\$ 2,168,423
Changes in actuarial assumptions	16,547	11,945,787
Difference between projected and actual investment earnings	9,334,698	-
Effect of change in proportion and contribution difference	560,561	1,895,111
Contributions paid subsequent to the measurement date	<u>13,121,599</u>	<u>-</u>
Total	<u>\$ 13,121,599</u>	<u>\$ 16,009,321</u>

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
2022	\$ (1,612,715)
2023	(583,232)
2024	237,772
2025	(581,666)
2026	(347,881)
Thereafter	-
Total	<u>\$ (2,887,722)</u>

#### Note 15: Pending Lawsuits and Claims

None as of report date.

**Note 16: Disaggregation of Receivables and Payables Balances**

Receivables as of August 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Student receivables	\$ 13,268,619	\$ 12,346,960
Taxes receivable	302,717	449,088
Federal receivables	1,499,048	879,141
State receivables	43,060	43,060
Interest receivables	-	28
Other receivables	403,211	478,552
Total	<u>\$ 15,516,655</u>	<u>\$ 14,196,829</u>

Payables as of August 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Vendor payables	\$ 2,045,125	\$ 2,409,210
Salaries and benefits payable	901,081	901,037
Students payable	798,713	787,125
Accrued interest	183,054	214,906
Total	<u>\$ 3,927,973</u>	<u>\$ 4,312,278</u>

**Note 17: 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 2021 and 2020 for which monies have not been received nor funds expended totaled \$24,228,149 and \$7,352,203. Of these amounts \$23,935,218 and \$6,946,131 were from Federal Contract and Grant Awards; \$262,931 and \$395,517 were from State Contract and Grant Awards; and \$30,000 and \$10,555 were from Non-governmental Grants for the fiscal years ended 2021 and 2020, respectively.

**Note 18: 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,	2021	2020
Assessed Valuation of the College	\$ 3,337,119,463	\$ 3,418,073,497
Less: Exemptions	<u>(418,705,669)</u>	<u>(415,702,702)</u>
Net Assessed Value of the College	<u>\$ 2,918,413,794</u>	<u>\$ 3,002,370,795</u>

Fiscal Year Ending August 31,	2021			2020		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation	\$ 0.4000	\$ 0.1000	\$ 0.5000	\$ 0.4000	\$ 0.1000	\$ 0.5000
Assessed tax rate per \$100 valuation	\$ 0.3927	N/A	\$ 0.3927	\$ 0.3927	N/A	\$ 0.3927

Taxes levied for the year ended August 31, 2021 and 2020 totaled \$11,370,750 and \$11,673,737, 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	2021 Current Operations	2020 Current Operations
Current taxes collected	\$ 11,169,613	\$ 11,472,935
Delinquent taxes collected	151,527	135,220
Penalties and interest collected	<u>111,114</u>	<u>106,151</u>
Total Collections	<u>\$ 11,432,254</u>	<u>\$ 11,714,306</u>

Tax collections for the year ended August 31, 2021 and 2020 were 98.23% and 98.27% 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 19: 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 20: 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, 2021 and 2020.

**Note 21: 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:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,209,362	\$ 1,224,795
Accrued interest and dividends receivable	2,088	1,800
Investments	29,782,022	24,076,355
Planned gift cash value	337,898	312,967
Vacation time share	12,500	12,500
Pledges receivable	6,854,983	16,042,182
Total Financial assets	38,198,853	41,670,599
Less:		
Donor restricted net assets	(31,004,720)	(25,328,322)
Agency amounts	(6,854,983)	(16,042,182)
	(37,859,703)	(41,370,504)
Financial assets available within one year to meet cash needs for general expenditures	\$ 339,150	\$ 300,095

**Note 22: 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, 2021 and 2020, 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.

Changes in endowment net assets consist of the following as of August 31:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 23,298,834	\$ 21,089,440
Contributions	1,911,749	1,059,973
Investment earnings	4,365,393	1,891,070
Scholarships	<u>(712,263)</u>	<u>(741,649)</u>
Endowment net assets, end of year	<u>\$ 28,863,713</u>	<u>\$ 23,298,834</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, 2021 and 2020.

The remaining net assets with donor restrictions totaling \$2,141,007 and \$2,029,488 as of August 31, 2021 and 2020, respectively primarily represent amounts held for scholarships which are not considered endowed funds.

### Note 23: 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, 2021.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
Bank/Brokerage fees		108,759		108,759
Other expenses		<u>15,225</u>		<u>15,225</u>
	<u>\$ 1,026,714</u>	<u>\$ 123,984</u>	<u>\$ 20,320</u>	<u>\$ 1,171,018</u>

The table below presents expenses by both their nature and their function for the year ended August 31, 2020.

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships	\$ 969,158	\$	\$	\$ 969,158
Fundraising expenses			29,503	29,503
Planned gift expenses	6,711			6,711
Restricted program support	3,730,100			3,730,100
Less: amounts considered agency transactions	(3,725,000)			(3,725,000)
Unrestricted program support	32,593			32,593
Bank/Brokerage fees		95,973		95,973
Other expenses		13,629		13,629
	<u>\$ 1,013,562</u>	<u>\$ 109,602</u>	<u>\$ 29,503</u>	<u>\$ 1,152,667</u>

**Note 24: Pledges Receivable – SPC Foundation**

Pledges receivable for the Foundation as of August 31, 2021 totaled \$7,160,000 (gross) and were reduced by a present value discount totaling \$305,017 for a net balance of \$6,854,983. 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	\$ 2,110,000
One to five years	<u>5,050,000</u>
TOTAL	<u>\$ 7,160,000</u>

Pledges receivable (gross) for the Foundation were provided for the following as of August 31, 2021:

Science Building	\$ 1,100,000
Downtown Lubbock Center	6,000,000
Culinary Arts Center	<u>60,000</u>
TOTAL	<u>\$ 7,160,000</u>

**Note 25: Subsequent Events**

Management has evaluated subsequent events through November 17, 2021; 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, 2021 \*  
EXHIBIT 4

Fiscal Year Ending August 31, *	2020	2019	2018	2017	2016	2015	2014
College's proportionate share of collective net pension liability (%)	.0213185210	.0220336984	.0210632914	.0216430538	.0215355517	.0219025000	.0240324000
College's proportionate share of collective net pension liability (\$)	\$ 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 (\$)	7,817,968	7,618,648	8,321,857	5,065,774	5,863,387	5,595,333	4,671,566
Total	<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	\$ 19,793,642	\$ 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	57.68%	59.93%	64.19%	38.40%	47.29%	47.32%	41.68%
Plan fiduciary net position as percentage of total pension liability	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 SIX FISCAL YEARS  
EXHIBIT 5

Fiscal Year Ending August 31, *	2021**	2020**	2019**	2018**	2017**	2016**	2015**
Legally required contributions	\$ 881,184	\$ 879,195	\$ 770,990	\$ 707,964	\$ 684,239	\$ 679,003	\$ 653,502
Actual contributions	(881,184)	(879,195)	(770,990)	(707,964)	(684,239)	(679,003)	(653,502)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 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	4.41%	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, 2021  
EXHIBIT 6

Fiscal Year Ending August 31, *	2021**	2020**	2019**	2018**
College's proportionate share of collective net OPEB liability (%)	0.1677836500	0.1630667900	0.1706928100	0.1283232400
College's proportionate share of collective net OPEB liability (\$)	\$ 55,443,489	\$ 56,360,245	\$ 50,589,495	\$ 43,723,593
State's proportional share of net OPEB liability associated with College (\$)	40,154,800	43,371,167	36,306,041	34,838,121
Total	<u>\$ 95,598,289</u>	<u>\$ 99,731,412</u>	<u>\$ 86,895,536</u>	<u>\$ 78,561,714</u>
College's covered payroll	\$ 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	198.57%	224.48%	207.94%	175.62%
Plan fiduciary net position as percentage of total OPEB liability	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, 2021  
EXHIBIT 7

Fiscal Year Ending August 31, *	2021**	2020**	2019**	2018**
Legally required contributions	\$ 871,321	\$ 843,185	\$ 442,595	\$ 1,304,810
Actual contributions	(871,321)	(843,185)	(442,595)	(1,304,810)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 25,198,968	\$ 27,921,118	\$ 25,106,985	\$ 24,329,118
Contributions as a percentage of covered payroll	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, 2021  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2020)  
SCHEDULE A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					Fiscal Year 2021	Fiscal Year 2020
<b>Tuition</b>						
State-funded courses						
In-district resident tuition	\$ 364,480	\$ -	\$ 364,480	\$ -	\$ 364,480	\$ 422,035
Out-of-district resident tuition	14,476,251	-	14,476,251	-	14,476,251	14,084,623
Non-resident tuition	842,254	-	842,254	-	842,254	877,167
TPEG - credit (set aside)*	271,135	-	271,135	-	271,135	290,667
State funded continuing education	301,889	-	301,889	-	301,889	261,959
Non-state funded educational programs	44,037	-	44,037	-	44,037	57,412
<b>Total Tuition</b>	<u>16,300,046</u>	<u>-</u>	<u>16,300,046</u>	<u>-</u>	<u>16,300,046</u>	<u>15,993,863</u>
<b>Fees</b>						
General fee	12,204,681	-	12,204,681	-	12,204,681	13,009,059
Student service fee	3,067,132	-	3,067,132	-	3,067,132	2,369,026
Special course fee	975,146	-	975,146	-	975,146	922,532
Installment plan fee	134,160	-	134,160	-	134,160	168,690
Continuing education fees	508,175	-	508,175	-	508,175	648,790
Three peat fee	207,139	-	207,139	-	207,139	191,175
Testing fee	161,247	-	161,247	-	161,247	145,526
Reinstatement fee	-	-	-	-	-	3,700
Building use fee	218,310	-	218,310	-	218,310	347,945
<b>Total Fees</b>	<u>17,475,990</u>	<u>-</u>	<u>17,475,990</u>	<u>-</u>	<u>17,475,990</u>	<u>17,806,443</u>
<b>Scholarship Allowances and Discounts</b>						
Bad debt allowances	-	-	-	-	-	-
Remissions and exemptions - state	(3,475,382)	-	(3,475,382)	-	(3,475,382)	(3,067,138)
Title IV federal grants	(11,281,280)	-	(11,281,280)	-	(11,281,280)	(12,315,032)
TPEG awards	(129,697)	-	(129,697)	-	(129,697)	(94,706)
Scholarship allowances	(753,907)	-	(753,907)	-	(753,907)	(749,551)
HEERF	(186,557)	-	(186,557)	-	(186,557)	-
<b>Total Scholarship Allowances and Discounts</b>	<u>(15,826,823)</u>	<u>-</u>	<u>(15,826,823)</u>	<u>-</u>	<u>(15,826,823)</u>	<u>(16,226,427)</u>
<b>Total Net Tuition and Fees</b>	<u>17,949,213</u>	<u>-</u>	<u>17,949,213</u>	<u>-</u>	<u>17,949,213</u>	<u>17,573,879</u>
<b>Other Operating Revenues</b>						
Federal grants and contracts	73,201	2,062,243	2,135,444	-	2,135,444	2,104,401
State grants and contracts	31,176	1,018,651	1,049,827	-	1,049,827	1,036,098
Non-governmental grants and contracts	-	123,176	123,176	-	123,176	25,856
Sales and services of educational activities	142,992	-	142,992	-	142,992	113,218
Investment income (program restricted)	-	1,756	1,756	-	1,756	2,202
General operating revenues	135,365	-	135,365	-	135,365	168,149
<b>Total Other Operating Revenues</b>	<u>382,734</u>	<u>3,205,826</u>	<u>3,588,560</u>	<u>-</u>	<u>3,588,560</u>	<u>3,449,924</u>
<b>Auxiliary Enterprises</b>						
Residential life	-	-	-	1,966,925	1,966,925	2,001,894
Scholarship allowances	-	-	-	(46,048)	(46,048)	(39,121)
TPEG awards	-	-	-	(10,588)	(10,588)	(2,272)
Title IV federal grants	-	-	-	(376,156)	(376,156)	(501,034)
HEERF	-	-	-	(615)	(615)	-
Commissions	-	-	-	161,887	161,887	225,798
Student programs	-	-	-	103,461	103,461	83,658
<b>Total Net Auxiliary Enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,798,866</u>	<u>1,798,866</u>	<u>1,768,923</u>
<b>Total Operating Revenues</b>	<u>\$ 18,331,947</u>	<u>\$ 3,205,826</u>	<u>\$ 21,537,773</u>	<u>\$ 1,798,866</u>	<u>\$ 23,336,639</u>	<u>\$ 22,792,726</u>
					(Exhibit 2)	(Exhibit 2)

\* - In accordance with Education Code 56.033, \$271,135 and \$290,667 for years August 31, 2021 and 2020, 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, 2021  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2020)  
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits		Other Expenses	Fiscal Year 2021	Fiscal Year 2020
		State	Local			
Unrestricted - Educational and General						
Instruction	\$ 18,297,604	\$	\$ 5,008,690	\$ 2,803,100	\$ 26,109,394	\$ 25,800,209
Public service	206,253		54,503	20,854	281,610	277,258
Academic support	2,156,700		768,661	639,288	3,564,649	3,490,139
Student services	2,742,759		1,019,361	1,617,324	5,379,444	5,689,227
Institutional support	3,435,131		3,674,895	1,883,495	8,993,521	9,448,653
Operation and maintenance of plant	2,152,352		1,426,676	3,387,187	6,966,215	6,313,664
Scholarships and fellowships				113,357	113,357	103,691
Total Unrestricted	<u>28,990,799</u>	<u>-</u>	<u>11,952,786</u>	<u>10,464,605</u>	<u>51,408,190</u>	<u>51,122,841</u>
Restricted - Educational and General						
Instruction	133,167	3,296,834	20,919	1,728,547	5,179,467	6,261,727
Public service		27,504			27,504	27,930
Academic support		384,044		4,400	388,444	374,662
Student services	687,616	512,735	272,200	587,121	2,059,672	1,427,476
Institutional support	7,920	165,172	1,459	884,103	1,058,654	784,620
Scholarships and fellowships				12,293,356	12,293,356	7,284,225
Total Restricted	<u>828,703</u>	<u>4,386,289</u>	<u>294,578</u>	<u>15,497,527</u>	<u>21,007,097</u>	<u>16,160,640</u>
Total Educational and General	<u>29,819,502</u>	<u>4,386,289</u>	<u>12,247,364</u>	<u>25,962,132</u>	<u>72,415,287</u>	<u>67,283,481</u>
Auxiliary Enterprises	984,701		387,181	1,683,713	3,055,595	3,102,744
Depreciation expense - buildings and other real estate				1,553,349	1,553,349	1,458,109
Depreciation expense - equipment and furniture				1,276,436	1,276,436	1,303,073
Depreciation expense - library books				51,986	51,986	51,133
Total Operating Expenses	<u>\$ 30,804,203</u>	<u>\$ 4,386,289</u>	<u>\$ 12,634,545</u>	<u>\$ 30,527,616</u>	<u>\$ 78,352,653</u> (Exhibit 2)	<u>\$ 73,198,540</u> (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, 2021  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2020)  
SCHEDULE C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				Fiscal Year 2021	Fiscal Year 2020
<b>NON-OPERATING REVENUES:</b>					
State Appropriations					
Education and general state support	\$ 13,391,436	\$	\$	\$ 13,391,436	\$ 13,392,369
State group insurance		3,179,224		3,179,224	3,577,444
State retirement matching		1,207,065		1,207,065	1,476,807
Professional nursing shortage reduction		80,584		80,584	81,600
Total State Appropriations	<u>13,391,436</u>	<u>4,466,873</u>	<u>-</u>	<u>17,858,309</u>	<u>18,528,220</u>
Maintenance ad valorem taxes	11,477,873			11,477,873	11,759,211
Federal revenue, non-operating	787,415	26,021,818		26,809,233	21,136,803
Gifts	500			500	30,373
Gifts in kind	14,000			14,000	73,433
Gifts in aid of debt service	1,000,000			1,000,000	1,000,000
Gifts in aid of construction		452,801		452,801	22,137,176
Gain on disposal of capital assets	3,948			3,948	9,407
Investment income	64,901	70,879	3,362	139,142	347,697
Total Non-Operating Revenues	<u>26,740,073</u>	<u>31,012,371</u>	<u>3,362</u>	<u>57,755,806</u>	<u>75,022,320</u>
<b>NON-OPERATING EXPENSES:</b>					
Interest on capital related debt		501,747		501,747	575,047
Total Non-Operating Expenses	<u>-</u>	<u>501,747</u>	<u>-</u>	<u>501,747</u>	<u>575,047</u>
<b>NET NON-OPERATING REVENUES</b>	<u>\$ 26,740,073</u>	<u>\$ 30,510,624</u>	<u>\$ 3,362</u>	<u>\$ 57,254,059</u> (Exhibit 2)	<u>\$ 74,447,273</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, 2021  
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2020)  
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	\$ (49,822,418)				\$ (49,822,418)	\$ (49,822,418)	
Restricted		494,779			494,779		494,779
Auxiliary enterprises	2,778,244				2,778,244	2,778,244	
Plant:							
Construction				16,594,877	16,594,877		16,594,877
Debt Service				2,800,055	2,800,055		2,800,055
Investment in Plant				65,367,610	65,367,610		65,367,610
Total Net Position, August 31, 2021	<u>(47,044,174)</u>	<u>494,779</u>	<u>-</u>	<u>84,762,542</u>	<u>38,213,147</u>	<u>(47,044,174)</u>	<u>85,257,321</u>
Total Net Position, August 31, 2020	<u>(46,338,286)</u>	<u>594,463</u>	<u>-</u>	<u>81,718,925</u>	<u>35,975,102</u>	<u>(46,338,286)</u>	<u>82,313,388</u>
Net Increase (Decrease) in Net Position	<u>\$ (705,888)</u>	<u>\$ (99,684)</u>	<u>\$ -</u>	<u>\$ 3,043,617</u>	<u>\$ 2,238,045</u>	<u>\$ (705,888)</u>	<u>\$ 2,943,933</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, 2021  
 Schedule E

Note 3: Student Loans Processed and Administrative Cost Recovery

Federal Grantor  
 CFDA Number/Program Name

---

U.S Department of Education CFDA 84.268 Federal Direct Student Loans  
 Total U.S. Department of Education  
 (There were no administrative costs recovered and included in above amount)

	Total Loans Processed
\$	9,340,412
\$	9,340,412

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, 2021  
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	\$ 789,435
Texas Regional Alliance Network	18247	2,037
Nursing Shortage Reduction Program	13129	69,336
<b>Total Texas Higher Education Coordinating Board</b>		<u>860,808</u>
<b><u>Texas Higher Education Foundation</u></b>		
		17,000
<b><u>Texas Workforce Commission</u></b>		
Skills Development	0219SDF001	214,681
Covid Skills Development	0220C05001	24,338
<b>Total Workforce Commission</b>		<u>239,019</u>
<b><u>University of Texas</u></b>		
	2019-12	81
<b><u>Texas Comptroller of Public Accounts</u></b>		
Peace Officer Allocation		2,255
<b>Total State Financial Assistance</b>		<u>\$ 1,119,163</u>

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:	\$ 1,049,827
State Financial Assistance per Schedule of Expenditures of State Awards	<u>1,119,163</u>
Difference (Nursing Shortage Reduction Program Expenditures \$69,336)	<u>\$ (69,336)</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 17, 2021

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

**INDEPENDENT AUDITORS' 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 and the aggregate discretely presented component unit of South Plains College, as of and for the years ended August 31, 2021 and 2020, the fiduciary activities as of and for the year ended August 31, 2021, 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 17, 2021.

**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 may exist that have not been identified.

**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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND 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**

We have audited South Plains College's compliance with the types of compliance requirements described 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, 2021. South Plains College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of South Plains College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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*. Those standards, the Uniform Guidance, and the *State of Texas Single audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about South Plains College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of South Plains College's compliance.

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

In our opinion, South Plains College, complied, in all material respects, with the types of 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, 2021.

## Report on Internal Control Over Compliance

Management of South Plains College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Plains College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Plains College's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

South Plains College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs and corrective action plan. South Plains College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

### Other Matter

In determining the major programs for the fiscal year 2021, we inadvertently determined that the Education Stabilization Fund was not a higher risk Type A program, however, it was later determined that the program was required to be considered as "higher risk" and therefore, should have been determined to be a major program in accordance with Uniform Guidance. The Education Stabilization Fund was subsequently audited, and no findings were noted.



Certified Public Accountants

November 17, 2021, except for the Schedule of Findings and Questioned Costs and additional testing described in the paragraph above as to which is dated August 8, 2022.

**SOUTH PLAINS COLLEGE  
Levelland, Texas**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2021

**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?	Yes
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)?	Yes

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, 2021.

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

None reported.

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

A. Compliance Findings

2021-001

Program Name: Texas Educational Opportunity Grant  
 CFDA Numbers and Names: Not applicable  
 State Agency: Texas State Legislature  
 Compliance Requirement: Eligibility  
 Questioned Costs: Not applicable

Criteria: In accordance with 19 Tex. Admin. Code § 22.256 "A person is not eligible to receive a grant if the person has been convicted of a felony or an offense under Chapter 481, Health and Safety Code (Texas Controlled Substances Act), or under the law of any other jurisdiction involving a controlled substance as defined by Chapter 481, Health and Safety Code, unless the person has met the other applicable eligibility requirements under this subchapter and has: (1) received a certificate of discharge by the Texas Department of Criminal Justice or a correctional facility or completed a period of probation ordered by a court, and at least two years have elapsed from the date of the receipt or completion; or (2) been pardoned, had the record of the offense expunged from the person's record, or otherwise been released from the resulting ineligibility to receive a grant."

Condition: We reviewed a sample of 40 students who received the Texas Educational Opportunity Grant. We reviewed students that received both an initial grant and a renewal grant. Of the 40 students, 2 checked "Yes" on their application under the question "Have you ever been convicted of any felony, including but not limited to a felony offense under Chapter 481 Health and Safety Code (Texas Controlled Substance Act), or under the law of another jurisdiction involving a controlled substance as defined by Chapter 481 Health and Safety Code?". The responses were not investigated further and both students were awarded grant funds. Per the Texas Administrative Code, a student is not eligible to receive TEOG funds if they are convicted of an offense under the Texas Controlled Substances Act or under the law of any jurisdiction involving a controlled substance as defined by Chapter 481, Health and Safety Code. After we identified the issue on the applications, the Financial Aid office at the College was able to obtain supporting documentation showing that the students were not actually felons and therefore TEOG funds were not awarded to ineligible students. However, the students were not investigated until the issue was identified during the audit.

Population and Sample Size:

	Number	Dollars	Questioned Cost
Population	523	\$ N/A	\$ N/A
Sample	40	N/A	N/A
Not in compliance	2	N/A	None

Effect: Although it was determined that an ineligible student was not awarded TEOG funds (no questioned costs), an ineligible student could have been awarded due to a lack of investigation by the College's Financial Aid office when the students indicated they were felons on their application. If applications are not being thoroughly reviewed, ineligible students could receive TEOG funds.

Cause: The process for reviewing TEOG applications is the responsibility of the College and the process is performed manually.

Recommendation: We recommend the College review TEOG applications before funds are awarded, and to reject applications that indicate a student is ineligible to receive TEOG funds.

Views of responsible official and planned corrective actions:

The audit finding pertained to two students who had answered the question “have you been convicted of a felony” with a yes, which would have made them ineligible for the grant. This was not caught when the applications were marked as received in Colleague as they should have been. The few time students have answered this way previously, the financial aid staff check with the student to make sure they answered correctly and take care of the application at that point. The reason the two documents in this finding were not stopped at the point of receipt is inexcusable. The fact that the Financial Aid Office was receiving applications during late spring and summer of 2020 almost exclusively electronically probably played a part in the mistake. However, upon notification from the auditor, these two students were immediately contacted and asked to fill out another application. They were only told that we needed a new application and not told why we needed it so as not to lead them to an incorrect or untruthful response. Both applications came back with a “no” in the “have you been convicted of a felony” box.

To ensure that this mistake does not happen again, the Director of Financial Aid has reminded the financial aid staff who received these documents that the documents must be checked for the answers to the questions on the form and that a “yes” answer to the felony question makes the student ineligible for the grant. The staff member will then return the form to the student stating that the student is not eligible for the grant based on the answers given. The application is not to be marked received in the database unless the answers to the questions demonstrate eligibility. Additionally, a second check of the applications has been implemented. After students have been chosen to receive the grant based on all eligibility factors, but before they are awarded, the applications will be physically looked at again to ensure all questions are answered and answered appropriately to receive the grant.

This process will begin immediately.



# SOUTH PLAINS COLLEGE

*Office of the Vice President  
for Business Affairs*

## **CORRECTIVE ACTION PLAN YEAR ENDED AUGUST 31, 2021**

Identifying number 2021-001

The audit finding pertained to two students who had answered the question “have you been convicted of a felony” with a yes, which would have made them ineligible for the grant. This was not caught when the applications were marked as received in Colleague as they should have been. The few time students have answered this way previously, the financial aid staff check with the student to make sure they answered correctly and take care of the application at that point. The fact that the Financial Aid Office was receiving applications during late spring and summer of 2020 almost exclusively electronically probably played a part in the mistake. However, upon notification from the auditor, these two students were immediately contacted and asked to fill out another application. They were only told that we needed a new application and not told why we needed it so as not to lead them to an incorrect or untruthful response. Both applications came back with a “no” in the “have you been convicted of a felony” box.

To ensure that this mistake does not happen again, the Director of Financial Aid has reminded the financial aid staff who received these documents that the documents must be checked for the answers to the questions on the form and that a “yes” answer to the felony question makes the student ineligible for the grant. The staff member will then return the form to the student stating that the student is not eligible for the grant based on the answers given. The application is not to be marked received in the database unless the answers to the questions demonstrate eligibility. Additionally, a second check of the applications has been implemented. After students have been chosen to receive the grant based on all eligibility factors, but before they are awarded, the applications will be physically looked at again to ensure all questions are answered and answered appropriately to receive the grant.

Susan Nazworth, Director of Financial Aid, is responsible for implementing the corrective action plan. The implementation started immediately when the findings were discovered. All TEOG applications for FY22 have been rechecked for this problem. Going forward, all applications will receive a second check of eligibility.

SPC LEVELLAND CAMPUS  
1401 S. COLLEGE AVE  
LEVELLAND, TX 79336  
(806) 894-9611

SPC LUBBOCK CENTER  
3907 AVE Q.  
LUBBOCK, TX 79411  
(806) 716-2700

SPC REESE CENTER  
819 GILBERT DRIVE  
LUBBOCK, TX 79416  
(806) 884-3048

SPC PLAINVIEW CENTER  
1920 W 24TH ST.  
PLAINVIEW, TX 79072  
(806) 296-9611

**SOUTH PLAINS COLLEGE**  
**Levelland, Texas**

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*

For the Year Ended August 31, 2021

Identifying number 2020-001

Status: Finding was fully corrected.