

***PANOLA COLLEGE***

***COMPREHENSIVE***

***ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED***

***AUGUST 31, 1995***

***PREPARED BY:***

***FISCAL AFFAIRS DEPARTMENT  
PANOLA COLLEGE***



PANOLA COLLEGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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***INTRODUCTORY***

***SECTION***



1109 West Panola • Carthage, Texas 75633 • (903) 693-2000

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October 23, 1995

To the taxpayers of Panola County and the citizens of the Panola College service area:

The comprehensive annual financial report of Panola County Junior College District (Panola College) for the fiscal year ended August 31, 1995, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Panola College. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the College's organizational chart, and a list of principal officials. The financial section includes the financial statements as well as the auditor's report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The College is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-128, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in the single audit section of this report.

This report includes all funds of the College. Panola College is committed to offering quality educational programs and services for the people of the College's service area at a reasonable cost. The College provides a wide range of programs, including general academic, technical-vocational, student development services, continuing education, and community service.

#### ORGANIZATION OF COLLEGE

Panola County Junior College District was established as a public junior college in an election held in Panola County, Texas, in 1947. The District operates as a junior college district under the laws of the State of Texas. The District is governed by an elected, seven-member Board of Trustees that has oversight responsibility and control over all district activities. Panola College's campus is located in Carthage, Panola County, Texas. Classes are offered at alternate sites in Shelby County and Harrison County.



## ECONOMIC CONDITION AND OUTLOOK

Panola College is situated in East Texas. The area serviced by Panola College includes the counties of Harrison, Marion, Panola, and Shelby. The largest cities in the service area are Carthage, Center, Jefferson and Marshall. These cities are also the county seats of their respective counties.

Panola County ranks as one of the leading natural gas producers in Texas. Continued lignite mining activities along with new natural gas wells contribute greatly to the area's wealth. Timber, poultry, and cattle production also continue to contribute to the local economy. All of these activities have a positive impact on employment and the county tax base. The average unemployment rate has been less than the national average and surrounding counties. A great deal of credit should be given to the industrial, civic, and governmental leaders for these positive conditions.

## MAJOR INITIATIVES

During the last year, efforts were continued in expanding the College's capabilities to meet the educational needs of prospective students within the service area. A major focus has been placed upon expanding health science course offerings.

Renovation of facilities to accommodate the associate degree and licensed vocational nursing students was completed in December 1994. In January of 1995, the first class of 30 associate degree nursing students was begun. The second class of 30 students started in the fall semester.

The College obtained approval to begin a health information technology program. The program is scheduled to start in the fall of 1996. Expansion of the Licensed Vocational Nursing Program to the Shelby County Center is currently in the approval process. A special appropriation from the legislature will initially fund this program. Additionally, an occupational therapy assisting program is being proposed for approval. This program will likely start in the fall of 1996.

Advisory boards consisting of citizens from the service area were formed during the year. The purpose of the advisory boards is to provide input as to how Panola College can best serve the needs of students and patrons in the service area.

The College undertook an extensive recruitment drive during the last two summers. These efforts were in addition to the normal recruitment activities. The summer recruitment drives had a positive influence on the 1995 fall enrollment. A record enrollment of 1,728 students was achieved in the fall.

## FINANCIAL INFORMATION

The administration of the College is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the College are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by administration.

## SINGLE AUDIT

As a recipient of federal and state financial assistance, the College also is responsible for ensuring that an adequate internal control structure is in place

to ensure compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by administration and the independent auditors of the College.

As a part of the College's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the College has complied with applicable laws and regulations. The results of the College's single audit for the fiscal year ended August 31, 1995, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

BUDGETING CONTROLS

In addition, the College maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees. Activities of the unrestricted current fund, auxiliary enterprises fund, and retirement of indebtedness fund are included in the annual appropriated budget. The College also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances are reappropriated as part of the next year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the College continues to meet its responsibility for sound financial management.

COLLEGE FUNCTIONS

The following schedule presents a summary of unrestricted current fund and auxiliary enterprises fund revenues for the fiscal year ended August 31, 1995, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1994</u>	<u>Percent of Increase (Decrease)</u>
State Appropriations	\$2,774,402	38.0%	\$(136,801)	( 4.7) %
Tuition and Fees	1,094,453	15.0	330,492	43.3
Taxes for Current Operations	2,491,307	34.0	97,708	4.1
Federal Grants and Contracts	11,686	0.1	( 1,047)	( 8.2)
Interest	114,525	1.5	55,798	95.0
Auxiliary Enterprises	746,851	10.2	( 45,325)	( 5.7)
Other Local Revenues	86,429	1.2	11,060	14.7
	<u>\$7,319,653</u>	<u>100.0%</u>	<u>\$ 311,885</u>	<u>4.5 %</u>

Revenues totaled \$7,319,653, an increase of 4.5% from the previous fiscal year. The revenue fluctuations shown above are reasonable except for those areas described below. Significant fluctuations are described below.

Tuition and fee revenues increased due to the College's increase in tuition and fees on a semester hour basis. This increase was in an effort to spread the cost of the focus on new programs and plant maintenance efforts to the students as well as the taxpayers. A plan is currently being developed to have systematic

increases in tuition and fees over the next several years. At the same time, tuition and fees remain more affordable at Panola College when compared to neighboring institutions.

State appropriations reflect a decrease due to adjustments made by the funding agency as a result of an enrollment audit performed in 1993. This was a one time adjustment. The enrollment audit for 1995 resulted in only minor adjustments.

Interest revenues increased during the year due to maintaining cash reserves in certificates of deposit or repurchase agreements at all times during the year.

Tax revenues increased due to three factors. Valuations for the 94-95 year were higher, the tax rate was increased by 3 percent and delinquent tax collections were up over the previous year.

The following schedule presents a summary of unrestricted current fund and auxiliary enterprises fund expenditures for the fiscal year ended August 31, 1995 and the amount and percentage of increases and decreases in relation to prior year expenditures.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1994</u>	<u>Percent of Increase (Decrease)</u>
Instruction	\$3,219,729	48.7%	\$569,032	21.5 %
Academic Support	486,373	7.5	(57,553)	(10.6)
Student Services	448,089	6.8	32,432	7.8
Institutional Support	747,103	11.3	6,120	.8
Operation and Maintenance of Plant	740,535	11.1	(125,603)	(14.5)
Scholarships and Awards	99,348	1.5	(59,812)	(37.6)
Auxiliary Enterprises	872,264	13.1	(71,958)	( 7.6)
	<u>\$6,613,441</u>	<u>100.0%</u>	<u>\$292,658</u>	<u>4.6 %</u>

Expenditures totaled \$6,613,441, an increase of 4.6% from the previous fiscal year. In total, these expenditures are reasonable when compared with the prior year's expenditures. Fluctuations within categories are consistent with the emphasis placed on various expenditure categories during the year. Those areas with significant fluctuations are described in the following narrative.

The instructional area increased primarily due to the associate degree nursing program that began in January 1995.

During the year, the position of vocational dean was eliminated and all instructional areas are now under the leadership of one administrator. This resulted in decreased expenditures for academic support.

Operations and maintenance of plant reflect a decrease. In the prior year a parking lot and street project as well as a roof replacement were undertaken. During the current year only one parking lot and street project was completed.

Scholarships reflect a decrease due to permitting restricted fund scholarship monies to build up during the previous fiscal year whereby more scholarships were able to be funded from restricted sources in the current year.

The decrease in auxiliary enterprise expenditures is consistent with the related decrease in revenues. Expenditures in this area continue to be monitored in efforts to increase profitability in auxiliary activities.

#### AUXILIARY ENTERPRISES

The Auxiliary Enterprises Fund accounts for activities that are essentially self-supporting or that are intended to be separately measurable for self-sufficiency, and that serve students, faculty or staff. The College's auxiliary enterprises are comprised primarily of athletics, bookstore, food service, and student housing. There is no bonded debt relating to any of these auxiliary activities.

#### ENDOWMENT FUNDS

The College's endowment funds totaled \$757,099 on August 31, 1995. The interest income from the endowment investments was used to provide scholarships.

#### FUND BALANCE

The fund balance of the unrestricted current fund increased by \$223,554 or fifteen percent in the year ended August 31, 1995. This increase provides the College with a fund balance that is equivalent to approximately three months of expenditures.

#### DEBT ADMINISTRATION

As of August 31, 1995, the College had \$150,000 of student revenue bonds. These bonds were issued in 1970. The College has not had any new bonded debt issues since 1971.

During the year the College made the final payment on a building purchased in 1990. The building was renovated to accommodate health science students as previously mentioned.

The College is indebted in the form of a capital lease on a building in Marshall, Texas. The principal balance of this obligation was \$77,002 at August 31, 1995. Final payment on this obligation is currently scheduled for January, 1998.

The only other debt the College has is also in the form of a capital lease. A lease agreement was entered into in August of 1995 for twelve copy machines. Terms of the lease require payments to be made over the next five years in the amount of \$1,701 per month. The principal balance on the lease at August 31 was \$91,478.

#### CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, repurchase agreements, and certificates of deposit. The average yield on investments was 4.70 percent. The average yield rate for 90-day U.S. Treasury bills for the year ended August 31, 1995 was approximately 5.46 percent. The College earned interest revenue of \$198,811 on all investments for the year ended August 31, 1995.

The College's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits were held by a financial institution's trust department in the College's name. All of the investments held by the College during the year and on August 31, 1995, are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

#### INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Alexander, Lankford & Hiers, Inc., was selected by the College's Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-128.

#### AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College for its comprehensive annual financial report for the fiscal year ended August 31, 1994. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### ACKNOWLEDGEMENTS

The preparation of the comprehensive annual financial report on a timely basis was made possible by the hard work and diligence of many College employees. Each employee who contributed to this report has our sincere appreciation. We would also like to thank Glenda Hiers and the accounting firm of Alexander, Lankford & Hiers, Inc., for their assistance and timely completion of the audit.

Sincerely,



\_\_\_\_\_  
Jackie Robinson, CPA  
Dean of Fiscal Affairs

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Panola College,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 1994

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



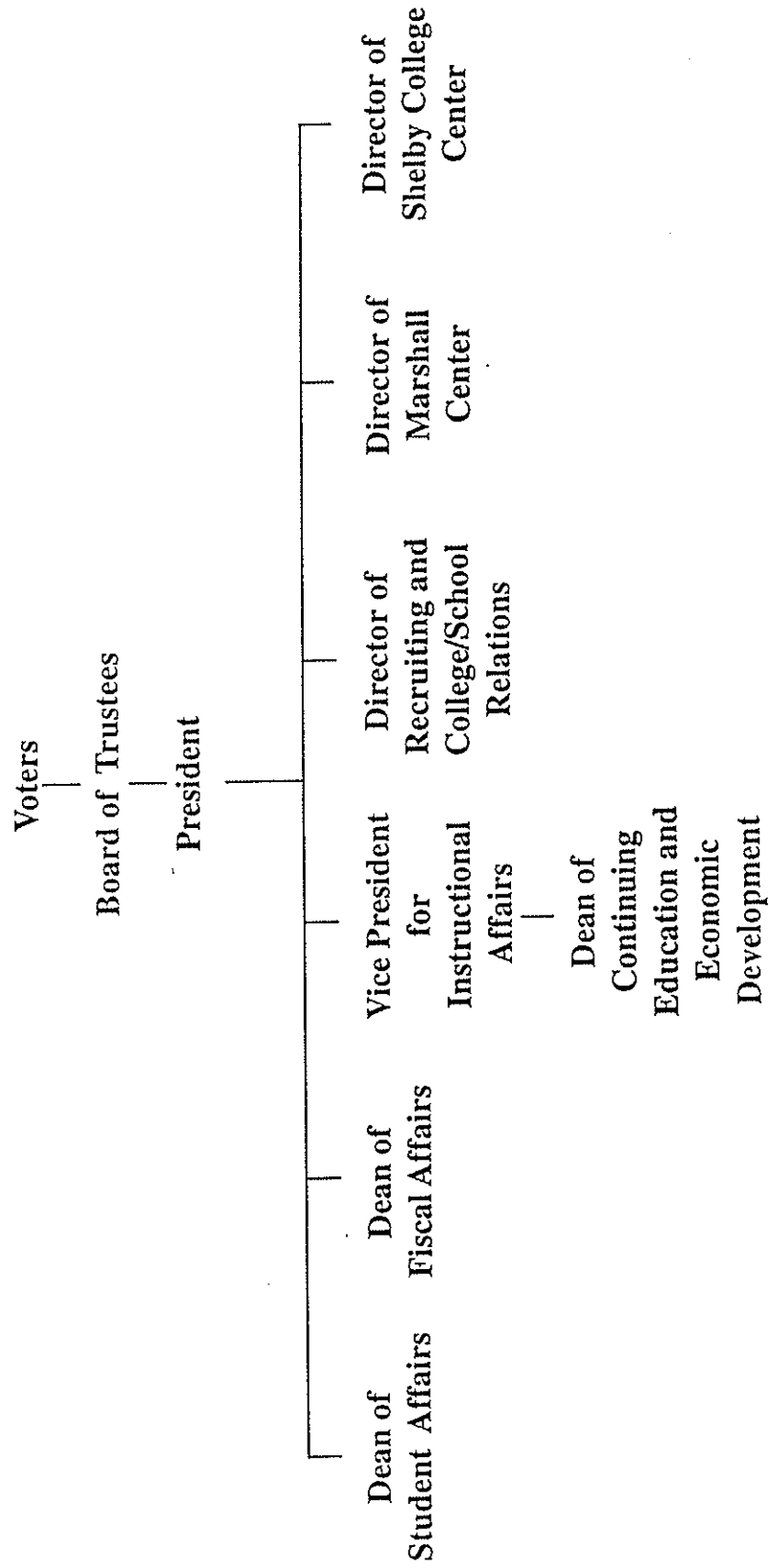
President

Executive Director

**Panola College**  


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**Organizational Structure**



PANOLA COLLEGE  
PRINCIPAL OFFICIALS  
AUGUST 31, 1995

BOARD OF TRUSTEES

OFFICERS

Dr. Dennis Golden  
Mr. Steve Roberson  
Mr. William Goolsby

Chair  
Vice-Chair  
Secretary/Treasurer

MEMBERS

Mr. Hal Palmer  
Mr. Hermon Reed, Jr.  
Dr. Dennis Golden  
Mr. William Goolsby  
Mr. Steve Roberson  
Mrs. Evelyn Sharp  
Mr. Richard Thomas

Term Expires  
August 31

1996  
1996  
1998  
1998  
1998  
2000  
2000

ADMINISTRATION

Dr. William Edmonson

President

Mr. Charles Hughes

Vice-President for  
Instructional Affairs

Mr. Jackie Robinson, CPA

Dean of Fiscal Affairs

Mrs. Betsy Wheat

Dean of Student Affairs

Mr. Jim Martin

Dean of Continuing  
Education and Economic  
Development

Mrs. Twink Ross

Director of Recruiting  
and College/School  
Relations

Dr. Jerry Hopkins

Director of Shelby  
College Center

Dr. Jeanne Scott

Director of Marshall  
Center





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Wilbur E. Alexander, CPA  
Ted A. Lankford, CPA  
Glenda J. Hiers, CPA  
Richard A. Rudel, CPA  
Betty Powell, CPA  
Warren Stewart, CPA

# AL&H ALEXANDER LANKFORD & HIERS, INC.

*Certified Public Accountants, A Professional Corporation*

4000 S. Medford Dr.  
Lufkin, Texas 75901-5799  
(409) 632-7771  
FAX (409) 637-2448

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, TX 75633

## INDEPENDENT AUDITOR'S REPORT

Members of the Board:

We have audited the accompanying balance sheet of Panola College as of August 31, 1995 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, AUDITS OF STATE AND LOCAL GOVERNMENTS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panola College as of August 31, 1995, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued a report dated September 29, 1995 on our consideration of the College's internal control structure and a report dated September 29, 1995 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional financial information presented as supplementary data on pages 19 to 25, the individual fund statements on pages 26 to 40, and the statistical section on pages 41 to 60 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary data and the individual fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

*Alexander, Lankford & Hiers, Inc.*

Alexander, Lankford & Hiers, Inc.  
Certified Public Accountants

September 29, 1995

PANOLA COLLEGE  
EXHIBIT A  
BALANCE SHEET  
August 31, 1995  
With Memorandum Totals at August 31, 1994

CURRENT FUNDS

ASSETS	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
Cash and Cash Equivalents (Sch A-1)	\$ 1,325,200	\$ 147,805	\$ 92,046	\$ 1,565,051
Short-Term Investments (Sch A-1)	1,000,000			1,000,000
Accounts Receivable (net of allowance for doubtful accounts of \$-0-)	185,598	169,700		355,298
Taxes Receivable (net of allowance for doubtful accounts of \$142,587) (Sch C-4)	61,109			61,109
Due From Other Funds		116,251	43,452	159,703
Prepaid Expenses	12,414	5,500		17,914
Federal Receivables			32,711	32,711
Due From Other Agencies	11,575			11,575
Inventories for Resale		97,649		97,649
Land				
Buildings				
Equipment				
Library Books				
Construction in Progress				
<b>Total Assets</b>	<b>\$ 2,595,896</b>	<b>\$ 536,905</b>	<b>\$ 168,209</b>	<b>\$ 3,301,010</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 71,836	\$ 29,808	\$ 3,020	\$ 104,664
Accrued Liabilities	33,875	19,578	711	54,164
Deposits Payable		18,925		18,925
Due To Other Funds	138,226		21,450	159,676
Deferred Revenues	579,882	294,230		874,112
Accrued Compensable Absences Payable	5,782	388		6,170
Due To Other Agencies			48,727	48,727
Bonds Payable (net of unamortized premium/ discount of \$-0- as of 8/31/95) (Sch D-1)				
Notes and Loans Payable				
Lease-Purchase Agreements Payable				
Funds Held in Custody for Others				
<b>Total Liabilities</b>	<b>829,601</b>	<b>362,929</b>	<b>73,908</b>	<b>1,266,438</b>
<b>Fund Balance:</b>				
<b>Unrestricted</b>				
<b>Reserved</b>				
Encumbrances	10,623	425		11,048
Accounts Receivable				
Inventory		97,649		97,649
Prepaid Expenses				
<b>Unreserved</b>				
Undesignated	1,755,672	75,902		1,831,574
<b>Restricted</b>				
Encumbrances			4,397	4,397
Other			89,904	89,904
Net Investment in Plant				
<b>Total Fund Balances (Exh. B)</b>	<b>1,766,295</b>	<b>173,976</b>	<b>94,301</b>	<b>2,034,572</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,595,896</b>	<b>\$ 536,905</b>	<b>\$ 168,209</b>	<b>\$ 3,301,010</b>

See accompanying Notes to the Financial Statements.

PLANT FUNDS					TOTALS MEMORANDUM ONLY		
Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Current Year	Prior Year	
\$ 723,074	\$ 624,889	\$ 517	\$	\$ 91,395	\$ 3,004,926	\$ 1,231,797	
34,025		19,000			1,053,025	2,607,588	
					355,298	447,857	
					61,109	21,193	
					159,703	96,600	
		6,000			23,914	7,000	
					32,711	155,736	
					11,575	18,227	
					97,649	108,170	
			425,744		425,744	425,744	
			8,904,872		8,904,872	8,203,197	
			2,172,401		2,172,401	1,943,652	
			451,884		451,884	406,973	
						78,184	
<u>\$ 757,099</u>	<u>\$ 624,889</u>	<u>\$ 25,517</u>	<u>\$ 11,954,901</u>	<u>\$ 91,395</u>	<u>\$ 16,754,811</u>	<u>\$ 15,751,918</u>	
\$	\$	\$	\$	\$	\$ 104,664	\$ 159,663	
					54,164	63,566	
				62,222	81,147	49,420	
				27	159,703	96,600	
					874,112	676,947	
					6,170	7,507	
					48,727	48,732	
			150,000		150,000	170,000	
						69,233	
			168,480		168,480	103,827	
				29,146	29,146	33,185	
			<u>318,480</u>	<u>91,395</u>	<u>1,676,313</u>	<u>1,478,680</u>	
					11,048		
						305,198	
					97,649	108,170	
						1,000	
					1,831,574	1,300,864	
					4,397		
757,099	624,889	25,517			1,497,409	1,843,316	
			11,636,421		11,636,421	10,714,690	
<u>757,099</u>	<u>624,889</u>	<u>25,517</u>	<u>11,636,421</u>		<u>15,078,498</u>	<u>14,273,238</u>	
<u>\$ 757,099</u>	<u>\$ 624,889</u>	<u>\$ 25,517</u>	<u>\$ 11,954,901</u>	<u>\$ 91,395</u>	<u>\$ 16,754,811</u>	<u>\$ 15,751,918</u>	

PANOLA COLLEGE  
EXHIBIT B  
STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended August 31, 1995  
With Memorandum Totals at August 31, 1994

	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
<b>REVENUES AND OTHER ADDITIONS</b>				
Unrestricted Current Funds Revenue (Exh. C) \$	6,545,904 \$	773,749 \$		\$ 7,319,653
State Appropriations – Restricted			508,146	508,146
Federal Grants and Contracts			1,498,416	1,498,416
State Grants and Contracts			4,677	4,677
Local Gifts, Grants, and Contracts				
Private Gifts, Grants and Contracts			3,140	3,140
Investment/Endowment Income			61,329	61,329
Net Change in Bonds Payable				
Net Change in Notes Payable				
Expended for Plant Facilities (Includes \$304,003 Charged to Current Funds Expenditures)				
Other Additions				
<b>Total Revenues and Other Additions</b>	<u>6,545,904</u>	<u>773,749</u>	<u>2,075,708</u>	<u>9,395,361</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>				
Expenditures (Exh. C)	5,741,177	872,264	2,214,183	8,827,624
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Disposal of Plant Facilities				
Other Deductions				
<b>Total Expenditures and Other Deductions</b>	<u>5,741,177</u>	<u>872,264</u>	<u>2,214,183</u>	<u>8,827,624</u>
<b>TRANSFERS – ADDITIONS / (DEDUCTIONS)</b>				
<b>Mandatory Transfers</b>				
Retirement of Indebtedness	(96,902)			(96,902)
TPEG	(12,768)		12,768	
SEOG Matching	(11,516)		11,516	
CWS Matching	(9,987)		9,987	
<b>Non–Mandatory Transfers</b>	<u>(450,000)</u>	<u>100,000</u>		<u>(350,000)</u>
<b>Total Transfers – Additions / (Deductions)</b>	<u>(581,173)</u>	<u>100,000</u>	<u>34,271</u>	<u>(446,902)</u>
<b>NET INCREASE/(DECREASE) FOR THE FISCAL YEAR</b>	<u>223,554</u>	<u>1,485</u>	<u>(104,204)</u>	<u>120,835</u>
<b>FUND BALANCES, September 1, 1994</b>	<u>1,542,741</u>	<u>172,491</u>	<u>198,505</u>	<u>1,913,737</u>
<b>FUND BALANCES, August 31, 1995 (Exh. A)</b>	<u>\$ 1,766,295 \$</u>	<u>173,976 \$</u>	<u>94,301 \$</u>	<u>2,034,572</u>

See accompanying Notes to the Financial Statements.

Endowment and Similar Funds	PLANT FUNDS			TOTALS MEMORANDUM ONLY	
	Unexpended	Retirement of Indebtedness	Investment in Plant	Current Year	Prior Year
\$	\$	\$	\$	\$ 7,319,653	\$ 7,007,768
				508,146	476,167
		26,064		1,524,480	1,228,262
				4,677	3,992
9,525				12,665	49,264
	35,755	776		97,860	92,674
			20,000	20,000	20,000
			4,579	4,579	86,957
			1,018,868	1,018,868	408,322
		5,901	91,478	97,379	
<u>9,525</u>	<u>35,755</u>	<u>32,741</u>	<u>1,134,925</u>	<u>10,608,307</u>	<u>9,373,406</u>
				8,827,624	8,041,639
	623,491			623,491	78,184
		116,058		116,058	106,957
		22,680		22,680	35,211
			121,716	121,716	
			91,478	91,478	681,112
	<u>623,491</u>	<u>138,738</u>	<u>213,194</u>	<u>9,803,047</u>	<u>8,943,103</u>
		96,902			
	350,000				
	<u>350,000</u>	<u>96,902</u>			
9,525	(237,736)	(9,095)	921,731	805,260	430,303
<u>747,574</u>	<u>862,625</u>	<u>34,612</u>	<u>10,714,690</u>	<u>14,273,238</u>	<u>13,842,935</u>
<u>\$ 757,099</u>	<u>\$ 624,889</u>	<u>\$ 25,517</u>	<u>\$ 11,636,421</u>	<u>\$ 15,078,498</u>	<u>\$ 14,273,238</u>

PANOLA COLLEGE  
EXHIBIT C  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
For the Year Ended August 31, 1995  
With Memorandum Totals for the Year Ended August 31, 1994

REVENUES	TOTALS				
	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
State Appropriations – General Revenue	\$ 2,774,402		\$ 508,146	\$ 3,282,548	\$ 3,387,370
Tuition and Fees	1,073,325	21,128		1,094,453	763,961
Taxes for Current Operation	2,491,307			2,491,307	2,393,599
Federal Grants and Contracts	11,686		1,498,416	1,510,102	1,240,995
State Grants and Contracts			4,677	4,677	3,992
Local Grants and Contracts	1,500			1,500	
Private Gifts, Grants and Contracts	5,000		36,680	41,680	
Investment/Endowment Income					
Sales & Service of Educational Activities	71,695			71,695	42,289
Sales & Services of Auxiliary Enterprises		746,851		746,851	792,176
Other Sources					
Interest Income	108,755	5,770	82,866	197,391	71,162
Royalty Income			49,127	49,127	
Misc. Income	8,234			8,234	33,080
<b>Total Current Funds Revenues</b>	<b>\$ 6,545,904</b>	<b>\$ 773,749</b>	<b>\$ 2,179,912</b>	<b>\$ 9,499,565</b>	<b>\$ 8,728,624</b>
	(Exh. B)	(Exh. B)			
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>					
<b>Educational and General</b>					
Instruction	\$ 3,219,729		\$ 345,228	\$ 3,564,957	\$ 2,941,595
Research					21,693
Academic Support	486,373		39,461	525,834	590,183
Student Services	448,089		221,152	669,241	645,705
Institutional Support	747,103		61,859	808,962	773,123
Operation and Maintenance of Plant	740,535		18,965	759,500	917,656
Scholarships and Fellowships	99,348		1,527,518	1,626,866	1,207,462
<b>Total Educational &amp; General Expenditures</b>	<b>5,741,177</b>		<b>2,214,183</b>	<b>7,955,360</b>	<b>7,097,417</b>
	(Exh. B)		(Exh. B)		
<b>Auxiliary Enterprise Expenditures</b>		872,264		872,264	944,222
		(Exh. B)			
<b>Mandatory Transfers for:</b>					
TPEG to Restricted & Loan Funds	(12,768)		12,768		
SEOG Matching to Restricted	(11,516)		11,516		
CWS Matching to Restricted	(9,987)		9,987		
Principal and interest	(96,902)			(96,902)	(99,000)
<b>Total expenditures and mandatory transfers</b>	<b>5,872,350</b>	<b>872,264</b>	<b>2,179,912</b>	<b>8,924,526</b>	<b>8,140,639</b>
<b>Other transfers and additions/(deductions):</b>					
Non-mandatory transfers	(450,000)	100,000		(350,000)	(200,000)
Excess (deficiency) of restricted receipts over transfer to revenues			(104,204)	(104,204)	85,127
<b>Net increase (decrease) in fund balances</b>	<b>\$ 223,554</b>	<b>\$ 1,485</b>	<b>\$(104,204)</b>	<b>\$ 120,835</b>	<b>\$ 473,112</b>

See accompanying Notes to the Financial Statements.



PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1995

A. ORGANIZATIONAL STRUCTURE AND REPORTING ENTITY

Reporting Entity

Panola College was established as a public junior college in 1947 as a result of an election held in Panola County, Texas. The College operates as a junior college district under the laws of the State of Texas. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14 and is governed by an elected seven-member Board of Trustees which has oversight responsibility and control over all District activities. While the College receives funding from local, state and federal sources, and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report 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 and Junior Colleges. These requirements are in conformity with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and the National Association of College and University Business Officers.

Basis of Accounting

The financial statements of Panola College have been prepared using the modified accrual basis of accounting as appropriate for governmental colleges and universities. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present results of operations or the net income or loss for the period as would a statement of income or a statement of revenue and expenses. Modifications to the accrual basis include the College not recording depreciation on physical plant and equipment.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Current Funds. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year end that were provided for in the subsequent year's budget are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the College, accounts are maintained in accordance with the principles of "fund accounting". Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements,

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1995

funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment and similar funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are similar to other endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowments are funds that the governing board has approved to be used as endowments.

All gains and losses arising from the sale, collection, or other dispositions of investments and other noncash assets are accounted for in the fund which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets, except for income derived from investment of endowment and similar funds. That income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

The different fund groups used at Panola College are as follows:

Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separate balanced fund groups:

Unrestricted Current Funds

Funds received by an institution that have no limitations or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of an institution, i.e. educational, research, extension and administration.

Auxiliary Enterprises

Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services and bookstores.

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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recorded as expenditures when consumed rather than when purchased.

Restricted

Funds available for current purposes, but with restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be spent.

Plant Funds

Plant funds are divided into four separate balanced fund groups as described below.

Unexpended

Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Retirement of Indebtedness

Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant

Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts. Depreciation on physical plant and equipment is not recorded.

Agency Funds

Funds held by the College as custodial or fiscal agent for students, faculty members and/or others.

C. BUDGETARY DATA

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for current operating funds for the fiscal year beginning September 1. The budget, which is prepared on the modified accrual basis of accounting, is adopted by the College's Board of Trustees. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, and Legislative Reference Library.

D. MEMORANDUM TOTALS

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues and Expenditures are shown with memorandum totals for the current and prior year. Inter-fund borrowing has not been eliminated, but has been off-set in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position in conformity with generally accepted

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1995

accounting principles. Neither is such data comparable to a consolidation.

E. DEPOSITS, SECURITIES AND INVESTMENTS

1. Authorized Investments

Panola College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act of 1987 (Art. 842a-2, Texas Revised Civil Statutes). 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.

2. Deposits and Investments

At August 31, 1995, the carrying amount of Panola College's deposits was \$1,133,557 and total bank balances equaled \$1,275,253.

Depository bank balances of \$1,102,679 were covered by \$200,000 in federal depository insurance and \$6,594,153 (book value) in pledged securities.

Deposits and investments in other financial institutions totaling \$172,574 were fully covered by federal depository insurance.

Deposits with the contracted depository bank were in interest bearing accounts which were secured throughout the year by FDIC coverage and by securities conforming to the provisions of House Bill 1488 pledged to the College and held by the First State Bank. Following are selected details about the deposits at the depository bank:

- a. Name of the Bank: First State Bank, Carthage, Texas.
- b. The amount of bond and/or the market value of securities pledged as of the date of the highest combined balance on deposit was \$7,159,774. The highest combined balances of cash, savings and time deposits accounts amounted to \$4,999,837 and occurred during the month of November, 1994.
- c. Total amount of FDIC coverage at the time of the highest combined balance in November was \$200,000.
- d. At year end, market value of securities pledged was \$6,594,153.

Cash and deposits as reported on Exhibit A, Balance Sheet, consist of the items reported below.

Cash and Deposits

Cash in Bank		
Demand Deposits	\$1,080,532	
Time Deposits	53,025	
Cash and Cash Equivalents		\$1,133,557
Petty Cash on Hand		1,340
Total Cash and Deposits		<u>\$1,134,897</u>

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The cash deposits held at financial institutions can be categorized according to three levels of risk. Those levels of risk give an indication of credit risk assumed by Panola College at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

Category 1: Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

Based on these definitions, the Colleges deposits are categorized as follows:

	<u>Category</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	1	\$ 296,123	\$ 291,574
Pledged Securities held in the names of the pledging financial institution	3	837,434	935,654
		<u>\$1,133,557</u>	<u>\$1,227,228</u>

Similar to cash deposits, the College's investments in repurchase agreements are also categorized as to credit risk. The following categories of credit risk are included:

Category 1: Investments that are insured, registered or held by the institution or its agent in the institution's name.

Category 2: Investments that are uninsured and unregistered held by the counter party's trust department or agent in the institution's name.

Category 3: Uninsured and unregistered investments held by the counter party by its trust department or its agent, but not in the institution's name.

Based on these three levels of risk, all of the College's investments are classified as Category 3.

In repurchase agreements, the College acts as a "buyer-lender" by transferring cash to the depository institution in exchange for federal obligations that the institution promises to repurchase for cash plus interest.

The College's investments in repurchase agreements at August 31, 1995, are shown below.

<u>Depository</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
First State Bank & Trust	\$2,923,054	\$2,923,054	3

PANOLA COLLEGE  
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The College did not invest in securities other than those shown above during the year, nor did any losses result from default on investment transactions.

3. Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products which may be a security or contract which derives its value from another security, currency, commodity or index, regardless of the source of funds used. Panola College did not invest in any derivative products during the year.

F. BONDS PAYABLE

Long-term debt includes: Student Fee Revenue Bonds dated December 1, 1970, payable in annual installments varying from \$10,000 to \$30,000, the final payment being due November, 2000, with interest varying from 7% to 7.20%. The balance at August 31, 1995, was \$150,000. The Student Fee Bonds require payment into a reserve fund of \$1,900 annually until the reserve reaches \$19,000. The payments are current and the balance is \$19,000. Advance payments of interest and principal on the Revenue and Student Fee Bonds are required to be made to an interest and sinking fund to cover the next payment due. Interest paid on the bonds amounted to \$11,520 during the current year. Accrued interest on bonds payable is not recorded in the financial statements. Accrued interest amounted to approximately \$2,625 at August 31.

Requirements for the next five years and to maturity including interest are as follows:

Year Ending August 31	Principal	Interest	Total
1996	\$ 20,000	\$ 10,080	\$ 30,080
1997	25,000	8,460	33,460
1998	25,000	6,660	31,660
1999	25,000	4,860	29,860
2000	25,000	3,060	28,060
2001	30,000	1,080	31,080
	<u>\$ 150,000</u>	<u>\$ 34,200</u>	<u>\$ 184,200</u>

G. NOTES PAYABLE

In 1990, the College purchased a building with land for \$350,000. A ten year note was negotiated for \$300,000. In August 1991, a new four year promissory note was executed for the remaining balance of \$240,000 with payments (principal and interest) to be made monthly starting in September, 1991. The interest rate on the note is 10%. Final payment on the note occurred in January, 1995. Interest paid during the fiscal year amounted to \$1,845.

H. LEASE PURCHASE AGREEMENTS PAYABLE

In March of 1993 the College entered into a five year non-cancellable lease agreement for a building in Marshall, Texas. The building was to be used as a facility for a vocational program offered by the College. Terms of the lease provide that the College pay \$3,000 per month to the owners through March, 1998. Total rents to be paid by the College amount to \$180,000 over the five year period.

PANOLA COLLEGE  
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Summarized below are annual lease requirements associated with the agreement. An imputed interest rate of 10 per cent is assumed in the lease. Interest paid on the obligation amounted to \$9,175 during the year.

Year Ending August 31	Interest	Principal	Total Requirement
1996	\$ 6,366	\$ 29,634	\$ 36,000
1997	3,263	32,737	36,000
1998	369	14,631	15,000
	<u>\$ 9,998</u>	<u>\$ 77,002</u>	<u>\$ 87,000</u>

In August of 1995, the College entered into a 5 year lease for the rental of twelve copy machines. Terms of the lease require that Panola College pay \$1,701 per month for sixty months beginning in September of 1995. Total rents to be paid amount to \$102,080.

Summarized below are annual lease requirements associated with the agreement. An imputed interest rate of 4.41% is assumed in the lease.

Year Ending August 31	Interest	Principal	Total Requirement
1996	\$ 3,699	\$ 16,717	\$ 20,416
1997	2,947	17,469	20,416
1998	2,161	18,255	20,416
1999	1,339	19,077	20,416
2000	456	19,960	20,416
	<u>\$10,602</u>	<u>\$ 91,478</u>	<u>\$102,080</u>

I. INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables are summarized as follows. All amounts are payable currently without interest.

FUND	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	NET
Unrestricted	\$	\$ (138,226)	\$ (138,226)
Auxiliary Enterprises	116,251		116,251
Restricted	43,452	( 21,450)	22,002
Agency		( 27)	( 27)
	<u>\$159,703</u>	<u>\$ (159,703)</u>	<u>\$ ---0---</u>

J. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Funds received, but not expended during the reporting period, are shown as additions to fund balance. Revenues are recognized as funds are actually expended. For direct federal contract and grant awards, funds expended, but not collected, are reported as federal receivables. Federal pass through awards and non-federal contract and grant awards for which funds are expended, but not collected, are reported as state and local contracts and grants receivable. 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.

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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K. PROPERTY TAXES

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code, but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent on June 30. A tax lien attaches to property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes receivable as reflected on the balance sheet are net of an allowance for doubtful accounts. The allowance is based upon historical experience in collecting property taxes. Additionally, the net receivable is offset by deferred revenues in the same amount as they are only available to fund expenditures for the next fiscal year.

L. LITIGATION

Panola College has been named as a co-defendant in a suit jointly with the U. S. Department of Education. The litigation is a civil rights suit for denial of a federal grant and attorney fees.

A motion for Summary Judgment has been granted to the Plaintiff, which entitles her to approximately two (2) years of federal grant money amounting to \$1,283 which the Department of Education has paid. The issue of attorney fees for the Plaintiff's attorney has not been determined on appeal. The Plaintiff's attorney filed a petition for attorney's fees in the sum of \$54,000. The Trial Court in February of 1995 found that the Plaintiff failed to prove a claim for attorney fees against the Department of Education or Panola College. The Attorney for the Plaintiff appealed the Court's decision in denying attorney fees to the Fifth Circuit Court of Appeals. Judgement on the appeal has not been rendered. The Department of Education has indicated it will not assume the cost of Plaintiff's attorney fees.

Panola College's position is to vigorously defend and contest the matter.

No accrual of the possible outcome is reflected in the financial statements.

The College had two instances of complaints filed with the Equal Employment Opportunity Commission that were closed during the current year. One instance involved alleged discrimination in violation of the Age Discrimination Act of 1967 as amended and retaliation in violation of Title VII of the Civil Rights Act of 1964, as amended. Another instance involved alleged termination of an employee in violation of the Americans with Disabilities Act (ADA).

Both of these complaints were dismissed by the EEOC with no findings of fault on behalf of Panola College.

M. CHANGES IN PROPERTY AND EQUIPMENT

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of creation of the detail asset records. Depreciation on physical plant and equipment is not recorded. Detail asset records were established in 1992. Historical cost was used as much as possible, all other items were valued at estimated current market value.

Investment in plant transactions for the year ended August 31, 1995, are summarized as follows:



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	<u>Balance</u> 9/01/94	<u>Adjustment/</u> <u>Additions</u>	<u>Retirement/</u> <u>Deletions</u>	<u>Balance</u> 8/31/95
Land and Improvements	\$ 425,744			\$ 425,744
Buildings and Improvements	8,203,197	\$ 701,675		8,904,872
Equipment (Including furniture, fixtures, and vehicles)	1,943,652	350,465	\$121,716	2,172,401
Construction in Progress	78,184		78,184	-0-
Library Holdings	406,973	44,911		451,884
	<u>\$11,057,750</u>	<u>\$1,097,051</u>	<u>\$199,900</u>	<u>\$11,954,901</u>

N. CONTINGENT LIABILITIES

The College participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 1995, may be impaired. The ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the financial statements.

O. EMPLOYEES' RETIREMENT PLAN

Plan Description:

The Teacher Retirement System of Texas is a multiple-employer public employee retirement system (PERS). It is a cost-sharing PERS with one exception: all risks and costs are not shared by the employer (unless the employer is a senior college, medical school, or a state agency in which case the employer is considered the State of Texas) but are the liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during that fiscal year.

For members of the retirement system entitled to the minimum salary for certain school personnel under Section 16.056, Education Code, the employing district shall pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum.

Types of Employees Covered:

All employees of public, state-supported educational institutions in Texas who are employed for 1/2 or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C Section 822.002 are covered under the plan.

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1995

Benefit Provisions:

The Teacher Retirement System of Texas administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C.

The system also administers proportional retirement benefits under Texas Government Code, Title 8, Chapter 803.

Service Retirement:

1. Normal -           age 65 with 5 years of service  
                           age 60 with 20 years of service  
                           age 55 with 30 years of service
2. Reduced-           age 55 with at least 5 years of service  
                           any age below 55 with 30 years of service

A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met.

FUNDING STATUS AND PROGRESS

Effective September 1, 1991, state law provided for a state contribution rate of 7.31% and a member contribution rate of 6.4%. These rates are set by state statutes.

The actuarially determined contribution requirements for the fiscal year were 6.4% for the employee and 7.31% for the state. In certain instances, the reporting district is required to make all or a portion of the State's 7.31% contribution. The contribution requirement for the fiscal year ended August 31, 1995, for Panola College was \$228,719 which consisted of \$121,950 from the State, and \$106,769 from the employee.

Pension benefit obligation, net assets available, unfunded pension benefit obligation and annual covered payroll for the Teacher Retirement System of Texas as of August 31, 1987 to 1994, were as follows (in millions):

Fiscal Year	Pension Benefit Obligation	Net Assets Available for Benefits	Unfunded Pension Benefit Obligation	Annual Covered Payroll
1987	\$20.1	\$15.5	\$4.6	\$ 8.6
1988	\$21.8	\$17.5	\$4.3	\$ 9.2
1989	\$24.6	\$19.7	\$4.9	\$ 9.8
1990	\$27.1	\$21.8	\$5.3	\$10.4
1991	\$29.8	\$24.0	\$5.8	\$11.2
1992	\$32.0	\$26.1	\$5.9	\$12.0
1993	\$35.7	\$28.9	\$6.7	\$13.4
1994	\$36.1	\$33.3	\$2.8	\$14.2
1995	information will be available March 1, 1996.			

The State has also established an Optional Retirement Program for institutions of higher education. 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 or mutual funds. The percentages

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1995

of participant salaries currently contributed by the state and each participant are 7.31% and 6.65% respectively. Since these are individual investments, the State has no additional or unfunded liability for this program. Currently, the District contributes an additional 1.19% of each participant's salary to the Optional Retirement Program as allowed under provisions of state law.

The retirement expense to the State of Texas for the District was \$143,542 for the Optional Retirement Plan for the fiscal year ended August 31, 1995. Participants contributed \$130,582 for the Optional Retirement Programs. The District contributed \$37,309 to the Optional Retirement Program to cover the 1.19% referenced above.

P. DEFERRED COMPENSATION PROGRAM

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Senate Bill No. 872 of the 63rd Legislature. As of August 31, 1995, the College had seventeen employees participating in the tax sheltered annuity program. A total of \$86,045 in payroll deductions had been invested in approved plans during the fiscal year.

Q. COMPENSATED ABSENCES

On retirement, termination, or death of full time employees, the College pays for up to ten days vacation leave. The College recognized the accrued liability for the unpaid annual leave in the Current Unrestricted Fund. Sick leave is not paid to an employee upon death, termination, or retirement; therefore, there is no liability shown in the financial statements.

R. HEALTH CARE COVERAGE

During the year ended August 31, 1995, employees of Panola College were covered by a health insurance plan (the Plan). The Plan is funded by the State. The State paid premiums of \$196 per month per employee to the Plan and the employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51.2, Texas Insurance Code.

The State's total contribution for the year amounted to \$248,104 and covered an average of 106 employees per month.

S. POST-RETIREMENT HEALTH BENEFITS

Panola College presently reimburses 35 retired employees \$17.06 per month representing cost of continuation of dental insurance. This is the same amount as provided to active employees.

The College has seven retired employees who formerly worked in auxiliary departments of the College. The College continues to fund these retirees' health insurance coverage. The monthly premium for the fiscal year ending August 31, 1995, was \$196 per retiree.

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. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The cost to the State of providing those benefits for

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1995

35 retirees was \$80,482.

T. OPERATING LEASES

Included in current expenditures is \$29,198 of rent paid or due under operating leases.

U. RELATED PARTIES

Panola College Development Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The Foundation accepts donations and acts as coordinator of gifts made by other parties. During the fiscal year no transactions occurred between the Foundation and the College.

V. FUNDS HELD IN TRUST BY OTHERS

The balances or transaction of funds held in trust by others on behalf of Panola College are not reflected in the financial statements. At August 31, 1995, there were five such funds for the benefit of the College. The Lawrence R. and Debbie H. Sharp Endowment Scholarship Fund, the Q. M. Martin Trust No. 2, the Reeves Scholarship Fund, the Daniel Scholarship Fund, and the Jacke Daniel Davis Memorial Scholarship Fund are held in trust by First State Bank and Trust of Carthage, Texas. Funds held in trust on these amounted to approximately \$268,178 at the end of the fiscal year.

W. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the College. Settled claims did not exceed this commercial coverage during the current fiscal year.

X. DEFERRED REVENUES

Revenues, primarily consisting of tuition, fees, and housing charges, related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year.

Y. OTHER DISCLOSURES

Panola College had no transactions related to advance refunding bonds or defeased bonds outstanding during the period.

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 Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the year ended August 31, 1995.

*SUPPLEMENTARY DATA*

PANOLA COLLEGE  
 SCHEDULE A-1  
 SCHEDULE OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS  
 August 31, 1995

	CURRENT FUNDS				PLANT FUNDS			TOTAL
	Unrestricted	Auxiliary Enterprises	Restricted	Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	Agency Funds	
Cash on Hand	\$ 1,040	\$ 300	\$	\$	\$	\$	\$	\$ 1,340
Petty Cash								
Cash in Transit	1,040	300						1,340
Subtotal								
Cash in Bank								
Demand Account	724,160	147,505	92,046	20	24,889	517	91,395	1,080,532
Cash Equivalents								
Certificates of Deposit	600,000			723,054	600,000			1,923,054
Repurchase Agreements	600,000			723,054	600,000			1,923,054
Subtotal								
Total Cash and Cash Equivalents (Exhibit A)	1,325,200	147,805	92,046	723,074	624,889	517	91,395	3,004,928
Short-Term Investments								
Certificates of Deposit	1,000,000			34,025		19,000		53,025
Repurchase Agreements								1,000,000
Total Short-Term Investments (Exhibit A)	1,000,000			34,025		19,000		1,053,025
Total Cash, Cash Equivalents and Short-Term Investments	\$ 2,325,200	\$ 147,805	\$ 92,046	\$ 757,099	\$ 624,889	\$ 19,517	\$ 91,395	\$ 4,057,951

	Cash in Banks	Cash Equivalents	Short-Term Investments
Balance in Depositories as follows:			
First State Bank	\$ 937,494	\$ 1,923,054	\$ 1,019,000
Bank One--Marshall	5,105		
First National Bank	9,871		20,000
Farmers State Bank	29,522		14,025
Shelby County Savings	98,600		
Total Balance in Depositories	\$ 1,080,532	\$ 1,923,054	\$ 1,053,025

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 SCHEDULE C-1  
 SCHEDULE OF CURRENT FUNDS REVENUES  
 For the Year Ended August 31, 1995

	Unrestricted	Auxiliary Enterprises	Restricted	Total
<b>State Appropriations:</b>				
Education and General State Support	\$ 2,763,649			\$ 2,763,649
Non-Course-Based Remedial Education	10,753			10,753
State Group Insurance			248,104	248,104
State Retirement Matching			260,042	260,042
<b>Total State Appropriations</b>	<b>2,774,402</b>		<b>508,146</b>	<b>3,282,548</b>
<b>Tuition and Fees</b>				
Tuition	587,774			587,774
General Fees	391,810			391,810
Student Service Fee		21,128		21,128
Laboratory Fee	61,842			61,842
<b>Remissions and Exemptions</b>				
Blind, Deaf Students	457			457
Concurrent Registration	1,920			1,920
Highest Ranking High School Graduates	486			486
Statutory Waiver of Non-Resident Status	26,810			26,810
Veteran, Dependents, Etc.	2,226			2,226
<b>Total Tuition and Fees</b>	<b>1,073,325</b>	<b>21,128</b>		<b>1,094,453</b>
<b>Taxes for Current Operations</b>	<b>2,491,307</b>			<b>2,491,307</b>
<b>Federal Grants and Contracts</b>				
Programs			1,498,416	1,498,416
Recovery of Indirect Costs	11,686			11,686
<b>Total Federal Grants and Contracts</b>	<b>11,686</b>		<b>1,498,416</b>	<b>1,510,102</b>
<b>State Grants and Contracts</b>				
Programs			4,677	4,677
<b>Total State Grants and Contracts</b>			<b>4,677</b>	<b>4,677</b>
<b>Local Grants and Contracts</b>				
Recovery of Indirect Costs	1,500			1,500
<b>Total Local Grants and Contracts</b>	<b>1,500</b>			<b>1,500</b>
<b>Private, Gifts, Grants, and Contracts</b>				
Programs	5,000		36,680	41,680
<b>Total Private Gifts, Grants, and Contracts</b>	<b>5,000</b>		<b>36,680</b>	<b>41,680</b>
<b>Sales &amp; Services of Educational Activities</b>	<b>71,695</b>			<b>71,695</b>
<b>Sales &amp; Services of Auxiliary Activities</b>		<b>746,851</b>		<b>746,851</b>
<b>Other Sources</b>				
Interest Income	108,755	5,770	82,866	197,391
Royalty Income			49,127	49,127
Other Misc. Income	8,234			8,234
<b>Total Other Sources</b>	<b>116,989</b>	<b>5,770</b>	<b>131,993</b>	<b>254,752</b>
<b>Total Current Funds Revenues (Exh. C)</b>	<b>\$ 6,545,904</b>	<b>\$ 773,749</b>	<b>\$ 2,179,912</b>	<b>\$ 9,499,565</b>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 SCHEDULE C-2  
 SCHEDULE OF CURRENT FUNDS EXPENDITURES BY OBJECT  
 For the Year Ended August 31, 1995

	<u>SALARIES AND WAGES</u>	<u>OTHER EXPENSES</u>	<u>CAPITAL OUTLAY</u>	<u>TOTAL</u>
<b>Unrestricted – Educational and General</b>				
Instruction	\$ 2,740,456	\$ 332,680	\$ 146,593	\$ 3,219,729
Academic Support	312,415	53,614	120,344	486,373
Student Services	365,887	70,019	12,183	448,089
Institutional Support	459,561	282,109	5,433	747,103
Operation and Maintenance of Plant	150,504	576,129	13,902	740,535
Scholarships and Fellowships		99,348		99,348
<b>Total Unrestricted</b>	<u>4,028,823</u>	<u>1,413,899</u>	<u>298,455</u>	<u>5,741,177</u>
				(Exh. C)
<b>Restricted – Education and General</b>				
Instruction	345,228			345,228
Academic Support	39,461			39,461
Student Services	152,851	66,317	1,984	221,152
Institutional Support	57,931	3,928		61,859
Operation and Maintenance of Plant	18,965			18,965
Scholarships and Fellowships		1,527,518		1,527,518
<b>Total Restricted</b>	<u>614,436</u>	<u>1,597,763</u>	<u>1,984</u>	<u>2,214,183</u>
				(Exh. C)
<b>Total Educational and General</b>	<u>4,643,259</u>	<u>3,011,662</u>	<u>300,439</u>	<u>7,955,360</u>
<b>Auxiliary Enterprises</b>	<u>154,635</u>	<u>714,065</u>	<u>3,564</u>	<u>872,264</u>
				(Exh. C)
<b>Total Current Fund Expenditures</b>	<u>\$ 4,797,894</u>	<u>\$ 3,725,727</u>	<u>\$ 304,003</u>	<u>\$ 8,827,624</u>

See Independent Auditor's Report on Additional Information.



PANOLA COLLEGE  
SCHEDULE C-3  
SCHEDULE OF UNRESTRICTED CURRENT FUNDS  
EDUCATIONAL AND GENERAL EXPENDITURES  
SUMMARIZED BY ELEMENTS OF INSTITUTIONAL COSTS  
For the Year Ended August 31, 1995

Instruction	
Academic Programs	
Faculty Salaries	\$ 1,369,821
Departmental Operating Expenses	208,495
Total Academic Programs	<u>1,578,316</u>
Vocational Technical Programs	
Faculty Salaries	970,908
Departmental Operating Expenses	257,722
Total Vocational Technical Programs	<u>1,228,630</u>
Total Instruction	<u>2,806,946</u>
Academic Support	
Library	250,032
Instructional Administration	204,225
Total Academic Support	<u>454,257</u>
Student Services	<u>425,843</u>
Institutional Support	
General Administration	656,827
General Institutional Expense	192,723
Campus Security	35,356
Total Institutional Support	<u>884,906</u>
Operation and Maintenance of Plant	
Plant Support Services	173,302
Building Maintenance	134,892
Custodial Services	119,824
Grounds Maintenance	48,537
Utilities	193,332
Total Operation and Maintenance of Plant	<u>669,887</u>
Staff Benefits	
Group Insurance Premiums	49,629
O. A. S. I.	273,576
Worker's Compensation Insurance	58,868
Other	31,493
Total Staff Benefits	<u>413,566</u>
Major Repairs and Rehabilitation of Facilities and Buildings	<u>55,210</u>
Total Expenditures by Elements of Institutional Costs	<u>\$ 5,710,615</u>
	[a]
[a] Reconciliation	
Total Expenditures by Function (Exh. C)	<u>\$ 5,741,177</u>
Plus: Decrease in Accrued Compensable Absences	1,337
Less: Remissions and Exemptions	(31,899)
Total Expenditures by Elements of Institutional Costs	<u>\$ 5,710,615</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 SCHEDULE C-4  
 SCHEDULE OF CHANGES IN TAXES RECEIVABLE  
 For the Year Ended August 31, 1995

Assessed valuation of District	\$	<u>1,829,226,161</u>
		<u>Current Operations</u>
Tax rate authorized per \$100 valuation	\$	<u>0.13975</u>
Tax rate assessed per \$100 valuation	\$	<u>0.13975</u>
Taxes Receivable, August 31, 1994	\$	<u>21,193</u>
Taxes Assessed		2,556,344
Penalty & Interest Assessed		<u>43,136</u>
Subtotal Assessment		<u>2,599,480</u>
Taxes collected		
Current		2,404,135
Delinquent		59,530
Penalties and interest		<u>27,642</u>
Subtotal Collections		<u>2,491,307</u>
Adjustments		
Fees for Assessment and Collecting		41,457
Discounts Allowed		66,716
Allowance for Doubtful Accounts		<u>(39,916)</u>
Subtotal Adjustments		<u>68,257</u>
Taxes Receivable, August 31, 1995	\$	<u>61,109</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 SCHEDULE D-1  
 BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS  
 For the Year Ended August 31, 1995

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 09/01/94	Bonds Issued After 09/01/94	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 08/31/95	Maturities		First Call Date
								First Year	Last Year	
Student Fee Revenue Bond 1970C	\$ 495,000	7.00-7.20 %	\$ 170,000	\$	\$ 20,000	\$	\$ 150,000	1970	2,000	N/A
Total	\$ 495,000		\$ 170,000	\$	\$ 20,000	\$	\$ 150,000			

Summary of Debt Service Requirements to Maturity

Description	Year Ending August 31,			Total Requirements
	1996	1997	1998	
Student Fee Revenue Bond 1970C	\$ 20,000	\$ 25,000	\$ 25,000	\$ 70,000
Total	\$ 20,000	\$ 25,000	\$ 25,000	\$ 70,000

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 SCHEDULE D-2  
 SCHEDULE OF PLEDGED REVENUES AND FUND BALANCES  
 FOR REVENUE BONDS OUTSTANDING  
 For the Year Ended August 31, 1995

Description	PLEDGED REVENUES AND RELATED EXPENDITURES							(a+b-c-d) Net Available for Debt Service
	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	(e) Total Pledged Revenues	(b) Other Revenue Sources	(c) Operating Expense	(d) Capital Outlay	
Student Fee Revenue Bonds 1970	\$	\$	\$	\$	\$	\$	\$	\$
Totals	\$	\$	\$	\$	\$	\$	\$	\$

Description	RESTRICTED ACCOUNT BALANCES			
	Debt Service Principal	Debt Service Interest	Interest and Sinking Fund	Bond Reserve Fund
	Minimum Required	Actual Balance	Minimum Required	Actual Balance
Student Fee Revenue Bonds 1970	\$	\$	\$	\$
Totals	\$	\$	\$	\$

See Independent Auditor's Report on Additional Information.

*INDIVIDUAL FUND STATEMENTS*

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***CURRENT FUNDS*** - funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into specific balanced fund groups as follows:

***UNRESTRICTED*** - funds received by the College that have no limitation or stipulation placed on them by external agencies or donors. These funds are used for carrying out the primary purpose of the College, i.e. education, extension, and administration.

***AUXILIARY ENTERPRISES*** - funds for activities that serve students, faculty, or staff for which charges are directly related to, although not necessarily equal to, the cost of the service. Examples are food services and bookstores.

***RESTRICTED*** - funds available for current purposes, but with the restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

PANOLA COLLEGE  
UNRESTRICTED  
BALANCE SHEET  
AUGUST 31, 1995  
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1994

ASSETS	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
Cash and cash equivalents	\$ 1,325,200	\$ 747,322
Short-term investments	1,000,000	1,000,000
Accounts receivable	185,598	241,877
Taxes receivable (net of allowance for doubtful accounts)	61,109	21,193
Due from other funds		93,142
Due from other agencies	11,575	18,227
Prepaid expenses	12,414	
Total Assets	<u>\$ 2,595,896</u>	<u>\$ 2,121,761</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
<b>Liabilities:</b>		
Accounts payable	\$ 71,836	\$ 60,906
Accrued liabilities	33,875	47,389
Due to other funds	138,226	
Deferred revenues	579,882	463,218
Accrued compensable absences payable	5,782	7,507
Total Liabilities	<u>829,601</u>	<u>579,020</u>
 <b>Fund Balance:</b>		
Reserved		
Encumbrances	10,623	
Accounts receivable		241,877
Unreserved		
Undesignated	<u>1,755,672</u>	<u>1,300,864</u>
Total Fund Balance	<u>1,766,295</u>	<u>1,542,741</u>
Total Liabilities and Fund Balance	<u>\$ 2,595,896</u>	<u>\$ 2,121,761</u>

See Independent Auditor's Report on Additional Information.



PANOLA COLLEGE  
UNRESTRICTED  
STATEMENT OF CURRENT FUNDS REVENUES,  
EXPENDITURES AND OTHER CHANGES  
FOR THE YEAR ENDED AUGUST 31, 1995  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1994

	1995	(Memo Only) 1994
<b>REVENUES</b>		
State Appropriations	\$ 2,774,402	\$ 2,911,203
Federal grants and contracts	11,686	12,733
Local Funds:		
Tuition and fees	1,073,325	763,961
Taxes	2,491,307	2,393,599
Sales and services	71,695	42,289
Interest income	108,755	53,295
Other local revenues	14,734	33,080
Total Revenues	<u>6,545,904</u>	<u>6,210,160</u>
<b>EXPENDITURES</b>		
Educational and general		
Instruction	3,219,729	2,650,697
Research		19,514
Academic support	486,373	543,926
Student services	448,089	415,657
Institutional support	747,103	721,469
Operation and maintenance of plant	740,535	866,138
Scholarships and awards	99,348	159,160
Total Expenditures	<u>5,741,177</u>	<u>5,376,561</u>
Excess of Revenues over Expenditures	<u>804,727</u>	<u>833,599</u>
<b>TRANSFERS—ADDITIONS / (DEDUCTIONS)</b>		
Mandatory transfers	(131,173)	(99,000)
Non—mandatory transfers	(450,000)	(355,799)
Total Transfers—Additions /(Deductions)	<u>(581,173)</u>	<u>(454,799)</u>
Net Increase in Fund Balance	223,554	378,800
Fund Balance, beginning of year	<u>1,542,741</u>	<u>1,163,941</u>
Fund Balance, end of year	<u>\$ 1,766,295</u>	<u>\$ 1,542,741</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
AUXILIARY  
BALANCE SHEET  
AUGUST 31, 1995  
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1994

ASSETS	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
Cash and cash equivalents	\$ 147,805	\$ 150,247
Accounts receivable	169,700	205,980
Inventory, at cost	97,649	108,170
Due from other funds	116,251	
Prepaid expenses	<u>5,500</u>	<u>1,000</u>
Total Assets	\$ <u><u>536,905</u></u>	\$ <u><u>465,397</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
<b>Liabilities:</b>		
Accounts payable	\$ 29,808	\$ 58,835
Accrued liabilities	19,578	3,190
Deposits payable	18,925	12,975
Due to other funds		4,177
Deferred revenues	294,230	213,729
Accrued compensable absences payable	<u>388</u>	
Total Liabilities	<u><u>362,929</u></u>	<u><u>292,906</u></u>
<b>Fund Balance:</b>		
<b>Reserved</b>		
Encumbrances	425	
Accounts receivable		63,321
Inventory	97,649	108,170
Prepaid expenses		1,000
<b>Unreserved</b>		
Undesignated	<u>75,902</u>	
Total Fund Balance	<u><u>173,976</u></u>	<u><u>172,491</u></u>
Total Liabilities and Fund Balance	\$ <u><u>536,905</u></u>	\$ <u><u>465,397</u></u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
AUXILIARY  
STATEMENT OF CURRENT FUNDS REVENUES,  
EXPENDITURES AND OTHER CHANGES  
FOR THE YEAR ENDED AUGUST 31, 1995  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1994

	1995	(Memo Only) 1994
<b>REVENUES</b>		
Bookstore	\$ 464,053	\$ 449,714
Food service and vending	217,914	217,448
Student housing	56,291	68,724
Student service fees	21,128	51,529
Other local revenues	14,363	10,193
Total Revenues	<u>773,749</u>	<u>797,608</u>
 <b>EXPENDITURES</b>		
Bookstore	395,040	368,791
Food service and vending	201,059	249,414
Student housing	18,564	17,871
Athletics	247,388	292,755
Staff benefits	10,213	11,146
Other		4,245
Total Expenditures	<u>872,264</u>	<u>944,222</u>
 Excess (Deficiency) of Revenues over Expenditures	<u>(98,515)</u>	<u>(146,614)</u>
 <b>TRANSFERS—ADDITIONS / (DEDUCTIONS)</b>		
Non—mandatory transfers	100,000	155,799
Total Transfers—Additions /(Deductions)	<u>100,000</u>	<u>155,799</u>
 Net Increase in Fund Balance	1,485	9,185
 Fund Balance, beginning of year	<u>172,491</u>	<u>163,306</u>
 Fund Balance, end of year	<u>\$ 173,976</u>	<u>\$ 172,491</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RESTRICTED  
 BALANCE SHEET  
 AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1994

	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 92,046	\$ 185,209
Federal receivables	32,711	155,736
Due from other funds	<u>43,452</u>	
<b>Total Assets</b>	<b>\$ <u>168,209</u></b>	<b>\$ <u>340,945</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 3,020	\$ 5,702
Accrued liabilities	711	
Due to other funds	21,450	88,006
Due to other agencies	<u>48,727</u>	<u>48,732</u>
<b>Total Liabilities</b>	<b><u>73,908</u></b>	<b><u>142,440</u></b>
<b>Fund Balance—Restricted</b>	<b><u>94,301</u></b>	<b><u>198,505</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>168,209</u></b>	<b>\$ <u>340,945</u></b>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RESTRICTED  
 STATEMENT OF CURRENT FUNDS REVENUES,  
 EXPENDITURES AND OTHER CHANGES  
 FOR THE YEAR ENDED AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1994

	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
<b>REVENUES</b>		
State appropriations	\$ 508,146	\$ 476,167
Federal grants and contracts	1,498,416	1,228,262
State grants and contracts	4,677	3,992
Private gifts	36,680	
Interest and investment income	131,993	12,435
<b>Total Revenues</b>	<u>2,179,912</u>	<u>1,720,856</u>
<b>EXPENDITURES</b>		
Educational and general		
Instruction	345,228	290,898
Research		2,179
Academic support	39,461	46,257
Student services	221,152	230,048
Institutional support	61,859	51,654
Operation and maintenance of plant	18,965	51,518
Scholarships and awards	1,527,518	1,048,302
<b>Total Expenditures</b>	<u>2,214,183</u>	<u>1,720,856</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(34,271)</u>	<u>                    </u>
<b>TRANSFERS—ADDITIONS / (DEDUCTIONS)</b>		
Mandatory transfers	34,271	
Excess (Deficiency) of restricted receipts over transfers to revenues	<u>(104,204)</u>	<u>85,127</u>
<b>Total Transfers—Additions /(Deductions)</b>	<u>(69,933)</u>	<u>85,127</u>
<b>Net Increase (Decrease) in Fund Balance</b>	(104,204)	85,127
<b>Fund Balance, beginning of year</b>	<u>198,505</u>	<u>113,378</u>
<b>Fund Balance, end of year</b>	<u>\$ 94,301</u>	<u>\$ 198,505</u>

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**ENDOWMENT AND SIMILAR FUNDS-**  
*funds subject to restrictions of endowment  
and trust instruments requiring that  
principal be maintained and that only the  
income be spent.*

PANOLA COLLEGE  
 ENDOWMENT AND SIMILAR FUNDS  
 BALANCE SHEET  
 AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1994

	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 723,074	\$ 13,403
Short-term investments	34,025	738,588
Due from other funds		
Accrued interest receivable		
Total Assets	<u>\$ 757,099</u>	<u>\$ 751,991</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Due to other funds	\$	<u>\$ 4,417</u>
Total Liabilities		<u>4,417</u>
Fund Balance—Restricted for Endowments	<u>757,099</u>	<u>747,574</u>
Total Liabilities and Fund Balance	<u>\$ 757,099</u>	<u>\$ 751,991</u>

See Independent Auditor's Report on Additional Information.



PANOLA COLLEGE  
 ENDOWMENT AND SIMILAR FUNDS  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1994

	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
<b>REVENUES AND OTHER ADDITIONS</b>		
Private gifts	\$ <u>9,525</u>	\$ <u>13,065</u>
Total Revenues	<u>9,525</u>	<u>13,065</u>
 Net Increase in Fund Balance	 9,525	 13,065
 Fund Balance, beginning of year	 <u>747,574</u>	 <u>734,509</u>
 Fund Balance, end of year	 <u>\$ <u>757,099</u></u>	 <u>\$ <u>747,574</u></u>

See Independent Auditor's Report on Additional Information.

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**PLANT FUNDS** - plant funds are divided into these separate balanced fund groups:

**UNEXPENDED** - funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

**RETIREMENT OF INDEBTEDNESS** - funds accumulated to meet debt service charges and the retirement of indebtedness.

**INVESTMENT IN PLANT** - funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation. Depreciation is not recorded.

PANOLA COLLEGE  
 UNEXPENDED  
 BALANCE SHEET  
 AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1994

	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 624,889	\$ 59,832
Short-term investments		850,000
<b>Total Assets</b>	<b>\$ <u>624,889</u></b>	<b>\$ <u>909,832</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts payable	\$	\$ 47,207
<b>Total Liabilities</b>		<u>47,207</u>
<b>Fund Balance-- Restricted for Plant Improvements</b>	<u>624,889</u>	<u>862,625</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>624,889</u></b>	<b>\$ <u>909,832</u></b>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 UNEXPENDED  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1994

	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
<b>REVENUES AND OTHER ADDITIONS</b>		
Private gifts	\$	\$ 6,500
Interest income	35,755	24,619
Total Revenues	<u>35,755</u>	<u>31,119</u>
 <b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Expended for plant facilities	<u>623,491</u>	<u>78,184</u>
Excess (deficiency) of Revenues and Other Additions over Expenditures and Other Deductions	(587,736)	(47,065)
 <b>TRANSFERS—ADDITIONS/ (DEDUCTIONS)</b>		
Non—mandatory transfers	<u>350,000</u>	<u>200,000</u>
Net Increase in Fund Balance	(237,736)	152,935
Fund Balance, beginning of year	<u>862,625</u>	<u>709,690</u>
Fund Balance, end of year	<u>\$ 624,889</u>	<u>\$ 862,625</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RETIREMENT OF INDEBTEDNESS  
 BALANCE SHEET  
 AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1994

	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 517	\$ 6,156
Short-term investments	19,000	19,000
Due from other funds		3,456
Prepaid expenses	<u>6,000</u>	<u>6,000</u>
<b>Total Assets</b>	<b>\$ <u>25,517</u></b>	<b>\$ <u>34,612</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>	<b>\$</b>	<b>\$</b>
Fund Balance--Restricted for Debt Retirement	<u>25,517</u>	<u>34,612</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>25,517</u></b>	<b>\$ <u>34,612</u></b>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RETIREMENT OF INDEBTEDNESS  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED AUGUST 31, 1995  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1994

	1995	(Memo Only) 1994
<b>REVENUES AND OTHER ADDITIONS</b>		
Interest income	\$ 776	\$ 192
Federal interest subsidy	26,064	
Other income	5,901	
Total Revenues and Other Additions	<u>32,741</u>	<u>192</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Retirement of indebtedness:		
Principal	116,058	106,957
Interest and fees	22,680	35,211
Total Expenditures and Other Deductions	<u>138,738</u>	<u>142,168</u>
Excess (deficiency) of revenues and other additions over expenditures and other deductions	(105,997)	(141,976)
<b>TRANSFERS—ADDITIONS/ (DEDUCTIONS)</b>		
Non—mandatory transfers	<u>96,902</u>	<u>99,000</u>
Net Increase (Decrease) in Fund Balance	(9,095)	(42,976)
Fund Balance, beginning of year	<u>34,612</u>	<u>77,588</u>
Fund Balance, end of year	<u>\$ 25,517</u>	<u>\$ 34,612</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
INVESTMENT IN PLANT  
BALANCE SHEET  
AUGUST 31, 1995  
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1994

ASSETS	<u>1995</u>	<u>(Memo Only)</u> <u>1994</u>
Land	\$ 425,744	\$ 425,744
Buildings	8,904,872	8,203,197
Equipment, fixtures and vehicles	2,172,401	1,943,652
Library books	451,884	406,973
Construction in progress		78,184
Total Assets	<u>\$ 11,954,901</u>	<u>\$ 11,057,750</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
Liabilities:		
Bonds payable	\$ 150,000	\$ 170,000
Note payable		69,233
Lease purchase agreement payable	<u>168,480</u>	<u>103,827</u>
Total Liabilities	<u>318,480</u>	<u>343,060</u>
Fund Balance—Net investment in plant	<u>11,636,421</u>	<u>10,714,690</u>
Total Liabilities and Fund Balance	<u>\$ 11,954,901</u>	<u>\$ 11,057,750</u>

See Independent Auditor's Report on Additional Information.



PANOLA COLLEGE  
INVESTMENT IN PLANT  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED AUGUST 31, 1995  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1994

	1995	(Memo Only) 1994
<b>REVENUES AND OTHER ADDITIONS</b>		
Retirement of indebtedness	\$ 116,057	\$ 106,957
Expended for plant facilities	1,018,868	408,322
Total Revenues and Other Additions	<u>1,134,925</u>	<u>515,279</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Capital lease obligation	91,478	
Disposal of equipment and fixtures	89,700	61,904
Retirement of equipment and fixtures	32,016	619,208
Total Expenditures and Other Deductions	<u>213,194</u>	<u>681,112</u>
 Net Increase (Decrease) in Fund Balance	 921,731	 (165,833)
Fund Balance, beginning of year	<u>10,714,690</u>	<u>10,880,523</u>
Fund Balance, end of year	<u>\$ 11,636,421</u>	<u>\$ 10,714,690</u>

See Independent Auditor's Report on Additional Information.

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*AGENCY FUNDS - The College acts in a custodial capacity for individuals, firms, and student organizations. In its custodial capacity, agency funds have been created.*

PANOLA COLLEGE  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN  
 ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED AUGUST 31, 1995

	<u>BALANCE</u> <u>09-01-94</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>09-01-95</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 69,628	\$ 132,711	\$ 110,944	\$ 91,395
Due from other funds	<u>2</u>	<u>25,080</u>	<u>25,082</u>	<u>          </u>
<b>Total Assets</b>	<b>\$ <u>69,630</u></b>	<b>\$ <u>157,791</u></b>	<b>\$ <u>136,026</u></b>	<b>\$ <u>91,395</u></b>
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Deposits payable	\$ 36,445	\$ 82,527	\$ 56,750	\$ 62,222
Funds held in trust	33,185	50,157	54,196	29,146
Due to other funds	<u>          </u>	<u>25,107</u>	<u>25,080</u>	<u>27</u>
<b>Total Liabilities</b>	<b>\$ <u>69,630</u></b>	<b>\$ <u>157,791</u></b>	<b>\$ <u>136,026</u></b>	<b>\$ <u>91,395</u></b>

See Independent Auditor's Report on Additional Information.

***STATISTICAL***

***SECTION (UNAUDITED)***

PANOLA COLLEGE  
EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal Year</u>	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>
1985-86	\$ 1,853,571	\$	\$ 15,929	\$ 99,585	\$ 209,737
1986-87	1,681,603		18,659	98,794	190,856
1987-88	1,869,838		57,406	108,000	270,545
1988-89	2,117,310		58,051	91,645	289,590
1989-90	2,277,030		102,365	111,586	348,672
1990-91	2,210,633			310,931	349,859
1991-92	2,151,782			305,032	374,144
1992-93	2,374,664	21,779		633,523	477,051
1993-94	2,650,697	19,514		543,926	415,657
1994-95	3,219,729			486,373	448,089

- (1) Includes Current Unrestricted Fund, Auxiliary Enterprises Fund, and Retirement of Indebtedness Plant Fund.
- (2) Scholarships for fiscal years 1985 through 1992 were reflected in Restricted Funds.
- (3) Includes bonded debt, notes payable and capital lease obligations.

Table 1

<u>Institutional Support</u>	<u>Operation &amp; Maintenance of Plant</u>	<u>Scholarships and Fellowships (2)</u>	<u>Auxiliary Enterprises</u>	<u>Debt Service (3)</u>	<u>Totals</u>
\$ 725,813	\$ 601,132	\$	\$ 495,844	\$ 60,717	\$ 4,062,328
820,442	533,979		402,838	60,152	3,807,323
809,385	522,058		612,239	62,574	4,312,045
683,660	600,921		669,645	64,553	4,575,375
1,028,626	666,815		675,812	62,088	5,272,994
1,158,652	875,438		751,670	185,839	5,843,022
1,366,765	756,919		822,954	174,100	5,951,696
716,488	596,504	72,657	975,120	155,364	6,023,150
721,469	866,138	159,160	944,222	142,168	6,462,951
747,103	740,539	99,348	872,264	138,738	6,752,183

PANOLA COLLEGE  
REVENUES BY SOURCE  
LAST TEN FISCAL YEARS (1)  
(UNAUDITED)

<u>Fiscal Year</u>	<u>State Appropriations</u>	<u>Tuition &amp; Fees</u>	<u>Taxes for Current Operations</u>	<u>Federal Grants &amp; Contracts</u>	<u>Interest</u>
1985-86	\$ 2,650,977	\$ 237,231	\$ 1,228,440	\$	\$ 42,268
1986-87	2,295,493	293,230	1,040,327	27,676	42,441
1987-88	2,350,951	284,581	1,061,175	47,346	5,493
1988-89	2,362,308	399,407	1,039,763	27,686	25,915
1989-90	2,929,593	390,428	1,043,988	78,084	30,309
1990-91	2,901,114	547,250	1,703,052	1,355	27,324
1991-92	2,941,877	534,625	2,255,472		33,074
1992-93	2,893,672	843,543	2,393,037	5,780	52,632
1993-94	2,911,203	763,961	2,393,599	12,733	58,727
1994-95	2,774,402	1,094,453	2,491,307	11,686	114,525

Notes:

- (1) Includes Unrestricted Current Funds, Auxiliary Enterprises Fund & Retirement of Indebtedness Plant Fund.



Table 2

<u>Miscellaneous</u>	<u>Auxiliary Enterprises</u>	<u>Debt Service</u>	<u>Totals</u>
\$ 77,833	\$ 336,598	\$ 121,389	\$ 4,694,736
104,751	397,935	103,458	4,305,311
103,856	391,627	101,402	4,346,431
36,747	543,770	111,799	4,547,395
101,858	426,451	96,999	5,097,710
67,159	500,646	47,868	5,795,768
68,827	785,990	57,738	6,677,603
93,254	841,151	1,279	7,124,348
75,369	792,176	192	7,007,960
86,429	746,851	32,741	7,352,394

PANOLA COLLEGE  
PROPERTY TAX RATES – DIRECT & OVERLAPPING  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	College		Total	County
	Current Operations	Debt Service		
1985–86	0.06300	0.00200	0.06500	0.2320
1986–87	0.06300	0.00200	0.06500	0.3040
1987–88	0.07800	0.00200	0.08000	0.3180
1988–89	0.08142	0.00250	0.08392	0.3540
1989–90	0.08142	0.00216	0.08358	0.3540
1990–91	0.11483	0.00227	0.11710	0.3649
1991–92	0.14827	0.00206	0.15033	0.3691
1992–93	0.17543		0.17543	0.4300
1993–94	0.16228		0.16228	0.4239
1994–95	0.13975		0.13975	0.3199

Notes:

- (1) The County Education District was created by the State Legislature in 1991 and subsequently dissolved by the State Supreme Court in 1993 as unconstitutional.

Table 5

<u>Cities (Average)</u>	<u>Independent School Districts (Average)</u>	<u>(1) CED (Average)</u>	<u>Total</u>
0.48140	0.65290		1.431300
0.50600	0.69990		1.574900
0.52060	0.78720		1.705800
0.52350	0.84100		1.802420
0.51910	0.92230		1.878980
0.52210	1.00820		2.012300
0.54010	0.43930	0.77550	2.274330
0.51890	0.37400	0.96400	2.462330
0.51880	1.30150		2.406480
0.51610	1.26000		2.235755

PANOLA COLLEGE  
 RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Fiscal Year	Population	Assessed Value(2) (Billions)	Gross Bonded Debt	Available Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1985-86	23,820	\$1,644,627	\$440,000	\$538,505	\$0	0.00%	\$0.00
1986-87	23,760	1,331,876	410,000	410,000	0	0.00%	0.00
1987-88	24,574	1,315,138	375,000	104,671	\$270,329	20.56%	\$11.00
1988-89	23,500	1,333,113	335,000	62,917	272,083	20.41%	11.58
1989-90	23,700	1,511,178	295,000	73,828	221,172	14.64%	9.33
1990-91	22,035	1,585,142	250,000	27,606	222,394	14.03%	10.09
1991-92	22,100	1,403,552	205,000	41,673	163,327	11.64%	7.39
1992-93	22,300	1,518,975	190,000	77,588	112,412	7.40%	5.04
1993-94	22,430	1,911,959	170,000	34,512	135,488	7.09%	6.04
1994-95	22,500	1,819,104	150,000	25,517	124,483	6.84%	5.53

(1) 1983 through 1986 and 1988 and 1990 population based on Sales & Marketing Management Survey of buying power. 1987 population based on Texas Department of Health projections. 1989 and 1992 through 1995 population is based on estimates.

(2) Panola County Appraisal District.

PANOLA COLLEGE  
COMPUTATION OF LEGAL DEBT MARGIN  
AUGUST 31, 1995  
(UNAUDITED)

The amount of bonded debt is limited by statute to the extent that the aggregate annual bond taxes in the District shall never exceed \$0.50 per \$100 valuation of taxable property in the District.

For the fiscal year ended August 31, 1995, the College had no general obligation debt; therefore, no tax rate was established for the purpose of debt service.

Table 8

PANOLA COLLEGE  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 AUGUST 31, 1995  
 (UNAUDITED)

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding (1)</u>	<u>Percent Applicable to College (2)</u>	<u>Amount Applicable to College</u>
<b>Direct:</b>			
Panola College	\$150,000	100.00%	\$150,000
<b>Overlapping:</b>			
Panola County	2,302,516	100.00%	2,302,516
City of Carthage	4,588,115	100.00%	4,588,115
City of Beckville	395,336	100.00%	395,336
Carthage ISD	2,620,312	100.00%	2,620,312
Gary ISD		100.00%	
Beckville ISD	1,045,000	100.00%	1,045,000
Elysian Fields ISD	3,200,000	53.75%	1,720,000
Tatum ISD		32.50%	
Tenaha ISD	355,000	1.86%	6,603
Joaquin ISD		5.05%	
<b>Total Direct and Overlapping Debt</b>			<u><u>\$12,827,882</u></u>

(1) Respective entities and auditors of respective entities.

(2) Texas Municipal Reports

PANOLA COLLEGE  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL  
 BONDED DEBT TO TOTAL GENERAL EXPENDITURES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1985-86	\$30,000	\$30,717	\$60,717	\$4,062,328	1.49%
1986-87	30,000	28,628	58,628	3,807,323	1.54%
1987-88	35,000	26,634	61,634	4,312,045	1.43%
1988-89	40,000	24,553	64,553	4,575,375	1.41%
1989-90	40,000	22,088	62,088	5,279,368	1.18%
1990-91	45,000	19,090	64,090	5,843,022	1.10%
1991-92	45,000	16,221	61,221	5,951,696	1.03%
1992-93	15,000	14,234	29,234	6,379,023	0.46%
1993-94	20,000	12,965	32,965	6,462,951	0.51%
1994-95	20,000	11,520	31,520	6,368,965	0.49%

Table 10

PANOLA COLLEGE  
 PRINCIPAL TAXPAYERS  
 AUGUST 31, 1995  
 (UNAUDITED)

<u>Taxpayer (1)</u>	<u>Type of Business</u>	<u>1994 Assessed Valuation (1) (in 1,000's)</u>	<u>Percentage of Total Assessed Valuation</u>
Union Pacific Resources	Petroleum	\$296,078	16.28%
Pennzoil Company	Petroleum	171,427	9.42%
Texaco Producing, Inc.	Petroleum	145,578	8.00%
Exxon Corporation	Petroleum	70,975	3.90%
Texas Utilities Mining Co.	Utilities	68,552	3.77%
Amoco Production Co.	Petroleum	49,248	2.71%
Seagull Mid-South	Petroleum	44,130	2.43%
ARCO	Petroleum	42,789	2.35%
R. Lacy, Inc.	Petroleum	36,740	2.02%
Sonat Exploration	Petroleum	33,547	1.84%
Totals (52.72% of Actual Value of \$1,819,104,526)		<u>\$959,064</u>	<u>52.72%</u>

(1) Panola County Appraisal District



Table 11

PANOLA COLLEGE  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

<u>Fiscal Year</u>	<u>Popula- tion (1)</u>	<u>Median Age (2)</u>	<u>Per Capita Effective Buying Income</u>	<u>Median Household Effective Buying Income (2)</u>	<u>Unemploy- ment Rate (3)</u>	<u>National Unemploy- ment Rate (3)</u>
1985-86	23,820	34.6	12,114	21,023	5.8%	6.90%
1986-87	23,760	34.9	13,105	20,939	7.2%	6.70%
1987-88	24,574	34.9	13,600	20,855	6.8%	5.80%
1988-89	23,500	35.3	14,200	21,152	5.6%	5.40%
1989-90	23,700	35.6	14,791	21,152	5.1%	5.10%
1990-91	22,035	35.9	14,841	21,952	4.2%	5.40%
1991-92	22,100	34.8	14,902	22,838	5.7%	6.50%
1992-93	22,300	35.1	14,999	21,746	7.5%	7.30%
1993-94	22,430	35.4	15,449	21,746	7.0%	6.50%
1994-95	22,500	36.1	16,375	23,139	6.3%	6.70%

(1) Federal Bureau of Census, Sales and Marketing Survey of Buying Power.  
 1987 population based on Texas Department of Health projections.  
 1989 through 1995 estimated.

(2) Federal Bureau of Census, East Texas Council of Governments, Regional  
 Regional Economic Information System Bureau of Economic Analysis and  
 Estimates.

(3) Texas Employment Commission.

Table 12

PANOLA COLLEGE  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

## Head Count:

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Marshall</u>	<u>Center</u>	<u>Total</u>
1985-86	974	261	115	1,350
1986-87	1,091	252	144	1,487
1987-88	1,054	303	171	1,528
1988-89	1,037	282	135	1,454
1989-90	1,115	261	160	1,536
1990-91	1,084	282	202	1,568
1991-92	1,099	286	208	1,593
1992-93	1,138	324	135	1,597
1993-94	1,125	310	149	1,584
1994-95	1,192	268	140	1,600

## Full-Time Equivalents (FTEs):

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Marshall</u>	<u>Center</u>	<u>Total</u>
1985-86	751	201	89	1,041
1986-87	844	197	111	1,152
1987-88	875	251	141	1,267
1988-89	797	217	104	1,118
1989-90	971	227	139	1,337
1990-91	882	231	165	1,278
1991-92	901	234	170	1,305
1992-93	959	269	112	1,340
1993-94	1,023	259	124	1,406
1994-95	1,159	133	86	1,378

The above information reflects the fall semester statistics  
 for the respective fiscal years.

PANOLA COLLEGE  
 STUDENT ENROLLMENT DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Fiscal Year	Attendance		Gender		Residency		
	Full Time	Part Time	Male	Female	Resident	Out of County	Out of State
1985-86	53%	47%	35%	65%	38%	56%	6%
1986-87	54%	46%	36%	64%	40%	52%	8%
1987-88	54%	46%	35%	65%	37%	56%	7%
1988-89	58%	42%	36%	64%	36%	56%	8%
1989-90	57%	43%	34%	66%	35%	57%	8%
1990-91	52%	48%	34%	66%	37%	55%	8%
1991-92	52%	48%	33%	67%	38%	57%	5%
1992-93	54%	46%	34%	66%	35%	60%	5%
1993-94	54%	46%	34%	66%	33%	61%	6%
1994-95	54%	46%	35%	65%	34%	58%	8%

Fiscal Year	Average Age of Student	Ethnic Background				
		Asian	Black	Hispanic	White	Other
1985-86	25.1		15%	1%	84%	
1986-87	26.2		15%	1%	84%	
1987-88	25.4		14%	1%	85%	
1988-89	25.2		13%	1%	85%	1%
1989-90	25.9		13%	1%	85%	1%
1990-91	26.0		14%	1%	84%	1%
1991-92	27.0		17%	1%	81%	1%
1992-93	25.5		14%	1%	84%	1%
1993-94	25.8	1%	14%	1%	83%	1%
1994-95	25.3		15%	1%	84%	

Table 14

PANOLA COLLEGE  
 TUITION AND FEE STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Cost for Full Time Resident Student (12 Credit Hours) Per Semester:

<u>Fiscal Year</u>	<u>Tuition</u>	<u>General Fees</u>	<u>Total Cost</u>	<u>Percentage of Increase</u>
1985-86	64	25	89	
1986-87	64	25	89	
1987-88	64	25	89	
1988-89	64	25	89	
1989-90	64	25	89	
1990-91	64	25	89	
1991-92	72	30	102	14.6%
1992-93	120	48	168	64.7%
1993-94	120	48	168	
1994-95	180	48	228	35.7%

In addition to the above, the following fees are required, as applicable:

Regular Laboratory Fees	\$15
Special Laboratory Fees:	
Photography, Welding, Cosmetology, and Forestry	\$24-\$48
Private Music Lessons	\$20-\$36

Table 15

PANOLA COLLEGE  
 FACULTY STATISTICS  
 AUGUST 31, 1995  
 (UNAUDITED)

<u>Years of Experience</u>	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
0-5 years	21	40.38%
6-10 years	12	23.08%
11-15 years	7	13.46%
16-20 years	5	9.62%
More than 21 years	7	13.46%
	<u>52</u>	<u>100.00%</u>

	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
Less than Bachelor's	2	3.85%
Bachelor's	8	15.38%
Master's	39	75.00%
Doctorate	3	5.77%
	<u>52</u>	<u>100.00%</u>

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Independent Auditor's Report

REPORT ON SUPPLEMENTARY INFORMATION:  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, Texas 75633

Members of the Board:

We have audited the financial statements of Panola College for the year ended August 31, 1995, and have issued our report thereon dated September 29, 1995. These financial statements are the responsibility of Panola College's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, AUDITS OF STATE AND LOCAL GOVERNMENTS. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Panola College taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alexander, Lankford & Hiers, Inc.*

Alexander, Lankford & Hiers, Inc.  
Certified Public Accountants

September 29, 1995



PANOLA COLLEGE  
 SCHEDULE D-3  
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
 For the Year Ended August 31, 1995

Federal Grantor/Pass Through Grantor/ Program Title	PROJECT NUMBER	Federal CFDA Number	PROGRAM OR AWARD AMOUNT	ACCRUED or (DEFERRED) REVENUE AT 09/01/94	GRANT PROCEEDS RECEIVED	DISBURSEMENTS/ EXPENDITURES	ACCRUED or (DEFERRED) REVENUE AT 08/31/95
U.S. Department of Education							
Direct Programs:							
SEOG	EP007A14092	84.007	\$19,466 \$	(171) \$	\$ 34,542	\$	(171)
SEOG	EP007A44092	84.007	37,023				
SEOG	EP007A54092	84.007	59,209				
Federal College Workstudy Program	EP033A34092	84.033	39,326	(2,187)	22,361	2,187	4,155
Federal College Workstudy Program	EP033A44092	84.033	31,584			26,516	715
Federal College Workstudy Program	EP033A54092	84.033	49,293			715	(48,556)
Federal Pell Grant Program	EP063P16491	84.063 *	389,582	(48,556)	1,283	1,283	4,925
Federal Pell Grant Program	EP063P26491	84.063 *	521,163	(4,925)	11,743		
Federal Pell Grant Program	EP063P36491	84.063 *	1,094,883	11,743	11,743		
Federal Pell Grant Program	EP063P46491	84.063 *	924,681		874,981	874,981	2,401
Federal Pell Grant Program	EP063P56491	84.063 *	615,490		383,387	383,387	
Total U.S. Department of Education				(44,096)	1,328,297	1,330,937	(41,456)
U.S. Department of Housing and Urban Development	CH-TEX-263 (D)	14.000	26,064		26,064	26,064	
Total Direct Programs				(44,096)	1,354,361	1,357,001	(41,456)
Pass-Through From:							
Texas Higher Education Coordinating Board							
Carl Perkins Voc. Ed.	44420236	84.048	108,000	75,000	75,000		
Carl Perkins Voc. Ed.	55420236	84.048	107,000	10,835	99,983	89,148	17,157
Carl Perkins Voc. Ed.	66420236	84.048	168,000			17,157	
Carl Perkins Voc. Ed.	44150016	84.048	75,000	51,971	51,971	60,003	8,283
Carl Perkins Voc. Ed.	55150022	84.048	75,000	13,299	73,302	8,283	25,440
Carl Perkins Voc. Ed.	66150033	84.048	70,000	151,105	300,256	174,591	
Total Pass-Through Programs				107,009 \$	1,654,617 \$	1,531,592 \$	(16,016)
Total Federal Financial Assistance							
U.S. Department of Education							
Federal Revenues Per Exhibit C							
Add: Refund to Department of Education						1,498,416	
Add: HUD Interest Subsidy						7,112	
Federal Expenditures Per Federal Schedule						26,064	
						1,531,592	

\* Denotes major federal financial assistance programs as defined by the Single Audit Act of 1984 and OMB Circular A-128.

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## Independent Auditor's Report

### SINGLE AUDIT REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, Texas 75633

#### Members of the Board:

We have audited the financial statements of Panola College as of and for the year ended August 31, 1995, and have issued our report thereon dated September 29, 1995. We have also audited Panola College's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated September 29, 1995.

We conducted our audits in accordance with generally accepted auditing standards; GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, AUDITS OF STATE AND LOCAL GOVERNMENTS. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Panola College complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended August 31, 1995, we considered the College's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the College's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated September 29, 1995.

The administration of Panola College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by administrators are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Specific Requirements

- Types of services allowed or not allowed
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Special requirements

Claims for Advances and Reimbursements

Amounts Claimed or Used for Matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended August 31, 1995, Panola College expended 83 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the College's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Board of Trustees  
Panola College  
Page 3

This report is intended for the information of the administration, trustees, the Texas Higher Education Coordinating Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Alexander, Lankford & Hiers, Inc.*

Alexander, Lankford & Hiers, Inc.  
Certified Public Accountants

September 29, 1995

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### Independent Auditor's Report

#### REPORT ON INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, Texas 75633

#### Members of the Board:

We have audited the financial statements of Panola College as of and for the year ended August 31, 1995, and have issued our report thereon dated September 29, 1995.

We conducted our audit in accordance with generally accepted auditing standards and GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The administration of Panola College is responsible for establishing and maintaining an internal control structure. In fulfilling that responsibility, estimates and judgments by administrators are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the College for the year ended August 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Board of Trustees  
Panola College  
Page 2

This report is intended for the information of the administration, trustees, the Texas Higher Education Coordinating Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

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September 29, 1995

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## Independent Auditor's Report

### COMPLIANCE REPORT BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, Texas 75633

#### Members of the Board:

We have audited the financial statements of Panola College as of and for the year ended August 31, 1995, and have issued our report thereon dated September 29, 1995.

We conducted our audit in accordance with generally accepted auditing standards and GOVERNMENT AUDITING STANDARDS, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Panola College is the responsibility of the College's administration and trustees. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS.

We noted certain immaterial instances of noncompliance which are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the administration, trustees, the Texas Higher Education Coordinating Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Alexander, Lankford & Hiers, Inc.*  
Alexander, Lankford & Hiers, Inc.  
Certified Public Accountants

September 29, 1995

PANOLA COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 1995

The sample population was 48 Pell recipients with Pell awards totaling \$63,423.  
The total population was 718 Pell recipients and awards of \$1,260,769.

<u>PROGRAMS</u>	<u>FINDINGS/NONCOMPLIANCE</u>	<u>QUESTIONED COSTS</u>
Pell Grant Program	A student's enrollment dropped to less than half-time but the cost of attendance was not adjusted, resulting in an incorrectly computed award.	<u>\$19.00</u>
	<u>CORRECTIVE ACTION TAKEN</u>	
	Pell expenditures were reversed for the questioned amount.	

Comment on status of prior findings:

There were no findings in the previous fiscal year ending August 31, 1994.



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## Independent Auditor's Report

### SINGLE AUDIT REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, Texas 75633

#### Members of the Board:

We have audited the financial statements of Panola College as of and for the year ended August 31, 1995, and have issued our report thereon dated September 29, 1995.

We have applied procedures to test Panola College's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended August 31, 1995: political activity, civil rights, cash management, federal financial reports, allowable costs/cost principles, Drug-Free Workplace Act, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Panola College's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Panola College had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the administration, trustees, the Texas Higher Education Coordinating Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Alexander, Lankford & Hiers, Inc.*

Alexander, Lankford & Hiers, Inc.  
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September 29, 1995

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## Independent Auditor's Report

### SINGLE AUDIT OPINION ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, Texas 75633

#### Members of the Board:

We have audited the financial statements of Panola College as of and for the year ended August 31, 1995, and have issued our report thereon dated September 29, 1995.

We have also audited Panola College's compliance with the specific requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended August 31, 1995. The administration of Panola College is responsible for the College's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, AUDITS OF STATE AND LOCAL GOVERNMENTS. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Panola College's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Panola College complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the year ended August 31, 1995.

Board of Trustees  
Panola College  
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This report is intended for the information of the administration, trustees, the Texas Higher Education Coordinating Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Alexander, Lankford + Hiers, Inc.*

Alexander, Lankford & Hiers, Inc.  
Certified Public Accountants

September 29, 1995

Wilbur E. Alexander, CPA  
Ted A. Lankford, CPA  
Glenda J. Hiers, CPA  
Richard A. Rudel, CPA  
Betty Powell, CPA  
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## Independent Auditor's Report

### SINGLE AUDIT REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

Board of Trustees  
Panola College  
1109 West Panola  
Carthage, Texas 75633

#### Members of the Board:

We have audited the financial statements of Panola College as of and for the year ended August 31, 1995, and have issued our report thereon dated September 29, 1995.

In connection with our audit of the financial statements of Panola College, and with our consideration of Panola College's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended August 31, 1995.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; special tests and provisions, claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Panola College's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Panola College had not complied, in all material respects, with those requirements.

This report is intended for the information of the administration, trustees, the Texas Higher Education Coordinating Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Alexander, Lankford & Hiers, Inc.*

Alexander, Lankford & Hiers, Inc.  
Certified Public Accountants

September 29, 1995