

# **South Plains College**

**Levelland, Texas**

## **Annual Financial Report**

**For the Years ended August 31, 2017 and 2016**

KEITH DOWNS, C.P.A.  
RUSS PINKERTON, C.P.A.



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**SOUTH PLAINS COLLEGE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**SOUTH PLAINS COLLEGE  
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AUGUST 31, 2017 AND 2016**

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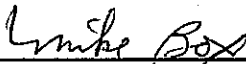
**SOUTH PLAINS COLLEGE  
CERTIFICATE OF BOARD OF REGENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

We, the undersigned, certify that the attached annual financial report of South Plains College was reviewed and was (check one):

Approved   X   Disapproved           

for the year ended August 31, 2016, at a meeting of the Board of Regents of South Plains College on the

  16th   day of   November  , 2017

  
\_\_\_\_\_  
Signature Board of Regents President

  
\_\_\_\_\_  
Signature Board of Regents Secretary

If the Board of Regents disapproved of the annual financial report, the reason(s) for disapproving it is (are):

**SOUTH PLAINS COLLEGE  
ORGANIZATIONAL DATA  
AUGUST 31, 2017**

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**Board of Regents**

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**Officers**

Mike Box  
Bobby G. Neal  
Linda Patton

Chairman  
Vice-Chairman  
Secretary

**Members**

		<u>Term Expires</u>
Mike Box	Sundown, Texas	2022
William Clements	Levelland, Texas	2018
Ronny Alexander	Levelland, Texas	2022
Ken Williams	Levelland, Texas	2020
Bobby G. Neal	Whiteface, Texas	2020
Linda Patton	Levelland, Texas	2018
Alton C. Pettiet	Ropesville, Texas	2018

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**Executive Administration**

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Dr. Robin Satterwhite  
Teresa Green, CPA  
Dr. Ryan Gibbs  
Stephen John, MBA  
Dr. Stanley DeMerritt

President  
Vice-President for Business Affairs  
Vice-President for Academic Affairs  
Vice-President for Institutional Advancement  
Vice-President for Student Affairs

## **FINANCIAL SECTION**

**KEITH DOWNS, C.P.A.**  
**RUSS PINKERTON, C.P.A.**



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**CERTIFIED PUBLIC ACCOUNTANTS**  
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**EMAIL: [pdpllp@pdpllp.com](mailto:pdpllp@pdpllp.com)**

### **Independent Auditor's Report**

To the Board of Regents  
South Plains College  
1401 S College Avenue  
Levelland, Texas 79336

### **Report on the Financial Statements**

We have audited the accompanying financial statements of South Plains College, and the discretely presented component unit of South Plains College ("the College") as of and for the years ended August 31, 2017 and August 31, 2016, and the related notes to the financial statements, which collectively comprise the College's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State of Texas Single Audit Circular*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Plains College and the discretely presented component unit, as of August 31, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note 2 to the financial statements, in 2017, South Plains College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 74, *Financial reporting for postemployment benefit plans other than pension plans*. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, in 2017, South Plains College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatements*. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, in 2017, South Plains College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 78, *Pensions provided through certain multiple-employer defined benefit pension plans*. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, in 2017, South Plains College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 79, *Investment Pools*. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, in 2017, South Plains College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 80, *Blending requirements for certain component units*. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, in 2017, South Plains College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 82, *Pension issues - an amendment of GASB Statements 67, 68, and 73*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 6 through 14, the schedule of the College's proportionate share of the net pension liability and schedule of College pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Plains College's financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The other supplementary information and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards*  
and the *State of Texas Single Audit Circular***

In accordance with *Government Auditing Standards* and the *State of Texas Single Audit Circular*, we have also issued our report dated November 16, 2017 on our consideration of South Plains College's internal control over financial reporting and on our tests of its compliance with 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* and the *State of Texas Single Audit Circular* in considering South Plains College's internal control over financial reporting and compliance.

Respectfully submitted,

*Pate, Downs & Pinkerton, LLP*

Pate, Downs & Pinkerton, LLP

Levelland, Texas  
November 16, 2017

**REQUIRED SUPPLEMENTARY INFORMATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Plains College Annual Financial Report presents our discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2017. Read this in conjunction with the College's financial statements, in the table that follows.

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

<b>FINANCIAL HIGHLIGHTS 2015-2017</b>					
	<b>2017</b>	<b>2016</b>	<b>% CHANGE 2016</b>	<b>2015</b>	<b>% CHANGE 2017</b>
<b>REVENUES</b>					
OPERATING REVENUES	\$ 21,560,703	\$ 21,953,267	-1.8%	\$ 21,597,123	-0.2%
NON-OPERATING REVENUES	\$ 44,694,712	\$ 48,516,468	-7.9%	\$ 46,445,405	-3.8%
<b>TOTAL</b>	<b>\$ 66,255,415</b>	<b>\$ 70,469,735</b>	<b>-6.0%</b>	<b>\$ 68,042,528</b>	<b>-2.6%</b>
<b>EXPENSES</b>					
OPERATING EXPENSES	\$ 67,146,556	\$ 64,595,308	3.9%	\$ 64,569,669	4.0%
NON-OPERATING EXPENSES	\$ 616,585	\$ 573,623	7.5%	\$ 610,400	1.0%
<b>TOTAL</b>	<b>\$ 67,763,141</b>	<b>\$ 65,168,931</b>	<b>4.0%</b>	<b>\$ 65,180,069</b>	<b>4.0%</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ (1,507,726)</b>	<b>\$ 5,300,804</b>	<b>-128.4%</b>	<b>\$ 2,862,459</b>	<b>-152.7%</b>
<b>TOTAL NET ASSETS</b>	<b>\$ 56,907,456</b>	<b>\$ 58,415,182</b>	<b>-2.6%</b>	<b>\$ 53,114,378</b>	<b>7.1%</b>
<b>CURRENT ASSETS</b>	<b>\$ 26,430,445</b>	<b>\$ 27,607,765</b>	<b>-4.3%</b>	<b>\$ 21,981,773</b>	<b>20.2%</b>
<b>CURRENT LIABILITIES</b>	<b>\$ 10,294,553</b>	<b>\$ 9,371,288</b>	<b>9.9%</b>	<b>\$ 8,891,732</b>	<b>15.8%</b>
<b>CURRENT RATIO</b>	<b>2.57</b>	<b>2.95</b>	<b>N/A</b>	<b>2.47</b>	<b>N/A</b>

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

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

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

The Statement of Net Position (Exhibit 1) reports the assets, liabilities, and the net position of the District 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. Increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating.

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 with analyzing the health of the College.

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

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

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

## FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

The College's combined net position was \$56.9 million at August 31, 2017. See Table A-1.

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

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>	<b>% CHANGE 2017</b>	<b>2015</b>	<b>% CHANGE 2017</b>
CURRENT AND OTHER ASSETS	\$ 26.4	\$ 27.6	-4.3%	\$ 21.9	20.5%
CAPITAL ASSETS	\$ 70.5	\$ 63.2	11.6%	\$ 63.4	11.2%
<b>TOTAL</b>	<b>\$ 96.9</b>	<b>\$ 90.8</b>	<b>6.7%</b>	<b>\$ 85.3</b>	<b>13.6%</b>
DEFERRED OUTFLOWS	\$ 2.7	\$ 3.1	-12.9%	\$ 1.2	125.0%
<b>LIABILITIES</b>					
LONG TERM DEBT OUTSTANDING	\$ 30.6	\$ 23.6	29.7%	\$ 22.5	36.0%
OTHER LIABILITIES	\$ 10.3	\$ 9.4	9.6%	\$ 8.9	15.7%
<b>TOTAL</b>	<b>\$ 40.9</b>	<b>\$ 33.0</b>	<b>23.9%</b>	<b>\$ 31.4</b>	<b>30.3%</b>
DEFERRED INFLOWS	\$ 1.9	\$ 2.5	-24.0%	\$ 2.0	-5.0%
<b>NET ASSETS</b>					
INVESTED IN CAPITAL ASSETS					
NET OF DEBT	\$ 46.9	\$ 46.1	1.7%	\$ 46.2	1.5%
RESTRICTED	\$ 2.5	\$ 2.7	-7.4%	\$ 2.1	19.0%
UNRESTRICTED	\$ 7.5	\$ 9.6	-21.9%	\$ 4.8	56.3%
<b>TOTAL NET ASSETS</b>	<b>\$ 56.9</b>	<b>\$ 58.4</b>	<b>-2.6%</b>	<b>\$ 53.1</b>	<b>7.2%</b>

Approximately 82% (2017) 78.9% (2016), and 87% (2015) of the College's total net position represent amounts invested in capital assets net of debt. The \$7.5 million of **unrestricted net position** for 2017 represents resources available to fund the programs of the College next year. The unrestricted net position represents 13.1% (2017) 16.4% (2016) and 9.0% (2015) of the total net position of the College.

**Changes in net position.** As Table A-1 illustrates, the College's net position for FY2017 decreased by 2.6% as compared to FY2016 and increased by 7.2% compared to the balance reported in FY2015. The primary reason for the decrease in FY2017 is a decrease in unrestricted net position of 21.9% or \$2.1 million compared to the unrestricted net position in FY2016.

### **COLLEGE REVENUES AND EXPENSES**

The College's total revenues for FY2017 were \$66.2 million. This represents a \$4.3 million decrease or (6.1%) decrease from 2016 and a \$1.8 million or (2.6%) decrease from 2015. Approximately 28% comes from State appropriations, 28% from Federal and State grants and contracts, 25% from tuition and fees, 14% from property taxes, and the remaining 5% from other sources. (Table A-2)

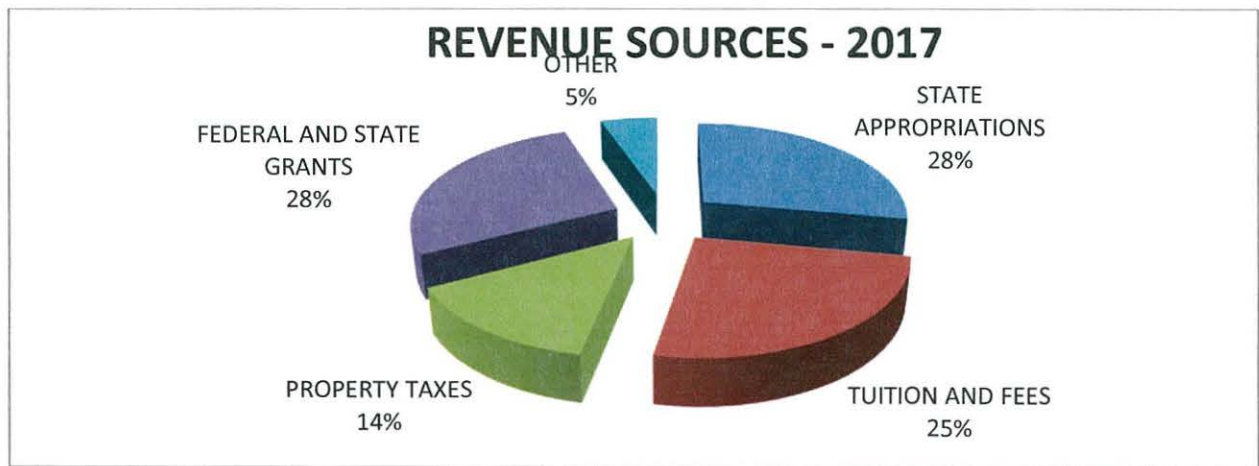
The College's total operating expenses were \$67.1 million. This represents a 3.9% increase from 2016 and a 4% increase from 2015.

- Property tax revenues decreased \$3.3 million from 2016 and \$3.2 million from 2015.
- State appropriations amounts decreased by \$.7 million due to a decrease in Professional Nursing Shortage Reduction Grant. Other State appropriations remained stable with only a \$47,000 difference (decrease) from 2016.

- The out of district and non-resident student tuition amounts were increased by \$5 per semester credit hour
- Federal and state grants decreased slightly (\$.3 million) from FY2016 to FY2017.

**TABLE A-2  
SOUTH PLAINS COLLEGE  
SOURCES OF REVENUE  
FY2017**

<b>REVENUE SOURCES(millions)</b>	<b>2017</b>		<b>2016</b>		<b>2015</b>	
STATE APPROPRIATIONS	\$ 18.4	27.8%	\$ 19.1	27.1%	\$ 17.3	25.4%
TUITION AND FEES	\$ 16.7	25.2%	\$ 16.7	23.7%	\$ 16.2	23.8%
PROPERTY TAXES	\$ 9.4	14.2%	\$ 12.7	18.0%	\$ 12.6	18.5%
FEDERAL AND STATE GRANTS	\$ 18.2	27.5%	\$ 18.5	26.2%	\$ 19.3	28.4%
OTHER	\$ 3.5	5.3%	\$ 3.5	5.0%	\$ 2.6	3.8%
<b>TOTAL</b>	<b>\$ 66.2</b>	<b>100.0%</b>	<b>\$ 70.5</b>	<b>100.0%</b>	<b>\$ 68.0</b>	<b>100.0%</b>



**TABLE A-3  
CHANGES IN THE NET ASSETS OF SOUTH PLAINS COLLEGE**

	(in millions)				
			% CHANGE		% CHANGE
<b>OPERATING REVENUES</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2015</b>	<b>2017</b>
TUITION AND FEES (NET OF DISCOUNTS)	\$ 16.7	\$ 16.7	0.0%	\$ 16.2	3.1%
FEDERAL GRANTS AND CONTRACTS	\$ 1.7	\$ 1.8	-5.6%	\$ 1.4	21.4%
STATE GRANTS AND CONTRACTS	\$ 0.9	\$ 1.1	-18.2%	\$ 1.5	-40.0%
NON GOVERNMENTAL GRANTS AND CONTRACTS	\$ 0.1	\$ 0.1	0.0%	\$ 0.1	0.0%
SALES AND SERVICES EDUCATIONAL ACTIVITIES	\$ 0.1	\$ 0.2	-50.0%	\$ 0.2	-50.0%
AUXILIARY ENTERPRISES	\$ 1.9	\$ 2.0	-5.0%	\$ 2.1	-9.5%
GENERAL OPERATING REVENUES	\$ 0.2	\$ 0.1	100.0%	\$ 0.1	100.0%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 21.6</b>	<b>\$ 22.0</b>	<b>-1.8%</b>	<b>\$ 21.6</b>	<b>0.0%</b>
<b>OPERATING EXPENSES</b>					
INSTRUCTION	\$ 30.9	\$ 29.0	6.6%	\$ 27.6	12.0%
PUBLIC SERVICE	\$ 0.8	\$ 0.9	-11.1%	\$ 1.2	-33.3%
ACADEMIC SUPPORT	\$ 3.1	\$ 3.1	0.0%	\$ 3.2	-3.1%
STUDENT SERVICES	\$ 6.7	\$ 6.5	3.1%	\$ 6.5	3.1%
INSTITUTIONAL SUPPORT	\$ 7.2	\$ 7.0	2.9%	\$ 6.7	7.5%
OPERATING AND MAINTENANCE OF PLANT	\$ 6.5	\$ 6.3	3.2%	\$ 6.4	1.6%
SCHOLARSHIPS AND FELLOWSHIPS	\$ 5.6	\$ 6.2	-9.7%	\$ 7.1	-21.1%
AUXILIARY ENTERPRISES	\$ 3.8	\$ 3.1	22.6%	\$ 3.3	15.2%
DEPRECIATION	\$ 2.5	\$ 2.5	0.0%	\$ 2.5	0.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 67.1</b>	<b>\$ 64.6</b>	<b>3.9%</b>	<b>\$ 64.5</b>	<b>4.0%</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
STATE APPROPRIATIONS	\$ 18.4	\$ 19.1	-3.7%	\$ 17.3	6.4%
TAXES-MAINTENANCE AND OPERATIONS	\$ 9.4	\$ 12.6	-25.4%	\$ 12.6	-25.4%
FEDERAL REVENUE, NON-OPERATING	\$ 15.6	\$ 15.7	-0.6%	\$ 16.3	-4.3%
GIFTS	\$ 1.0	\$ 1.0	0.0%	\$ 0.1	900.0%
INVESTMENT INCOME	\$ 0.2	\$ 0.1	233.3%	\$ 0.1	233.3%
INTEREST ON CAPITAL RELATED DEBT	\$ (0.6)	\$ (0.6)	0.0%	\$ (0.6)	-1.6%
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>\$ 44.0</b>	<b>\$ 47.9</b>	<b>-8.1%</b>	<b>\$ 45.8</b>	<b>-3.8%</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (1.5)</b>	<b>\$ 5.3</b>	<b>-128.5%</b>	<b>\$ 2.9</b>	<b>-152.6%</b>



## Capital Assets

At the end of 2017, the College had invested \$125.9 million (excluding accumulated depreciation) in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4) This amount represents a net increase (including additions and deductions) of \$9.8 million or 8.4% over last year. The Lubbock Center facility was purchased for \$2 million in FY2015, an additional \$1 million was added in renovations in FY2016, and an additional \$6 million was added in FY2017. This Lubbock Center facility remained as construction in progress at August 31, 2017. Construction was completed in October 2017. A detail listing of activity in the capital assets is presented in Table A-4.

**TABLE A-4**

CHANGES IN CAPITAL ASSETS (millions)			% CHANGE		% CHANGE	
	2017	2016	2017	2015	2017	
LAND	\$ 2.0	\$ 2.0	0.0%	\$ 2.0	-	
LIBRARY BOOKS	\$ 2.9	\$ 2.8	3.6%	\$ 2.7	7.4%	
CONSTRUCTION IN PROGRESS	\$ 10.8	\$ 3.0	260.0%	\$ 2.0	440.0%	
BUILDINGS	\$ 90.6	\$ 90.3	0.3%	\$ 90.3	0.3%	
LAND IMPROVEMENTS	\$ 1.7	\$ 1.7	0.0%	\$ 1.6	6.2%	
FURNITURE, MACHINERY, VEHICLES, OTHER EQUIP.	\$ 10.7	\$ 9.7	10.3%	\$ 9.1	17.6%	
TELECOMMUNICATIONS AND PERIPHERAL EQUIPT.	\$ 7.2	\$ 6.6	9.1%	\$ 6.2	16.1%	
<b>TOTALS AT HISTORICAL COST</b>	<b>\$ 125.9</b>	<b>\$ 116.1</b>	<b>8.4%</b>	<b>\$ 113.9</b>	<b>10.5%</b>	
LESS ACCUMULATED DEPRECIATION	\$ (55.4)	\$ (52.9)	4.7%	\$ (48.3)	14.7%	
<b>NET CAPITAL ASSETS</b>	<b>\$ 70.5</b>	<b>\$ 63.2</b>	<b>11.6%</b>	<b>\$ 65.6</b>	<b>7.5%</b>	

## Long Term Debt

At year-end, the College had \$22.4 million in long-term bonds outstanding as shown in Table A-5 below. In addition, there is an increase in net pension liability associated with TRS of \$.4 million from 2016. This liability is recorded in order to comply with GASB (Governmental Accounting Standards Board) Statement 68. GASB 68 states that beginning in fiscal year 2015; participating employers should report their proportionate share of the unfunded net pension liability on the balance sheet. More detailed information about the College's debt is presented in the notes to the financial statements.

<b>Table A-5</b>			
<b>South Plains College Long Term Debt</b>			
<b>(in millions of dollars)</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Tuition Revenue Bonds Payable	\$ 22.4	\$ 15.9	\$ 16.1
Net Pension Liability	\$ 8.1	\$ 7.7	\$ 6.4
<b>Total long term debt</b>	<b>\$ 30.5</b>	<b>\$ 23.6</b>	<b>\$ 22.5</b>

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

Enrollment levels directly affect tuition and fee revenues and auxiliary enterprise sales, services, and fee revenues. Population demographics (number of potential students) and the overall area economic condition also affect enrollment. South Plains College continues to experience a relatively stable enrollment. In the fall 2015 semester, the College experienced an enrollment of 9,365 students, a decrease of about 3% from the fall 2014 semester. In the fall 2016 semester, the student enrollment was 9,459. This represented an increase of about 1% from the fall 2015 semester. The fall 2017 enrollment was 9,283, which represented a 1.9% decrease in unduplicated headcount. Student enrollment needs to increase or at least stabilize in order for the College to sustain its present level of operations. The partnership with Texas Tech University still exists, and efforts from both parties are underway to increase enrollment for both institutions.

South Plains College purchased a 73,610 square-foot building at 3907 Ave. Q in Lubbock from Group 1 Auto in fiscal year 2015 for \$2 million. In partnership with the Helen Jones Foundation, The CH Foundation, and the Lubbock Economic Development Alliance, the College secured \$8.9 million in private and public grant funds to renovate 63,185 square feet of the facility into a career and technical education training center, thereby alleviating future financial obligations to convert the building for instructional purposes. South Plains College had outgrown the instructional capacity of the Byron Martin Advanced Technology Center, which limited SPC's enrollment and the ability to train the workforce. The Lubbock Center will address the business and industry demands for a skilled workforce. This initiative is expected to stabilize enrollment and increase enrollment for the future. During FY2016, approximately \$1 million was spent on Phase 1 renovations, and \$6 million was spent to complete renovations in FY2017. An additional \$1.9 million was spent to equip the building with furniture and training equipment. The Lubbock Center officially opened in August 2017. The college has initiated the renovation of the remaining 10,425 square feet of the building into a Culinary Arts addition that will be completed during FY2018. South Plains College partners LEDA, the Helen Jones Foundation, J.T. and Margaret Talkington Charitable Foundation, United Supermarkets, and City Bank have pledged \$2.1 million to renovate the facility for the Culinary Arts Program. This program will begin in the fall 2018 semester.

The State of Texas contributes a significant portion of the College's revenues through state appropriations for educational operations and employee benefits. Overall, there was a \$700,000 decrease in state appropriations in FY2017 as compared to FY2016. The difference is due to the receipt of \$718,246 from the Professional Nursing Shortage Reduction Grant program in FY2016. These grant funds were not received in FY2017. The state appropriations increased \$1.1 million in FY2017 compared to FY2015. This is due to an increase in \$600,000 in contact hour funding and \$500,000 in state benefits. Beginning in FY2015, the college became responsible for paying 50% of the cost of all retired employee insurance premiums in addition to paying 100% of auxiliary and maintenance retired employee insurance premiums that was already required of the College. This change added an additional \$827,770 in FY2015. The increase in retiree insurance expense increased an additional \$140,000 in FY2016 and an additional \$135,000 in FY2017. This expense must be funded by additional revenue in the future. The judicious use of deferred maintenance funds for normal College operations, raising tuition/fee charges, and the stability of state appropriations has been successful in maintaining normal operations. The implementation of GASB 68 to record the unfunded TRS liability has created a net pension liability of \$8.1 million as of FY2017. In order to receive more state appropriations, the college must implement strategies to increase contact hours through higher enrollment in future semesters.

Investment income is affected by changes in interest rates and the stock market. Given the current state of the economy, markets, and interest rates, the outlook for the College's investment income is uncertain. At present, returns are minimal, but returns began to increase during FY2016. Investment income increased from \$58,917 in FY2015 to \$125,443 in FY2016, to \$226,653 in FY2017, which represents a 384% increase in the past two years. The College will continue with the stated policy of preserving capital first and maximizing investment returns second.

The volatility of the oil and gas market will continue to affect the mineral tax base of the College. The taxable assessed value fell from \$4.7 billion in FY2015 to \$3.4 billion in FY2016. The values decreased again for FY2017 to \$2.3 billion. South Plains College reached the cap of .40 per \$100 valuation in FY2017 causing the college to lose approximately \$3.3 million in revenue in FY2017. The taxable assessed value for FY2018 was \$2.5 billion, an increase of \$212 million from the previous year. This resulted in an increase of \$753,374 in budgeted property tax revenue for FY2018. If the mineral tax base continues to decrease, this will cause an additional revenue challenge for South Plains College. Hopefully, the mineral valuations will increase in the coming years, but the current volatile market is difficult to predict.

The GASB 68 requirement to report the proportionate TRS unfunded liability will continue to impact the unrestricted net position in the future. The amount will change annually and could continue to decrease the unrestricted net position. Although the pension liability increased by \$395,723 in FY2017, the net effect to the fund balance in FY2017 was a decrease of \$167,238.

**AFFILIATED UNIT INFORMATION  
SOUTH PLAINS COLLEGE FOUNDATION**

The South Plains College Foundation is governed by a 30-member Board of Directors that is committed to a long-standing tradition of service to the students of South Plains College. The purpose of the Foundation is to advance the College by raising and receiving funds to support the educational mission of the College through scholarships, program enrichment and capital improvements. To this end, the Foundation has traditionally focused its operations on maximizing efforts to grow scholarship endowments to support the educational dreams of SPC students. However, development efforts recently have been directed at securing private and public grants to support capital improvements, such as the Lubbock Center project. The Foundation is scheduled to begin receiving \$8.6 million toward this project in January 2018.

The South Plains College Foundation recorded an 11.1 percent increase in net assets over the prior period with total net assets of \$20,755,967 for FY 2017. This increase was due in large part to an estimated 11.4 percent average return on investment for the fiscal year resulting in \$2,200,682 of short-term investment revenue, as illustrated in the Financial Highlights Table. Return on investment for prior years was 5.6 percent for FY 2015 and -1.4 percent for FY 2015. 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.

<b>FINANCIAL HIGHLIGHTS 2015-2017</b>					
	FY 2017	FY 2016	Percent Change 2017	FY 2015	Percent Change 2017
<b>REVENUES</b>					
Gifts	\$649,439	\$631,487	2.8%	\$677,418	-4.1%
Fundraising	\$202,645	\$228,292	-11.2%	\$200,902	0.9%
Investments	\$2,200,682	\$1,086,860	102.5%	(\$240,681)	1014.4%
Other	<u>\$18,943</u>	<u>\$11,413</u>	66.0%	<u>\$15,553</u>	21.8%
<b>Total</b>	<u>\$3,071,709</u>	<u>\$1,958,052</u>	56.9%	<u>\$653,192</u>	370.3%
<b>EXPENSES</b>					
Scholarships	\$846,864	\$814,487	4.0%	\$671,040	26.2%
Grants to SPC	\$20,070	\$18,900	6.2%	\$70,573	-71.6%
Fundraising	\$37,837	\$46,728	-19.0%	\$45,831	-17.4%
Operating	<u>\$92,902</u>	<u>\$91,126</u>	1.9%	<u>\$88,311</u>	5.2%
<b>Total</b>	<u>\$997,673</u>	<u>\$971,241</u>	2.7%	<u>\$875,755</u>	13.9%
<b>INCREASE IN NET POSITION</b>	<u>\$2,074,036</u>	<u>\$986,811</u>	110.2%	<u>(\$222,563)</u>	1031.9%
<b>TOTAL NET POSITION</b>	\$20,755,967	\$18,681,931	11.1%	\$17,695,120	17.3%

In order to provide South Plains College with adequate annual scholarship funds, the South Plains College Foundation Board of Directors has set a target annual return on investment of 8.0 percent. This allows the Foundation to disburse on the average, 5.0 percent annually from scholarship endowment funds, while hedging for inflation. Over the past five years, the Foundation Board of Directors, working with its investment managers, has met this benchmark with an average annual return on investment of 8.3 percent.

For fiscal year 2017, the Foundation recorded \$852,082 in gifts and fundraising, about 1.0 percent less than the prior year. Total revenues for the fiscal year was \$3,071,709.

The Foundation distributed to the College a record \$846,864 in scholarship funds, providing financial assistance to 849 South Plains College students during the academic year. This was a 4.0 percent increase in scholarship spending. A major goal of the Foundation's Board of Directors has been to provide an increasing amount of scholarship funds annually. Over the past five years, the amount of Foundation Scholarship funds awarded has increased 43.5 percent. An additional \$20,070 in non-scholarship restricted and unrestricted grants were disbursed for total support of \$866,934 to the College.

The direct operating expenses of the Foundation grew by a modest 1.9 percent to \$92,902. These expenses included investment expense (83 percent), planned gift expense (7 percent), liability insurance (4 percent), and miscellaneous operational expense (6 percent). The College, through its partnership with the Foundation, contributes to the operations of the Foundation by providing in-kind support of personnel, office space, computer resources, travel, office supplies and other operational support estimated to be \$262,432 (unaudited).

The Foundation's permanent endowment increased 5.1 percent during the fiscal year to \$12,974,004 due to the establishment of new endowments and additions to existing funds. Overall, 13 new scholarship endowments, totaling \$176,600, were established during the fiscal year and three existing scholarship funds reached permanent endowment status. The total endowment increased in value by 11.9 percent to \$18,580,615 with 69.8 percent of funds permanently restricted. For fiscal year 2017, the permanent endowment of the Foundation funded \$618,687 in scholarships, or 73.0 percent of the total scholarship disbursement. The remaining \$228,177 or 27.0 percent of scholarships came from non-permanent funds and impact scholarship contributions from donors.

ENDOWMENT GROWTH 2015-2017					
	FY 2017	FY 2016	Percent Change 2017	FY 2015	Percent Change 2017
Permanently Restricted	\$12,974,004	\$12,339,786	5.1%	\$11,757,773	10.2%
Temporarily Restricted	<u>\$5,606,611</u>	<u>\$4,260,239</u>	31.6%	<u>\$3,793,892</u>	55.1%
Total Endowment Value	\$18,580,615	\$16,600,025	11.9%	\$15,551,665	21.2%
% Permanent Endowment	69.8%	74.3%		75.6%	

## **FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017 AND AUGUST 31, 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 23,761,878	\$ 25,317,510
Accounts Receivable (net)	2,668,567	2,290,255
Prepaid Expenses	-	-
<b>Total Current Assets</b>	<u>26,430,445</u>	<u>27,607,765</u>
<b>Noncurrent Assets:</b>		
Capital Assets (net) (See Note 6)	70,520,913	63,233,880
<b>Total Noncurrent Assets</b>	<u>70,520,913</u>	<u>63,233,880</u>
<b>Total Assets</b>	<u>96,951,358</u>	<u>90,841,645</u>
<b>Deferred Outflows of Resources:</b>		
Deferred Outflows Related to TRS	2,642,467	3,015,288
Other Deferred Outflows	93,894	50,272
<b>Total Deferred Outflows</b>	<u>2,736,361</u>	<u>3,065,560</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	1,256,834	981,089
Accrued Liabilities	1,700,721	1,531,086
Funds Held for Others	732,549	747,725
Unearned Revenues	5,354,449	4,861,388
Bonds Payable - Current Portion	1,250,000	1,250,000
<b>Total Current Liabilities</b>	<u>10,294,553</u>	<u>9,371,288</u>
<b>Noncurrent Liabilities:</b>		
Bonds Payable	22,415,136	15,844,578
Net Pension Liability	8,137,965	7,742,242
<b>Total Noncurrent Liabilities</b>	<u>30,553,101</u>	<u>23,586,820</u>
<b>Total Liabilities</b>	<u>40,847,654</u>	<u>32,958,108</u>
<b>Deferred Inflow of Resources:</b>		
Deferred Inflows Related to TRS	<u>1,932,609</u>	<u>2,533,915</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of related Debt	46,855,777	46,139,301
Restricted for:		
Expendable		
Student Aid	349,369	391,937
Debt Service	1,644,684	1,494,154
Nursing Program	550,798	753,035
Unrestricted	<u>7,506,828</u>	<u>9,636,755</u>
<b>Total Net Position (Schedule D)</b>	<u>\$ 56,907,456</u>	<u>\$ 58,415,182</u>

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

**SOUTH PLAINS COLLEGE  
SOUTH PLAINS COLLEGE FOUNDATION  
AFFILIATED ORGANIZATION  
STATEMENT OF FINANCIAL POSITION  
YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016**

**EXHIBIT 1**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 676,885	\$ 525,331
Accrued Interest Receivable	1,714	1,149
Accounts Receivable	-	1,000
Investments	19,810,323	17,907,550
Planned Gift Cash Value	254,545	235,602
Vacation Time Share	12,500	12,500
Fall Semester Deferred Outflow Scholarships	<u>367,600</u>	<u>367,661</u>
<b>Total Assets</b>	<u>21,123,567</u>	<u>19,050,792</u>
<b>Liabilities</b>		
Accounts Payable	-	\$ 1,200
Fall 2017 Scholarships to South Plains College	<u>367,600</u>	<u>367,661</u>
<b>Total Liabilities</b>	<u>367,600</u>	<u>368,861</u>
<b>Net Assets</b>		
Unrestricted	250,255	230,369
Temporarily Restricted	7,464,653	6,035,190
Permanently Restricted	<u>13,041,059</u>	<u>12,416,372</u>
<b>Total Net Assets</b>	<u>\$ 20,755,967</u>	<u>\$ 18,681,931</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016**

<b>Operating Revenues</b>	<u>2017</u>	<u>2016</u>
Tuition and Fees (net of discounts of \$13,209,594 and \$12,585,024, respectively)	\$ 16,686,853	\$ 16,718,253
Federal Grants and Contracts	1,689,964	1,753,654
State Grants and Contracts	861,592	1,063,724
Non-Governmental Grants and Contracts	47,750	62,931
Sales and Services of Educational Activities	128,578	170,867
Investment Income - Program Restricted	1,589	1,134
Auxiliary Enterprises (net of discounts of \$764,157 and \$663,251)	1,926,729	2,036,408
General Operating Revenues	<u>217,648</u>	<u>146,296</u>
Total Operating Revenues (Schedule A)	<u>21,560,703</u>	<u>21,953,267</u>
 <b>Operating Expenses</b>		
Instruction	30,901,968	28,949,955
Public Service	819,582	927,587
Academic Support	3,116,597	3,143,312
Student Services	6,716,280	6,509,580
Institutional Support	7,225,836	6,992,849
Operation and Maintenance of Plant	6,471,533	6,298,295
Scholarships and Fellowships	5,545,040	6,216,223
Auxiliary Enterprises	3,842,195	3,089,926
Depreciation	<u>2,507,525</u>	<u>2,467,581</u>
Total Operating Expenses (Schedule B)	<u>67,146,556</u>	<u>64,595,308</u>
<b>Operating Loss</b>	<u>(45,585,853)</u>	<u>(42,642,041)</u>
 <b>Non-Operating Revenues (Expenses)</b>		
State Appropriations	18,425,338	19,095,962
Maintenance Ad Valorem Taxes	9,408,042	12,657,686
Federal Revenue, Non-Operating	15,649,277	15,669,815
Gifts	969,370	955,848
Gifts in Kind	16,032	5,939
Investment income	226,653	125,443
Interest on Capital Related Debt	(616,585)	(573,623)
Gain/(Loss) on Disposal of Fixed Assets	<u>-</u>	<u>5,775</u>
Net Non-Operating Revenues (Schedule C)	<u>44,078,127</u>	<u>47,942,845</u>

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



**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016**

<b>Increase (Decrease) in Net Position</b>	(1,507,726)	5,300,804
<b>Net Position</b>		
Net Position - Beginning of Year	58,415,182	53,114,378
Net Position - End of Year	<u>\$ 56,907,456</u>	<u>\$ 58,415,182</u>

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

**SOUTH PLAINS COLLEGE  
SOUTH PLAINS COLLEGE FOUNDATION  
AFFILIATED ORGANIZATION  
STATEMENT OF ACTIVITIES  
YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016**

**EXHIBIT 2**

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
Cash Gifts	\$ 619,961	\$ 578,776
Non-Cash Gifts	29,478	52,711
Fund Raising Revenue	202,645	228,292
Investment Income	329,177	356,759
Realized Capital Gain/(Loss)	234,464	(48,591)
Planned Gift Change in Value	18,944	11,413
Unrealized Market Gain/(Loss)	1,637,040	778,692
Other Income	-	-
<b>Total Revenue</b>	<u>3,071,709</u>	<u>1,958,052</u>
 <b>Expense</b>		
Scholarships	846,864	814,487
Fund Raising Expenses	37,837	46,728
Planned Gift Expenses	6,711	6,711
Restricted Program Support	13,000	10,662
Unrestricted Program Support	7,070	8,238
Bank/Brokerage Fees	76,965	68,430
Other Expenses	9,226	15,985
<b>Total Expenses</b>	<u>997,673</u>	<u>971,241</u>
 <b>Change in Net Assets</b>	 2,074,036	 986,811
Net Assets at beginning of year	18,681,931	17,695,120
<b>Net Assets at end of year</b>	<u>\$ 20,755,967</u>	<u>\$ 18,681,931</u>

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

**STATEMENT OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from students and other customers	\$ 18,507,828	\$ 18,930,209
Receipts from grants and contracts	3,102,444	2,847,679
Payments to suppliers for goods and services	(13,876,591)	(11,810,616)
Payments to or on behalf of employees	(40,191,774)	(39,291,395)
Payments for scholarships and fellowships	(6,177,220)	(6,772,996)
Other receipts	219,237	147,430
Net cash used by operating activities	<u>(38,416,076)</u>	<u>(35,949,689)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Receipts from state appropriations	14,285,320	15,002,088
Receipts from ad valorem taxes	9,343,447	12,595,785
Receipts from Non-Operating Federal Revenue	15,649,277	15,669,815
Receipts from Gifts	969,370	955,848
Net cash provided by noncapital financing activities	<u>40,247,414</u>	<u>44,223,536</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>		
Proceeds on issuance of capital debt	7,717,654	741,704
Purchases of capital assets	(9,639,023)	(2,111,201)
Proceeds from sale of capital assets	-	5,775
Payments on capital debt - principal	(1,250,000)	(950,000)
Payments on capital debt - interest	(439,836)	(720,324)
Net cash used by capital and related financing activities	<u>(3,611,205)</u>	<u>(3,034,046)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment earnings	224,235	124,650
Net cash provided by investing activities	<u>224,235</u>	<u>124,650</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,555,632)</u>	<u>5,364,451</u>
<b>CASH AND CASH EQUIVALENTS—September 1</b>	<u>25,317,510</u>	<u>19,953,059</u>
<b>CASH AND CASH EQUIVALENTS—August 31</b>	<u>\$ 23,761,878</u>	<u>\$ 25,317,510</u>

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

**STATEMENT OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH**

**PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating loss	\$ (45,585,853)	\$ (42,642,041)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	2,507,525	2,467,581
Bad debt expense	175,853	222,257
Gift in kind expenditure	16,032	5,939
Payments made directly by state for benefits	4,140,018	4,093,874
TRS non cash items	167,238	47,820
Changes in assets and liabilities:		
Receivables (net)	(208,395)	(218,230)
Deferred Outflows related to TRS	(43,622)	(50,272)
Other Deferred Outflows	372,821	-
Accounts payable	172,842	66,670
Accrued liabilities	(7,114)	42,165
Funds held for others	(15,176)	27,600
Unearned revenue	493,061	(13,052)
Deferred Inflows Related to TRS	(601,306)	-
Net cash used by operating activities	<u>\$ (38,416,076)</u>	<u>\$ (35,949,689)</u>

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

## SOUTH PLAINS COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

#### 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 a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

#### 2. Summary of Significant Accounting Policies

##### Reporting Guidelines

The significant accounting policies followed by the 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 (TPEG)

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

###### Title IV, Higher Education Act Program Funds

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

###### Other Tuition Discounts

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

##### Basis of Accounting

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

##### Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees 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 (THECB), Legislative Budget Board (LBB), Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

## SOUTH PLAINS COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

#### Cash and Cash Equivalents

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

#### Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments 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 time of purchase. The governing board has designated public funds investment pools comprised of \$11,367,172 and \$12,483,030 at 2017 and 2016, respectively to be short term investments. Long-term investments have an original maturity of greater than one year at time of purchase.

#### 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

The College records capital assets 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. The College capitalizes renovations of \$100,000 to buildings and infrastructure and land improvements that significantly increase the value or extend the useful life of the structure. The College charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives to operating expense 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, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment and five years for telecommunications and peripheral equipment.

#### Pensions

The College participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined based on the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' 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.

## SOUTH PLAINS COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

#### Unearned Revenue

Tuition and fees of \$4,850,414 and \$4,854,054 and federal, state and local grants of \$504,035 and \$7,334 have been reported by the College as unearned revenue at August 31, 2017 and 2016, respectively.

#### Deferred Inflows

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

#### Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the College is aware that 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 BTA 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 the cafeteria are not performed by the College.

#### Prior Year Restatement

None

#### Change in Accounting Policies

#### **Governmental Accounting Standards Board (GASB) Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**

The purpose of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016. The College has implemented the provisions of this Statement for the year ended August 31, 2017.

## **SOUTH PLAINS COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

#### **Governmental Accounting Standards Board (GASB) Statement No.77 Tax Abatement Disclosures**

Financial statements prepared by state and local governments provide citizens and taxpayers, legislative, and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreement (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, for recapturing abated taxes, and the types of commitments made by tax abatement recipients, (2) The gross dollar amount of taxes abated during the period and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This Statement is effective for financial statements for periods beginning after December 15, 2015. The College has implemented the provisions of this Statement for the year ended August 31, 2017.

#### **Governmental Accounting Standards Board (GASB) Statement No. 78 Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans**

The purpose of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

This Statement is effective for reporting periods beginning after December 15, 2015. The College has implemented the provisions of this Statement for the year ended August 31, 2017.

#### **Governmental Accounting Standards Board (GASB) Statement No. 79 Certain External Investment Pools and Pool Participants**

The requirements of this Statement address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investment at amortized cost for financial reporting purposes.

This Statement, also, establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The College has implemented the provisions of this Statement for the year ended August 31, 2017.

#### **Governmental Accounting Standards Board (GASB) Statement No. 80 Blending Requirements for Certain Component Units**

The purpose of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments and enhances the comparability of financial statements among governments.



## **SOUTH PLAINS COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The College has implemented the provisions of this Statement for the year ended August 31, 2017.

#### **Governmental Accounting Standards Board (GASB) Statement No. 82 Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73**

The objective of Statement No. 82 is to address certain issues raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The College has implemented the provisions of this Statement for the year ended August 31, 2017.

#### **3. Authorized Investments**

South Plains College is authorized to invest in obligations and instruments as defined in the Public Funds Investment 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 investments 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, 2017, no instances of noncompliance were found.

#### **4. Deposits and Investments**

At August 31, 2017 and 2016, South Plains College's deposits were covered by federal depository insurance or by collateral pledged in South Plains College's name. The collateral was held by the College's agent.

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

Cash and Deposits included on Exhibit 1, Statement of Net Position, consist of the items reported below:

	Cash and Deposits			
	Primary Institution		Component Unit	
	2017	2016	2017	2016
Bank Deposits				
Demand Deposits	\$ 5,891,271	\$ 6,510,179	\$ 441,912	\$ 389,418
Savings and Money Market Accounts	4,679,795	4,515,572	225,081	126,099
Certificates of Deposit	1,816,892	1,803,244	9,892	9,814
Total Bank Deposits	\$ 12,387,958	\$ 12,828,995	\$ 676,885	\$ 525,331
Cash and Cash Equivalents				
Petty Cash on Hand	6,748	5,485	-	-
Investment Pool	11,367,172	12,483,030	-	-
Total (Exhibit 1)	\$ 23,761,878	\$ 25,317,510	\$ 676,885	\$ 525,331

Reconciliation of Deposits and Investments to Exhibit 1

Type of Security	Primary Institution		Component Unit	
	Market Value August 31, 2017	Market Value August 31, 2016	Market Value August 31, 2017	Market Value August 31, 2016
Preferred Securities	\$ -	\$ -	\$ -	\$ -
Corporate Equities	-	-	2,125,359	1,915,906
U.S. Government Agencies	-	-	158,993	126,357
Corporate Bonds and Notes	-	-	-	-
Mutual Funds	-	-	16,606,746	15,020,001
Other	-	-	1,186,270	1,093,388
Totals	\$ -	\$ -	\$ 20,077,368	\$ 18,155,652
Total Cash and Deposits	\$ 23,761,878	\$ 25,317,510	\$ 676,885	\$ 525,331
Total Investments	\$ -	\$ -	\$ 20,077,368	\$ 18,155,652
Total Deposits and Investments	\$ 23,761,878	\$ 25,317,510	\$ 20,754,253	\$ 18,680,983
Cash and Cash Equivalents (Exhibit 1)	\$ 23,761,878	\$ 25,317,510	\$ 676,885	\$ 525,331
Investments (Exhibit 1)	\$ -	\$ -	\$ 20,077,368	\$ 18,155,652
Total Deposits and Investments	\$ 23,761,878	\$ 25,317,510	\$ 20,754,253	\$ 18,680,983

## SOUTH PLAINS COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

As of August 31, 2017, the College had the following investments and maturities:

<u>Investment Type</u>		<u>Fair Value</u>	<u>Weight Average Maturity (Years)</u>
Certificate of Deposit	\$	1,816,892	0.05
<u>Component Unit</u>			
Certificate of Deposit	\$	9,892	0.87

Portfolio Weighted Average Maturity 0.46

**Interest Rate Risk** - In accordance with state law and College policy, the College does not purchase any investments with maturities greater than 10 years.

**Credit Risk** - In accordance with state law and the College's investment policy, investments 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 from other states, municipalities, counties, etc. must be rated at least A as well. The College's credit ratings for its investments are as follows:

<u>Type of Investment</u>	<u>Rating</u>
Money Market Accounts	Unrated
Investment Pools	AAA

**Concentration of Credit Risk** - The College does not place a limit on the amount the College may invest in any one issuer. More than 5% of the Component Unit's investments are in Inst Multi-Strategy Equity Fund (46.30%), Inst Multi-Strategy Bond Fund (13.62%), and Global Multi-Asset Fund LLC (14.03%).

**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.

#### 5. Fair Value of Financial Instruments

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to their fair value measurement of the instrument.

The three levels of the fair value 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 within 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.

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

The fair value hierarchy of investments for the component unit at August 31, 2017 follows:

	2017				2016
	Level 1	Level 2	Level 3	Total	Total
Fixed income securities	\$ -	\$ -	\$ -	\$ -	\$ -
Mutual Funds	16,606,746	-	-	16,606,746	15,020,000
Marketable Securities	2,125,359	-	-	2,125,359	1,915,906
U.S. government securities	158,993	-	-	158,993	126,357
Municipal bonds	-	-	-	-	-
Other Investments	919,225	-	267,045	1,186,270	1,093,389
<b>Total</b>	<b>\$19,810,323</b>	<b>\$ -</b>	<b>\$ 267,045</b>	<b>\$20,077,368</b>	<b>\$18,155,652</b>

**6. Derivatives**

South Plains College did not investment in derivatives during the years ended August 31, 2017 and 2016.

**7. Capital Assets**

Capital assets activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Increases	Decreases	Balance August 31, 2017
<u>Not Depreciated:</u>				
Land	\$ 2,013,473	\$ -	\$ -	\$ 2,013,473
Construction in Progress	3,080,922	7,762,378	-	10,843,300
Subtotal	5,094,395	7,762,378	-	12,856,773
<u>Buildings and Other Capital Assets:</u>				
Buildings and Improvements	90,318,466	245,575	-	90,564,041
Other Real Estate Improvements	1,666,996	15,864	-	1,682,860
Furniture, Machinery, Vehicles, and Other Equipment	9,655,973	997,056	-	10,653,029
Telecommunications and Peripheral Equipment	6,602,579	578,230	-	7,180,809
Library Books	2,831,291	110,517	-	2,941,808
<b>Total Buildings and Other Capital Assets</b>	<b>111,075,305</b>	<b>1,947,242</b>	<b>-</b>	<b>113,022,547</b>

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

Accumulated Depreciation:

Buildings and Improvements	37,170,853	1,279,020	-	38,449,873
Other Real Estate Improvements	591,572	83,482	-	675,054
Furniture, Machinery, Vehicles, and Other Equipment	6,600,566	562,330	-	7,162,896
Telecommunications and Peripheral Equipment	5,751,731	386,573	-	6,138,304
Library Books	2,821,099	196,120	84,939	2,932,280
<b>Total Accumulated Depreciation</b>	<b>52,935,821</b>	<b>2,507,525</b>	<b>84,939</b>	<b>55,358,407</b>
Net Buildings and Other Capital Assets	58,139,484	-560,283	-84,939	57,664,140
Net Capital Assets	\$ 63,233,879	\$ 7,202,095	\$ -84,939	\$ 70,520,913

Capital Assets Comparative

Capital assets activity for the year ended August 31, 2016, was as follows:

	Balance September 1, 2015	Increases	Decreases	Balance August 31, 2016
<u>Not Depreciated:</u>				
Land	\$ 2,013,473	\$ -	\$ -	\$ 2,013,473
Construction in Progress	1,980,888	1,100,034	-	3,080,922
Subtotal	3,994,361	1,100,034	-	5,094,395
<u>Buildings and Other Capital Assets:</u>				
Buildings and Improvements	90,318,466		-	90,318,466
Other Real Estate Improvements	1,649,596	17,400	-	1,666,996
Furniture, Machinery, Vehicles, and Other Equipment	9,068,969	628,737	41,733	9,655,973
Telecommunications and Peripheral Equipment	6,175,249	427,330	-	6,602,579
Library Books	2,731,693	99,598	-	2,831,291
<b>Total Buildings and Other Capital Assets</b>	<b>109,943,973</b>	<b>1,173,065</b>	<b>41,733</b>	<b>111,075,305</b>

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

Accumulated Depreciation:

Buildings and Improvements	35,879,777	1,291,076	-	37,170,853
Other Real Estate Improvements	508,295	83,277	-	591,572
Furniture, Machinery, Vehicles, and Other Equipment	6,112,137	530,162	41,733	6,600,566
Telecommunications and Peripheral Equipment	5,377,418	374,313	-	5,751,731
Library Books	2,673,321	188,753	40,975	2,821,099
<b>Total Accumulated Depreciation</b>	<b>50,550,948</b>	<b>2,467,581</b>	<b>82,708</b>	<b>52,935,821</b>
<b>Net Buildings and Other Capital Assets</b>	<b>59,393,025</b>	<b>(1,294,516)</b>	<b>(40,975)</b>	<b>58,139,484</b>
<b>Net Capital Assets</b>	<b>\$ 63,387,386</b>	<b>\$ (194,482)</b>	<b>\$ (40,975)</b>	<b>\$ 63,233,879</b>

**8. Non-Current Liabilities**

Non-Current liability activity for the year ended August 31, 2017, was as follows:

	Balance September 1, 2016	Additions	Reductions	Balance August 31, 2017	Current Portion
<u>Leases, Bonds and Notes</u>					
Revenue Bonds	\$ 17,094,578	\$ 7,820,558	\$ 1,250,000	\$23,665,136	\$1,250,000
Net Pension Liability	7,742,242	1,081,323	685,600	8,137,965	N/A
<b>Total Long-term Liabilities</b>	<b>\$ 24,836,820</b>	<b>\$ 8,901,881</b>	<b>\$ 1,935,600</b>	<b>\$31,803,101</b>	<b>\$1,250,000</b>

Non-Current liability activity for the year ended August 31, 2016, was as follows:

	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
<u>Leases, Bonds and Notes</u>					
Revenue Bonds	\$17,100,000	\$17,094,578	\$17,100,000	\$17,094,578	\$1,250,000
Net Pension Liability	6,419,386	1,845,241	522,385	7,742,242	N/A
<b>Total Long-term Liabilities</b>	<b>\$23,519,386</b>	<b>\$18,939,819</b>	<b>\$17,622,385</b>	<b>\$24,836,820</b>	<b>\$1,250,000</b>

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**9. Debt and Lease Obligations**

Debt service requirements at August 31, 2017, were as follows:

For the Year Ended August 31,	Revenue Bonds		
	Principal	Interest	Total
2018	\$ 1,250,000	\$ 748,804	\$ 1,998,804
2019	1,250,000	708,180	1,958,180
2020	1,250,000	667,554	1,917,554
2021	1,250,000	626,930	1,876,930
2022	1,250,000	1,609,444	2,859,444
2023-2027	6,250,000	10,717,602	16,967,602
2028-2032	6,250,000	6,030,102	12,280,102
2033-2036	4,915,136	1,455,446	6,370,582
<b>TOTAL</b>	<b>\$ 23,665,136</b>	<b>\$ 22,564,062</b>	<b>\$ 46,229,198</b>

**10. Bonds Payable**

South Plains Junior College District Revenue Financing System Refunding and Improvement Bonds, Series 2016.

Issued for the purpose of providing funds to (i) 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 Junior College owned and operated by the College, (ii) refund of the Refunded Bonds, and (iii) pay the costs related thereto. Authorized 6/09/2016 and maturing 10/15/2035 in the original amount of \$25,000,000. The source of revenues shall be no less than an amount equal to \$3.00 per semester hour for each enrolled student in both regular and summer semesters. If the College does need additional revenue, tuition will be pledged not to exceed 25% of the tuition charges collected from each enrolled student. The bond has been issued as a private placement. The amount of the bond that has been issued at 8/31/17 is \$24,915,136. The interest rate is 3.25% through 10/15/21 and not to exceed 15% (max rate) thereafter.

See note 7 for changes in long-term liabilities and note 8 for debt service requirements.

**11. Advance Refunding Bonds**

None

**12. Defeased Bonds Outstanding**

None

**13. Short-term Debt**

The College had no short-term debt at August 31, 2017.

## **SOUTH PLAINS COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

#### **14. Employees Retirement Plan**

##### **Teacher Retirement System of Texas – Defined Benefit Pension Plan**

###### 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). The TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

###### Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 [http://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

###### Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 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, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLA). 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 percent of the member's annual compensation and a state contribution rate of not less than 6.0 percent and not more than 10 percent 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.



**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 84th Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	<u>2017</u>	<u>2016</u>
Member		7.7%	7.2%
Non-Employer Contributing Entity (State)		6.8%	6.8%
Employers		6.8%	6.8%
FY2016 Member Contributions		\$ 1,215,781	
FY2016 State of Texas On-Behalf Contributions		\$ 493,973	
FY2016 College Contributions		\$ 679,003	

The College's contributions to the TRS pension plan in 2017 were \$684,239 as reported in the Schedule of College Contributions in the Required Supplementary Information section of these financial statements. Estimated State of Texas on-behalf contributions for 2017 were \$516,963.

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 are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, when employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

## SOUTH PLAINS COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

#### Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.50%
Payroll Growth Rate	X.X%
Salary Increases including inflation	3.50% to 9.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

\*If a municipal bond rate was to be used, the rate would be 2.84 percent as of August 2016 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

Actuarial methods and assumptions were updated based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015 by the TRS Board of Trustees, who have sole authority to determine the actuarial assumptions used for the plan. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

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

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0 percent. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates 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

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

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 systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy & Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns. Source: Teacher Retirement System of Texas 2016 Comprehensive Annual Financial Report.

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percent less and 1 percent greater than the discount rate that was used (8%) in measuring the 2016 net pension liability.

	1% Decrease in Discount Rate (7.0%)	Current Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability	\$ 12,594,828	\$ 8,137,965	\$ 4,357,644
Plan net pension liability (in millions from TRS CAFR)	\$ 58,483	\$ 37,788	\$ 20,234

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

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

At August 31, 2017, the College reported a liability of \$8,137,965 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	\$ 8,137,965
State's proportionate share of the net pension liability associated with the College	<u>5,863,387</u>
Total	<u>\$ 14,001,352</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At the measure date of August 31, 2016, the employer's proportion of the collective net pension liability was 0.0215355517% which was a decrease of 0.0003669483% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, the College recognized pension expense of \$608,480 and revenue of \$608,480 for support provided by the State. Refer to the 2017 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB statements 67 and 68.

At August 31, 2017, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 127,602	\$ 242,995
Changes in actuarial assumptions	248,031	225,574
Difference between projected and actual investment earnings	1,568,197	879,091
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	-	584,949
District contributions paid to TRS subsequent to the measurement date	<u>698,637</u>	<u>-</u>
Total	<u>\$ 2,642,467</u>	<u>\$ 1,932,609</u>

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

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

Year Ended August 31		
2017	\$	-49,945
2018	\$	-49,945
2019	\$	389,600
2020	\$	-83,712
2021	\$	-179,968
Thereafter	\$	-14,810

**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 provision 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 6.65%, respectively. The college contributes 1.31 percent for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Senate Bill (SB) 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the College was \$922,493 and \$1,131,984 for the fiscal years ended August 31, 2017 and 2016 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$29,522,945 and \$29,289,414 for fiscal years 2017 and 2016 respectively. The total payroll of employees covered by the Teacher Retirement System was \$17,889,774 and \$17,207,261, and the total payroll of employees covered by the Optional Retirement System was \$9,773,267 and \$10,411,134 for fiscal years 2017 and 2016, respectively.

**15. Deferred Compensation Program**

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

As of August 31, 2017, the College had 358 employees participating in the program. 207 employees were vested as of August 31, 2017. A total of \$113,400 in contributions were invested in the plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$1,828,328 and creating a payable to the vested employee of \$1,632,251.

As of August 31, 2016, the College had 354 employees participating in the program. 202 employees were vested as of August 31, 2016. A total of \$110,560 in contributions were invested in the plan during the fiscal year, bringing the total of deferred salaries and accumulated earnings of current employees to \$1,725,598 and creating a payable to the vested employee of \$1,529,681.

## SOUTH PLAINS COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

#### 16. Compensated Absences

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

#### 17. 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 monthly contribution per full-time employee varied depending on coverage for the years ended August 31, 2017 and 2016. Total contributions for August 31, 2017 and 2016 were \$3,531,538 and \$3,296,630 respectively. The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees. SB 1812, effective September 1, 2013, limits the amount of the state’s contribution to 50% of eligible employees in the reporting district.

#### 18. Post Employment Benefits Other than Pensions

*Plan Description.* In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. South Plains College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

*Funding Policy.* 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. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer’s share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy and is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS Board of Trustees sets the employer contribution rate on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB statement 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

Beginning September 1, 2013, SB 1812 limited the state’s contribution to 50% of eligible employees for community colleges.

The college’s contributions to SRHP for the years ended August 31, 2017, 2016, and 2015, were \$1,256,009, \$1,121,047, and \$981,439, respectively, which equaled the required contribution each year.

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**19. Pending Lawsuits and Claims**

None

**20. Disaggregation of Receivables and Payables Balances**

**Receivables**

Receivables at August 31, 2017 and 2016 were as follows:

	2017		2016
Student Receivables (Net of Allowance 3,391,113 and 3,020,089)	\$ 812,887	\$	781,392
Taxes Receivable (Net of Allowance 53,453 and 47,783)	342,896		278,302
Bond Issue Receivable	305,777		167,199
Federal Receivable	253,550		225,894
State Receivable	230,407		188,344
Interest Receivable	9,344		6,926
Other Receivable	713,706		642,198
Total	\$ 2,668,567	\$	2,290,255

**Payables**

Payables at August 31, 2017 and 2016 are as follows:

	2017		2016
Vendors Payable	\$ 1,245,701	\$	976,403
Salaries & Benefits Payable	1,441,248		1,448,362
Students Payable	732,549		747,725
Accrued Interest	259,473		82,724
Other Payable	11,133		4,686
Total	\$ 3,690,104	\$	3,259,900

**21. Funds Held in Trust by Others**

Not applicable.

**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**22. Contract and Grant Awards**

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). For Federal Contract and Grant Awards, funds expended but not collected are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2017 and 2016 for which monies have not been received nor funds expended totaled \$13,362,299 and \$3,981,643. Of these amounts, \$4,262,299 and \$3,901,038 were from Federal Contract and Grant Awards; \$0.00 and \$80,605 were from State Contract and Grant Awards; \$500,000 and \$0.00 from Local Contract and Grant Awards; and \$0.00 and \$8,600,000 were from Private Contract and Grant Awards for the fiscal years ended 2017 and 2016 respectively.

**23. Self-Insured Plans**

The College has no self-insurance arrangements. The College has various commercial insurance policies to cover the various risks of loss.

**24. 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.

At August 31:

	2017	2016
Assessed Valuation of the College	\$ 2,718,174,741	\$ 3,818,995,790
Less: Exemptions	-387,829,268	-383,310,436
Add: Values Under Review	-	-
Net Assessed Valuation of the College	<u>\$ 2,330,345,473</u>	<u>\$ 3,435,685,354</u>

	2017			2016		
	Current <u>Operations</u>	Debt <u>Service</u>	<u>Total</u>	Current <u>Operations</u>	Debt <u>Service</u>	<u>Total</u>
Authorized Tax Rate per \$100 Valuation Maximum per enabling legislation	0.400000	0.100000	0.500000	0.400000	0.100000	0.500000
Assessed Tax Rate per \$100 valuation	0.400000	0.000000	0.400000	0.366350	0.000000	0.366350



**SOUTH PLAINS COLLEGE**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

Taxes levied for the years ended August 31, 2017 and 2016, amounted to \$9,319,818 and \$12,588,820 respectively including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	2017			2016		
	Current	Debt	Total	Current	Debt	Total
	<u>Operations</u>	<u>Service</u>		<u>Operations</u>	<u>Service</u>	
Current Taxes Collected	\$ 9,135,282	\$ -	\$ 9,135,282	\$12,508,121	\$ -	\$12,508,121
Delinquent Taxes Collected	117,836	-	117,836	74,896	-	74,896
Penalties and Interest Collected	88,987	-	88,987	77,215	-	77,215
Total Gross Collections	\$ 9,342,105	-	\$ 9,342,105	\$12,660,232	-	\$12,660,232
Tax Appraisal & Collection Fees	-179,461	-	-179,461	-184,514	-	-184,514
Bad Debt Expense	-5,669	-	-5,669	-2,546	-	-2,546
Total Net Collections	\$ 9,156,975	\$ -	\$ 9,156,975	\$12,473,172	\$ -	\$12,473,172

Tax collections for the years ended August 31, 2017 and 2016, were 98.1% and 99.4% respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and/or general obligation debt service.

**25. Tax Abatements**

None

**26. Branch Campus Maintenance Tax**

Not applicable.

**27. 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, 2017 and 2016.

## **SOUTH PLAINS COLLEGE**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

#### **28. Component Unit**

##### South Plains College Foundation - Discrete Component Unit

South Plains College Foundation (the Foundation) was established as a separate nonprofit organization in 1979 for the purpose of providing student scholarships and assistance in the development and growth of the College.

Under Governmental Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of the college because:

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

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

#### **29. Related Parties**

Not applicable.

#### **30. Subsequent Events**

None

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH PLAINS COLLEGE**

*SCHEDULE OF THE COLLEGE'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
College's proportion of the net pension liability (asset)	0.02153556%	0.0219025%	0.2400000%	--	--	--	--	--	--	--
College's proportionate share of the net pension liability (asset)	\$ 8,137,965	\$ 7,742,242	\$ 6,419,386	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the College	5,863,387	5,595,333	4,671,566	--	--	--	--	--	--	--
<b>Total</b>	<b>\$ 14,001,352</b>	<b>\$ 13,337,575</b>	<b>\$ 11,090,952</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
College's covered-employee payroll	\$ 17,207,261	\$ 16,361,175	\$ 15,402,251	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.29%	47.32%	41.68%	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**SOUTH PLAINS COLLEGE**  
*SCHEDULE OF COLLEGE CONTRIBUTIONS*  
*TEACHER RETIREMENT SYSTEM OF TEXAS*  
*LAST TEN FISCAL YEARS \**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 684,239	\$ 679,003	\$ 653,502	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(684,239)	(679,003)	(653,502)	--	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
College's covered-employee payroll	\$ 17,889,774	\$ 17,207,261	\$ 16,361,175	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.82%	3.95%	3.99%	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**SOUTH PLAINS COLLEGE**

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016*

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

**OTHER SUPPLEMENTARY INFORMATION**

## SCHEDULE OF OPERATING REVENUES

YEAR ENDED AUGUST 31, 2017 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2017 Total	2016 Total
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 440,371	\$ -	\$ 440,371	\$ -	\$ 440,371	\$ 391,065
Out-of-district resident tuition	11,753,657	-	11,753,657	-	11,753,657	11,141,102
Non-resident tuition	1,088,124	-	1,088,124	-	1,088,124	1,028,702
TPEG - credit (set aside) *	299,845	-	299,845	-	299,845	313,814
State-funded continuing education	178,254	-	178,254	-	178,254	281,987
Non-state funded educational programs	204,651	-	204,651	-	204,651	189,535
<b>Total Tuition</b>	<b>13,964,902</b>	<b>-</b>	<b>13,964,902</b>	<b>-</b>	<b>13,964,902</b>	<b>13,346,205</b>
<b>Fees:</b>						
General	12,854,271	-	12,854,271	-	12,854,271	13,020,185
Student service fee	1,474,488	-	1,474,488	-	1,474,488	1,423,371
Special course Fees	966,832	-	966,832	-	966,832	805,980
Installment plan fees	29,000	-	29,000	-	29,000	32,195
Continuing education fees	320,767	-	320,767	-	320,767	412,723
Three part fee	192,255	-	192,255	-	192,255	165,964
Testing fee	93,232	-	93,232	-	93,232	93,854
Reinstatement fee	700	-	700	-	700	2,800
<b>Total Fees</b>	<b>15,931,545</b>	<b>-</b>	<b>15,931,545</b>	<b>-</b>	<b>15,931,545</b>	<b>15,957,072</b>
<b>Scholarship allowances and discounts:</b>						
Bad debt allowances	(154,112)	-	(154,112)	-	(154,112)	(129,243)
Remissions and exemptions - state	(2,303,234)	-	(2,303,234)	-	(2,303,234)	(2,128,645)
Remissions and exemptions - local	-	-	-	-	-	(1,373)
Title IV federal grants	(9,946,275)	-	(9,946,275)	-	(9,946,275)	(9,629,981)
TPEG awards	(179,060)	-	(179,060)	-	(179,060)	(146,156)
Scholarship allowances	(626,913)	-	(626,913)	-	(626,913)	(549,626)
<b>Total Scholarship Allowances</b>	<b>(13,209,594)</b>	<b>-</b>	<b>(13,209,594)</b>	<b>-</b>	<b>(13,209,594)</b>	<b>(12,585,024)</b>
<b>Total net tuition and fees</b>	<b>16,686,853</b>	<b>-</b>	<b>16,686,853</b>	<b>-</b>	<b>16,686,853</b>	<b>16,718,253</b>
<b>Additional operating revenues:</b>						
Federal grants and contracts	65,723	1,624,241	1,689,964	-	1,689,964	1,753,654
State grants and contracts	85	861,507	861,592	-	861,592	1,063,724
Non-governmental grants and contracts	55	47,695	47,750	-	47,750	62,931
Sales and services of educational activities	128,578	-	128,578	-	128,578	170,867
Investment income (program restricted)	-	1,589	1,589	-	1,589	1,134
General operating revenues	217,648	-	217,648	-	217,648	146,296
<b>Total additional operating revenues</b>	<b>412,089</b>	<b>2,535,032</b>	<b>2,947,121</b>	<b>-</b>	<b>2,947,121</b>	<b>3,198,606</b>
<b>Auxiliary Enterprises:</b>						
Residential life	-	-	-	2,106,463	2,106,463	1,976,808
Scholarship allowances	-	-	-	(182,200)	(182,200)	(202,095)
TPEG awards	-	-	-	(14,442)	(14,442)	(3,317)
Title IV federal grants	-	-	-	(567,515)	(567,515)	(457,839)
Commissions	-	-	-	347,141	347,141	415,058
Student Programs	-	-	-	237,282	237,282	307,793
<b>Total net auxiliary enterprises</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,926,729</b>	<b>1,926,729</b>	<b>2,036,408</b>
<b>Total Operating Revenues</b>	<b>\$ 17,098,942</b>	<b>\$ 2,535,032</b>	<b>\$ 19,633,974</b>	<b>\$ 1,926,729</b>	<b>\$ 21,560,703</b>	<b>\$ 21,953,267</b>
					(Exhibit 2)	(Exhibit 2)

\* In accordance with Education Code 56.033, \$299,845 and \$313,814 for years August 31, 2017 and 2016, respectively, of tuition was set aside for Texas Public Education grants (TPEG)



SCHEDULE OF OPERATING EXPENSES BY OBJECT  
 YEAR ENDED AUGUST 31, 2017 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)

	Operating Expenses				2017 Total	2016 Total
	Salaries and Wages	Benefits		Other Expenses		
		State	Local			
<b>Unrestricted - Educational Activities</b>						
Instruction	\$ 18,724,291	\$ -	\$ 4,965,827	\$ 3,279,592	\$ 26,969,710	\$ 25,145,951
Public Service	277,177	-	64,532	431,553	773,262	873,364
Academic Support	1,689,928	-	642,054	496,308	2,828,290	2,874,752
Student Services	2,834,471	-	1,042,695	1,505,947	5,383,113	5,222,675
Institutional Support	2,574,210	-	2,148,583	2,063,703	6,786,496	6,549,327
Operation and Maintenance of Plant	1,899,593	-	1,301,835	3,270,105	6,471,533	6,298,295
Scholarships and Fellowships	-	-	-	77,818	77,818	75,957
<b>Total Unrestricted Educational Activities</b>	<b>27,999,670</b>	<b>-</b>	<b>10,165,526</b>	<b>11,125,026</b>	<b>49,290,222</b>	<b>47,040,321</b>
<b>Restricted - Educational Activities</b>						
Instruction	398,737	3,196,480	77,530	259,511	3,932,258	3,804,004
Public Service	-	46,320	-	-	46,320	54,223
Academic Support	-	288,307	-	-	288,307	268,560
Student Services	469,807	483,584	197,227	182,549	1,333,167	1,286,905
Institutional Support	-	439,340	-	-	439,340	443,522
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarships and Fellowships	-	-	-	5,467,222	5,467,222	6,140,266
<b>Total Restricted Educational Activities</b>	<b>868,544</b>	<b>4,454,031</b>	<b>274,757</b>	<b>5,909,282</b>	<b>11,506,614</b>	<b>11,997,480</b>
<b>Total Educational Activities</b>	<b>28,868,214</b>	<b>4,454,031</b>	<b>10,440,283</b>	<b>17,034,308</b>	<b>60,796,836</b>	<b>59,037,801</b>
<b>Auxiliary Enterprises</b>	<b>332,834</b>	<b>-</b>	<b>168,069</b>	<b>3,341,292</b>	<b>3,842,195</b>	<b>3,089,926</b>
<b>Depreciation Expense - Buildings and other real estate improvements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,362,502</b>	<b>1,362,502</b>	<b>1,374,353</b>
<b>Depreciation Expense - Equipment and furniture</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948,903</b>	<b>948,903</b>	<b>904,475</b>
<b>Depreciation Expense - Library books</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196,120</b>	<b>196,120</b>	<b>188,753</b>
<b>Total Operating Expenses</b>	<b>\$ 29,201,048</b>	<b>\$ 4,454,031</b>	<b>\$ 10,608,352</b>	<b>\$ 22,883,125</b>	<b>\$ 67,146,556</b>	<b>\$ 64,595,308</b>
					(Exhibit 2)	(Exhibit 2)

## SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES

YEAR ENDED AUGUST 31, 2017 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>2017 Total</u>	<u>2016 Total</u>
NON-OPERATING REVENUES:					
State appropriations:					
Education and general state support	\$ 13,971,307	\$ -	\$ -	\$ 13,971,307	\$ 13,949,102
State group insurance	-	3,531,538	-	3,531,538	3,296,630
State retirement matching	-	922,493	-	922,493	1,131,984
Hazlewood appropriation	-	-	-	-	-
Professional nursing shortage reduction	-	-	-	-	718,246
Total state appropriations	<u>13,971,307</u>	<u>4,454,031</u>	<u>-</u>	<u>18,425,338</u>	<u>19,095,962</u>
Maintenance ad valorem taxes	9,408,042	-	-	9,408,042	12,657,686
Federal Revenue, Non-Operating	-	15,649,277	-	15,649,277	15,669,815
Gifts	969,370	-	-	969,370	955,848
Gifts in Kind	16,032	-	-	16,032	5,939
Gain on disposal of capital assets	-	-	-	-	5,775
Investment income	<u>204,158</u>	<u>-</u>	<u>22,495</u>	<u>226,653</u>	<u>125,443</u>
Total non-operating revenues	<u>24,568,909</u>	<u>20,103,308</u>	<u>22,495</u>	<u>44,694,712</u>	<u>48,516,468</u>
NON-OPERATING EXPENSES:					
Interest on capital related debt	<u>(616,585)</u>	<u>-</u>	<u>-</u>	<u>(616,585)</u>	<u>(573,623)</u>
Total non-operating expenses	<u>(616,585)</u>	<u>-</u>	<u>-</u>	<u>(616,585)</u>	<u>(573,623)</u>
Net non-operating revenues	<u>\$ 23,952,324</u>	<u>\$ 20,103,308</u>	<u>\$ 22,495</u>	<u>\$ 44,078,127</u>	<u>\$ 47,942,845</u>
				(Exhibit 2)	(Exhibit 2)

**SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
YEAR ENDED AUGUST 31, 2017 (WITH MEMORANDUM TOTALS FOR THE YEAR ENDED AUGUST 31, 2016)**

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 4,869,536	\$ -	\$ -	\$ -	\$ 4,869,536	\$ 4,869,536	\$ -
Restricted	-	900,167	-	-	900,167	-	900,167
Auxiliary enterprises	2,637,292	-	-	-	2,637,292	2,637,292	-
Plant:							
Unexpended	-	-	-	-	-	-	-
Debt Service	-	-	-	1,644,684	1,644,684	-	1,644,684
Investment in Plant	-	-	-	46,855,777	46,855,777	-	46,855,777
<b>Total Net Position, August 31, 2017</b>	<b>\$ 7,506,828</b>	<b>\$ 900,167</b>	<b>\$ -</b>	<b>\$ 48,500,461</b>	<b>\$ 56,907,456</b>	<b>\$ 7,506,828</b>	<b>\$ 49,400,628</b>
					(Exhibit 1)		
<b>Total Net Position, August 31, 2016</b>	<b>9,636,755</b>	<b>1,144,972</b>	<b>-</b>	<b>47,633,455</b>	<b>58,415,182</b>	<b>9,636,755</b>	<b>48,778,427</b>
					(Exhibit 1)		
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ (2,129,927)</b>	<b>\$ (244,805)</b>	<b>\$ -</b>	<b>\$ 867,006</b>	<b>\$ (1,507,726)</b>	<b>\$ (2,129,927)</b>	<b>\$ 622,201</b>
					(Exhibit 2)		

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017 AND 2016**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Federal SEOG	84.007 *		\$ 171,000
Federal Work Study	84.033 *		255,243
Federal Pell Grant (BEOG)	84.063 *		15,466,653
Direct Loans	84.268 *		<u>13,580,715</u>
Sub-Total Student Financial Aid Cluster			<u>29,473,611</u>
TRIO Cluster			
TRIO-Student Support Services	84.042 *		260,821
TRIO-Upward Bound program	84.047 *		<u>312,116</u>
Sub-Total TRIO Cluster			<u>572,937</u>
Strengthening High-Demand Technical/Health Occupations	84.031S		326,057
Pass-Through From:			
Texas Higher Education Coordinating Board			
Career & Technical Education-Basic Grants	84.048	174255	<u>538,046</u>
Total U.S. Department of Education			30,910,651
U.S. Department of Health and Human Services			
Passed-Through From:			
Texas Tech University			
Plains Bridges to the Baccalaureate: Increasing Minorities in Science	93.859	21F085-01	14,007
Total U.S. Department of Health and Human Services			<u>14,007</u>
Total Federal Financial Assistance			<u>\$ 30,924,658</u>

\* Cluster Program

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Federal Assistance Reconciliation

Federal Revenues - per Schedule A	\$ 1,689,964
Add: Non Operating Federal Revenue from Schedule C	<u>15,649,277</u>
Total Federal Financial Assistance-per Schedule A and C	17,339,241
Reconciling Item:	
Add: Direct Loans	13,580,715

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017 AND 2016

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
Total Federal Revenues - per Schedule of Expenditures of Federal Awards			<u>\$ 30,924,658</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 basic 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.

Note 3. Student Loans Processed and Administrative Costs Recovered

<u>Federal Grantor CFDA Number/Program Name</u>	<u>Total Loans Processed</u>
U.S. Department of Education	
84.268 Direct Loans	<u>\$ 13,580,715</u>
Total U.S. Department of Education	<u>\$ 13,580,715</u>
(Administrative cost recovered and included in above amount - \$ 0)	

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017 AND 2016**

<u>Grantor Agency/ Program Title</u>	<u>Grantor Contract Number</u>	<u>Expenditures</u>
Texas Higher Education Coordinating Board		
Texas Educational Opportunity Grant	13399	\$ 764,994
TEA Education Aide	36010	8,363
Texas Regional Alignment Networks	18247	5,976
Nursing Shortage Reduction Program	13129	<u>202,237</u>
Total Texas Higher Education Coordinating Board		<u>981,570</u>
Texas Workforce Commission		
Dual Credit Career & Technical Education	0216SDF001	80,131
Skills For Small Business Program	0215SSD000	924
Skills Development Fund	0216SDF000	674
Total Texas Workforce Commission		<u>81,729</u>
Texas Comptroller of Public Accounts		
Peace Officer Allocation		530
Total State Financial Assistance		<u>\$ 1,063,829</u>

Notes to the Schedule of Expenditures of State Awards

<b>Note 1.</b>	<u>State Assistance Reconciliation</u>	
	State Revenues - per Schedule A	\$ 861,592
	Total State Financial Assistance - per Schedule of Expenditures of State Awards	<u>1,063,829</u>
	Difference ( Nursing Shortage Reduction Program Expenditures) Program Expenditures \$202,237)	<u>\$ (202,237)</u>

**Note 2.** Significant Accounting Policies Used in Preparing the Schedule

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

KEITH DOWNS, C.P.A.  
RUSS PINKERTON, C.P.A.



**PATE, DOWNS & PINKERTON, L.L.P.**  
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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 and the  
State of Texas Single Audit Circular

Board of Regents  
South Plains College  
1401 S College Avenue  
Levelland, Texas 79336

Members of the Board of Regents:

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 and the *State of Texas Single Audit Circular*, the financial statements of South Plains College and the discretely presented component unit, as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise South Plains College's financial statements, and have issued our report thereon dated November 16, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Plains College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *State of Texas Single Audit Circular*.

**Purpose of this Report**

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

Respectfully submitted,

*Pate, Downs & Pinkerton, LLP*

Pate, Downs & Pinkerton, LLP

Levelland, Texas  
November 16, 2017



KEITH DOWNS, C.P.A.  
RUSS PINKERTON, C.P.A.



**PATE, DOWNS & PINKERTON, L.L.P.**  
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas Single Audit Circular

Board of Regents  
South Plains College  
1401 S College Avenue  
Levelland, Texas 79336

Members of the Board of Regents:

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

We have audited South Plains College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the State of Texas Single Audit Circular* that could have a direct and material effect on each of South Plains College's major federal and state programs for the years ended August 31, 2017 and 2016. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of South Plains College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about South Plains College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, South Plains College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2017 and 2016.

## Report on Internal Control Over Compliance

Management of South Plains College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Plains College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Plains College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,

*Pate, Downs & Pinkerton, LLP*

Pate, Downs & Pinkerton, LLP

Levelland, Texas  
November 16, 2017

**SOUTH PLAINS COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**A. Summary of Auditors' Results**

**1. Financial Statements**

Type of auditors' report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Reported	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No	

**2. Federal Awards**

Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>		
Internal control over major programs:			
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No	
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Reported	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 or section 510(a) of Uniform Grant Management Standards?	<u>      </u> Yes	<u>  X  </u> No	

Identification of major programs:

<u>Federal Programs</u>	<u>Federal CFDA Number</u>	<u>State Programs</u>
Federal SEOG	84.007*	Texas Educational Opportunity Grant
Federal Work Study	84.033*	
Federal Pell Grant	84.063*	
Direct Loans	84.268*	

Dollar threshold used to distinguish between type A and type B programs:	\$750,000	\$750,000
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Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	<u>      </u> No
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**B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Auditing Standards**

None

**C. Findings and Questioned Cost for Major Federal and State Award Programs**

<u>Program</u>	<u>Finding/noncompliance</u>	<u>Questioned Costs</u>
None		

\* Cluster Program

**SOUTH PLAINS COLLEGE**

**CORRECTIVE ACTION PLAN  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**Findings - Financial Statement Audit**

NONE

**Findings - Federal Award Programs Audits**

NONE

**SOUTH PLAINS COLLEGE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

NONE



