



ANNUAL FINANCIAL REPORT

AUGUST 31, 2024 and 2023

SOUTH PLAINS COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023
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SOUTH PLAINS COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 2023-2024

Board of Regents

Officers

Mike Box	Chairman
Ronny Alexander	Vice-Chairman
Richard Ellis	Secretary

Members

		<u>Term Expires</u> <u>May 31,</u>
Mike Box	Levelland, Texas	2028
Ronny Alexander	Levelland, Texas	2028
Richard Ellis	Levelland, Texas	2030
Jim Mara	Levelland, Texas	2026
Joe Tubb	Levelland, Texas	2030
Chris Edens	Levelland, Texas	2030
Cathy Mitchell	Ropesville, Texas	2026

Executive Administration

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

Financial Section

November 13, 2024

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of South Plains College (the "College"), as of and for the years ended August 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the fiduciary activities of the College as of August 31, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-15, Schedule of College's Proportionate Share of the Net Pension Liability, Schedule of College's Contributions for Pensions on pages 58-59, Schedule of College's Proportionate Share of Net OPEB Liability and Schedule of College's Contributions for OPEB on pages 60-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

Certified Public Accountants

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Plains College Annual Financial Report presents our discussion and analysis of the College's financial performance during the fiscal year ending August 31, 2024. 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 2022-2024

	2024	2023	% CHANGE 2023	2022	% CHANGE 2024
REVENUES					
OPERATING REVENUES	\$ 23,201,056	\$ 24,021,436	-3.4%	\$ 22,449,088	3.3%
NON-OPERATING REVENUES	\$ 58,554,046	\$ 51,474,400	13.8%	\$ 65,519,031	-10.6%
TOTAL	\$ 81,755,102	\$ 75,495,836	8.3%	\$ 87,968,119	-7.1%
EXPENSES					
OPERATING EXPENSES	\$ 77,827,068	\$ 72,815,945	6.9%	\$ 78,495,411	-0.9%
NON-OPERATING EXPENSES	\$ 1,386,008	\$ 502,451	175.8%	\$ 462,907	199.4%
TOTAL	\$ 79,213,076	\$ 73,318,396	8.0%	\$ 78,958,318	0.3%
INCREASE IN NET POSITION	\$ 2,542,026	\$ 2,177,440	16.7%	\$ 9,009,801	-71.8%
TOTAL NET POSITION	\$ 51,942,414	\$ 49,400,388	5.1%	\$ 47,222,948	10.0%
CURRENT ASSETS	\$ 51,924,809	\$ 49,929,403	4.0%	\$ 53,991,665	-3.8%
CURRENT LIABILITIES	\$ 21,210,566	\$ 21,233,877	-0.1%	\$ 23,239,570	-8.7%
CURRENT RATIO	2.45	2.35	N/A	2.32	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), financial statements, and other supplementary information*. The financial statements include the Statement of Net Position (Exhibit 1); Statement of Fiduciary Net Position (Exhibits 1.2 & 1.3), Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2) Statement of Revenues, Expenses, and Changes in Net Position (Exhibit 2); Statement of Changes in Fiduciary Net Position (Exhibit 2.3) Statement of Cash Flows (Exhibit 3); and the Notes to the Financial Statements.

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

The College's combined net position was \$52 million as of August 31, 2024. See Table A-1.

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

ASSETS	2024	2023	% CHANGE 2024	2022	% CHANGE 2024
CURRENT ASSETS	\$ 52.0	\$ 50.0	4.0%	\$ 54.0	-3.7%
CAPITAL ASSETS	\$ 103.7	\$ 105.7	-1.9%	\$ 101.0	2.7%
OTHER NON CURRENT ASSETS	\$ 1.9	\$ 2.8	-32.1%	\$ 3.7	-48.6%
TOTAL	\$ 157.6	\$ 158.5	-0.6%	\$ 158.7	-0.7%
DEFERRED OUTFLOWS	\$ 11.0	\$ 15.8	-30.4%	\$ 14.3	-23.1%
LIABILITIES					
LONG TERM DEBT OUTSTANDING	\$ 75.9	\$ 81.1	-6.4%	\$ 86.2	-11.9%
OTHER LIABILITIES	\$ 21.2	\$ 21.2	0.0%	\$ 23.2	-8.6%
TOTAL	\$ 97.1	\$ 102.3	-5.1%	\$ 109.4	-11.2%
DEFERRED INFLOWS	\$ 19.5	\$ 22.6	-13.7%	\$ 16.3	19.6%
NET POSITION					
INVESTED IN CAPITAL ASSETS					
NET OF DEBT	\$ 85.4	\$ 83.4	2.4%	\$ 78.2	9.2%
RESTRICTED	\$ 5.5	\$ 9.2	-40.2%	\$ 15.2	-63.8%
UNRESTRICTED	\$ (38.9)	\$ (43.2)	10.0%	\$ (46.2)	15.8%
TOTAL NET POSITION	\$ 52.0	\$ 49.4	5.3%	\$ 47.2	10.2%

The negative \$38.9 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 \$30,004,455 August 31, 2024. Of that amount, \$6,864,286 is restricted for capital improvements.

Changes in net position. As Table A-1 illustrates, the College's net position for FY2024 increased by \$2.6 million (5.1%). This change is due to an increase of \$2 million in capital asset net position, an increase in unrestricted net position of \$4.3 million and a decrease of \$3.7 million in restricted net position.

COLLEGE REVENUES AND EXPENSES

The College's total revenues for FY2024 were \$81.8 million (Table A-2) This represents a \$6.3 million increase from FY2023. The change is primarily from an increase of \$6.9 million in state appropriations. Additionally, there was an increase in property taxes of \$1 million. There was a decrease in tuition and fees of \$1.7 million. Approximately 30% of total revenues comes from federal and state grants and contracts, 29% comes from state appropriations, 20% from tuition and fees, 15% from property taxes,

1% from gifts, and the remaining 5% from other sources. The College's total operating expenses were \$77.8 million in FY2024, compared to \$72.8 million in FY23. The following are financial highlights presented in Table A-2.

- Property tax revenues increased \$948,914 from FY2023 to FY2024 and increased \$778,427 from FY2022 to FY2023.
- State appropriations increased by \$6,891,127 from FY2023 to FY2024.
- Tuition and fees decreased by \$1.7 million from FY2023 to FY2024.

**TABLE A-2
SOUTH PLAINS COLLEGE
SOURCES OF REVENUE
FY2024**

REVENUE SOURCES (millions)	2024		2023		2022	
STATE APPROPRIATIONS	\$ 23.9	29.2%	\$ 17.0	22.5%	\$ 17.1	19.4%
TUITION AND FEES	\$ 16.4	20.0%	\$ 18.1	24.0%	\$ 17.3	19.7%
PROPERTY TAXES	\$ 11.8	14.4%	\$ 10.8	14.3%	\$ 10.1	11.5%
FEDERAL AND STATE GRANTS	\$ 24.5	30.0%	\$ 24.8	32.8%	\$ 36.0	40.9%
OTHER	\$ 4.4	5.4%	\$ 3.7	4.9%	\$ 2.0	2.3%
GIFTS	\$ 0.8	1.0%	\$ 1.1	1.5%	\$ 5.5	6.3%
TOTAL	\$ 81.8	100.0%	\$ 75.5	100.0%	\$ 88.0	100.0%

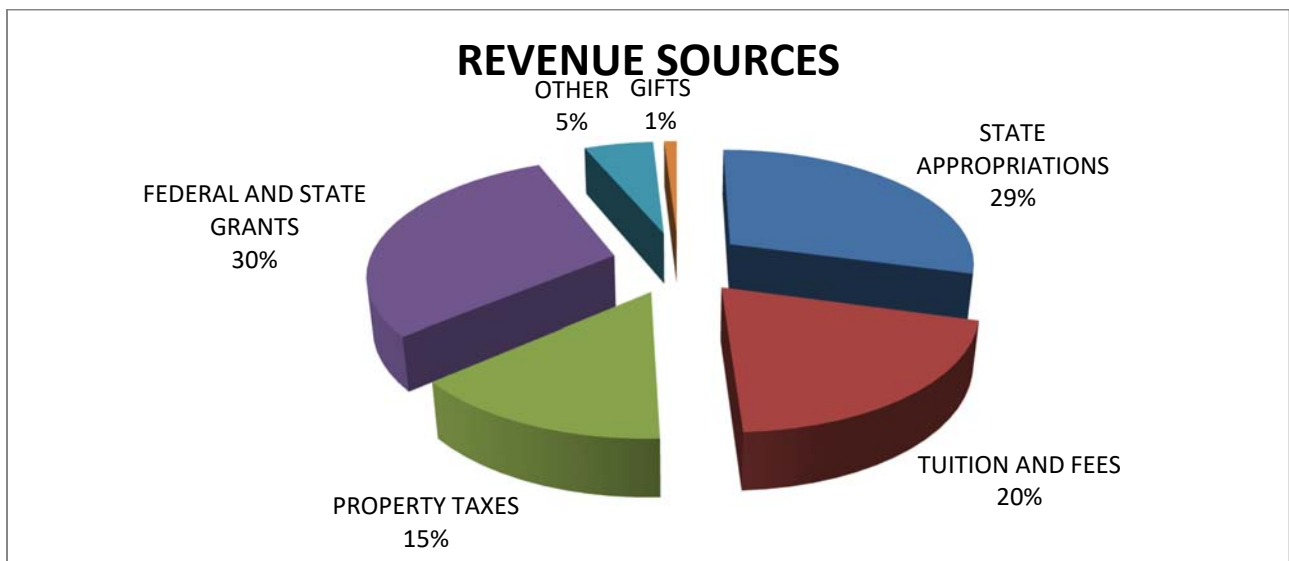


TABLE A-3
CHANGES IN THE NET POSITION OF SOUTH PLAINS COLLEGE
(in millions)

	2024	2023	% CHANGE 2024	2022	% CHANGE 2024
<u>OPERATING REVENUES</u>					
TUITION AND FEES(NET OF DISCOUNTS)	\$ 16.4	\$ 18.1	-9.4%	\$ 17.3	-5.2%
FEDERAL GRANTS AND CONTRACTS	\$ 2.3	\$ 2.9	-20.7%	\$ 2.4	-4.2%
STATE GRANTS AND CONTRACTS	\$ 2.2	\$ 0.9	144.4%	\$ 1.0	120.0%
NON GOVERNMENTAL GRANTS AND CONTRACTS	\$ -	\$ 0.1	-100.0%	\$ -	0.0%
SALES AND SERVICES EDUCATIONAL ACTIVITIES	\$ 0.2	\$ 0.1	100.0%	\$ 0.2	0.0%
AUXILIARY ENTERPRISES (NET OF DISCOUNTS)	\$ 1.8	\$ 1.7	5.9%	\$ 1.4	28.6%
GENERAL OPERATING REVENUES	\$ 0.3	\$ 0.2	50.0%	\$ 0.1	200.0%
TOTAL OPERATING REVENUES	\$ 23.2	\$ 24.0	-3.3%	\$ 22.4	3.6%
<u>OPERATING EXPENSES</u>					
INSTRUCTION	\$ 32.7	\$ 31.0	5.5%	\$ 33.3	-1.8%
PUBLIC SERVICE	\$ 0.5	\$ 0.4	25.0%	\$ 0.4	25.0%
ACADEMIC SUPPORT	\$ 4.2	\$ 3.8	10.5%	\$ 4.0	5.0%
STUDENT SERVICES	\$ 8.3	\$ 7.6	9.2%	\$ 8.6	-3.5%
INSTITUTIONAL SUPPORT	\$ 7.4	\$ 8.2	-9.8%	\$ 10.4	-28.8%
OPERATING AND MAINTENANCE OF PLANT	\$ 7.7	\$ 7.6	1.3%	\$ 6.9	11.6%
SCHOLARSHIPS AND FELLOWSHIPS	\$ 8.5	\$ 6.4	32.8%	\$ 8.6	-1.2%
AUXILIARY ENTERPRISES	\$ 3.9	\$ 3.5	11.4%	\$ 3.3	18.2%
DEPRECIATION	\$ 4.6	\$ 4.3	7.0%	\$ 3.0	53.3%
TOTAL OPERATING EXPENSES	\$ 77.8	\$ 72.8	6.9%	\$ 78.5	-0.9%
<u>NON-OPERATING REVENUES(EXPENSES)</u>					
STATE APPROPRIATIONS	\$ 23.9	\$ 17.0	40.6%	\$ 17.1	39.8%
TAXES-MAINTENANCE AND OPERATIONS	\$ 11.8	\$ 10.9	8.3%	\$ 10.1	16.8%
FEDERAL AND STATE REVENUE, NON-OPERATING	\$ 19.9	\$ 21.0	-5.2%	\$ 32.6	-39.0%
GIFTS	\$ 0.8	\$ 1.1	-27.3%	\$ 5.5	-85.5%
INVESTMENT INCOME	\$ 2.1	\$ 1.5	40.0%	\$ 0.2	950.0%
INTEREST ON CAPITAL RELATED DEBT	\$ (0.4)	\$ (0.5)	-20.0%	\$ (0.4)	0.0%
IMPAIRMENT LOSS	\$ (1.0)	\$ -	N/A	\$ -	N/A
TOTAL NON-OPERATING REVENUES(EXPENSES)	\$ 57.1	\$ 51.0	12.0%	\$ 65.1	-12.3%
INCREASE(DECREASE) IN NET ASSETS	\$ 2.5	\$ 2.2	13.6%	\$ 9.0	-72.2%

Capital Assets

At the end of FY2024, the College had invested \$175.4 million (excluding accumulated depreciation and amortization) in a broad range of capital assets, including land, equipment, buildings, vehicles, and right-of-use-assets. This amount represents a net increase (including additions and deductions) of \$1.7 million or 1% increase over last year. A detailed 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)			% CHANGE		% CHANGE	
	2024	2023	2024	2022	2024	
LAND	\$ 2.0	\$ 2.0	0.0%	\$ 2.0	0.0%	
LIBRARY BOOKS	\$ 3.3	\$ 3.3	0.0%	\$ 3.2	3.1%	
CONSTRUCTION IN PROGRESS	\$ 0.5	\$ 0.3	66.7%	\$ 15.1	-96.7%	
BUILDINGS	\$ 137.5	\$ 136.8	0.5%	\$ 119.6	15.0%	
LAND IMPROVEMENTS	\$ 7.3	\$ 7.1	2.8%	\$ 3.5	108.6%	
FURNITURE, MACHINERY, VEHICLES, OTHER EQUIP	\$ 14.0	\$ 13.7	2.2%	\$ 13.5	3.7%	
TELECOMMUNICATIONS AND PERIPHERAL EQUIP.	\$ 7.4	\$ 7.1	4.2%	\$ 6.9	7.2%	
RIGHT -OF-USE ASSETS	\$ 3.4	\$ 3.4	0.0%	\$ 1.0	240.0%	
TOTAL	\$ 175.4	\$ 173.7	1.0%	\$ 164.8	6.4%	
LESS ACCUMULATED DEPRECIATION & AMORT.	\$ (71.7)	\$ (67.9)	5.6%	\$ (63.8)	12.4%	
NET CAPITAL ASSETS	\$ 103.7	\$ 105.8	-2.0%	\$ 101.0	2.7%	

Long Term Debt

At year-end, the College had \$16,220,000 in long-term bonds outstanding as shown in Table A-5 below. The previous balance of \$20,210,000 was reduced by the payment of principal of \$3,990,000 to make the balance \$16,220,000.

The net pension liability decreased by \$1.6 million and the net OPEB liability decreased by \$2.8 million, for a total of \$46.2 million. The Other Post-Employment Benefits (OPEB) liability is recorded to comply with Governmental Accounting Standards Board (GASB) 75. GASB 75 requires the college to record long-term obligations for other post-employment benefits (insurance for retirees). The pension liability is recorded to comply with (GASB) Statement 68. GASB 68 states that beginning in fiscal year 2015, participating employers must report their proportionate share of the unfunded net pension (TRS) liability on the balance sheet. The leases payable liabilities were added because GASB 87 became effective in FY22 and GASB96 became effective in FY23. These statements require the College to record lease liabilities as well as right-to-use assets for certain leases. More detailed information about the College's debt is presented in the notes to the financial statements.

TABLE A-5
Long-Term Debt

South Plains College Long Term Debt				
(in millions of dollars)				
	2024	2023	2022	
Tuition Revenue Bonds Payable	\$ 16.2	\$ 20.2	\$	22.2
Net Pension Liability (TRS)	\$ 14.2	\$ 12.6	\$	5.3
Net OPEB Liability	\$ 46.2	\$ 49.0	\$	60.4
Lease Liabilities	\$ 2.1	\$ 2.1	\$	0.5
Total long term debt	\$ 78.7	\$ 83.9	\$	88.4

POSSIBLE FUTURE FINANCIAL EFFECTS ON COLLEGE OPERATIONS

Enrollment levels directly affect tuition and fee revenues and auxiliary enterprise sales, services, and fee revenues. Population demographics (number of potential students) and the overall region's economic condition also affect enrollment. South Plains College continues to experience relatively stable enrollment numbers. The unduplicated headcount in the fall 2019 semester was 9,196. The headcount for the fall 2020 term was 8,879 (a 3.5% decrease from fall 2019.) The unduplicated headcount for fall 2021 was 8,912, which is a .4% increase from fall 2020. The unduplicated headcount for the fall 2022 term was 8,574, which is a 3.8% decrease from fall 2021. The fall 2023 semester had a headcount of 8,870, which was a 3.5% increase from fall 2022. The unduplicated headcount for fall 2024 is 9,098. It is a 2.5% increase from fall 2023. Although the college has seen fluctuation in enrollment, it has increased every year since 2022, which is a good sign of stabilization and even growth.

South Plains College has recently completed the Lubbock Downtown Center renovation. There are currently 1,676 enrolled in the Lubbock Downtown Center for the fall 2024 semester. Last fiscal year, the expansion of the Levelland welding building was also completed. There were 21 additional booths added for a total of 80 booths. This has increased welding course sections and subsequently enrolled students.

The State of Texas changed the way public junior colleges are funded with the implementation of the new funding system beginning September 1, 2023. Per the Coordinating Board Website, *"Texas is moving away from a static system tied primarily to students' time in class to a modern and dynamic outcomes-based formula that reflects the needs of our world-class economy. The new Texas community college finance system rewards colleges for their progress toward our state's higher educational goals while also ensuring colleges have access to the resources needed to support their mission to educate and train the workforce of the future"*. This model will be based on student success and outcomes, not solely enrollment as has been the model used in the past. As a result of this change, South Plains College received an increase in state appropriations of \$5.7 million for FY24, for a total of \$19,272,422. The state appropriations for FY25 will be \$20,663,909, which is a \$1,361,487 increase from FY24. South Plains College will no longer be funded for a biennium, but instead will receive funding annually based on outcomes.

The implementation of GASB 68 to record the unfunded TRS liability has created a net pension liability of \$14. million as of FY2024. The implementation of GASB 75 created a restatement of fund balance of (\$51,030,991) for FY2017. There is currently a liability for OPEB (other post-employment benefits) of \$46.2 million as of FY2024.

Investment markets and the economy affect interest rates and interest income. Given the current state of the economy, markets, and interest rates, the outlook for the College's investment income is unpredictable. The investment income earned in FY2019 was \$573,211. The investment income declined to \$347,697 in FY2020. A further decrease to \$139,142 was realized in FY2021. Investment income increased slightly to \$207,425 in FY2022. A significant increase was realized in FY2023 when the income earned was \$1,546,091 (an increase of \$1.3 million). The investment income increased again to \$2,072,616 in FY24, which is a \$526,525 increase. This was due to recent increases in interest rates by the federal government. The College will see a decrease in the coming year, but that amount is currently unknown. The College will continue with the stated policy of preserving capital first and maximizing returns second.

The volatility of the oil and gas market will continue to affect the mineral tax base of the College. The College has a cap of \$0.40 per \$100 valuation. The taxable assessed value fell from \$4.7 billion in FY2015 to \$3.4 billion to \$2.3 billion in FY2017. This caused the College to reach the taxation cap in FY2017 and consequently lose about \$3.3 million in tax revenue in one year. Over the next few years, the valuation increased and decreased. The valuation for FY23 was back to \$3.5 billion, about the same as FY2015. The valuation for FY24 is \$3.8 billion resulting in an increase of tax revenue of approximately \$867,453 from FY23 to FY24. The valuation for FY25 is flat, with an increase of only \$3.4 million. Total taxes including delinquent taxes, penalties, and interest are budgeted at \$12.3 million for FY25. It is difficult to predict property tax revenue with

the volatility of the mineral base, which is a substantial portion of the valuation for the taxing district. In addition, when values increase, the college is restricted to an 8% revenue increase from the prior year.

The unrestricted net position (without designated capital improvement fund) has increased by \$5.3 million since 2019. The fund balance without the effects of TRS liability and OPEB liability at the end of FY24 is \$23,140,169 compared to \$17,861,470 in F19.

Judicious budgeting, raising tuition/fee charges, and the increase of state appropriations for the past two years have been successful in maintaining normal operations. Although it is impossible to predict the effects of conditions affecting the financial stability of the College, management strongly believes that the College is well positioned financially to withstand unexpected internal or external circumstances that might negatively affect the College.

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

The South Plains College Foundation is governed by a Board of 21 Directors that is committed to a long-standing tradition of service to the students of South Plains College. The purpose of the Foundation is to advance the College by raising and receiving funds to support the educational mission of the College through scholarships, program enrichment and capital improvements. To this end, the Foundation has traditionally focused its operations on maximizing efforts to grow scholarship endowments to support the educational dreams of SPC students. Recent development efforts have been directed at securing private and public funds to support capital improvements such as the Science Center project, Welding Expansion, and the Lubbock Downtown Center. The Foundation began receiving funds for these projects in FY 2020 and will continue to receive funds for the Lubbock Downtown Center through FY 2026. Future grant pledges are reported on the Foundation’s Statement of Financial Position at a net present value of \$2,925,926 as of August 31, 2024.

FINANCIAL HIGHLIGHTS FY 2022 to FY 2024					
	FY 2024	FY 2023	PERCENT CHANGE FY 2024	FY 2022	PERCENT CHANGE FY 2024
REVENUES					
Gifts	\$643,131	\$1,076,165	-40.24%	\$1,308,698	-50.86%
Grants for SPC	\$1,175,000	\$1,500,000	-21.67%	\$2,600,000	-54.81%
Less: Agency	(\$1,175,000)	(\$1,500,000)	21.67%	(\$2,600,000)	54.81%
Fundraising	\$254,911	\$339,784	-24.98%	\$236,870	7.62%
Investments	\$5,324,453	\$2,321,518	125.39%	(\$3,477,416)	-250.47%
Other	\$13,627	\$5,808	134.62%	\$18,610	-26.78%
Total	\$6,236,122	\$3,743,275	64.14%	(\$1,913,238)	-421.13%
EXPENSES					
Scholarships	\$1,195,789	\$1,221,730	-2.12%	\$1,087,260	9.98%
Grants to SPC	\$1,175,000	\$1,500,000	-21.67%	\$2,600,000	-54.81%
Less: Agency	(\$1,175,000)	(\$1,500,000)	-21.67%	(\$2,600,000)	-54.81%
Fundraising	\$54,642	\$69,595	-21.49%	\$56,380	-3.08%
Operating	\$123,366	\$143,416	-78.17%	\$129,461	-75.82%
Total	\$1,373,797	\$1,434,741	-10.66%	\$1,273,101	0.68%
CHANGE IN NET POSITION	<u>\$4,862,325</u>	<u>\$2,308,534</u>	110.62%	<u>(\$3,186,339)</u>	-252.60%
TOTAL NET POSITION	\$35,419,098	\$30,556,773	15.91%	\$28,248,239	25.39%

The South Plains College Foundation recorded a 15.91% percent gain in total net position over the prior period with total net assets of \$35,419,098 for FY 2024. 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.

Realized and unrealized investment income reflected favorable investment moves along with a positive market and totaled \$5,232,388. Total revenues for the fiscal year increased an impressive 67 percent from the year before to \$6,236,122.

For fiscal year 2024, the Foundation recorded \$898,042 in gifts and fundraising, which was 37 percent less than the prior year. A record-breaking fundraising event in FY23 along with widespread economic pressures for consumers combined to create this dip. Successful efforts have been made to reduce fundraising expenses and to increase their effectiveness.

The Foundation distributed to the College \$1,195,789 in scholarship funds, providing financial assistance to 937 South Plains College students during the academic year. While the number of students increased slightly, the dollar amount awarded was approximately two percent less than the previous year. Efforts are ongoing to distribute even more of what is budgeted annually for scholarships. An additional \$1,175,000 in non-scholarship restricted and unrestricted grants were disbursed for total support of \$2,370,789 to the College.

The direct operating expenses of the Foundation decreased by 14 percent to \$123,366. This is a result of a concerted effort to reduce expenses with focus on investment expenses. These decreased by 10 percent from the previous year and now make up 75 percent of expenses. Specific other expenses include liability insurance (5.8%), online donation transaction fees (4.6%), accounting fees (3.2%), and donor recognition costs (2.2%). Other operational expenses totaled 1.5 percent and included timeshare maintenance and a planned gift expense which is reimbursed annually. The College, through its partnership with the Foundation, contributes to the operations of the Foundation by providing in-kind support of personnel, office space, computer resources, travel, office supplies, and other administrative support estimated to be unchanged from the previous year at \$269,182 (unaudited).

ENDOWMENT GROWTH FY 2023 to FY 2024					
	FY 2024	FY 2023	Percent Change FY 2024	FY 2022	Percent Change FY 2024
Original Corpus Restricted	\$21,760,500	\$20,812,956	4.55%	\$18,113,385	20.13%
Earnings on Corpus Restricted	\$10,865,694	\$7,272,177	49.41%	\$7,935,031	36.93%
Total Endowment Value	\$32,626,194	\$28,085,133	16.17%	\$26,048,416	25.25%
% Original Corpus Endowment	66.7%	74.11%		69.54%	

The Foundation's permanent endowment increased approximately 5 percent during the fiscal year to \$21,760,500 due to the establishment of new endowments and additions to existing funds. In total, eight new scholarship endowments totaling \$135,000 were established during the fiscal year. Of these, two also provided additional Impact Scholarship donations totaling \$7,500. Five existing scholarship funds reached permanent endowment status. The total endowment increased in value by 16 percent to \$32,626,194 with 74.11 percent of funds permanently restricted.

The future ability of the Foundation to grow endowments and sustain its current level of scholarship distributions is contingent upon a number of factors that include fundraising, investment markets 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. Giving to the Foundation is always a product of economic conditions as well as the philanthropic spirit of current and new donors.

The Foundation Board of Directors and especially its Finance and Investment Committee continue to investigate and consider ways to maximize investments. With assets distributed among two managers, the Committee receives regular fund performance reports and meets regularly to discuss performance and to consider manager and other recommendations.

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 five 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, 2024 AND 2023
EXHIBIT 1

	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 35,301,905	\$ 34,494,543
Accounts receivable (net)	15,622,904	14,434,860
Other receivables	1,000,000	1,000,000
Total Current Assets	51,924,809	49,929,403
Noncurrent Assets:		
Capital assets (net)	103,697,158	105,757,045
Other receivables	1,925,926	2,771,114
Total Noncurrent Assets	105,623,084	108,528,159
TOTAL ASSETS	157,547,893	158,457,562
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	7,640,177	8,765,398
Deferred outflows of resources related to OPEB	3,419,009	7,070,338
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,059,186	15,835,736
LIABILITIES		
Current Liabilities:		
Accounts payable	793,957	1,119,544
Accrued liabilities	1,173,675	1,162,842
Funds held for others	97,875	125,200
Unearned revenues	16,325,862	16,062,459
Lease and subscription liabilities - current portion	704,197	673,832
Bonds payable - current portion	2,115,000	2,090,000
Total Current Liabilities	21,210,566	21,233,877
Noncurrent Liabilities:		
Net pension liability	14,175,711	12,552,303
Net OPEB liability	46,236,766	48,994,117
Lease and subscription liabilities	1,417,445	1,425,302
Bonds payable	14,105,000	18,120,000
Total Noncurrent Liabilities	75,934,922	81,091,722
TOTAL LIABILITIES	97,145,488	102,325,599
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	3,344,565	4,908,707
Deferred inflows of resources related to OPEB	16,174,612	17,658,604
TOTAL DEFERRED INFLOWS OF RESOURCES	19,519,177	22,567,311
NET POSITION		
Net investment in capital assets	85,355,516	83,447,911
Restricted:		
Expendable for:		
Student aid	68,309	246,794
Construction	-	986,117
Debt service	5,253,164	7,879,276
Nursing program	133,437	83,119
Unrestricted	(38,868,012)	(43,242,829)
TOTAL NET POSITION	\$ 51,942,414	\$ 49,400,388

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

SOUTH PLAINS COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION - COMPONENT UNIT
AUGUST 31, 2024 AND 2023
EXHIBIT 1.1

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents	\$ 904,827	\$ 1,474,783
Accrued interest and dividends receivable	-	1,944
Investments	34,270,291	28,849,692
Planned gift cash value	231,480	217,854
Vacation time share	12,500	12,500
Deferred scholarships	648,222	666,167
Pledges receivable, net of discount	<u>2,925,926</u>	<u>3,771,114</u>
TOTAL ASSETS	<u>\$ 38,993,246</u>	<u>\$ 34,994,054</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Scholarships payable to South Plains College	\$ 648,222	\$ 666,167
Pledges payable to South Plains College	<u>2,925,926</u>	<u>3,771,114</u>
Total Liabilities	<u>3,574,148</u>	<u>4,437,281</u>
 NET ASSETS		
Without donor restrictions	316,552	287,109
With donor restrictions	<u>35,102,546</u>	<u>30,269,664</u>
Total Net Assets	<u>35,419,098</u>	<u>30,556,773</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,993,246</u>	<u>\$ 34,994,054</u>

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

SOUTH PLAINS COLLEGE
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2024
EXHIBIT 1.2

	Pension Trust Funds	Custodial Funds
ASSETS		
Cash	\$ -	\$ 951,342
Receivables:		
Employer contributions	105,300	-
Participant contributions	80	-
Investments at fair value:		
Mutual funds	2,049,415	-
Uninvested cash	2,348	-
TOTAL ASSETS	2,157,143	951,342
LIABILITIES		
Accounts payable:		
South Plains College	15,353	-
Other payables	2,428	-
TOTAL LIABILITIES	17,781	-
NET POSITION		
Restricted for:		
Pensions	2,139,362	-
Individuals, organizations, and other governments	-	951,342
TOTAL NET POSITION	\$ 2,139,362	\$ 951,342

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

SOUTH PLAINS COLLEGE
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2023
EXHIBIT 1.3

	Pension Trust Funds	Custodial Funds
ASSETS		
Cash	\$ -	\$ 913,691
Receivables:		
Employer contributions	105,600	-
Participant contributions	230	-
Investments at fair value:		
Mutual funds	1,810,536	-
Uninvested cash	1,790	-
TOTAL ASSETS	1,918,156	913,691
LIABILITIES		
Accounts payable:		
South Plains College	13,832	-
Other payables	102	-
TOTAL LIABILITIES	13,934	-
NET POSITION		
Restricted for:		
Pensions	1,904,222	-
Individuals, organizations, and other governments	-	913,691
TOTAL NET POSITION	\$ 1,904,222	\$ 913,691

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, 2024 AND 2023
EXHIBIT 2

	2024	2023
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Tuition and fees (net of discounts of \$18,653,057 and \$17,258,095, respectively)	\$ 16,367,463	\$ 18,088,621
Federal grants and contracts	2,289,120	2,894,318
State grants and contracts	2,195,035	935,131
Nongovernmental grants and contracts	72,431	113,197
Sales and services of educational activities	162,921	109,944
Investment income - program restricted	12,591	8,945
Auxiliary enterprises (net of discounts of \$889,692 and \$627,539, respectively)	1,757,965	1,723,576
General operating revenues (net of discounts of \$0, both years)	343,530	147,704
Total Operating Revenues (Schedule A)	23,201,056	24,021,436
Operating Expenses:		
Instruction	32,730,862	30,916,817
Public service	462,993	432,346
Academic support	4,230,504	3,756,972
Student services	8,313,971	7,590,026
Institutional support	7,380,247	8,190,869
Operation and maintenance of plant	7,675,418	7,608,711
Scholarships and fellowships	8,533,697	6,440,983
Auxiliary enterprises	3,902,238	3,494,375
Depreciation and amortization	4,597,138	4,384,846
Total Operating Expenses (Schedule B)	77,827,068	72,815,945
Operating Loss	(54,626,012)	(48,794,509)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	23,893,905	17,002,778
Maintenance ad valorem taxes	11,783,270	10,834,356
Federal revenue, non-operating	19,095,983	20,923,399
State revenue, non-operating	878,460	-
Gifts	500,000	576,000
Gifts in aid of debt service	154,812	-
Gifts in aid of construction	175,000	573,181
Investment income	2,072,616	1,546,091
Interest on capital related debt	(415,469)	(502,451)
Impairment loss	(970,539)	-
Gain on disposal of fixed assets	-	18,595
Net Non-Operating Revenues (Schedule C)	57,168,038	50,971,949
Increase in Net Position	2,542,026	2,177,440
NET POSITION		
Net position - beginning of year	49,400,388	47,222,948
Net position - end of year	\$ 51,942,414	\$ 49,400,388

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

SOUTH PLAINS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2024
EXHIBIT 2.1

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$	\$ 1,818,131	\$ 1,818,131
Less: amounts considered agency transactions		(1,175,000)	(1,175,000)
Fundraising revenue		254,911	254,911
Investment income	29,443	5,202,945	5,232,388
Planned gift change in value		13,627	13,627
Net assets released from restriction	1,195,789	(1,195,789)	-
 TOTAL REVENUE	 1,225,232	 4,918,825	 6,144,057
 EXPENSE			
Scholarships	1,195,789		1,195,789
Fundraising expenses		54,642	54,642
Planned gift expenses		1,055	1,055
Unrestricted program support		10,000	10,000
Restricted program support		1,175,000	1,175,000
Less: amounts considered agency transactions		(1,175,000)	(1,175,000)
Other expenses		20,246	20,246
 TOTAL EXPENSE	 1,195,789	 85,943	 1,281,732
 INCREASE IN NET ASSETS	 29,443	 4,832,882	 4,862,325
 NET ASSETS AT BEGINNING OF YEAR	 287,109	 30,269,664	 30,556,773
 NET ASSETS AT END OF YEAR	 \$ 316,552	 \$ 35,102,546	 \$ 35,419,098

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

SOUTH PLAINS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED AUGUST 31, 2023
EXHIBIT 2.1

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE			
Contributions	\$	\$ 2,576,165	\$ 2,576,165
Less: amounts considered agency transactions		(1,500,000)	(1,500,000)
Fundraising revenue		339,784	339,784
Investment income	3,165	2,205,717	2,208,882
Planned gift change in value		5,808	5,808
Net assets released from restriction	1,221,730	(1,221,730)	-
 TOTAL REVENUE	 1,224,895	 2,405,744	 3,630,639
 EXPENSE			
Scholarships	1,221,730		1,221,730
Fundraising expenses		69,595	69,595
Planned gift expenses		2,139	2,139
Unrestricted program support		11,000	11,000
Restricted program support		1,500,000	1,500,000
Less: amounts considered agency transactions		(1,500,000)	(1,500,000)
Other expenses		17,641	17,641
 TOTAL EXPENSE	 1,221,730	 100,375	 1,322,105
 INCREASE IN NET ASSETS	 3,165	 2,305,369	 2,308,534
 NET ASSETS AT BEGINNING OF YEAR	 283,944	 27,964,295	 28,248,239
 NET ASSETS AT END OF YEAR	 \$ 287,109	 \$ 30,269,664	 \$ 30,556,773

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

SOUTH PLAINS COLLEGE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2024
EXHIBIT 2.3

	Pension Trust Funds	Custodial Funds
ADDITIONS		
Contributions:		
Employer	\$ 109,500	\$ -
Participant	1,560	-
Contributions to custodial funds	-	1,293,908
Total Contributions	111,060	1,293,908
Investment earnings:		
Net increase in fair value of investments	271,557	-
Interest, dividends and other	58,885	-
Net investment earnings	330,442	-
TOTAL ADDITIONS	441,502	1,293,908
DEDUCTIONS		
Benefits paid to participants or beneficiaries	164,260	-
Forfeitures	15,353	-
Administrative expense	26,749	-
Recipient payments	-	1,256,257
TOTAL DEDUCTIONS	206,362	1,256,257
Increase in Net Position	235,140	37,651
NET POSITION		
Net position restricted for pensions - beginning of year	1,904,222	-
Net position restricted for individuals, organizations, and other governments - beginning of year	-	913,691
Net position restricted for pensions - end of year	\$ 2,139,362	\$ 951,342

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

SOUTH PLAINS COLLEGE
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2023
EXHIBIT 2.4

	Pension Trust Funds	Custodial Funds
ADDITIONS		
Contributions:		
Employer	\$ 106,500	\$ -
Participant	2,460	-
Contributions to custodial funds	-	1,290,737
Total Contributions	108,960	1,290,737
Investment earnings:		
Net increase in fair value of investments	100,758	-
Interest, dividends and other	49,322	-
Net investment earnings	150,080	-
TOTAL ADDITIONS	259,040	1,290,737
DEDUCTIONS		
Benefits paid to participants or beneficiaries	102,362	-
Forfeitures	13,832	-
Administrative expense	23,667	-
Recipient payments	-	1,173,519
TOTAL DEDUCTIONS	139,861	1,173,519
Increase in Net Position	119,179	117,218
NET POSITION		
Net position restricted for pensions - beginning of year	1,785,043	-
Net position restricted for individuals, organizations, and other governments - beginning of year	-	796,473
Net position restricted for pensions - end of year	\$ 1,904,222	\$ 913,691

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

SOUTH PLAINS COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023
EXHIBIT 3

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 17,738,569	\$ 19,457,306
Receipts of appropriations, grants, and contracts	4,164,584	3,903,346
Other receipts	356,121	156,648
Payments to or on behalf of employees	(44,915,972)	(43,262,449)
Payments to suppliers for goods or services	(15,921,644)	(14,664,181)
Payments of scholarships	(8,533,697)	(6,440,983)
Net cash used in operating activities	(47,112,039)	(40,850,313)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	19,650,184	13,788,928
Ad valorem tax revenues	11,771,475	10,815,172
Federal revenue, nonoperating	19,095,983	21,154,971
State revenue, nonoperating	878,460	-
Gifts and grants (other than capital)	500,000	576,000
Net cash provided by non-capital financing activities	51,896,102	46,335,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions received in aid of construction	175,000	5,271,114
Contributions received in aid of debt service	1,000,000	(3,771,114)
Purchases of capital assets	(2,783,671)	(8,152,422)
Proceeds from sale of capital assets	-	18,595
Payments on capital debt - principal	(3,990,000)	(2,065,000)
Payments on capital debt - interest	(450,646)	(492,045)
Net cash used in capital and related financing activities	(6,049,317)	(9,190,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	2,072,616	1,546,091
Net cash provided by investing activities	2,072,616	1,546,091
Increase (Decrease) in cash and cash equivalents	807,362	(2,160,023)
Cash and cash equivalents - September 1	34,494,543	36,654,566
Cash and cash equivalents - August 31	\$ 35,301,905	\$ 34,494,543
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (54,626,012)	\$ (48,794,509)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	3,894,015	3,749,839
Bad debt expense	146,860	184,640
Payments made directly by state for benefits	4,243,721	3,213,850
TRS non cash items	1,184,487	321,482
ERS non cash items	(590,014)	274,337
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Increase in accounts receivable (net)	(1,323,109)	(47,887)
Decrease in inventories	-	8,625
Decrease in prepaid expenses	-	748,000
Increase (decrease) in accounts payable	(324,074)	136,535
Increase (decrease) in accrued liabilities	46,009	(219)
Decrease in funds held for others	(27,325)	(63,173)
Increase (decrease) in unearned revenues	263,403	(581,833)
Net cash used in operating activities	\$ (47,112,039)	\$ (40,850,313)

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

SOUTH PLAINS COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED AUGUST 31, 2024 AND 2023
EXHIBIT 3.1

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from contributions	\$ 643,131	\$ 1,076,165
Receipts from fundraising	254,911	339,784
Payments to suppliers for goods or services	(72,316)	(94,567)
Payments of scholarships	(1,195,789)	(1,221,730)
Net cash provided (used) by operating activities	(370,063)	99,652
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings (loss)	(58,190)	150,567
Proceeds from sale of investments	46,508	132,845
Purchase of investments	(188,211)	(196,000)
Net cash provided (used) by investing activities	(199,893)	87,412
Increase (decrease) in cash and cash equivalents	(569,956)	187,064
Cash and cash equivalents - September 1	1,474,783	1,287,719
Cash and cash equivalents - August 31	\$ 904,827	\$ 1,474,783
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,862,325	\$ 2,308,534
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Unrealized and realized gains on investments	(4,677,189)	(1,884,438)
Investment income reinvested	(649,208)	(437,081)
Bank/Brokerage fees paid as reduction in investment basis	92,065	112,636
Changes in assets and liabilities:		
Decrease in accrued interest and dividends receivable	1,944	1
(Increase) Decrease in deferred scholarships	17,945	(87,774)
Decrease in pledges receivable	845,188	926,819
Increase (Decrease) in scholarships payable to South Plains College	(17,945)	87,774
Decrease in pledges payable to South Plains College	(845,188)	(926,819)
Net cash provided (used) by operating activities	\$ (370,063)	\$ 99,652

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

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

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 have a special purpose, namely, 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 that 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 to provide 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 can 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 can access otherwise, 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 a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

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 student uses the award 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.

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to qualified students. 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 an accrual basis, whereby all revenues are recorded when earned, and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

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

Cash and Cash Equivalents

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

Deferred Outflows

In addition to assets, South Plains College is aware that the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances authorized explicitly 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 purchase. The governing board has designated public funds investment pools comprised of \$6,395,425 and \$6,063,274 as of August 31, 2024 and 2023, respectively, to be short-term investments. Long-term investments have an original maturity of greater than one year at the time of purchase.

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

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Inventories

Inventories consist of consumable office supplies and physical plant 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 focused on a full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pension, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Unearned Revenues

Tuition and fees of \$16,191,509 and \$15,855,719 and federal, state, and local grants of \$134,353 and \$206,740 have been reported as unearned revenues as of August 31, 2024 and 2023, respectively.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Deferred Inflows

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

Estimates

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

Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a business-type activity and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstore and cafeteria is outsourced and is 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, leases, subscriptions, and any premiums or discounts associated with these debts that will not be paid within the next fiscal year.

Leases

Leases are defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus any applicable periods covered by any renewal options that are reasonably certain to be exercised, or options to terminate that are not reasonably certain to be exercised. Contracts that transfer ownership of the underlying asset are recognized as financed purchases in the financial statements. Leases with a maximum term of less than twelve months are considered short-term leases. Short-term lease payments are recognized in the period of payment.

As a lessee, the College recognizes a lease payable and an intangible right-of-use lease asset. At the commencement of a lease, the lease payable is recorded at the net present value of the future fixed lease payments, discounted at either the explicit interest rate in the agreement or the College's incremental borrowing rate at lease inception. The right-of-use leased asset is initially recorded at the amount of the lease liability plus any prepayments less lease incentives received prior to lease commencement. The right-of-use leased asset is amortized on a straight-line basis over the term of the lease or the asset's useful life for leases where the College is reasonably certain that the bargain purchase option will be exercised.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Subscription-Based IT Arrangements

Subscription-based IT arrangements (SBITAs) are defined as a contractual agreement that conveys control of the right of use of another entity's information technology software for a minimum contractual period of greater than one year in an exchange or exchange-like transaction. The College has entered into various subscription-based information technology arrangements. At the commencement of an SBITA, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. The subscription liability is subsequently reduced by the principal portion of SBITA payments. Interest expense is recognized over time based on the current balance of the SBITA and the implicit interest rate. The subscription asset is initially measured as the subscription liability adjusted for SBITA payments made at or before the commencement date and certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

Key estimates and judgments related to SBITAs include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The College uses its incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the College is reasonably certain to exercise such option, subscription contract incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The College monitors changes in circumstances that would require a re-measurement of its SBITAs and will re-measure the components if certain changes occur that are expected to significantly affect the amount of the subscription asset or subscription liability.

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 and state and local governments. Receivables are recorded net of estimated uncollectible amounts.

Net Position

The College's Net Position includes the following:

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

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

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

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.

The Board of Regents voted during the year ended August 31, 2023 to designate \$2,500,000 of the College's unrestricted net position for future capital improvements. The Board voted during the year ended

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

August 31, 2024 to designate an additional \$4,364,286, for a total of \$6,864,286. Board approval will be required to utilize this fund for capital improvements.

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, 2024, no instances of noncompliance were found.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

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	
	2024	2023	2024	2023
Bank Deposits				
Demand deposits	\$ 11,305,958	\$ 10,954,587	\$ 119,749	\$ 714,497
Time deposits	17,596,636	17,470,723	785,078	760,286
Total Bank Deposits	28,902,594	28,425,310	904,827	1,474,783
Cash and Cash Equivalents				
Petty cash on hand	3,886	5,959	-	-
Cash equivalents – investment pools	6,395,425	6,063,274	-	-
Total Cash and Cash Equivalents	6,399,311	6,069,233	-	-
Total Cash and Deposits	\$ 35,301,905	\$ 34,494,543	\$ 904,827	\$ 1,474,783

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

	Primary Institution		Component Unit	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Type of Security:				
Corporate equities	\$ -	\$ -	\$ 53,550	\$ 1,228,749
U.S. government agencies	-	-	-	247,808
Corporate obligations	-	-	196,886	729,996
Mutual funds	-	-	9,522,196	5,424,981
Alternative investments	-	-	24,497,659	21,218,158
Other	-	-	243,980	230,354
Total	-	-	34,514,271	29,080,046
Total Cash and Deposits	35,301,905	34,494,543	904,827	1,474,783
Total Investments	-	-	34,514,271	29,080,046
Total Deposits and Investments	35,301,905	34,494,543	35,419,098	30,554,829
Per Exhibit 1 and Exhibit 1.1:				
Cash and cash equivalents	35,301,905	34,494,543	904,827	1,474,783
Investments	-	-	34,514,271	29,080,046
Total	\$ 35,301,905	\$ 34,494,543	\$ 35,419,098	\$ 30,554,829

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

As of August 31, 2024, 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	\$ 53,550	\$ N/A	\$ N/A	\$ N/A
Corporate obligations	196,886	N/A	N/A	N/A
Mutual funds	9,522,196	N/A	N/A	N/A
Alternative investments	24,497,659	N/A	N/A	N/A
Other	243,980	N/A	N/A	N/A
Total Fair Value	\$ 34,514,271	\$ N/A	\$ N/A	\$ N/A

As of August 31, 2024, the Foundation's cost basis for investments was as follows:

Investment Type	Cost
Corporate equities	\$ 50,771
Corporate obligations	112,880
Mutual funds	8,207,447
Alternative investments	20,468,069
Other	243,981
Total Fair Value	\$ 29,083,148

The Foundation held the following investments with a continuous unrealized loss position at August 31, 2024:

Investment Type	Less than 12 months		12 months or longer	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate equities	\$ -	\$ -	\$ 53,550	\$ (2,779)
Corporate obligations	-	-	196,886	(84,006)
Mutual funds	5,903,545	(731,941)	2,515,701	(612,719)
Alternative investments	9,528,840	(1,006,354)	14,968,819	(3,023,237)
Total Fair Value	\$ 15,432,385	\$ (1,738,295)	\$ 17,734,956	\$ (3,722,741)

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

Custodial Credit Risk

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

As of August 31, 2024, the carrying amount of the College's bank balances was \$29,794,376. Federal Depository Insurance covered bank balances of \$250,000. Bank balances in the amount of \$29,544,376 were covered by securities held by the bank in the College's name.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

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, 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, 2024 follows:

Investment Type	Fair Value Measurements at Reporting Date Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Corporate equities	\$ 53,550	\$ -	\$ -	\$ 53,550
Corporate obligations	-	196,886	-	196,886
Mutual funds	9,522,196	-	-	9,522,196
Alternative investments	-	-	24,497,659	24,497,659
Other	-	-	243,980	243,980
Total	\$ 9,575,746	\$ 196,886	\$ 24,741,639	\$ 34,514,271

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.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

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 it 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 (34%), CFI Multi Strategy Bond Fund, LLC (14%), and CF Global Multi-Asset Portfolio, LLC (11%).

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Note 5: Capital Assets

Capital asset activity for the year ended August 31, 2024, was as follows:

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,013,473	\$ -	\$ -	\$ 2,013,473
Construction in progress	285,600	466,569	(285,651)	466,518
Total capital assets not being depreciated	2,299,073	466,569	(285,651)	2,479,991
Capital assets being depreciated:				
Buildings	136,798,544	1,716,225	(970,539)	137,544,230
Improvements	7,113,235	229,089	-	7,342,324
Library books	3,264,052	26,686	-	3,290,738
Right-of-use assets - equipment	793,609	717,843	(792,675)	718,777
Right-of-use assets - land improvements	112,863	-	-	112,863
Right-of-use assets - subscriptions	2,455,183	-	-	2,455,183
Furniture, machinery, vehicles and other equipment	13,651,034	375,497	(19,295)	14,007,236
Telecommunications and peripheral equipment	7,125,222	261,531	-	7,386,753
Total capital assets being depreciated	171,313,742	3,326,871	(1,782,509)	172,858,104
Less accumulated depreciation for:				
Buildings	(47,390,386)	(1,987,565)	-	(49,377,951)
Improvements	(1,385,988)	(340,379)	-	(1,726,367)
Library books	(3,247,278)	(22,767)	-	(3,270,045)
Right-of-use assets - equipment	(638,411)	(161,929)	792,676	(7,664)
Right-of-use assets - land improvements	(7,207)	(14,414)	-	(21,621)
Right-of-use assets - subscriptions	(663,558)	(526,780)	-	(1,190,338)
Furniture, machinery, vehicles and other equipment	(9,290,827)	(860,288)	19,295	(10,131,820)
Telecommunications and peripheral equipment	(5,232,115)	(683,016)	-	(5,915,131)
Total accumulated depreciation	(67,855,770)	(4,597,138)	811,971	(71,640,937)
Net other capital assets	103,457,972	(1,270,267)	(970,538)	101,217,167
Capital assets, net	\$ 105,757,045	\$ (803,698)	\$ (1,256,189)	\$ 103,697,158

Construction in progress at August 31, 2024 relates to the natatorium and dorm building renovations.

SOUTH PLAINS COLLEGE
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Capital asset activity for the year ended August 31, 2023, was as follows:

<u>Business-type activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,013,473	\$ -	\$ -	\$ 2,013,473
Construction in progress	<u>15,098,166</u>	<u>285,600</u>	<u>(15,098,166)</u>	<u>285,600</u>
Total capital assets not being depreciated	<u>17,111,639</u>	<u>285,600</u>	<u>(15,098,166)</u>	<u>2,299,073</u>
Capital assets being depreciated:				
Buildings	119,631,435	17,167,109	-	136,798,544
Improvements	3,438,111	3,675,124	-	7,113,235
Library books	3,239,565	24,487	-	3,264,052
Right-of-use assets - equipment	793,609	-	-	793,609
Right-of-use assets - land improvements	187,442	-	(74,579)	112,863
Right-of-use assets - subscriptions	1,114,554	1,340,629	-	2,455,183
Furniture, machinery, vehicles and other equipment	13,495,482	681,405	(525,853)	13,651,034
Telecommunications and peripheral equipment	<u>6,890,718</u>	<u>234,504</u>	<u>-</u>	<u>7,125,222</u>
Total capital assets being depreciated	<u>148,790,916</u>	<u>23,123,258</u>	<u>(600,432)</u>	<u>171,313,742</u>
Less accumulated depreciation for:				
Buildings	(45,445,528)	(1,944,858)	-	(47,390,386)
Improvements	(1,184,627)	(201,361)	-	(1,385,988)
Library books	(3,224,795)	(22,483)	-	(3,247,278)
Right-of-use assets - equipment	(516,036)	(122,375)	-	(638,411)
Right-of-use assets - land improvements	-	(7,207)	-	(7,207)
Right-of-use assets - subscriptions	(209,881)	(453,677)	-	(663,558)
Furniture, machinery, vehicles and other equipment	(8,930,327)	(886,353)	525,853	(9,290,827)
Telecommunications and peripheral equipment	<u>(4,537,332)</u>	<u>(694,783)</u>	<u>-</u>	<u>(5,232,115)</u>
Total accumulated depreciation	<u>(64,048,526)</u>	<u>(4,333,097)</u>	<u>525,853</u>	<u>(67,855,770)</u>
Net other capital assets	84,742,390	18,790,161	(74,579)	103,457,972
Capital assets, net	<u>\$ 101,854,029</u>	<u>\$ 19,075,761</u>	<u>\$ (15,172,745)</u>	<u>\$ 105,757,045</u>

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Note 6: Long-Term Obligations

Long-term liability activity for the year ended August 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds and notes	\$ 20,210,000	\$ -	\$ 3,990,000	\$ 16,220,000	\$ 2,115,000
Leases and subscriptions	2,009,134	717,843	695,335	2,121,642	704,197
Net pension liability	12,552,303	1,623,408	-	14,175,711	-
Net OPEB liability	48,994,117	-	2,757,351	46,236,766	-
Total Long-Term Liabilities	\$ 83,855,554	\$ 2,341,251	\$ 7,442,686	\$ 78,754,119	\$ 2,819,197

Long-term liability activity for the year ended August 31, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds and notes	\$ 22,275,000	\$ -	\$ 2,065,000	\$ 20,210,000	\$ 2,090,000
Leases and subscriptions	1,378,471	1,408,445	687,782	2,099,134	673,832
Net pension liability	5,268,512	7,283,791	-	12,552,303	-
Net OPEB liability	60,414,215	-	11,420,098	48,994,117	-
Total Long-Term Liabilities	\$ 89,336,198	\$ 8,692,236	\$ 14,172,880	\$ 83,855,554	\$ 2,763,832

Note 7: Debt and Lease Obligations

Debt service requirements as of August 31, 2024 were as follows:

<u>Fiscal Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2025	\$ 2,115,000	\$ 416,644	\$ 2,531,644
2026	2,140,000	365,693	2,505,693
2027	1,970,000	316,290	2,286,290
2028	1,995,000	268,436	2,263,436
2029-2033	6,725,000	639,056	7,364,056
2034	1,275,000	16,256	1,291,256
	\$ 16,220,000	\$ 2,022,375	\$ 18,242,375

SOUTH PLAINS COLLEGE
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Obligations under leases as of August 31, 2024 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2025	\$ 162,805	\$ 30,621	\$ 193,425
2026	152,029	24,195	176,224
2027	158,736	17,488	176,224
2028	165,738	10,486	176,224
2029-2030	168,174	3,880	172,055
	<u>\$ 807,482</u>	<u>\$ 86,670</u>	<u>\$ 894,152</u>

Lease obligations consisted of the following as of August 31, 2024

- Monthly (60 months) copier lease maturing in June 2029; monthly payments of \$13,285; discount rate of 3.91%.
- Monthly (48 months) copier lease maturing in August 2025; monthly payments of \$1,433; discount rate of 0.04%.
- Monthly (94 months) parking lot lease maturing in December 2030; monthly payments of \$1,400; discount rate of 4.08%.

The college does not capitalize any lease obligations with an original term of less than one year.

Obligations under subscription-based information technology arrangements as of August 31, 2024 were as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total Requirement
2025	\$ 541,392	\$ 25,228	\$ 566,620
2026	502,380	11,449	513,829
2027	270,388	1,326	271,714
	<u>\$ 1,314,160</u>	<u>\$ 38,003</u>	<u>\$ 1,352,163</u>

Subscription-based leases consisted of the following as of August 31, 2024:

- Monthly (60 months) software subscription maturing in January 2026; monthly payments beginning at \$6,211 and increasing annually to \$6,723; discount rate of 0.44%.
- Annual (5 years) software subscription maturing in August 2027; varying annual payments for an average of \$148,119; discount rate of 3.14%.
- Monthly (60 months) software subscription maturing in December 2026; monthly payments beginning at \$10,378 and increasing annually to \$12,586; discount rate of 1.33%.
- Annual (4 years) software subscription maturing in August 2026; annual payments of \$95,760; discount rate of 3.23%.
- Monthly (48 months) software subscription maturing in June 2027; monthly payments of \$7,930; discount rate of 3.88%.

The College does not capitalize any subscription-based leases with an original term of less than one year.

SOUTH PLAINS COLLEGE
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Note 8: Bonds Payable

On November 12, 2020, the College authorized a bond refunding transaction by issuing the “South Plains Junior College District Revenue Financing System Refunding and Improvements Bonds, Series 2020A” in the amount of \$14,315,000 for the purpose of providing funds to (a) refund and the defeasance of certain outstanding obligations of the district and (b) pay the costs of issuance related to the bonds. The source of revenues shall be payable from a first lien on the pledged revenues. The bonds outstanding as of August 31, 2024 was \$11,420,000. The bonds are scheduled to mature on August 31, 2034.

On November 12, 2020, the College authorized a bond refunding transaction by issuing the “South Plains Junior College District Revenue Financing System Refunding and Improvements Bonds, Series 2020B” in the amount of \$10,000,000 for the purpose of providing funds to (a) acquire, purchase, construct, improve, renovate, enlarge, equip, operate, and/or maintain any property, buildings, structures, activities, operations, of any nature, for and on behalf of the College owned and operated by the College and (b) pay the costs of issuance related to the bonds. The source of revenues shall be payable from a first lien on the pledged revenues. The bonds outstanding as of August 31, 2024 was \$4,800,000. The bonds are scheduled to mature on August 31, 2029.

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

As of August 31, 2024 and 2023, the College was in compliance with all material aspects of the bond indentures.

Note 9: Employee’s Retirement Plan

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

Teacher Retirement System of Texas

Plan Description

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

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

Pension Plan Fiduciary Net Pension

Detailed information about the TRS’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at: <https://www.trs.texas.gov/TRS%20Documents/2023%20ACFR%20Final%2011-20-2023.pdf> or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

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Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 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.

Contribution Rates	2023	2022
Member	8.00%	8.00%
Non-employer contributing entity (State)	8.00%	7.75%
Employers	8.00%	7.75%
FY2023 Member contributions	\$1,800,319	
FY2023 State of Texas on-behalf contributions	716,068	
FY2023 College contributions	1,062,272	

College contributions to the TRS pension plan in 2024 were \$1,156,349 as reported in the Schedule of College's Contributions for Pensions in the required supplementary information section of these financial statements. Estimated State of Texas on-behalf contributions for 2024 were \$791,101.

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 are entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.

SOUTH PLAINS COLLEGE
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- 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2023
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Fair Value
Actuarial assumptions:	
Single discount rate	7.00%
Long-term expected investment rate of return*	7.00%
Municipal bond rate*	4.13%
Last year ending August 31 in the 2022 to 2122 projection period (100 years)	2122
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95%
Payroll growth rate	2.90%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

**The municipal bond rate used is 4.13% as of August 2023 (i.e., the rate closest to but not later than the Measurement Date). The 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 on 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 four-year period ending August 31, 2021 and were adopted in July 2022.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022.

Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumes that contributions from active members, employers, and non-employer contributing entities will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 9.50 percent of payroll in fiscal year 2024 increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00 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, 2023, is summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.00%	1.00%
Non-US developed	13.00%	4.50%	0.90%
Emerging markets	9.00%	4.80%	0.70%
Private equity	14.00%	7.00%	1.50%
Stable Value			
Government bonds	16.00%	2.50%	0.50%
Absolute return	0.00%	3.60%	0.00%
Stable value hedge funds	5.00%	4.10%	0.20%
Real Return			
Real estate	15.00%	4.90%	1.10%
Energy, natural resources, and infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity	8.00%	4.50%	0.40%
Asset Allocation Leverage			
Cash	2.00%	3.70%	0.00%
Asset allocation leverage	(6.00%)	4.40%	(0.10%)
Inflation expectations			2.30%
Volatility drag			(0.90%)
Expected Return	100%		8.00%

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 (7.00%) in measuring the Net Pension Liability.

	1% Decrease (6.00%)	Current Rate (7.00 %)	1% Increase (8.00%)
College's proportionate share of the net pension liability (asset)	\$ 21,193,473	\$ 14,175,711	\$ 8,340,438

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

As of August 31, 2024, the College reported a liability of \$14,175,711 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	\$	14,175,711
State's proportionate share that is associated with the College		<u>9,594,571</u>
 Total	 \$	 <u>23,770,282</u>

The net pension liability was measured as of August 31, 2023, 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, 2022, through August 31, 2023.

At the measurement date of August 31, 2023, the employer's proportion of the collective net pension liability was 0.0206371208%, a decrease of 0.0005062960% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2024, the College recognized pension expense of \$1,448,697 and revenue of \$1,448,697 for support provided by the State.

As of August 31, 2024, 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	\$ 505,085	\$ 171,652
Changes in actuarial assumptions	1,340,745	328,111
Difference between projected and actual investment earnings	4,429,481	2,366,571
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	208,517	478,231
Contributions paid to TRS subsequent to the measurement date	<u>1,156,349</u>	<u>-</u>
 Total	 <u>\$ 7,640,177</u>	 <u>\$ 3,344,565</u>

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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
2025	\$ 1,803,210
2026	344,554
2027	1,646,420
2028	476,294
2029	25,134
Thereafter	-
Total	\$ 4,295,612

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 2024 and 2023. The College contributed an additional 1.31% to employees who participated 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 \$244,326 and \$244,131 for the fiscal years ended August 31, 2024 and 2023, respectively.

The total payroll for all College employees was \$33,399,054 and \$31,876,149 for fiscal years 2024 and 2023, respectively. The total payroll for employees covered by the Teacher Retirement System was \$23,099,413 and \$22,504,280, and the total payroll for employees covered by the Optional Retirement Program was \$7,746,264 and \$7,813,545 for fiscal years 2024 and 2023, respectively.

Note 10: Deferred Compensation Program

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

As of August 31, 2024, the College has 351 employees participating in the Plan. There were 145 employees vested as of August 31, 2024. A total of \$109,500 in contributions were invested in the Plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$2,049,415.

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As of August 31, 2023, the College had 352 employees participating in the Plan. There were 147 employees vested as of August 31, 2023. A total of \$106,500 in contributions were invested in the Plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$1,810,536.

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

Note 11: Compensated Absences

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

Note 12: Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State’s total contributions for the years ended August 31, 2024 and 2023 were \$3,767,481 and \$3,688,777, respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for active employees.

Note 13: Other Post-Employment Benefits (OPEB)

Plan Description

The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) 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 Annual Comprehensive Financial Report (ACFR), which 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-ma/2023-acfr> 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.

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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 benefits 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 premiums. 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, 2024 and 2023

	2024	2023
Retiree only	\$ 624.82	\$ 624.82
Retiree & spouse	\$ 1,340.82	\$ 1,339.90
Retiree & children	\$ 1,104.22	\$ 1,103.58
Retiree & family	\$ 1,820.22	\$ 1,818.66

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, 2024 and 2023

	2024	2023
Employers	\$ 801,018,586	\$ 699,999,453
Members (Employees)	\$ 181,951,869	\$ 190,659,955
Non-employer contributing entity (State of Texas)	\$ 42,250,455	\$ 36,750,724

Source: ERS 2023 Annual Comprehensive Financial Report

Actuarial Assumptions

The total OPEB Liability was determined by an actuarial valuation as of August 31, 2023 using the following actuarial assumptions:

Valuation date	August 31, 2023
Actuarial cost method	Entry Age
Amortization method	Level Percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	N/A
Discount rate	3.81%
Projected annual salary increase (includes inflation)	2.30% to 8.95%

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Annual healthcare trend rate	
HealthSelect	5.60% for 2025, 5.30% for 2026, 5.00% for 2027, 4.75% for 2028, 4.60% for 2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2032 and later years
HealthSelect Medicare Advantage	16.40% for 2025, 8.40% for 2026, 5.00% for 2027, 4.75% for 2028, 4.60% for 2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for 2032 and later years
Pharmacy	10.00% for 2025 and 2026, decreasing 100 basis points per year to an ultimate rate of 5.00% for 2031 and 4.30% for 2032 and later years
Inflation assumption rate	2.30%
Ad hoc postemployment benefit changes	None
 Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience Ultimate MP Projection Scale from year 2021.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2021 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 Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP Projection Scale from the year 2010.

Source: 2023 ERS ACFR.

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2021.

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 2022 to require that all funds in the plan be invested in cash and equivalent securities. The expected rate of return on these investments is currently 4.1%, in line with the prevailing returns on 90-day US treasury bills.

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 3.59%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.81%, which amounted to an increase of 0.22%. 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 bond's average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Discount Rate Sensitivity Analysis

The following schedules shows the impact of South Plains College College's proportionate share of the collective net OPEB liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.81%) in measuring the net OPEB liability.

	1% Decrease (2.81%)	Current Rate (3.81%)	1% Increase (4.81%)
College's proportionate share of the net OPEB liability	\$ 53,651,125	\$ 46,236,766	\$ 40,273,208

Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 5.60%, and the ultimate rate is 4.30%. 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 used (5.60%) in measuring the net OPEB liability.

	1% Decrease in Healthcare Cost Trend Rates 4.60% decreasing to 3.30%	Current Healthcare Cost Trend Rates 5.60% decreasing to 4.30%	1% Increase in Healthcare Cost Trend Rates 6.60% decreasing to 4.30%
College's proportionate share of the net OPEB liability	\$ 39,770,045	\$ 46,236,766	\$ 54,449,534

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

As of August 31, 2024, the College reported a liability of \$46,236,766 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction in State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

College's Proportionate share of the collective net OPEB liability	\$ 46,236,766
State's proportionate share that is associated with the college	33,032,248
Total	\$ 79,269,014

The net OPEB liability was measured as of August 31, 2023, 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, 2022, through August 31, 2023.

At the measurement date of August 31, 2023, the College's proportion of the collective net OPEB liability was .17305779%, which is an increase of .00106995% from its proportion measured as of August 31, 2022.

For the year ended August 31, 2023, the College recognized OPEB expense of \$322,205 and revenue of \$980,295 for the support provided by the State.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

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

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Annual rate of increase in the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act.
- 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 was changed from 3.59% as of August 31, 2022 to 3.81% as of August 31, 2023 as a result of requirements by GASB No. 74 to reflect the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The valuation reflects the minor benefit revisions that have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2024, are provided for in the FY2024 Assumed Per Capita Health Benefit Costs.

As of August 31, 2023, the College reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 1,222,987
Changes in actuarial assumptions	1,542,408	14,440,358
Difference between projected and actual investment earnings	3,735	-
Effect of change in proportion and contribution difference	963,276	511,267
Contributions paid subsequent to the measurement date	909,590	-
Total	\$ 3,419,009	\$ 16,174,612

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
2025	\$ (2,949,513)
2026	(3,621,907)
2027	(3,396,903)
2028	(2,362,713)
2029	(424,567)
Thereafter	-
Total	\$ (12,755,603)

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Note 14: Pending Lawsuits and Claims

None as of the report date.

Note 15: Disaggregation of Receivables and Payables Balances

Receivables as of August 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Student receivables	\$ 14,045,166	\$ 13,279,416
Taxes receivable	310,345	298,551
Federal receivables	622,324	305,717
State receivables	19,735	19,842
Other receivables	1,625,334	1,531,334
Total	<u>\$ 16,622,904</u>	<u>\$ 15,434,860</u>

Payables as of August 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Vendor payables	\$ 793,957	\$ 1,119,544
Salaries and benefits payable	1,021,244	975,234
Students payable	97,875	125,200
Accrued interest	152,431	187,608
Total	<u>\$ 2,065,507</u>	<u>\$ 2,407,586</u>

Note 16: Contract and Grant Awards

Contract and grant awards are accounted for in accordance with requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended but not collected are reported as Accounts Receivable (net) on Exhibit 1. Non-federal contracts and grant awards for which funds are expended but not collected are also reported as Accounts Receivable (net) 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 2024 and 2023 for which monies have not been received nor funds expended totaled \$2,584,749 and \$3,941,648. Of these amounts, \$2,568,317 and \$3,736,216 were from Federal Contract and Grant Awards; \$16,432 and \$205,432 were from State Contract and Grant Awards.

Note 17: Ad Valorem Tax

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

Fiscal Year Ending August 31,	<u>2024</u>	<u>2023</u>
Assessed Valuation of the College	\$ 4,325,087,417	\$ 3,958,759,161
Less: Exemptions	(469,349,438)	(439,962,343)
Net Assessed Value of the College	<u>\$ 3,855,737,979</u>	<u>\$ 3,518,796,818</u>

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Fiscal Year Ending August 31,	2024			2023		
	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	\$ 0.3048	\$ N/A	\$ 0.3048	\$ 0.3068	\$ N/A	\$ 0.3068

Taxes levied for the year ended August 31, 2024 and 2023 totaled \$11,783,270 and \$10,834,356, 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 they are imposed.

Taxes Collected	2024 Current Operations	2023 Current Operations
Current taxes collected	\$ 11,522,385	\$ 10,586,301
Delinquent taxes collected	109,348	109,511
Penalties and interest collected	92,182	74,614
Total Collections	\$ 11,723,915	\$ 10,770,426

Tax collections for the year ended August 31, 2024 and 2023 were 97.79% and 97.74% of the actual tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations, or general obligation debt service.

Note 18: Risk Management

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

Note 19: Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2024 and 2023.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

Note 20: Liquidity and Availability – SPC Foundation

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

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 904,827	\$ 1,474,783
Accrued interest and dividends receivable	-	1,944
Investments	34,270,291	28,849,692
Planned gift cash value	231,480	217,854
Vacation time share	12,500	12,500
Pledges receivable	2,925,926	3,771,114
Total Financial assets	38,345,024	34,327,887
Less:		
Donor restricted net assets	(35,102,546)	(30,269,664)
Agency amounts	(2,925,926)	(3,771,114)
	(38,028,472)	(34,040,778)
Financial assets available within one year to meet cash needs for general expenditures	\$ 316,552	\$ 287,109

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

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

The Foundation’s Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. As of August 31, 2024 and 2023, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

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

	2024	2023
Endowment net assets, beginning of year	\$ 28,085,133	\$ 26,048,416
Contributions	198,342	928,539
Investment earnings	5,307,077	2,105,017
Scholarships	(964,358)	(996,839)
Endowment net assets, end of year	\$ 32,626,194	\$ 28,085,133

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: Occasionally, 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 the law.

There were no endowments considered to be underwater as of August 31, 2024 and 2023.

The remaining net assets with donor restrictions totaling \$2,476,352 and \$2,184,711 as of August 31, 2024 and 2023, respectively, primarily represent amounts held for scholarships that are not considered endowed funds.

Note 22: Expenses by Nature and Function – SPC Foundation

The table below presents expenses by nature and function for the year ending August 31, 2024.

	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 1,195,789	\$ -	\$ -	\$ 1,195,789
Fundraising expenses	-	-	54,642	54,642
Planned gift expenses	1,055	-	-	1,055
Unrestricted program support	10,000	-	-	10,000
Restricted program support	1,175,000	-	-	1,175,000
Less amounts considered agency transactions	(1,175,000)	-	-	(1,175,000)
Other expenses	-	20,246	-	20,246
	\$ 1,206,844	\$ 20,246	\$ 54,642	\$ 1,281,732

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

The table below presents expenses by both their nature and their function for the year ended August 31, 2023.

	Program Services	Management and General	Fundraising	Total
Scholarships	\$ 1,221,730	\$ -	\$ -	\$ 1,221,730
Fundraising expenses	-	-	69,595	69,595
Planned gift expenses	2,139	-	-	2,139
Unrestricted program support	11,000	-	-	11,000
Restricted program support	1,500,000	-	-	1,500,000
Less amounts considered				
agency transactions	(1,500,000)	-	-	(1,500,000)
Other expenses	-	17,641	-	17,641
	<u>\$ 1,234,869</u>	<u>\$ 17,641</u>	<u>\$ 69,595</u>	<u>\$ 1,322,105</u>

Note 23: Pledges Receivable – SPC Foundation

Pledges receivable for the Foundation as of August 31, 2024 totaled \$3,000,000 (gross) and were reduced by a present value discount totaling \$74,074 for a net balance of \$2,925,926. 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 there is a lack of discretion for the Foundation in the use of the funds. The pledges mature as follows:

Amounts due in:	
Less than one year	\$ 1,000,000
One to five years	<u>2,000,000</u>
Total	<u>\$ 3,000,000</u>

Pledges receivable (gross) for the Foundation were provided for the following as of August 31, 2024:

Downtown Lubbock Center	\$ <u>3,000,000</u>
Total	<u>\$ 3,000,000</u>

Note 24: New Pronouncements

Accounting pronouncements adopted

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62, which enhances accounting and financial reporting requirements and accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The College has adopted this standard for fiscal year 2024. Adopting this standard did not impact the College’s financial statements.

Not adopted

In June 2022, the GASB issued Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

SOUTH PLAINS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2024 and 2023

The College is evaluating the impact, if any, on its financial position, results of operations or cash flows upon adoption of these statements.

Note 25: Subsequent Events

Management has evaluated subsequent events through November 13, 2024, the date on which the financial statements were available for distribution.

Required Supplementary Information

SOUTH PLAINS COLLEGE
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2024 *
EXHIBIT 4

Fiscal Year Ending August 31, *	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportionate share of collective net pension liability (%)	0.0206371208	0.0211434168	.0206880421	.0213185210	.0220336984	.0210632914	.0216430538	.0215355517	.0219025000	.0240324000
College's proportionate share of collective net pension liability (\$)	\$ 14,175,711	\$ 12,552,303	\$ 5,268,512	\$ 11,417,765	\$ 11,453,805	\$ 11,593,747	\$ 6,920,283	\$ 8,137,965	\$ 7,742,242	\$ 6,419,386
State's proportional share of net pension liability associated with College (\$)	9,594,571	8,623,839	3,666,772	7,817,968	7,618,648	8,321,857	5,065,774	5,863,387	5,595,333	4,671,566
Total	<u>\$ 23,770,282</u>	<u>\$ 21,176,142</u>	<u>\$ 8,935,284</u>	<u>\$ 19,235,733</u>	<u>\$ 19,072,453</u>	<u>\$ 19,915,604</u>	<u>\$ 11,986,057</u>	<u>\$ 14,001,352</u>	<u>\$ 13,337,575</u>	<u>\$ 11,090,952</u>
College's covered payroll	\$ 22,504,281	\$ 21,679,296	\$ 19,977,396	\$ 19,793,642	\$ 19,113,504	\$ 18,062,784	\$ 18,022,687	\$ 17,207,261	\$ 16,361,175	\$ 15,402,251
College's proportionate share of collective net pension liability as a percentage of covered payroll	62.99%	57.90%	26.37%	57.68%	59.93%	64.19%	38.40%	47.29%	47.32%	41.68%
Plan fiduciary net position as percentage of total pension liability	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

Fiscal Year Ending August 31, *	2024**	2023**	2022**	2021**	2020**	2019**	2018**	2017**	2016**
Legally required contributions	\$ 1,156,349	\$ 1,062,272	\$ 986,614	\$ 881,184	\$ 879,195	\$ 770,990	\$ 707,964	\$ 684,239	\$ 679,003
Actual contributions	(1,156,349)	(1,062,272)	(986,614)	(881,184)	(879,195)	(770,990)	(707,964)	(684,239)	(679,003)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$23,950,825	\$22,504,281	\$21,679,296	\$19,977,396	\$19,793,642	\$19,113,504	\$18,062,784	\$18,022,687	\$17,207,261
Contributions as a percentage of covered payroll	4.83%	4.72%	4.55%	4.41%	4.44%	4.03%	3.92%	3.80%	3.95%

*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, 2024
EXHIBIT 6

Fiscal Year Ending August 31, *	2023**	2022**	2021**	2020**	2019**	2018**	2017**
College's proportionate share of collective net OPEB liability (%)	0.17305779	0.17198784	0.16839961	0.1677836500	0.1630667900	0.1706928100	0.1283232400
College's proportionate share of collective net OPEB liability (\$)	\$ 46,236,766	\$ 48,994,117	\$ 60,414,215	\$ 55,443,489	\$ 56,360,245	\$ 50,589,495	\$ 43,723,593
State's proportional share of net OPEB liability associated with College (\$)	33,032,248	35,621,179	43,604,526	40,154,800	43,371,167	36,306,041	34,838,121
Total	<u>\$ 79,269,014</u>	<u>\$ 84,615,296</u>	<u>\$ 104,018,741</u>	<u>\$ 95,598,289</u>	<u>\$ 99,731,412</u>	<u>\$ 86,895,536</u>	<u>\$ 78,561,714</u>
College's covered payroll	\$ 26,637,525	\$ 25,923,798	\$ 25,198,968	\$ 27,921,118	\$ 25,106,985	\$ 24,329,118	\$ 24,896,761
College's proportionate share of collective net OPEB liability as a percentage of covered payroll	173.58%	188.99%	239.75%	198.57%	224.48%	207.94%	175.62%
Plan fiduciary net position as percentage of total OPEB liability	0.63%	0.57%	0.38%	0.32%	0.17%	1.27%	2.04%

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

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

SOUTH PLAINS COLLEGE
SCHEDULE OF COLLEGE'S CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED AUGUST 31, 2024
EXHIBIT 7

Fiscal Year Ending August 31, *	2024**	2023**	2022**	2021**	2020**	2019**	2018**
Legally required contributions	\$ 909,590	\$ 912,404	\$ 785,380	\$ 871,321	\$ 843,185	\$ 442,595	\$ 1,304,810
Actual contributions	(909,590)	(912,404)	(785,380)	(871,321)	(843,185)	(442,595)	(1,304,810)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll amount	\$ 27,655,223	\$ 26,637,525	\$ 25,923,798	\$ 25,198,968	\$ 27,921,118	\$ 25,106,985	\$ 24,329,118
Contributions as a percentage of covered payroll	3.29%	3.43%	3.03%	3.46%	3.02%	1.76%	5.36%

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

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

Supplemental Schedules

SOUTH PLAINS COLLEGE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED AUGUST 31, 2024
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2023)
SCHEDULE A

			Total	Auxiliary	Totals	
	Unrestricted	Restricted	Educational Activities	Enterprises	Fiscal Year 2024	Fiscal Year 2023
Tuition						
State-funded courses						
In-district resident tuition	\$ 385,087	\$	\$ 385,087	\$	\$ 385,087	\$ 383,734
Out-of-district resident tuition	15,376,055		15,376,055		15,376,055	15,695,859
Non-resident tuition	966,148		966,148		966,148	950,363
TPEG - credit (set aside)*	500,000		500,000		500,000	266,187
State funded continuing education	279,101		279,101		279,101	195,648
Non-state funded educational programs	229,897		229,897		229,897	177,988
Total Tuition	17,736,288	-	17,736,288	-	17,736,288	17,669,779
Fees						
General fee	12,059,671		12,059,671		12,059,671	12,164,071
Student service fee	2,586,840		2,586,840		2,586,840	2,683,518
Special course fee	997,123		997,123		997,123	974,957
Installment plan fee	136,590		136,590		136,590	144,750
Continuing education fees	873,088		873,088		873,088	1,076,815
Three peat fee	218,546		218,547		218,547	223,571
Testing fee	412,373		412,373		412,373	308,986
Building use fee	-		-		-	100,270
Total Fees	17,284,231	-	17,284,232	-	17,284,232	17,676,938
Scholarship Allowances and Discounts						
Remissions and exemptions - state	(5,033,984)		(5,033,984)		(5,033,984)	(3,725,056)
Title IV federal grants	(10,997,356)		(10,997,356)		(10,997,356)	(12,122,299)
TPEG awards	(72,390)		(72,390)		(72,390)	(36,733)
Scholarship allowances	(778,556)		(778,556)		(778,556)	(701,141)
HEERF	(42,000)		(42,000)		(42,000)	(10,341)
State grants	(1,728,771)		(1,728,771)		(1,728,771)	(662,526)
Total Scholarship Allowances and Discounts	(18,653,057)	-	(18,653,057)	-	(18,653,057)	(17,258,096)
Total Net Tuition and Fees	16,367,462	-	16,367,463	-	16,367,463	18,088,621
Other Operating Revenues						
Federal grants and contracts	129,281	2,159,839	2,289,120		2,289,120	2,894,318
State grants and contracts		2,195,035	2,195,035		2,195,035	935,131
Non-governmental grants and contracts		72,431	72,431		72,431	113,197
Sales and services of educational activities	162,921		162,921		162,921	109,944
Investment income (program restricted)		12,591	12,591		12,591	8,945
General operating revenues	343,530		343,530		343,530	147,704
Total Other Operating Revenues	635,732	4,439,896	5,075,628	-	5,075,628	4,209,239
Auxiliary Enterprises						
Residential life				2,397,361	2,397,361	2,108,633
Scholarship allowances				(72,318)	(72,318)	(11,062)
TPEG awards				(11,357)	(11,357)	(7,440)
Title IV federal grants				(769,967)	(769,967)	(579,861)
Commissions				146,947	146,947	148,444
Student programs				103,349	103,349	94,038
State grants				(36,050)	(36,050)	(29,176)
Total Net Auxiliary Enterprises	-	-	-	1,757,965	1,757,965	1,723,576
Total Operating Revenues	\$ 17,003,194	\$ 4,439,896	\$ 21,443,091	\$ 1,757,965	\$ 23,201,056	\$ 24,021,436
					(Exhibit 2)	(Exhibit 2)

* - In accordance with Education Code 56.033, \$500,000 and \$266,187 for years August 31, 2024 and 2023, 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
FOR THE YEAR ENDED AUGUST 31, 2024
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2023)
SCHEDULE B

	Operating Expenses				Totals	
	Salaries And Wages	Benefits		Other Expenses	Fiscal Year 2024	Fiscal Year 2023
		State	Local			
Unrestricted - Educational and General						
Instruction	\$ 19,803,362	\$	\$ 5,397,993	\$ 3,417,416	\$ 28,618,771	\$ 26,994,504
Public service	220,371		59,703	152,381	432,455	405,329
Academic support	2,300,634		796,010	592,046	3,688,690	3,282,685
Student services	3,041,904		1,171,637	2,131,558	6,345,099	5,537,181
Institutional support	3,781,699		2,219,947	1,621,476	7,623,122	8,345,225
Operation and maintenance of plant	2,097,281		1,474,643	4,103,493	7,675,417	7,608,711
Scholarships and fellowships				61,740	61,740	80,382
Total Unrestricted	<u>31,245,251</u>	<u>-</u>	<u>11,119,933</u>	<u>12,080,110</u>	<u>54,445,294</u>	<u>52,254,017</u>
Restricted - Educational and General						
Instruction	216,557	3,700,774	39,433	155,328	4,112,092	3,922,313
Public service		30,538			30,538	27,017
Academic support	15,719	413,981	2,944	109,171	541,815	474,287
Student services	802,533	587,585	303,069	275,687	1,968,874	2,052,844
Institutional support		(244,830)		1,952	(242,878)	(154,355)
Scholarships and fellowships				8,471,957	8,471,957	6,360,601
Total Restricted	<u>1,034,809</u>	<u>4,488,048</u>	<u>345,446</u>	<u>9,014,095</u>	<u>14,882,398</u>	<u>12,682,707</u>
Total Educational and General	<u>32,280,060</u>	<u>4,488,048</u>	<u>11,465,379</u>	<u>21,094,205</u>	<u>69,327,692</u>	<u>64,936,724</u>
Auxiliary Enterprises	1,118,914		447,778	2,335,546	3,902,238	3,494,375
Depreciation expense - buildings and other real estate				2,327,944	2,327,944	2,146,219
Depreciation expense - equipment and furniture				1,543,304	1,543,304	1,581,136
Depreciation expense - library books				22,767	22,767	22,483
Amortization expense - Right-of-use assets				176,343	176,343	181,331
Amortization expense - Subscription assets				526,780	526,780	453,677
Total Operating Expenses	<u>\$ 33,398,974</u>	<u>\$ 4,488,048</u>	<u>\$ 11,913,157</u>	<u>\$ 28,026,889</u>	<u>\$ 77,827,068</u>	<u>\$ 72,815,945</u>
				(Exhibit 2)	(Exhibit 2)	

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

SOUTH PLAINS COLLEGE
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2023)
SCHEDULE C

	Unrestricted	Restricted	Auxiliary Enterprises	Totals	
				Fiscal Year 2024	Fiscal Year 2023
NON-OPERATING REVENUES:					
State Appropriations					
Education and general state support	\$ 19,272,422	\$	\$	\$ 19,272,422	\$ 13,544,797
State group insurance		2,795,024		2,795,024	2,389,509
State retirement matching		1,693,023		1,693,023	1,068,472
Professional nursing shortage reduction		133,436		133,436	-
Total State Appropriations	<u>19,272,422</u>	<u>4,621,483</u>	-	<u>23,893,905</u>	<u>17,002,778</u>
Maintenance ad valorem taxes	11,783,270			11,783,270	10,834,356
Federal revenue, non-operating	20,085	19,075,898		19,095,983	20,923,399
State revenue, non-operating	878,460			878,460	-
Gifts	500,000			500,000	576,000
Gifts in aid of construction	175,000			175,000	573,181
Gifts in aid of debt service		154,812		154,812	-
Gain on disposal of capital assets				-	18,595
Investment income	1,851,664	108,174	112,778	2,072,616	1,546,091
Total Non-Operating Revenues	<u>34,480,901</u>	<u>23,960,367</u>	<u>112,778</u>	<u>58,554,046</u>	<u>51,474,400</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt		(415,469)		(415,469)	(502,451)
Impairment loss		(970,539)		(970,539)	-
Total Non-Operating Expenses	-	<u>(1,386,008)</u>	-	<u>(1,386,008)</u>	<u>(502,451)</u>
NET NON-OPERATING REVENUES	<u>\$ 34,480,901</u>	<u>\$ 22,574,359</u>	<u>\$ 112,778</u>	<u>\$ 57,168,038</u> (Exhibit 2)	<u>\$ 50,971,949</u> (Exhibit 2)

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

SOUTH PLAINS COLLEGE
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
FOR THE YEAR ENDED AUGUST 31, 2024
(WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2023)
SCHEDULE D

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ (48,661,990)			\$ (48,661,990)	\$ (48,661,990)		
Board designated	6,864,286			6,864,286			6,864,286
Restricted		201,746		201,746			201,746
Auxiliary enterprises	2,929,692			2,929,692	2,929,692		
Plant:							
Construction				-			-
Debt Service				5,253,164			5,253,164
Investment in Plant				85,355,516	85,355,516		85,355,516
Total Net Position, August 31, 2024	(38,868,012)	201,746	-	90,608,680	51,942,414	(45,732,298)	97,674,712
Total Net Position, August 31, 2023	(43,242,829)	329,913	-	92,313,304	49,400,388	(45,742,830)	95,143,218
Net Increase (Decrease) in Net Position	\$ 4,374,817	\$ (128,167)	\$ -	\$ (1,704,624)	\$ 2,542,026	\$ 10,532	\$ 2,531,494
				(Exhibit 2)			

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

SOUTH PLAINS COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2024
Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Direct Awards	Pass-Through Awards	Total Expenditures
U.S. Department of Education					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007		\$ 393,515		\$ 393,515
Federal Work-Study Program	84.033		275,595		275,595
Federal Pell Grant Program	84.063		18,751,049		18,751,049
Federal Direct Student Loans	84.268		8,332,990		8,332,990
Total Student Financial Aid Cluster			<u>27,753,149</u>		<u>27,753,149</u>
TRIO Cluster					
TRIO Student Support Services	84.042A	P0A42A200517	312,405		312,405
TRIO Upward Bound Program	84.047A	P0472a221103	357,107		357,107
Total TRIO Cluster			<u>669,512</u>		<u>669,512</u>
Developing Hispanic-Serving Institutions-Endgame	84.031S	P0315200262	335,787		335,787
Total Direct Programs			28,758,448		28,758,448
Passed Through From:					
Texas Higher Education Coordinating Board					
Career & Technical Education-Basic Grants	84.048	24050		\$ 648,079	648,079
DTCO Grant	84.425C	27753		39,171	39,171
MDLI Grant	84.425C	27747		36,289	36,289
EBT Grant	84.425C	27740		55,664	55,664
GEERII Grant	84.425C	28539		263	263
Total Education Stabilization Fund					<u>131,387</u>
Total U.S. Department of Education					29,537,914
U.S. Department of Health and Human Services					
Passed Through From:					
Texas Tech University					
Plains Bridges to the Baccalaureate	93.859	21F178-01		18,490	18,490
Passed Through From:					
University Medical Center					
	93.912			8,638	<u>8,638</u>
Total U.S. Department of Health and Human Services					27,128
National Science Foundation					
Direct Programs:					
NSF Grant 2116810	47.076	2116810	50,458		50,458
Passed Through From:					
Texas Tech University					
National Science Foundation TT Dwyer	47.076	21P573-02		17,978	17,978
LSAMP	47.076	21P684-01		42,586	<u>42,586</u>
Total National Science Foundation					111,022
U.S. Department of Treasury					
Passed Through From:					
City of Lubbock ARPA Grant					
	21.027	21-7-3-600287		29	29
City of Lubbock ARPA Grant					
	21.027	21-7-3-600288		42,000	<u>42,000</u>
Total U.S. Department of Treasury					42,029
Total Federal Financial Assistance					<u>\$ 29,718,093</u>
Note 1: Federal Assistance Reconciliation					
Federal Grants and Contracts From Schedule A					\$ 2,289,120
Federal Grants, Non-Operating From Schedule C					19,095,983
Total Federal Revenues Per Schedule A and C					<u>21,385,103</u>
Direct Student Loans					<u>8,332,990</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards					<u>\$ 29,718,093</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	\$ 8,332,990
Total U.S. Department of Education	<u>\$ 8,332,990</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, 2024
Schedule F

Grantor Agency/Program Title	Grant Contract Number	Expenditures
<u>Texas Higher Education Coordinating Board</u>		
Direct Programs:		
Texas Education Opportunities Grant	13399	\$ 2,019,966
TEA Education Aide	36010	5,113
Nursing & Allied Health-Nursing Innovation Grant Program		168,000
Total Texas Higher Education Coordinating Board		2,193,079
<u>Texas Comptroller of Public Accounts</u>		
Peace Officer Allocation		1,956
Total State Financial Assistance		\$ 2,195,035

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A:	\$ 2,195,035
State Financial Assistance per Schedule of Expenditures of State Awards	\$ 2,195,035

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.

Overall Compliance and Internal Control Section

November 13, 2024

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit, and the fiduciary activities of South Plains College, as of and for the year ended August 31, 2024, 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 13, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, 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. It was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Condley and Company, L.L.P.

Certified Public Accountants

Federal/State Awards Section

November 13, 2024

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

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited South Plains College's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *State of Texas Uniform Grant Management Standards* 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, 2024. South Plains College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Plains College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2024.

Basis for Opinion on Each Major Federal and State Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the TxGMS, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

Condley and Company, L.L.P.

Certified Public Accountants

SOUTH PLAINS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2024

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? No

Noncompliance material to financial statements? No

Federal and State Awards

Internal controls over major program:

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

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

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

Identification of major program:

<u>Assistance Listing Number (s)</u>	<u>Name of Federal/State Program or Cluster</u>
--------------------------------------	---

84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
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N/A – State Program	Texas Education Opportunities Grant (TEOG)
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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SECTION II – FINANCIAL STATEMENT FINDINGS

The results of our audit procedures disclosed no findings to be reported for the year ended August 31, 2024.

SOUTH PLAINS COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SOUTH PLAINS COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2024

Identifying number: 2023-001

Status: Finding was fully corrected