



ANNUAL FINANCIAL REPORT

AUGUST 31, 2020 and 2019

SOUTH PLAINS COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019
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SOUTH PLAINS COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2019-20

Board of Regents

Officers

Mike Box	Chairman
Bobby G. Neal	Vice-Chairman
Ronny Alexander	Secretary

Members

Term Expires
May 31,

Mike Box	Levelland, Texas	2022
Ronny Alexander	Levelland, Texas	2022
Bobby G. Neal	Whiteface, Texas	2020
Alton C. Pettiet	Ropesville, Texas	2024
Richard Ellis	Levelland, Texas	2024

Executive Administration

Dr. Robin Satterwhite – President
Teresa Green – Vice President for Business Affairs
Dr. Ryan Gibbs – Vice President for Academic Affairs
Stephen John, MBA – Vice President for Institutional Advancement
Dr. Stanley DeMerritt – Vice President for Student Affairs

Financial Section

November 11, 2020

**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 year ended August 31, 2020, 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 audit. We conducted our audit 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 audit 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 opinion.

Opinion

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, 2020, and the respective changes in financial position, and cash flows 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 47-48, Schedule of College's Proportionate Share of Net OPEB Liability and Schedule of College's Contributions for OPEB on pages 49-50 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, 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 financial statements of South Plains College as of and for the year ended August 31, 2019, were audited by other auditors, whose report dated November 21, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2020, 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, 2020. 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.

FINANCIAL HIGHLIGHTS 2018-2020					
	2020	2019	% CHANGE 2020	2018	% CHANGE 2020
REVENUES					
OPERATING REVENUES	\$ 22,792,726	\$ 21,609,312	5.5%	\$ 21,380,120	6.6%
NON-OPERATING REVENUES	\$ 75,022,320	\$ 48,440,431	54.9%	\$ 53,519,852	40.2%
TOTAL	\$ 97,815,046	\$ 70,049,743	39.6%	\$ 74,899,972	30.6%
EXPENSES					
OPERATING EXPENSES	\$ 73,198,540	\$ 69,829,292	4.8%	\$ 67,753,689	8.0%
NON-OPERATING EXPENSES	\$ 575,047	\$ 614,678	-6.4%	\$ 694,878	-17.2%
TOTAL	\$ 73,773,587	\$ 70,443,970	4.7%	\$ 68,448,567	7.8%
INCREASE IN NET POSITION	\$ 24,041,459	\$ (394,227)	-6198.4%	\$ 6,451,405	272.7%
TOTAL NET POSITION	\$ 35,975,102	\$ 11,993,643	200.0%	\$ 12,327,870	191.8%
CURRENT ASSETS	\$ 52,271,427	\$ 40,830,405	28.0%	\$ 39,118,684	33.6%
CURRENT LIABILITIES	\$ 21,269,626	\$ 22,065,622	-3.6%	\$ 21,996,411	-3.3%
CURRENT RATIO	2.46	1.85	N/A	1.78	N/A

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 similar to the accounting used by most private-sector companies. All of 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) include 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 \$36.0 million as of August 31, 2020. See Table A-1.

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

ASSETS	2020	2019	% CHANGE 2020	2018	% CHANGE 2020
CURRENT ASSETS	\$ 52.3	\$ 40.8	28.2%	\$ 39.1	33.8%
CAPITAL ASSETS	\$ 78.5	\$ 73.1	7.4%	\$ 72.7	8.0%
OTHER NON CURRENT ASSETS	\$ 8.3	\$ 0.2	N/A	\$ 0.3	2666.7%
TOTAL	\$ 139.1	\$ 114.1	21.9%	\$ 112.1	24.1%
DEFERRED OUTFLOWS	\$ 21.3	\$ 20.0	6.5%	\$ 3.5	508.6%
LIABILITIES					
LONG TERM DEBT OUTSTANDING	\$ 83.8	\$ 79.4	5.5%	\$ 69.1	21.3%
OTHER LIABILITIES	\$ 21.3	\$ 22.1	-3.6%	\$ 22.0	-3.2%
TOTAL	\$ 105.1	\$ 101.5	3.5%	\$ 91.1	15.4%
DEFERRED INFLOWS	\$ 19.3	\$ 20.7	-6.8%	\$ 12.3	56.9%
NET POSITION					
INVESTED IN CAPITAL ASSETS					
NET OF DEBT	\$ 61.2	\$ 54.7	11.9%	\$ 52.9	15.7%
RESTRICTED	\$ 21.1	\$ 2.3	817.4%	\$ 2.5	744.0%
UNRESTRICTED	\$ (46.3)	\$ (45.1)	-2.7%	\$ (43.1)	-7.4%
TOTAL NET POSITION	\$ 36.0	\$ 11.9	202.5%	\$ 12.3	192.7%

The negative \$46.3 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 \$19,476,320 on August 31, 2020.

Changes in net position. As Table A-1 illustrates, the College's net position for FY2020 increased by \$24.1 million (202.5%). This increase is primarily due an increase of \$6.5 million in capital asset net position and an increase of \$18.7 million in construction net position (included in restricted net position).

COLLEGE REVENUES AND EXPENSES

The College's total revenues for FY2020 were \$97.8 million. This represents a \$27.8 million increase from FY2019. The increase is primarily from an increase in gifts of \$21.7 million, an increase in grants of \$4 million (CARES act), and an increase in tuition of \$1.3 million. Approximately 19% of total revenues comes from state appropriations, 25% from federal and state grants and contracts, 18% from tuition and fees, 12% from property taxes, 24% from gifts, and the remaining 2% from other sources. The College's total operating expenses were \$73.2 million. This represents a 4.8% increase from 2019 and an 8% increase from 2018. The following are financial highlights presented in Table A-2.

- Property tax revenues increased \$946,001 from FY2019 to FY2020 and increased \$656,627 from FY2018 to FY2019.
- State appropriations amounts increased by \$ 286,814. Although there was a \$219,454 decrease in general state support, there was an increase in nursing shortage grant of \$81,600 and an increase in OPEB and TRS non-cash revenue.
- The out-of-district and non-resident tuition amounts increased by \$5 per semester credit hour. Instructional support fee increased by \$10 per semester hour for Reese, Lubbock Center and Plainview Center. Internet support fee increased by \$5 per semester hour.
- Gifts increased by \$21.7 million from FY2019. These gifts were to support construction.

**TABLE A-2
SOUTH PLAINS COLLEGE
SOURCES OF REVENUE
FY2020**

REVENUE SOURCES(millions)	2020		2019		2018	
STATE APPROPRIATIONS	\$ 18.5	18.9%	\$ 18.2	26.0%	\$ 19.7	26.3%
TUITION AND FEES	\$ 17.6	18.0%	\$ 16.3	23.3%	\$ 16.3	21.8%
PROPERTY TAXES	\$ 11.8	12.1%	\$ 10.8	15.4%	\$ 10.2	13.6%
FEDERAL AND STATE GRANTS	\$ 24.3	24.8%	\$ 20.3	29.0%	\$ 19.9	26.6%
OTHER	\$ 2.4	2.5%	\$ 2.9	4.1%	\$ 2.7	3.6%
GIFTS	\$ 23.2	23.7%	\$ 1.5	2.1%	\$ 6.1	8.1%
TOTAL	\$ 97.8	100.0%	\$ 70.0	100.0%	\$ 74.9	100.0%

□

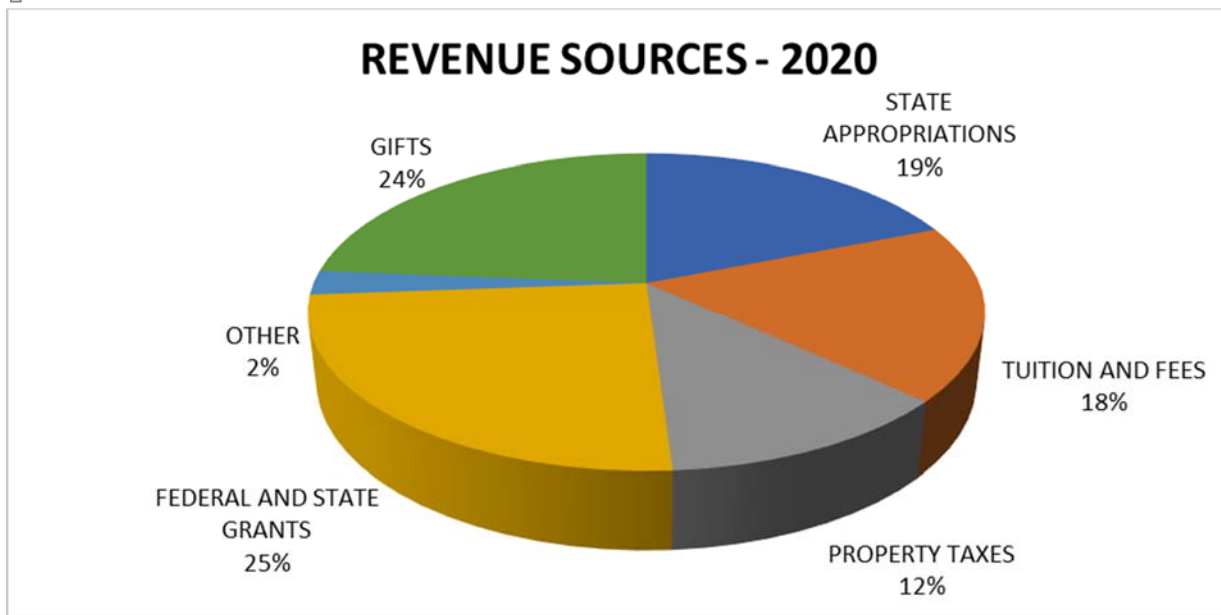


TABLE A-3						
CHANGES IN THE NET POSITION OF SOUTH PLAINS COLLEGE						
(in millions)						
				%		%
				CHANGE		CHANGE
<u>OPERATING REVENUES</u>		2020	2019	2020	2018	2020
TUITION AND FEES(NET OF DISCOUNTS)		\$ 17.6	\$ 16.3	8.0%	\$ 16.3	8.0%
FEDERAL GRANTS AND CONTRACTS		\$ 2.1	\$ 2.1	0.0%	\$ 2.0	5.0%
STATE GRANTS AND CONTRACTS		\$ 1.0	\$ 0.8	25.0%	\$ 0.8	25.0%
NON GOVERNMENTAL GRANTS AND CONTRACTS		\$ 0.1	\$ 0.1	0.0%	\$ 0.1	0.0%
SALES AND SERVICES EDUCATIONAL ACTIVITIES		\$ 0.1	\$ 0.1	0.0%	\$ 0.1	0.0%
AUXILIARY ENTERPRISES (NET OF DISCOUNTS)		\$ 1.8	\$ 2.0	-10.0%	\$ 1.9	-5.3%
GENERAL OPERATING REVENUES		\$ 0.1	\$ 0.2	-50.0%	\$ 0.2	-50.0%
TOTAL OPERATING REVENUES		\$ 22.8	\$ 21.6	5.6%	\$ 21.4	6.5%
<u>OPERATING EXPENSES</u>						
INSTRUCTION		\$ 32.1	\$ 29.8	7.7%	\$ 29.3	9.6%
PUBLIC SERVICE		\$ 0.3	\$ 0.5	-40.0%	\$ 0.5	-40.0%
ACADEMIC SUPPORT		\$ 3.9	\$ 3.5	11.4%	\$ 3.1	25.8%
STUDENT SERVICES		\$ 7.1	\$ 6.8	4.4%	\$ 6.7	6.0%
INSTITUTIONAL SUPPORT		\$ 10.2	\$ 10.7	-4.7%	\$ 10.5	-2.9%
OPERATING AND MAINTENANCE OF PLANT		\$ 6.3	\$ 6.3	0.0%	\$ 6.3	0.0%
SCHOLARSHIPS AND FELLOWSHIPS		\$ 7.4	\$ 6.3	17.5%	\$ 6.5	13.8%
AUXILIARY ENTERPRISES		\$ 3.1	\$ 3.3	-6.1%	\$ 2.2	40.9%
DEPRECIATION		\$ 2.8	\$ 2.6	7.7%	\$ 2.7	3.7%
TOTAL OPERATING EXPENSES		\$ 73.2	\$ 69.8	4.9%	\$ 67.8	8.0%
<u>NON-OPERATING REVENUES(EXPENSES)</u>						
STATE APPROPRIATIONS		\$ 18.5	\$ 18.2	1.6%	\$ 19.7	-6.1%
TAXES-MAINTENANCE AND OPERATIONS		\$ 11.8	\$ 10.8	9.3%	\$ 10.2	15.7%
FEDERAL REVENUE, NON-OPERATING		\$ 21.2	\$ 17.3	22.5%	\$ 17.1	24.0%
GIFTS		\$ 23.2	\$ 1.5	1446.7%	\$ 6.1	280.3%
INVESTMENT INCOME		\$ 0.3	\$ 0.6	-50.0%	\$ 0.4	-25.0%
INTEREST ON CAPITAL RELATED DEBT		\$ (0.6)	\$ (0.6)	0.0%	\$ (0.7)	14.3%
TOTAL NON-OPERATING REVENUES(EXPENSES)		\$ 74.4	\$ 47.8	55.6%	\$ 52.8	40.9%
INCREASE(DECREASE) IN NET ASSETS		\$ 24.0	\$ (0.4)	6100.0%	\$ 6.4	475.0%

Capital Assets

At the end of FY2020, the College had invested \$141.5 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 \$8 million or 6% over last year. A detail listing of activity in the capital assets is presented in Table A-4.

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

CHANGES IN CAPITAL ASSETS (millions)	2020	2019	% CHANGE 2020	2018	% CHANGE 2020
LAND	\$ 2.0	\$ 2.0	0.0%	\$ 2.0	0.0%
LIBRARY BOOKS	\$ 3.1	\$ 3.1	0.0%	\$ 3.0	3.3%
CONSTRUCTION IN PROGRESS	\$ 8.0	\$ 0.7	1042.9%	\$ 4.5	77.8%
BUILDINGS	\$ 103.3	\$ 103.2	0.1%	\$ 101.0	2.3%
LAND IMPROVEMENTS	\$ 2.4	\$ 2.4	0.0%	\$ 1.7	41.2%
FURNITURE, MACHINERY, VEHICLES, OTHER EQUIP.	\$ 14.3	\$ 13.9	2.9%	\$ 10.9	31.2%
TELECOMMUNICATIONS AND PERIPHERAL EQUIP.	\$ 8.4	\$ 8.2	2.4%	\$ 7.4	13.5%
TOTAL	\$ 141.5	\$ 133.5	6.0%	\$ 130.5	8.4%
LESS ACCUMULATED DEPRECIATION	\$ (63.0)	\$ (60.3)	4.5%	\$ (55.4)	13.7%
NET CAPITAL ASSETS	\$ 78.5	\$ 73.2	7.2%	\$ 75.1	4.5%

Long Term Debt

At year-end, the College had \$16 million in long-term bonds outstanding as shown in Table A-5 below. The net pension liability remained about the same but the net OPEB liability increased \$5.7 million for a total of \$56.3 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 in order 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

	2020	2019	2018
Tuition Revenue Bonds Payable	\$ 16.0	\$ 17.2	\$ 18.5
Net Pension Liability (TRS)	\$ 11.5	\$ 11.6	\$ 6.9
Net OPEB Liability	\$ 56.3	\$ 50.6	\$ 43.7
Total long term debt	\$ 83.8	\$ 79.4	\$ 69.1

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 fall 2018 enrollment was 9,279, which was a decrease of only four students from 2017. The unduplicated headcount in the fall 2019 semester was 9,196, which was less than a 1% decrease. The headcount for the fall 2020 term was 8,879 (a 3.5% decrease). Student enrollment needs to increase or at least stabilize in order for the College to sustain its present level of operations.

In addition to the opening of the Lubbock Center in August 2017 and the culinary arts addition in August 2018, South Plains College has continued to plan for the expansion of facilities. 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 pledged \$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 in Fall 2022. The student population in Lubbock County will be better served with the addition of this facility.

The College began new construction and renovation of the Science Building on the Levelland campus during this fiscal year. The college has received a \$7 million pledge from The William R. and Sandra L. Wheeler Charitable Foundation to help with construction. In addition, The Helen Jones Foundation has committed \$5 million in grants toward this project. An additional grant of \$350,000 from the Montgomery Family Foundation has been pledged toward this project. A \$100 building use fee for every class taught in the Science Building was implemented during FY2019 to help with construction costs. The renovation is expected to be completed in May 2021.

The State of Texas contributes a significant 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. There was an increase in non-cash items for OPEB and TRS in FY2020. 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 \$11.5 million as of FY2020. The implementation of GASB 75 created a restatement of fund balance of (\$51,030,991) for FY2017. There is currently a liability of OPEB of \$56.3 million as of FY2020.

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. 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 are down slightly for FY21 to \$2.9 billion resulting in a budget decrease of \$272,504 for FY21.

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. South Plains College and Texas Tech University signed a memorandum of understanding on April 1, 2019 that provides a pathway for students who start at SPC with the intention of transferring to Texas Tech University. This program will provide a smooth transition for transfer students. South Plains College began offering 8-week courses in fall 2020 as a pilot program. There were 139 unduplicated students enrolled in these classes and the 8-week courses will be offered in the future to give students flexibility. The opening of the Lubbock Downtown academic 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 30-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 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 Academic 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 \$16,042,182 as of August 31, 2020.

FINANCIAL HIGHLIGHTS FY 2018 to FY 2020					
	FY 2020	FY 2019	Percent Change FY 2020	FY 2018	Percent Change FY 2020
REVENUES					
Gifts	\$1,182,476	\$551,228	114.5%	\$503,749	134.7%
Grants for SPC	\$19,767,182	\$1,125,000	1,657.08%	\$5,128,798	285.42%
Less: Agency	(\$19,767,182)	\$0	N/A	\$0	N/A
Fundraising	\$253,336	\$242,080	4.6%	\$284,010	-10.8%
Investments	\$2,133,700	\$881,291	142.1%	\$2,113,148	1.0%
Other	<u>\$26,611</u>	<u>\$10,691</u>	148.9%	<u>\$21,120</u>	26.0%
Total	<u>\$3,596,123</u>	<u>\$2,810,290</u>	160.5%	<u>\$8,050,825</u>	-9.1%
EXPENSES					
Scholarships	\$969,158	\$953,095	1.7%	\$909,844	6.5%
Grants to SPC	\$3,762,693	\$1,127,345	233.8%	\$5,134,798	-26.7%
Less: Agency	(\$3,725,000)	\$0	N/A	\$0	N/A
Fundraising	\$29,503	\$42,042	-29.8%	\$44,851	-34.2%
Operating	<u>\$116,313</u>	<u>\$112,655</u>	<u>3.2%</u>	<u>\$107,490</u>	8.2%
Total	<u>\$1,152,667</u>	<u>\$2,235,137</u>	118.2%	<u>\$6,196,983</u>	-21.3%
INCREASE IN NET POSITION	<u>\$2,443,456</u>	<u>\$575,153</u>	324.8%	<u>\$1,853,842</u>	31.8%
TOTAL NET POSITION	\$25,628,417	\$23,184,961	10.5%	\$22,609,809	13.4%

The South Plains College Foundation recorded a 10.5 percent increase in total net position over the prior period with total net assets of \$25,628,417 for FY 2020. This increase was welcomed given the significant economic downturn that occurred in the first quarter of the 2020 calendar year that was brought about by the COVID-19 pandemic. The Foundation's invested assets had a 9.03 percent average return on investment for the fiscal year resulting in \$2,133,700 of short-term investment revenue, as illustrated in the Financial Highlights Table. Return on investment for prior years was 3.7 percent for FY 2019 and 9.7 percent for FY 2018. 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 7.5 percent net of fees.

For fiscal year 2020, the Foundation recorded \$1,435,812 in gifts and fundraising, about 81.0 percent more than the prior year. The Foundation also received \$3,725,000 in non-scholarship restricted grant funds for capital improvement projects at South Plains College and posted an additional \$16,042,182 in pledges. Realized and unrealized investment income totaled \$2,160,311. Total revenues for the fiscal year was \$3,596,123.

The Foundation distributed to the College a record \$969,158 in scholarship funds, providing financial assistance to 865 South Plains College students during the academic year. This was a 1.7 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 16.0 percent. An additional \$3,762,693 in non-scholarship restricted and unrestricted grants were disbursed for total support of \$4,731,851 to the College.

The direct operating expenses of the Foundation grew by 3.2 percent to \$116,313. These expenses included investment expense (82 percent), planned gift expense (6 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).

ENDOWMENT GROWTH FY 2018 to FY 2020					
	FY 2020	FY 2019	Percent Change FY 2020	FY 2018	Percent Change FY 2020
Original Corpus Restricted	\$15,414,645	\$14,285,879	7.9%	\$13,707,256	12.5%
Earnings on Corpus Restricted	<u>\$7,884,189</u>	<u>\$6,803,561</u>	15.9%	<u>\$6,738,116</u>	17.0%
Total Endowment Value	\$23,298,834	\$21,089,440	10.5%	\$20,445,372	14.0%
% Original Corpus Endowment	66.2%	67.7%		67.1%	

The Foundation's permanent endowment increased 7.9 percent during the fiscal year to \$15,414,645 due to the establishment of new endowments and additions to existing funds. Overall, eight new scholarship endowments, totaling \$706,494, were established during the fiscal year and seven existing scholarship funds reached permanent endowment status. The total endowment increased in value by 10.5 percent to \$23,298,834 with 66.2 percent of funds permanently restricted. For FY 2020, the permanent endowment of the Foundation funded \$780,781 in scholarships, or 80.6 percent of the total scholarship disbursement. The remaining \$188,377 or 19.4 percent of scholarships came from non-permanent funds and impact scholarship contributions from donors.

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. Over the past five years, \$193,535 has been contributed toward unrestricted impact scholarships, and \$173,058 of these

funds have been paid out in scholarships to SPC students. 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. Despite recent 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. However, in order to achieve its annual goal of 8.0 percent return on investment, the Foundation's invested asset distribution may need to encompass a greater percentage of alternative investments. These are strategies the Foundation Board of Directors will need to investigate and consider.

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

Basic Financial Statements

SOUTH PLAINS COLLEGE
STATEMENTS OF NET POSITION
AUGUST 31, 2020 AND 2019
EXHIBIT 1

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 30,770,800	\$ 26,285,740
Accounts receivable (net)	14,196,829	13,877,284
Other receivables	6,935,000	645,106
Prepaid expenses	348,098	-
Inventories	20,700	22,275
Total Current Assets	<u>52,271,427</u>	<u>40,830,405</u>
Noncurrent Assets:		
Capital assets (net)	78,485,723	73,163,725
Other receivables	8,302,182	195,000
Total Noncurrent Assets	<u>86,787,905</u>	<u>73,358,725</u>
TOTAL ASSETS	<u>139,059,332</u>	<u>114,189,130</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	5,498,345	5,048,807
Deferred outflows of resources related to OPEB	15,826,144	14,943,665
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>21,324,489</u>	<u>19,992,472</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,409,210	686,293
Accrued liabilities	1,115,943	3,377,818
Funds held for others	787,125	756,804
Unearned revenues	15,707,346	15,994,707
Bonds payable - current portion	1,250,000	1,250,000
Total Current Liabilities	<u>21,269,624</u>	<u>22,065,622</u>
Noncurrent Liabilities:		
Net pension liability	11,453,805	11,593,747
Net OPEB liability	56,360,245	50,589,495
Bonds payable	16,000,000	17,250,000
Total Noncurrent Liabilities	<u>83,814,050</u>	<u>79,433,242</u>
TOTAL LIABILITIES	<u>105,083,674</u>	<u>101,498,864</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	2,827,551	1,167,717
Deferred inflows of resources related to OPEB	16,497,494	19,581,378
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,325,045</u>	<u>20,749,095</u>
NET POSITION		
Net investment in capital assets	61,235,723	54,663,725
Restricted:		
Expendable for:		
Student aid	537,945	436,169
Construction	18,763,317	41,490
Debt service	1,719,885	1,703,971
Nursing program	56,518	166,683
Unrestricted	(46,338,286)	(45,078,395)
TOTAL NET POSITION	<u>\$ 35,975,102</u>	<u>\$ 11,933,643</u>

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

SOUTH PLAINS COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019
EXHIBIT 1.1

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 1,224,795	\$ 568,554
Accrued interest and dividends receivable	1,800	2,228
Investments	24,076,355	22,315,325
Planned gift cash value	312,967	286,354
Vacation time share	12,500	12,500
Deferred scholarships	477,437	429,958
Pledges receivable	<u>16,042,182</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 42,148,036</u>	 <u>\$ 23,614,919</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Scholarships payable to South Plains College	\$ 477,437	\$ 429,958
Pledges payable to South Plains College	<u>16,042,182</u>	<u>-</u>
 Total Liabilities	 <u>16,519,619</u>	 <u>429,958</u>
NET ASSETS		
Without donor restrictions	300,095	287,832
With donor restrictions	<u>25,328,322</u>	<u>22,897,129</u>
 Total Net Assets	 <u>25,628,417</u>	 <u>23,184,961</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 42,148,036</u>	 <u>\$ 23,614,919</u>

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, 2020 AND 2019
EXHIBIT 2

	2020	2019
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Tuition and fees (net of discounts of \$16,226,427 and \$15,334,918, respectively)	\$ 17,573,879	\$ 16,312,605
Federal grants and contracts	2,104,401	2,115,336
State grants and contracts	1,036,098	830,248
Nongovernmental grants and contracts	25,856	3,597
Sales and services of educational activities	113,218	179,436
Investment income - program restricted	2,202	1,917
Auxiliary enterprises (net of discounts of \$542,427 and \$649,152, respectively)	1,768,923	1,985,094
General operating revenues (net of discounts of \$0, both years)	168,149	181,079
Total Operating Revenues (Schedule A)	<u>22,792,726</u>	<u>21,609,312</u>
Operating Expenses:		
Instruction	32,061,936	29,783,566
Public service	305,188	464,061
Academic support	3,864,801	3,533,972
Student services	7,116,703	6,775,724
Institutional support	10,233,273	10,653,678
Operation and maintenance of plant	6,313,664	6,266,106
Scholarships and fellowships	7,387,916	6,397,886
Auxiliary enterprises	3,102,744	3,380,866
Depreciation	2,812,315	2,573,433
Total Operating Expenses (Schedule B)	<u>73,198,540</u>	<u>69,829,292</u>
Operating Loss	<u>(50,405,814)</u>	<u>(48,219,980)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	18,528,220	18,241,406
Maintenance ad valorem taxes	11,759,211	10,813,210
Federal revenue, non-operating	21,136,803	17,297,998
Gifts	30,373	-
Gifts in kind	73,433	4,500
Gifts in aid of debt services	1,000,000	1,000,000
Gifts in aid of construction	22,137,176	510,106
Investment income	347,697	573,211
Interest on capital related debt	(575,047)	(614,678)
Gain on disposal of fixed assets	9,407	-
Net Non-Operating Revenues (Schedule C)	<u>74,447,273</u>	<u>47,825,753</u>
Increase (Decrease) in Net Position	<u>24,041,459</u>	<u>(394,227)</u>
NET POSITION		
Net position - beginning of year	11,933,643	12,327,870
Net position - end of year	<u>\$ 35,975,102</u>	<u>\$ 11,933,643</u>

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 2.1

	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)	-
 TOTAL REVENUE	 990,831	 2,605,292	 3,596,123
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
 TOTAL EXPENSE	 978,568	 174,099	 1,152,667
 INCREASE IN NET ASSETS	 12,263	 2,431,193	 2,443,456
 NET ASSETS AT BEGINNING OF YEAR	 287,832	 22,897,129	 23,184,961
 NET ASSETS AT END OF YEAR	 \$ 300,095	 \$ 25,328,322	 \$ 25,628,417

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

SOUTH PLAINS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019
EXHIBIT 2.2

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$	\$ 1,676,228	\$ 1,676,228
Fundraising revenue	300	241,780	242,080
Investment income	6,920	443,044	449,964
Realized capital gain		339,599	339,599
Planned gift change in value		10,691	10,691
Unrealized market gain		91,728	91,728
Net assets released from restriction	953,095	(953,095)	-
TOTAL REVENUE	960,315	1,849,975	2,810,290
EXPENSE			
Scholarships	953,095		953,095
Fundraising expenses		42,042	42,042
Planned gift expenses		6,711	6,711
Restricted program support		1,125,000	1,125,000
Unrestricted program support	8,702		8,702
Bank/Brokerage fees		92,916	92,916
Other expenses		6,672	6,672
TOTAL EXPENSE	961,797	1,273,341	2,235,138
INCREASE IN NET ASSETS	(1,482)	576,634	575,152
NET ASSETS AT BEGINNING OF YEAR	289,314	22,320,495	22,609,809
NET ASSETS AT END OF YEAR	\$ 287,832	\$ 22,897,129	\$ 23,184,961

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

SOUTH PLAINS COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019
EXHIBIT 3

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 19,486,017	\$ 18,125,499
Receipts of appropriations, grants, and contracts	2,630,445	3,269,261
Other receipts	170,352	182,996
Payments to or on behalf of employees	(43,488,662)	(41,294,334)
Payments to suppliers for goods or services	(13,854,769)	(12,525,303)
Payments of scholarships	(7,387,916)	(6,397,886)
Net cash used in operating activities	<u>(42,444,533)</u>	<u>(38,639,767)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	13,753,994	13,900,903
Ad valorem tax revenues	11,724,721	10,760,459
Federal revenue, nonoperating	21,123,252	17,290,631
Gifts and grants (other than capital)	30,373	-
Net cash provided by non-capital financing activities	<u>46,632,340</u>	<u>41,951,993</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions received in aid of construction	7,740,100	145,000
Contributions received in aid of debt service	1,000,000	1,000,000
Purchases of capital assets	(6,962,249)	(3,008,702)
Proceeds from sale of capital assets	9,407	-
Payments on capital debt - principal	(1,250,000)	(1,250,000)
Payments on capital debt - interest	(590,620)	(630,252)
Net cash used in capital and related financing activities	<u>(53,362)</u>	<u>(3,743,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	350,615	572,822
Net cash provided by investing activities	<u>350,615</u>	<u>572,822</u>
Increase in cash and cash equivalents	4,485,060	141,094
Cash and cash equivalents - September 1	<u>26,285,740</u>	<u>26,144,646</u>
Cash and cash equivalents - August 31	<u>\$ 30,770,800</u>	<u>\$ 26,285,740</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (50,405,814)	\$ (48,219,980)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,812,315	2,573,433
Bad debt expense	188,564	-
Gift in kind expenditure	-	4,500
Payments made directly by state for benefits	4,774,226	4,340,503
TRS non cash items	1,070,354	423,132
ERS non cash items	1,804,387	3,153,874
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Increase in accounts receivable (net)	(462,988)	(1,004,112)
Decrease in inventories	1,575	4,100
Increase in prepaid expenses	(348,098)	-
Increase (Decrease) in accounts payable	624,287	(240,357)
Decrease in accrued liabilities	(2,246,301)	(647,417)
Increase in funds held for others	30,321	50,783
Increase (Decrease) in unearned revenues	<u>(287,361)</u>	<u>921,774</u>
Net cash used in operating activities	<u>\$ (42,444,533)</u>	<u>\$ (38,639,767)</u>

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

SOUTH PLAINS COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019
EXHIBIT 3.1

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from contributions	\$ 1,182,476	\$ 1,649,085
Receipts from fundraising	253,336	242,080
Payments to suppliers for goods or services	(82,436)	(64,127)
Payments of restricted support	(5,100)	(1,125,000)
Payments of scholarships	(969,158)	(953,095)
Net cash provided by (used in) operating activities	<u>379,118</u>	<u>(251,057)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	200,000	200,000
Investment earnings	102,623	20,878
Purchase of investments	(25,500)	(26,885)
Net cash provided by investing activities	<u>277,123</u>	<u>193,993</u>
Increase (Decrease) in cash and cash equivalents	656,241	(57,064)
Cash and cash equivalents - September 1	<u>568,554</u>	<u>625,618</u>
Cash and cash equivalents - August 31	<u>\$ 1,224,795</u>	<u>\$ 568,554</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Increase in net assets	\$ 2,443,456	\$ 575,152
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Unrealized and realized gains on investments	(1,681,194)	(431,327)
Investment income reinvested	(479,545)	(460,301)
Bank/Brokerage fees paid as reduction in investment basis	95,973	92,916
Non-cash gift	-	(27,143)
Changes in assets and liabilities:		
(Increase) Decrease in accrued interest and dividends receivable	428	(354)
Increase in deferred scholarships	(47,479)	(88,874)
Increase in pledges receivable	(16,042,182)	-
Increase in scholarships payable to South Plains College	47,479	88,874
Increase in pledges payable to South Plains College	<u>16,042,182</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 379,118</u>	<u>\$ (251,057)</u>

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

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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 Statement 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 \$1,032,484 and \$1,021,468 at August 31, 2020 and 2019, 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 market 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 \$15,559,836 and \$15,924,910 and federal, state and local grants of \$147,510 and \$69,797 have been reported as unearned revenues as of August 31, 2020 and 2019, respectively.

Deferred Inflows

In addition to liabilities, South Plains College is aware that the Statement 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, 2020, 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	
	2020	2019	2020	2019
Bank Deposits				
Demand deposits	\$ 9,367,711	\$ 7,959,330	\$ 901,509	\$ 362,044
Time deposits	20,357,584	17,298,954	323,286	206,510
Total Bank Deposits	29,725,295	25,258,284	1,224,795	568,554
Cash and Cash Equivalents				
Petty cash on hand	13,021	5,988		
Cash equivalents – investment pools	1,032,484	1,021,468		
Total Cash and Cash Equivalents	1,045,505	1,028,456	-	-
Total Cash and Deposits	\$ 30,770,800	\$ 26,285,740	\$ 1,224,795	\$ 568,554

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

	Primary Institution		Component Unit	
	August 31, 2020	August 31, 2019	August 31, 2020	August 31, 2019
Type of Security:				
Cash and cash equivalents	\$	\$	\$ 195,256	\$
Corporate equities			1,299,338	1,609,255
U.S. government agencies			146,993	200,427
Corporate obligations			165,647	
Mutual funds			21,887,161	19,841,578
Alternative investments			577,215	
Other			325,468	965,147
Total	-	-	24,597,078	22,616,407
Total Cash and Deposits	30,770,800	26,285,740	1,029,539	568,554
Total Investments	-	-	24,626,617	22,616,407
Total Deposits and Investments	30,770,800	26,285,740	25,626,617	23,184,961
Per Exhibit 1:				
Cash and cash equivalents	30,770,800	26,285,740	1,224,795	568,554
Investments			24,401,822	
Total	\$ 30,770,800	\$ 26,285,740	\$ 25,626,617	\$ 23,184,961

As of August 31, 2020, 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	\$ 1,299,338	N/A	N/A	N/A
U.S. government agencies	146,993	N/A	N/A	N/A
Corporate obligations	165,647	N/A	N/A	N/A
Mutual funds	21,887,161	N/A	N/A	N/A
Alternative investments	577,215	N/A	N/A	N/A
Other	325,468	N/A	N/A	N/A
Total Fair Value	\$ 24,401,822	\$ N/A	\$ N/A	\$ N/A

As of August 31, 2020, the Foundation's cost basis for investments was as follows:

Investment Type	Cost
Corporate equities	\$ 1,218,604
U.S. government agencies	132,334
Corporate obligations	154,644
Mutual funds	20,937,543
Alternative investments	463,201
Other	325,468
Total Fair Value	<u>\$ 23,231,794</u>

The Foundation held the following investments with a continuous unrealized loss position at August 31, 2020:

Investment Type	Less than 12 months		12 months or longer	
	FMV	Unrealized Loss	FMV	Unrealized Loss
Corporate equities	\$	\$	\$ 282,396	\$ (96,297)
Corporate obligations			23,469	(348)
Mutual funds			5,631,192	(25,908)
Alternative investments			128,716	(12,222)
Total Fair Value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,065,773</u>	<u>\$ (134,775)</u>

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 market 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, 2020, the carrying amount of the College's bank balances was \$31,170,556. Bank balances of \$250,000 were covered by Federal Depository Insurance. Bank balances in the amount of \$30,920,556 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, 2020 follows:

Investment Type	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Corporate equities	\$ 1,299,338	\$	\$	\$ 1,299,338
U.S. government agencies		146,993		146,993
Corporate obligations		165,647		165,647
Mutual funds	21,887,161			21,887,161
Alternative investments			577,215	577,215
Other			325,468	325,468
Total	\$ 23,186,499	\$ 312,640	\$ 902,683	\$ 24,401,822

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 (22.01%), CFI Multi Strategy Bond Fund, LLC (38.10%), and CF Global Multi-Asset Portfolio, LLC (14.15%).

Note 5: Capital Assets

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	<u>70,129,730</u>	<u>(2,068,826)</u>		<u>68,514,304</u>
Capital assets, net	<u>\$ 73,163,725</u>	<u>\$ 5,389,664</u>	<u>\$ (67,666)</u>	<u>\$ 78,485,723</u>

Construction in progress at August 31, 2020 relates to the science building renovation and the Lubbock Downtown Center.

Capital asset activity for the year ended August 31, 2019, 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	4,414,780	576,104	4,270,362	720,522
Total capital assets not being depreciated	6,428,253	576,104	4,270,362	2,733,995
Capital assets being depreciated:				
Buildings	100,992,869	2,123,401		103,116,270
Improvements	1,731,684	689,049		2,420,733
Library books	3,040,735	3,047,002		3,091,434
Furniture, machinery, vehicles and other equipment	10,897,829	792,809		13,944,831
Telecommunications and peripheral equipment	7,417,281	50,699		8,210,090
Total capital assets being depreciated	124,080,398	6,702,960	-	130,783,358
Less accumulated depreciation for:				
Buildings	(39,866,551)	(1,431,618)		(41,298,169)
Improvements	(751,332)	(80,797)		(832,129)
Library books	(7,653,799)	(664,334)		(3,067,999)
Furniture, machinery, vehicles and other equipment	(6,490,809)	(346,389)		(8,318,133)
Telecommunications and peripheral equipment	(3,017,704)	(50,295)		(6,837,198)
Total accumulated depreciation	(57,780,195)	(2,573,433)	-	(60,353,628)
Net other capital assets	66,300,203	4,129,527		70,429,730
Capital assets, net	\$ 72,728,456	\$ 4,705,631	\$ 4,270,362	\$ 73,163,725

Note 6: Long-Term Obligations

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	50,589,495	5,770,750		56,360,245	-
Total Long-Term Liabilities	\$ 80,683,242	\$ 5,770,750	\$ 1,389,942	\$ 85,064,050	\$ 1,250,000

Long-term liability activity for the year ended August 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds and notes	\$ 19,750,000	\$	\$ 1,250,000	\$ 18,500,000	\$ 1,250,000
Net pension liability	6,920,283	5,383,033	709,569	11,593,747	-
Net OPEB liability	43,723,593	4,103,016	(2,762,886)	50,589,495	-
Total Long-Term Liabilities	\$ 70,393,876	\$ 9,486,049	\$ (803,317)	\$ 80,683,242	\$ 1,250,000

Note 7: Debt and Lease Obligations

Debt service requirements at August 31, 2020 were as follows:

<u>Fiscal Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2021	\$ 1,250,000	\$ 540,312	\$ 1,790,312
2022	1,250,000	499,688	1,749,688
2023	1,250,000	459,062	1,709,602
2024	1,250,000	418,438	1,668,438
2025-2029	6,250,000	1,482,812	7,732,812
2030-2034	6,000,000	471,250	6,471,250
	<u>\$ 17,250,000</u>	<u>\$ 3,871,562</u>	<u>\$ 21,121,562</u>

As of August 31, 2020 and 2019, 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 amount of the Bonds outstanding as of August 31, 2020 is \$17,250,000. The bonds are scheduled to mature on October 15, 2035.

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>
2021	\$ 128,648
2022	126,724
2023	126,724
2024	95,045
	<u>\$ 477,141</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 work load 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_2019.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 are 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 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	<u>Contribution Rates</u>	<u>2020</u>	<u>2019</u>
Member		7.7%	7.7%
Non-employer contributing entity (State)		7.5%	6.8%
Employers		7.5%	6.8%
FY2019 Member contributions		\$1,522,558	
FY2019 State of Texas on-behalf contributions		587,508	
FY2019 College contributions		770,990	

College contributions to the TRS pension plan in 2020 were \$879,195 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 2020 were \$512,956.

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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2019
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*	2.63%
Last year ending August 31 in the 2016 to 2116 projection period (100 years)	2116
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 2.63% as of August 2019 (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 updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The Single Discount Rate as of August 31, 2018 was a blended rate of 6.097% and that has changed to the long term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Legislature, an assumption has been made about how this legislation would impact future salaries. We have assumed that eligible active members would each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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 6.907 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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, 2019, is summarized below:

Asset Class	FY2019 Target Allocation	New Target Allocation	Long-Term Expected Geometric Real Rate of Return
Global Equity			
U.S	18.0%	18.0%	6.40%
Non-U.S. developed	13.0%	13.0%	6.30%
Emerging markets	9.0%	9.0%	7.30%
Directional hedge funds	4.0%		0.00%
Private equity	13.0%	14.0%	8.40%
Stable Value			
U.S. treasuries	11.0%	16.0%	3.10%
Absolute return	0.0%	0.0%	0.00%
Stable value hedge funds	4.0%	5.0%	4.50%
Real Return			
Global inflation linked bonds	3.0%		0.00%
Real assets	14.0%	15.0%	8.50%
Energy and natural resources	5.0%	6.0%	7.30%
Commodities	0.0%	0.0%	0.00%
Risk Parity			
Risk parity	5.0%	8.0%	5.80%
Cash	1.0%	2.0%	2.50%
Asset allocation leverage	0.0%	(6.0%)	2.70%
Total	<u>100%</u>	<u>100%</u>	<u>7.23%</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)	\$ 17,606,163	\$ 11,453,805	\$ 6,469,208

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

At August 31, 2020, the College reported a liability of \$11,453,805 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	\$ 11,453,805
State's proportionate share that is associated with the College	7,618,648
Total	<u>\$ 19,072,453</u>

The net pension liability was measured as of August 31, 2019, 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, 2018 thru August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net pension liability was 0.0220336984%, which was an increase of .000970407% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, the College recognized pension expense of \$1,196,782 and revenue of \$1,196,782 for support provided by the State.

At August 31, 2020, the College reported its proportion share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 48,115	\$ 397,694
Changes in actuarial assumptions	3,553,534	1,468,488
Difference between projected and actual investment earnings	688,606	573,597
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	328,895	387,772
Contributions paid to TRS subsequent to the measurement date	879,195	
Total	\$ 5,498,345	\$ 2,827,551

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

Year ended August 31:	Pension Expense Amount
2021	\$ 1,139,170
2022	161,301
2023	615,190
2024	613,759
2025	225,939
Thereafter	(84,565)
Total	\$ 2,670,794

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 2020 and 2019. 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 \$1,476,807 and \$1,112,722 for the fiscal years ended August 31, 2020 and 2019, respectively.

The total payroll for all College employees was \$29,978,387 and \$29,185,078 for fiscal years 2020 and 2019, respectively. The total payroll for employees covered by the Teacher Retirement System was \$19,793,642 and \$18,642,785, and the total payroll for employees covered by the Optional Retirement Program was \$8,965,177 and \$9,252,946 for fiscal years 2020 and 2019, respectively.

Note 11: Deferred Compensation Program

College employees may elect 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, 2020, the College has 360 employees participating in the program. There were 169 employees vested as of August 31, 2020. A total of \$108,000 in contributions were invested in the plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$1,956,605.

As of August 31, 2019, the College has 344 employees participating in the program. There were 212 employees vested as of August 31, 2019. A total of \$102,900 in contributions were invested in the plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$1,836,440.

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, 2020 and 2019 were \$3,528,309 and \$3,516,861, 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, 2020 and 2019

	2020	2019
Retiree only	\$ 624.82	\$ 621.90
Retiree & spouse	\$ 1,340.82	\$ 1,334.54
Retiree & children	\$ 1,104.22	\$ 1,099.06
Retiree & family	\$ 1,820.22	\$ 1,811.70

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, 2020 and 2019

	2020	2019
Employers	\$ 401,284,833	\$ 307,028,461
Members (Employees)	\$ 209,836,664	\$ 203,123,120
Nonemployer contributing entity (State of Texas)	\$ 20,182,872	\$ 16,585,270

Source: ERS 2019 Comprehensive Annual Financial Report

Actuarial Assumptions

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2019 using the following actuarial assumptions:

Valuation date	August 31, 2019
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	2.97%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	
HealthSelect	7.3% for 2021, 7.4% for 2022, 7% for 2023, decreasing 50 basis points per year to an ultimate rate of 4.50% for 2028 and later years
HealthSelect Medicare Advantage	10.8% for 2021, 7.40% for 2022, 7.00% for 2023, decreasing basis points per year to an ultimate rate of 4.50% for 2028 and later years
Inflation assumption rate	2.50%
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: 2019 ERS CAFR except for mortality assumptions obtained from ERS 2018 GASB 75 Actuarial Valuation

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, 2014 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% see 2017 ERS CAFR, OPEB footnote.

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 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. 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 schedule shows the impact of South Plains College College's proportionate share of the collection net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.96%) in measuring the net OPEB liability.

	1% Decrease (1.97%)	Current Rate (2.97%)	1% Increase (3.97%)
College's proportionate share of the net OPEB liability (asset)	\$ 67,255,301	\$ 56,360,245	\$ 47,976,893

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 6.3% decreasing to 3.5%	Current Healthcare Cost Trend Rates 7.3% decreasing to 4.5%	1% Increase in Healthcare Cost Trend Rates 8.3% decreasing to 5.5%
College's proportionate share of the net OPEB liability (asset)	\$ 47,325,198	\$ 56,360,245	\$ 68,166,980

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

At August 31, 2020, the College reported a liability of \$56,360,245 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 proportion-ate 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	\$ 56,360,245
State's proportionate share that is associated with the college	43,371,167
Total	<u>\$ 99,731,412</u>

The net OPEB liability was measured as of August 31, 2019, 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, 2018 thru August 31, 2019.

At the measurement date of August 31, 2019, the College's proportion of the collective net OPEB liability was .16306679%, which is a decrease of .00762602% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2019, the College recognized OPEB expense of \$2,649,985 and revenue of \$49,135 for the support provided by the State.

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

- The percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future male retirees assumed to be married and electing coverage for their spouse.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.
- The discount rate assumption was changed from 3.96% to 2.97% 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.

Changes in Benefit Terms since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- For HealthSelect retirees and dependents for whom Medicare is not primary, there is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect from \$6,650 to \$6,750 for individuals and from \$13,300 to \$13,500 for families in order to remain consistent with Internal Revenue Service maximums.

These minor benefit changes have been reflected in the fiscal year 2020 assumed per capita health benefit costs. There are no benefit changes for Health Select retirees and dependents for whom Medicare is Primary.

At August 31, 2020, 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	\$	\$
Changes in actuarial assumptions	4,010,858	1,466,544
Difference between projected and actual investment earnings	23,171	12,594,378
Effect of change in proportion and contribution difference	11,259,337	2,436,572
Contributions paid subsequent to the measurement date	532,778	
Total	\$ 15,826,144	\$ 16,497,494

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
2021	\$ (772,046)
2022	(1,304,824)
2023	240,520
2024	1,003,272
2025	161,728
Thereafter	-
Total	\$ (671,350)

Note 15: Pending Lawsuits and Claims

None as of report date.

Note 16: Disaggregation of Receivables and Payables Balances

Receivables at August 31, 2020 and 2019 were as follows:

	2020	2019
Student receivables	\$ 12,346,960	\$ 12,741,687
Taxes receivable	449,088	414,598
Federal receivables	879,141	229,237
State receivables	43,060	43,060
Interest receivables	28	2,947
Other receivables	478,552	445,755
Total	\$ 14,196,829	\$ 13,877,284

Payables as of August 31, 2020 and 2019 are as follows:

	2020	2019
Vendor payables	\$ 2,409,210	\$ 686,293
Salaries and benefits payable	901,037	3,147,339
Students payable	787,125	756,804
Accrued interest	214,906	230,479
Total	\$ 4,312,278	\$ 4,820,915

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 2020 and 2019 for which monies have not been received nor funds expended totaled \$7,341,648 and \$2,714,810. Of these amounts \$6,946,131 and \$2,208,091 were from Federal Contract and Grant Awards; \$395,517 and \$506,719 were from State Contract and Grant Awards; and \$10,555 and \$0 were from Non-governmental Grants for the fiscal years ended 2020 and 2019, 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,	2020	2019
Assessed Valuation of the College	\$ 3,418,073,497	\$ 3,119,149,566
Less: Exemptions	(415,702,702)	(401,436,587)
Net Assessed Value of the College	<u>\$ 3,002,370,795</u>	<u>\$ 2,717,712,979</u>

Fiscal Year Ending August 31,	2020			2019		
	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	\$ 0.3957	\$ N/A	\$ 0.3957

Taxes levied for the year ended August 31, 2020 and 2019 totaled \$11,673,737 and \$10,734,404, 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	2020 Current Operations	2019 Current Operations
Current taxes collected	\$ 11,472,935	\$ 10,622,185
Delinquent taxes collected	135,220	95,176
Penalties and interest collected	106,151	97,004
Total Collections	<u>\$ 11,714,306</u>	<u>\$ 10,814,365</u>

Tax collections for the year ended August 31, 2020 and 2019 were 98.27% and 98.30% 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, 2020 and 2019.

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 August 31, 2020 balance sheet date, comprise the following:

Financial assets:		
Cash and cash equivalents	\$	1,224,795
Accounts receivable (Net)		1,800
Investments at fair value		24,076,355
Planned gift cash value		312,967
Vacation time share		12,500
Foundation grant pledges receivable		<u>16,042,182</u>
Total Financial assets		41,670,599
Less:		
Endowed Funds		(23,298,834)
Agency amounts		<u>(16,042,182)</u>
		(39,341,016)
Financial assets available within one year to meet cash needs for general expenditures	\$	<u>2,329,583</u>

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. At August 31, 2020 and 2019, 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 at August 31:

	2020	2019
Endowment net assets, beginning of year	\$ 21,089,440	\$ 20,418,399
Contributions	1,059,973	793,308
Investment earnings	1,891,070	599,790
Scholarships	(741,649)	(722,057)
Endowment net assets, end of year	<u>\$ 23,298,834</u>	<u>\$ 21,089,440</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, 2020 and 2019.

The remaining net assets with donor restrictions totaling \$2,209,488 and \$1,807,689 as of August 31, 2020 and 2019, 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, 2020.

	Program Services	Management and General	Fundraising	Total
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>

The table below presents expenses by both their nature and their function for the year ended August 31, 2019.

	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 953,095	\$	\$	\$ 953,095
Fundraising expenses			42,042	42,042
Planned gift expenses	6,711			6,711
Restricted program support	1,125,000			1,125,000
Unrestricted program support	8,702			8,702
Bank/Brokerage fees		92,916		92,916
Other expenses		6,672		6,672
	<u>\$ 2,093,508</u>	<u>\$ 99,588</u>	<u>\$ 42,042</u>	<u>\$ 2,235,138</u>

Note 24: Pledges Receivable – SPC Foundation

Pledges receivable for the Foundation as of August 31, 2020 totaled \$16,800,000 (gross) and were reduced by a present value discount totaling \$757,818 for a net balance of \$16,042,182. 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	\$ 5,700,000
One to five years	11,100,000
TOTAL	<u>\$ 16,800,000</u>

Pledges receivable (gross) for the Foundation were provided for the following at August 31, 2020:

Science Building	\$ 9,800,000
Downtown Lubbock Center	6,000,000
Lubbock Center	1,000,000
TOTAL	<u>\$ 16,800,000</u>

The College also has a pledge receivable as of August 31, 2020 totaling \$195,000 related to the Culinary Arts Center which is due in less than one year.

Note 25: Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area of the College. While it is unknown how long these conditions will last and what the complete financial effect will be to the College, to date, the College could experience a decline in tuition, fees, and auxiliary revenue.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including possible losses on receivables.

Required Supplementary Information

SOUTH PLAINS COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2020 *
EXHIBIT 4

Fiscal Year Ending August 31, *	2019	2018	2017	2016	2015	2014
College's proportionate share of collective net pension liability (%)	.0220336984	.0210632914	.0216430538	.0215355517	.0219025000	.0240324000
College's proportionate share of collective net pension liability (\$)	\$ 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 (\$)	7,618,648	8,321,857	5,065,774	5,863,387	5,595,333	4,671,566
Total	<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	\$ 19,113,504	\$ 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	59.93%	64.19%	38.40%	47.29%	47.32%	41.68%
Plan fiduciary net position as percentage of total pension liability	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, *	2020**	2019**	2018**	2017**	2016**	2015**
Legally required contributions	\$ 879,195	\$ 770,990	\$ 707,964	\$ 684,239	\$ 679,003	\$ 653,502
Actual contributions	(879,195)	(770,990)	(707,964)	(684,239)	(679,003)	(653,502)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$19,793,642	\$19,113,504	\$18,062,494	\$18,022,687	\$17,207,261	\$16,361,175
Contributions as a percentage of covered payroll	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, 2020
EXHIBIT 6

Fiscal Year Ending August 31, *	2020**	2019**	2018**
College's proportionate share of collective net pension liability (%)	0.1630667900	0.1706928100	0.1283232400
College's proportionate share of collective net pension liability (\$)	\$ 56,360,245	\$ 50,589,495	\$ 43,723,593
State's proportional share of net pension liability associated with College (\$)	9,162,825	36,306,041	34,838,121
Total	<u>\$ 65,523,070</u>	<u>\$ 86,895,536</u>	<u>\$ 78,561,714</u>
College's covered payroll	\$ 25,106,985	\$ 24,329,118	\$ 24,896,761
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	224.48%	207.94%	175.62%
Plan fiduciary net position as percentage of total OPEB liability	1.30%	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, 2020
EXHIBIT 7

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

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Totals	
					Fiscal Year 2020	Fiscal Year 2019
Tuition						
State-funded courses						
In-district resident tuition	\$ 422,035	\$	\$ 422,035	\$	\$ 422,035	\$ 450,498
Out-of-district resident tuition	14,084,623		14,084,623		14,084,623	13,194,522
Non-resident tuition	877,167		877,167		877,167	989,488
TPEG - credit (set aside)*	290,667		290,667		290,667	282,276
State funded continuing education	261,959		261,959		261,959	202,510
Non-state funded educational programs	57,412		57,412		57,412	189,476
Total Tuition	<u>15,993,863</u>	<u>-</u>	<u>15,993,863</u>	<u>-</u>	<u>15,993,863</u>	<u>15,308,770</u>
Fees						
General fee	13,009,059		13,009,059		13,009,059	12,748,968
Student service fee	2,369,026		2,369,026		2,369,026	1,780,722
Special course fee	922,532		922,532		922,532	932,147
Installation plan fee	168,690		168,690		168,690	171,180
Continuing education fees	648,790		648,790		648,790	417,444
Three peat fee	191,175		191,175		191,175	111,832
Testing fee	145,526		145,526		145,526	134,130
Reinstatement fee	3,700		3,700		3,700	850
Building use fee	347,945		347,945		347,945	41,480
Total Fees	<u>17,806,443</u>	<u>-</u>	<u>17,806,443</u>	<u>-</u>	<u>17,806,443</u>	<u>16,338,753</u>
Scholarship Allowances and Discounts						
Bad debt allowances			-		-	(90,946)
Remissions and exemptions - state	(3,067,138)		(3,067,138)		(3,067,138)	(2,945,921)
Title IV federal grants	(12,315,032)		(12,315,032)		(12,315,032)	(11,452,782)
TPEG awards	(94,706)		(94,706)		(94,706)	(50,310)
Scholarship allowances	(749,551)		(749,551)		(749,551)	(794,959)
Total Scholarship Allowances and Discounts	<u>(16,226,427)</u>	<u>-</u>	<u>(16,226,427)</u>	<u>-</u>	<u>(16,226,427)</u>	<u>(15,334,918)</u>
Total Net Tuition and Fees	<u>17,573,879</u>	<u>-</u>	<u>17,573,879</u>	<u>-</u>	<u>17,573,879</u>	<u>16,312,605</u>
Other Operating Revenues						
Federal grants and contracts	98,528	2,005,873	2,104,401		2,104,401	2,115,336
State grants and contracts	27,605	1,008,493	1,036,098		1,036,098	830,248
Non-governmental grants and contracts		25,856	25,856		25,856	3,597
Sales and services of educational activities	113,218		113,218		113,218	179,436
Investment income (program restricted)		2,202	2,202		2,202	1,917
General operating revenues	168,149		168,149		168,149	181,079
Total Other Operating Revenues	<u>407,500</u>	<u>3,042,424</u>	<u>3,449,924</u>	<u>-</u>	<u>3,449,924</u>	<u>3,311,613</u>
Auxiliary Enterprises						
Residential life				2,001,894	2,001,894	2,191,178
Scholarship allowances				(39,121)	(39,121)	(72,332)
TPEG awards				(2,272)	(2,272)	(5,049)
Title IV federal grants				(501,034)	(501,034)	(571,771)
Commissions				225,798	225,798	273,566
Student programs				83,658	83,658	169,502
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,768,923</u>	<u>1,768,923</u>	<u>1,985,094</u>
Total Operating Revenues	<u>\$ 17,981,379</u>	<u>\$ 3,042,424</u>	<u>\$ 21,023,803</u>	<u>\$ 1,768,923</u>	<u>\$ 22,792,726</u>	<u>\$ 21,609,312</u>
					(Exhibit 2)	(Exhibit 2)

* - In accordance with Education Code 56.033, \$290,667 and 282,276 for years August 31, 2020 and 2019, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

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

SOUTH PLAINS COLLEGE
STATEMENT OF OPERATING EXPENSES BY OBJECT
YEAR ENDED AUGUST 31, 2020
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits		Other Expenses	Fiscal Year 2020	Fiscal Year 2019
		State	Local			
Unrestricted - Educational and General						
Instruction	\$ 17,916,384	\$	\$ 5,268,176	\$ 2,615,649	\$ 25,800,209	\$ 25,514,858
Public service	194,322		51,492	31,444	277,258	438,908
Academic support	2,022,756		780,648	686,735	3,490,139	3,207,445
Student services	2,714,912		1,094,429	1,879,886	5,689,227	5,331,770
Institutional support	3,292,792		4,236,997	1,918,864	9,448,653	10,264,185
Operation and maintenance of plant	2,102,634		1,529,278	2,681,752	6,313,664	6,266,106
Scholarships and fellowships				103,691	103,691	25,266
Total Unrestricted	<u>28,243,800</u>	<u>-</u>	<u>12,961,020</u>	<u>9,918,021</u>	<u>51,122,841</u>	<u>51,048,538</u>
Restricted - Educational and General						
Instruction	397,779	3,420,755	108,433	2,334,760	6,261,727	4,268,708
Public service		27,930			27,930	25,153
Academic support		374,662			374,662	326,527
Student services	537,277	537,490	214,921	137,788	1,427,476	1,443,954
Institutional support		693,414		91,206	784,620	389,493
Scholarships and fellowships				7,284,225	7,284,225	6,372,620
Total Restricted	<u>935,056</u>	<u>5,054,251</u>	<u>323,354</u>	<u>9,847,979</u>	<u>16,160,640</u>	<u>12,826,455</u>
Total Educational and General	<u>29,178,856</u>	<u>5,054,251</u>	<u>13,284,374</u>	<u>19,766,000</u>	<u>67,283,481</u>	<u>63,874,993</u>
Auxiliary Enterprises	952,652		421,195	1,728,897	3,102,744	3,380,866
Depreciation expense - buildings and other real estate				1,458,109	1,458,109	1,512,415
Depreciation expense - equipment and furniture				1,303,073	1,303,073	1,010,723
Depreciation expense - library books				51,133	51,133	50,295
Total Operating Expenses	<u>\$ 30,131,508</u>	<u>\$ 5,054,251</u>	<u>\$ 13,705,569</u>	<u>\$ 24,307,212</u>	<u>\$ 73,198,540</u> (Exhibit 2)	<u>\$ 69,829,292</u> (Exhibit 2)

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

SOUTH PLAINS COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
YEAR ENDED AUGUST 31, 2020
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)
SCHEDULE C

	Totals				
	Unrestricted	Restricted	Auxiliary Enterprises	Fiscal Year 2020	Fiscal Year 2019
NON-OPERATING REVENUES:					
State Appropriations					
Education and general state support	\$ 13,392,369	\$	\$	\$ 13,392,369	\$ 13,611,823
State group insurance		3,577,444		3,577,444	3,516,861
State retirement matching		1,476,807		1,476,807	1,112,722
Professional nursing shortage reduction		81,600		81,600	-
Total State Appropriations	13,392,369	5,135,851	-	18,528,220	18,241,406
Maintenance ad valorem taxes	11,759,211			11,759,211	10,813,210
Federal revenue, non-operating	155,899	20,980,904		21,136,803	17,297,998
Gifts	30,373			30,373	-
Gifts in kind	73,433			73,433	4,500
Gifts in aid of debt service	1,000,000			1,000,000	1,000,000
Gifts in aid of construction		22,137,176		22,137,176	510,106
Gain on disposal of capital assets	9,407			9,407	-
Investment income	297,862	23,518	26,317	347,697	573,211
Total Non-Operating Revenues	26,718,554	48,277,449	26,317	75,022,320	48,440,431
NON-OPERATING EXPENSES:					
Interest on capital related debt		575,047		575,047	614,678
Total Non-Operating Expenses	-	575,047	-	575,047	614,678
NET NON-OPERATING REVENUES	\$ 26,718,554	\$ 47,702,402	\$ 26,317	\$ 74,447,273 (Exhibit 2)	\$ 47,825,753 (Exhibit 2)

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

SOUTH PLAINS COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
YEAR ENDED AUGUST 31, 2020
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2019)
SCHEDULE D

	Detail by Source					Available for Current Operations	
	Restricted			Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
	Unrestricted	Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (49,114,480)			\$	\$ (49,114,480)	\$ (49,114,480)	
Restricted		594,463			594,463		594,463
Auxiliary enterprises	2,776,194				2,776,194	2,776,194	
Plant:							
Construction				18,763,317	18,763,317		18,763,317
Debt Service				1,719,885	1,719,885		1,719,885
Investment in Plant				61,235,723	61,235,723		61,235,723
Total Net Position, August 31, 2020	(46,338,286)	594,463	-	81,718,925	35,975,102	(46,338,286)	82,313,388
Total Net Position, August 31, 2019	(45,078,395)	602,852	-	56,409,186	11,933,643	(45,078,395)	57,012,038
Net Increase (Decrease) in Net Position	\$ (1,259,891)	\$ (8,389)	\$ -	\$ 25,309,739	\$ 24,041,459 (Exhibit 2)	\$ (1,259,891)	\$ 25,301,350

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, 2020
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Direct Awards	Pass-Through Awards	Total Expenditures
<u>U.S. Department of Education</u>					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		\$ 332,020		\$ 332,020
Federal Work-Study Program	84.033		213,632		213,632
Federal Pell Grant Program	84.063		17,109,928		17,109,928
Federal Direct Student Loans	84.268		10,931,347		10,931,347
Total Student Financial Aid Cluster			28,586,927		28,586,927
TRIO Cluster					
TRIO Student Support Services	84.042	P042A150439	289,865		289,865
TRIO Upward Bound Program	84.047	P047A170162	304,672		304,672
Total TRIO Cluster			594,537		594,537
Developing Hispanic-Serving Institutions - Title V Access & Success	84.031S	P0315150116	530,036		530,036
CARES - Institutional Portion	84.425F	P425F202489	2,104,631		2,104,631
CARES - Student Aid Portion	84.425E	P425E201780	1,657,803		1,657,803
Total CARES Act			3,762,434		3,762,434
Total Direct Programs			33,473,934		33,473,934
Passed Through From:					
Texas Higher Education Coordinating Board					
Career & Technical Education-Basic Grants	84.048	204259		\$ 597,953	597,953
Total U.S. Department of Education					<u>34,071,887</u>
<u>U.S. Department of Health and Human Services</u>					
Passed Through From:					
Texas Tech University					
Plains Bridges to the Baccalaureate	93.859	21F178-01		11,528	11,528
Total U.S. Department of Health and Human Services					<u>11,528</u>
<u>U.S. Department of Treasury</u>					
Passed Through From:					
Texas Department of Emergency Management					
Treasury Department Coronavirus Relief Fund	21.019			89,136	89,136
Total U.S. Department of Treasury					<u>89,136</u>
Total Federal Financial Assistance					<u>\$ 34,172,551</u>
<u>Note 1: Federal Assistance Reconciliation</u>					
Federal Grants and Contracts From Schedule A					\$ 2,104,401
Federal Grants, Non-Operating From Schedule C					21,136,803
Total Federal Revenues Per Schedule A and C					<u>23,241,204</u>
Direct Student Loans					<u>10,931,347</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards					<u>\$ 34,172,551</u>

Note 2: Significant accounting policies used in preparing the schedule.

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

Note 3: Student Loans Processed and Administrative Cost Recovery

Federal Grantor CFDA Number/Program Name	Total Loans Processed
U.S Department of Education CFDA 84.268 Federal Direct Student Loans	\$ 10,931,347
Total U.S. Department of Education	<u>\$ 10,931,347</u>
(There were no administrative costs recovered and included in above amount)	

Note 4: Pass through amounts included in program expenditures:

None.

SOUTH PLAINS COLLEGE
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2020
Schedule F

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
<u>Texas Higher Education Coordinating Board</u>		
Direct Programs:		
Texas Education Opportunities Grant	13399	\$ 803,276
Texas Regional Alliance Network	18247	8,585
TEA Education Aide	36010	5,805
Nursing Shortage Reduction Program	13129	168,899
Total Texas Higher Education Coordinating Board		<u>986,565</u>
<u>Texas Workforce Commission</u>		
Skills Development	0219SDF001	194,218
Covid Skills Development	0220C05001	17,424
Total Workforce Commission		<u>211,642</u>
<u>University of Texas</u>	2019-12	469
<u>Texas Transfer Alliance</u>	2020-30	3,149
<u>Texas Higher Education Foundation</u>		3,000
<u>Texas Comptroller of Public Accounts</u>		
Peace Officer Allocation		172
Total State Financial Assistance		<u>\$ 1,204,997</u>

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:	\$ 1,036,098
State Financial Assistance per Schedule of Expenditures of State Awards	<u>1,204,997</u>
Difference (Nursing Shortage Reduction Program Expenditures \$168,899)	<u>\$ (168,899)</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 11, 2020

**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 year ended August 31, 2020, 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 11, 2020.

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) to determine the 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 determination of financial statement amounts. 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.

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

Certified Public Accountants

November 11, 2020

**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, 2020. 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 and State Federal 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, 2020.

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 2020-001 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.



Certified Public Accountants

SOUTH PLAINS COLLEGE
Levelland, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2020

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
84.425E, 84.425F	CARES Act
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, 2020.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Compliance Findings

2020-001

Cluster Name:	Student Financial Aid Cluster
CFDA Numbers and Names:	84.007 Federal SEOG 84.033 Federal Work Study 84.063 Federal Pell Grant 84.268 Federal Direct Loans
Federal Agency:	U. S. Department of Education
Compliance Requirement:	Enrollment Reporting
Questioned Costs:	Not applicable

Criteria: In accordance with CFR sections 674.19(f), 685.309(b), and 690.83(b)(2), "upon receipt of an enrollment report from the Secretary (U.S. Department of Education, Secretary of Education), a school must update all information included in the report and return the report to the Secretary, in the manner and format prescribed by the Secretary and within the timeframe prescribed by the Secretary. Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a halftime basis for the period for which the loan was intended."

Condition: We reviewed a sample of 40 students who withdrew during the fiscal year. Of the 40 students tested, 27 students were reported to NSLDS either inaccurately or untimely. Of the 27 students, 4 students were never reported to the NSLDS as withdrawn due to the students' subsequent reenrollment in the following semester. 6 students were reported using an accurate withdrawal date but were not reported to the NSLDS within the required timeframe. One student was input using an incorrect effective date which resulted in the student not being reported to NSLDS within the required timeframe. The College did not become aware of fact that the remaining 17 students had withdrawn until over 30 days had passed from the last day of attendance. 14 of those students were also not reported to the NSLDS within the required 60 days from the student's withdrawal. The reporting occurred from 9 to 233 days after the College's determination date.

Population and Sample Size:

	Number		Dollars		Questioned Cost
Population	1,668	\$	N/A	\$	N/A
Sample	40		N/A		N/A
Not in compliance	27		N/A		None

Effect: A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies all of which are negatively impacted by inaccurate and late reporting.

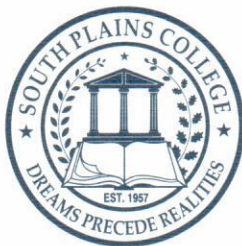
Cause: The process for tracking and processing a change in enrollment is the responsibility of the College. The Central Registrar's office maintains the existing policy and procedure to report every 30 days to NSLDS, but is reliant on the information tracked and input by the administrators at each school. 4 students were never reported as withdrawn due to time between withdrawal and subsequent reenrollment being less than the required 60 days. 17 students were reported using inaccurate withdrawal dates as the institution does not require professors to take attendance and forcibly drop students from the class. The students stopped attending and the university did not find out until the final grades were posted at the end of the semester. 20 students were not reported to the NSLDS within the required 60 day time limit due to the college using an incorrect withdrawal date as well as the NSLDS reporting not occurring every 30 days as per College policy.

Recommendation: We recommend the College reinforce its policies and procedures by continuing to provide training to individuals involved in the process, specifically those responsible for inputting enrollment changes into the system, to ensure the NSLDS records are updated timely and accurately.

We also recommend the College require professors to take attendance and report a dropped student on a timelier basis.

Views of responsible official and planned corrective actions:

South Plains College is utilizing Financial Aid and Institutional Research to create a manual process which will allow the College to confirm and update institutional withdrawals for non-returners. The anticipated completion date for the corrective action plan is December 11, 2020.



SOUTH PLAINS COLLEGE

*Office of the Vice President
for Business Affairs*

CORRECTIVE ACTION PLAN YEAR ENDED AUGUST 31, 2020

Information Services and Institutional Research have been working on the "primary location" designation, but it is complicated.

We can indeed run saved lists through my Clearinghouse processes, rather than running it wide open for everyone enrolled in the term. If we could create different saved lists for each primary location, we could report them separately under their own branch code.

Information Services has been experimenting with the classification structure to see if we make it work the way we want - it's similar to how we have our groupings for the text/email messaging tool, but we must make sure the groups are mutually exclusive and students only show up one time, in a single group. Institutional Research has been reviewing saved lists results from testing Information Services primary location code.

We have updated our Clearinghouse parameters to use Last Date Attended for students who drop or withdraw. So, now if a student has dropped or withdrawn from a course section and the Last Attend Date field is found within the reporting period, that date is used in determining the student's enrollment status date.

We currently do not have a fix for the issue of NSLDS continually showing the last enrollment status at our institution, if the student does not return the following semester - it will still show that last enrollment status from the fall semester, even if a student does not enroll in the following spring semester. Colleague does not have a fix for this, so Financial Aid and Institutional Research are working out a manual process to confirm and update institutional withdrawals for non-returns.

Ryan Fitzgerald, Director of Institutional Research, is responsible for implementing the corrective action plan. The anticipated completion date of the corrective action plan is December 11, 2020.

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SOUTH PLAINS COLLEGE
Levelland, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended August 31, 2020

There were no findings identified for the year ended August 31, 2019.