

***PANOLA COLLEGE***

***COMPREHENSIVE***

***ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED***

***AUGUST 31, 1996***

***PREPARED BY:***

***FISCAL AFFAIRS DEPARTMENT  
PANOLA COLLEGE***



PANOLA COLLEGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i-vii
GFOA Certificate of Achievement	viii
Organizational Chart	ix
Principal Officials	x
FINANCIAL SECTION	
Independent Auditor's Report	
FINANCIAL STATEMENTS	
Balance Sheet (Exhibit A)	2-3
Statement of Changes in Fund Balances (Exhibit B)	4-5
Statement of Current Funds Revenues, Expenditures, and Other Changes (Exhibit C)	6
Notes to Financial Statements	7-18
SUPPLEMENTARY DATA	
Schedule of Cash, Cash Equivalents, and Short-Term Investments (Schedule A-1)	19
Schedule of Long-Term Investments	N/A
Schedule of Current Funds Revenues (Schedule C-1)	20
Schedule of Current Funds Expenditures by Object (Schedule C-2)	21
Schedule of Educational and General Expenditures (Schedule C-3)	22
Schedule of District Taxes (Schedule C-4)	23
Schedule of Bonds Payable and Debt Service Requirements (Schedule D-1)	24
Schedule of Pledged Revenues and Fund Balances (Schedule D-2)	25
Independent Auditor's Report on the Schedule of Federal Financial Assistance	26
Schedule of Federal Financial Assistance (Schedule D-3)	27-28

PANOLA COLLEGE  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
 (CONTINUED)

INDIVIDUAL FUND STATEMENTS

Current Funds	
Unrestricted	
Balance Sheet	29
Statement of Current Funds Revenues, Expenditures and Other Changes	30
Auxiliary Enterprises	
Balance Sheet	31
Statement of Current Funds Revenues, Expenditures and Other Changes	32
Restricted	
Balance Sheet	33
Statement of Current Funds Revenues, Expenditures and Other Changes	34
Endowment and Similar Funds	
Balance Sheet	35
Statement of Changes in Fund Balance	36
Plant Funds	
Unexpended	
Balance Sheet	37
Statement of Changes in Fund Balance	38
Retirement of Indebtedness	
Balance Sheet	39
Statement of Changes in Fund Balance	40
Investment in Plant	
Balance Sheet	41
Statement of Changes in Fund Balance	42
Agency Funds	
Statement of Changes in Assets and Liabilities	43

STATISTICAL SECTION - (Unaudited)

Expenditures by Function	44-45
Revenues by Source	46-47
Property Tax Levies and Collections	48-49
Assessed and Estimated Actual Value of Taxable Property	50-51
Property Tax Rates - Direct and Overlapping	52-53
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	54
Computation of Legal Debt Margin	55
Computation of Direct and Overlapping Bonded Debt	56

PANOLA COLLEGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
(CONTINUED)

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	57
Principal Taxpayers	58
Demographic Statistics	59
Student Enrollment	60
Student Enrollment Demographic Statistics	61
Tuition and Fee Statistics	62
Faculty Statistics	63
SINGLE AUDIT SECTION	
Report on Compliance Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	64
Report on the Internal Control Structure Based on an Audit of the Financial Statements in Accordance with Governmental Auditing Standards	65-66
Single Audit Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs	67-69
Single Audit Report on Compliance with General Requirements Applicable to Federal Financial Assistance Programs	70
Single Audit Opinion on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	71-72
Single Audit Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions	73
Schedule of Findings and Questioned Costs	74

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***INTRODUCTORY***

***SECTION***



# PANOLA COLLEGE

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1109 West Panola • Carthage, Texas 75633 • (903) 693-2000 • Fax (903) 693-5588

Office of  
the President

October 24, 1996

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, 1996, 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.

The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.



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.

The associate degree nursing program that began last year was expanded to include a second class that began in the fall of 1995.

Approval was granted to begin a licensed vocational nursing program in Shelby County. Funding of the start up costs associated with this program was made by special appropriations from the legislature. During the year the facilities in Shelby County were renovated to accommodate this new program. The first class of students is scheduled for enrollment in the spring of 1997.

In addition, approval was granted to begin an occupational therapy assisting program and a health information systems technology program. Some expenditures associated with the start up of these programs were incurred during the year. The first class of students will enroll in the spring of 1997.

The College successfully pursued outside sources of financing during the year. Two grants from the National Science Foundation were awarded. These grants total approximately \$200,000. Most of the revenue from these grants will occur in the 1996-97 fiscal year. The grants will be used to provide interdisciplinary technology upgrades and technology upgrades in the physics department.

The College received legislative appropriations as did other community colleges in the area to help fund a fiber optic project. Ten buildings on campus were connected with fiber optic cable. This will enable the College to provide connectivity to the internet as well as to improve network capabilities between the administrative and instructional computer system.

A Small Business Development Center Satellite was established during the year. The Center was almost entirely funded from local gifts.

Next year will mark the fiftieth anniversary of Panola College. To commemorate this milestone the College has commissioned the writing of a history of its progress. The book is scheduled for release later in the year.

Advisory boards consisting of citizens from the service area were formed last 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 advisory boards met regularly during the year. As a result of the input from the members, several new ideas and concepts of how to accomplish the College's goals have been discussed.

During the year, a larger and more functional facility was located in Marshall to house the instructional needs of students in the northern part of the service area. The new facility was occupied in the summer.

The College continued its summer recruitment efforts started last year. These efforts were in addition to the normal recruitment activities. The summer recruitment drives had a positive influence on the 1996 fall enrollment. A record enrollment of 1,777 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, 1996, 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, 1996,

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 1995</u>	<u>Percent of Increase (Decrease)</u>
State Appropriations	\$2,972,345	37.6%	\$ 197,943	7.1%
Tuition and Fees	1,220,803	15.4	126,350	10.3
Taxes for Current Operations	2,587,938	32.7	96,631	3.7
Interest	140,376	1.8	25,851	22.6
Auxiliary Enterprises	800,511	10.1	53,660	6.7
Other Revenues	186,038	2.4	87,923	101.7
	<u>\$7,908,011</u>	<u>100.0%</u>	<u>\$ 588,358</u>	<u>8.0%</u>

Revenues totaled \$7,908,011, an increase of 8.0% from the previous fiscal year. The revenue fluctuations shown above are reasonable except for those areas described below. Significant fluctuations are described below.

State revenues reflect an increase due to two reasons. The fall of 1995 was the beginning of a new two year funding cycle. State funding is based on base period contact hours. The base period for the new funding cycle reflected an increase in contact hours. This resulted in an increase in regular appropriations from the legislature. In addition, as mentioned earlier, the appropriations reflect the special appropriations from the legislature to fund the Shelby College licensed vocational nursing program.

Tuition and fee revenues reflect increases due to record enrollment for both the fall 1995 and spring 1996 semesters. There were no increases in tuition rates during the last year.

Interest revenues increased during the year due to maintaining cash reserves in certificates of deposit at all times during the year and slightly higher interest rates during the current year.

Tax revenues increased due to an increase in the tax rate by three percent and a continuation of improvement in the collection of delinquent taxes.

Revenues from auxiliary sources increased due to continued efforts in maximizing profits in the bookstore.

Other local revenues reflect an increase due to several factors. Gifts from local sources were higher than last year. Revenues from continuing education courses and testing continued to reflect an increase. Also included in other revenues is recognition as income the closing of a Department of Education grant from 1992 the College had previously classified as a deferral.

The following schedule presents a summary of unrestricted current fund and auxiliary enterprises fund expenditures for the fiscal year ended August 31, 1996 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 1995</u>	<u>Percent of Increase (Decrease)</u>
Instruction	\$3,340,689	46.8%	\$302,853	10.0 %
Academic Support	771,279	10.8	103,013	15.4
Student Services	462,317	6.5	14,228	3.2
Institutional Support	841,414	11.8	94,311	12.6
Operation and Maintenance of Plant	753,436	10.6	12,901	1.7
Scholarships and Awards	96,391	1.4	( 2,957)	( 3.1)
Auxiliary Enterprises	864,428	12.1	( 7,836)	( .1)
	<u>\$7,129,954</u>	<u>100.0%</u>	<u>\$516,513</u>	<u>7.8 %</u>

Expenditures totaled \$7,129,954, an increase of 7.8% 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 continuation of start up of the associate degree nursing program that began in January 1995. Additional faculty and operating expenses were incurred in order to accommodate a new class of students in the fall of 1995.

Start up costs associated with the Shelby College Center Licensed Vocational Nursing Program were also incurred. This program is scheduled to accept the first class of students in the spring of 1997.

Other areas resulting in an increase were salaries. Additional salary increases were awarded to all faculty in an effort to make the College more competitive with neighboring community colleges.

Academic support reflects an increase due to two main reasons. Technology upgrades in the library were made during the year. Funding for these upgrades was provided in part by corporate gifts from local industry. In addition, efforts to improve services in workforce development and continuing education in order to better serve the needs of the community were undertaken.

Institutional support reflects an increase due to staffing increases in the administrative computing support and the campus police departments. Staffing in the computer department was necessary to help initiate technology upgrades and to plan for internet connectivity. An additional police officer was added as a result of expansion of responsibilities in this area due to enrollment increases, more students living on campus and the department becoming responsible for transportation. The Small Business Development Center Satellite organized during the year also contributed to an increase in the institutional support area. Almost all of the cost associated with this new department were offset by funding from local sources.

Other expenditure areas reflect small changes from the previous year and are consistent with the emphasis focused on these areas.

### 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 \$818,919 on August 31, 1996. The interest income from the endowment investments was used to provide scholarships.

### FUND BALANCE

The fund balance of the unrestricted current fund increased by \$297,432 or seventeen percent in the year ended August 31, 1996. This increase provides the College with a fund balance that is equivalent to approximately three and one half months of expenditures.

### DEBT ADMINISTRATION

As of August 31, 1996, the College had \$130,000 of student revenue bonds. These bonds were issued in 1970. The College has not had any new bonded debt issues since 1971.

The College is indebted in the form of a capital lease on a building in Marshall, Texas. The principal balance of this obligation was \$47,368 at August 31, 1996. 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 \$74,761.

### 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 4.92 percent. The average yield rate for 90-day U.S. Treasury bills for the year ended August 31, 1996 was approximately 5.23 percent. The College earned interest revenue of \$224,298 on all investments for the year ended August 31, 1996.

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, 1996, are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

### RISK MANAGEMENT

The College has developed a complete insurance program to protect against the risk inherent with the operation of a college and a public entity. This includes various policies protecting public officials, administrators, instructional personnel, law enforcement personnel, automobile liability, building and content liability, injuries in building premises, on the job, and other policies. These policies are underwritten by nationally known and rated insurers. Efforts are routinely made to make all employees aware of policies, regulations, and matters

related to safety to help minimize exposure to the risks associated with College operations.

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 reports for the fiscal years ended August 31, 1994 and 1995. 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,



William F. Edmonson  
President

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# 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, 1995

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.



*Arthur R. Lynch*  
President

*Jeffrey L. Essler*  
Executive Director



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Texas

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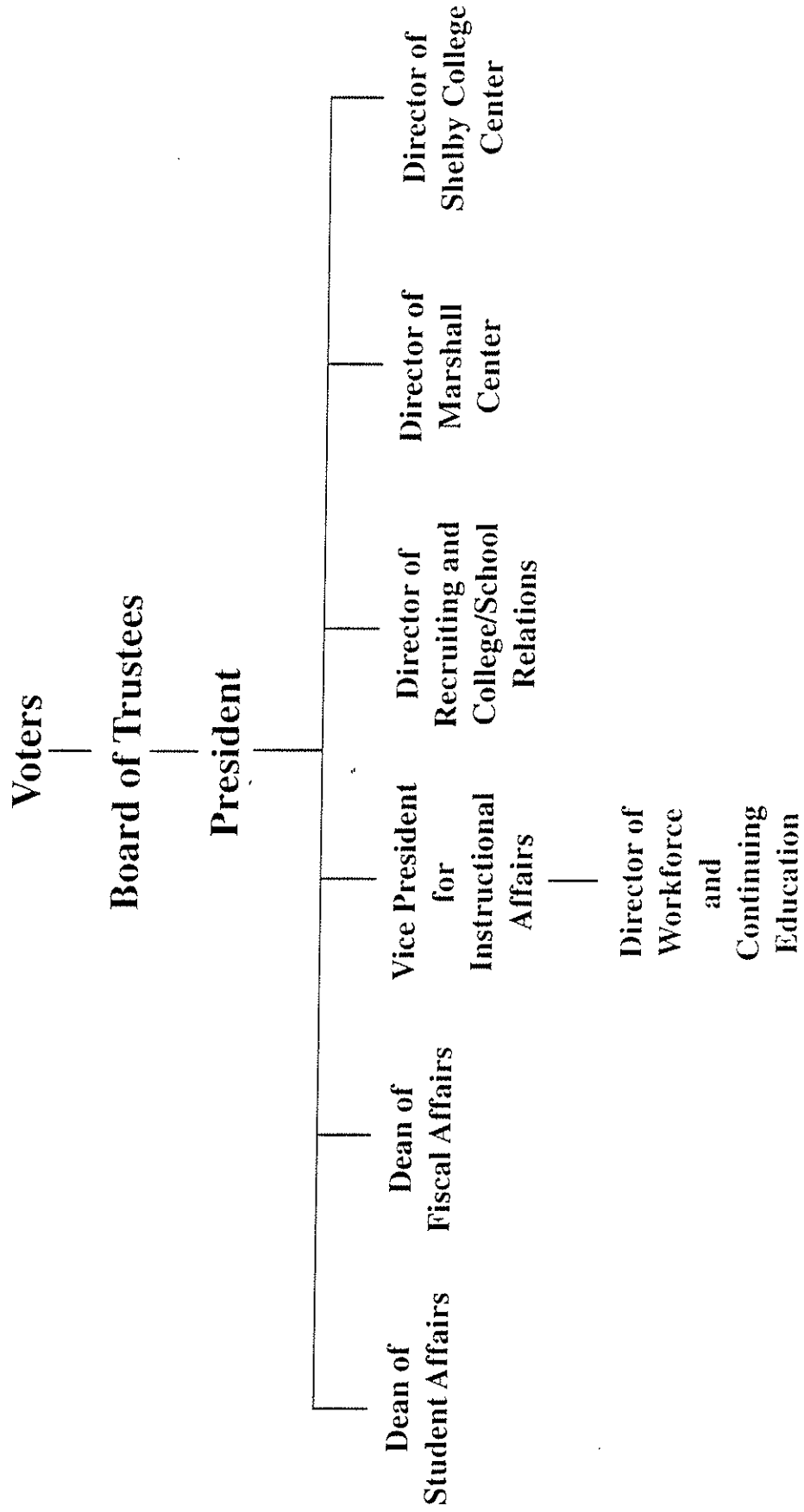


*Arthur R. Lynch*  
President

*Jeffrey L. Esser*  
Executive Director

Panola College

**Organizational Structure**



PANOLA COLLEGE  
PRINCIPAL OFFICIALS  
AUGUST 31, 1996

BOARD OF TRUSTEES

OFFICERS

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

Chair  
Vice-Chair  
Secretary/Treasurer

MEMBERS

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

Term Expires  
August 31

1998  
1998  
1998  
2000  
2000  
2000  
2000

ADMINISTRATION

Dr. William Edmonson  
Mr. Charles Hughes  
Mr. Jackie Robinson, CPA  
Mrs. Betsy Wheat  
Mr. Jim Martin  
Mrs. Twink Ross  
Dr. Jerry Hopkins  
Dr. Jeanne Scott

President  
Vice-President for  
Instructional Affairs  
Dean of Fiscal Affairs  
Dean of Student Affairs  
Dean of Continuing  
Education and Economic  
Development  
Director of Recruiting  
and College/School  
Relations  
Director of Shelby  
College Center  
Director of Marshall  
Center

*FINANCIAL*

*SECTION*

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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

# **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, 1996 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, 1996, 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 27, 1996 on our consideration of the College's internal control structure and a report dated September 27, 1996 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 29 to 43, and the statistical section on pages 44 to 63 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 27, 1996

PANOLA COLLEGE  
EXHIBIT A  
BALANCE SHEET  
August 31, 1996  
With Memorandum Totals at August 31, 1995

CURRENT FUNDS

ASSETS	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
Cash and Cash Equivalents (Sch A-1)	\$ 563,518	\$ 245,458	\$ 45,758	\$ 854,734
Short-Term Investments (Sch A-1)	2,000,000			2,000,000
Accounts Receivable (net of allowance for doubtful accounts of \$-0-)	215,991	195,313		411,304
Taxes Receivable (net of allowance for doubtful accounts of \$139,913) (Sch C-4)	59,963			59,963
Due From Other Funds	81,494	24,503		105,997
Prepaid Expenses	42,715	1,000		43,715
Federal Receivables			102,614	102,614
Due From Other Agencies	16,818			16,818
Inventories for Resale		109,653		109,653
Land				
Buildings				
Equipment				
Library Books				
<b>Total Assets</b>	<b>\$ 2,980,499</b>	<b>\$ 575,927</b>	<b>\$ 148,372</b>	<b>\$ 3,704,798</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 125,138	\$ 36,574	\$ 1,954	\$ 163,666
Accrued Liabilities	80,368	29,540		109,908
Deposits Payable		17,500		17,500
Due To Other Funds	2,441	5,333	100,660	108,434
Deferred Revenues	699,378	310,534		1,009,912
Accrued Compensable Absences Payable	9,447	472		9,919
Due To Other Agencies				
Bonds Payable (net of unamortized premium/ discount of \$-0- as of 8/31/96) (Sch D-1)				
Notes and Loans Payable				
Lease-Purchase Agreements Payable				
Funds Held in Custody for Others				
<b>Total Liabilities</b>	<b>916,772</b>	<b>399,953</b>	<b>102,614</b>	<b>1,419,339</b>
<b>Fund Balance:</b>				
<b>Unrestricted</b>				
<b>Reserved</b>				
Encumbrances	155,635	18,746		174,381
Inventory		109,653		109,653
Plant improvements				
Other	13,693			13,693
<b>Unreserved</b>				
Undesignated	1,894,399	47,575		1,941,974
<b>Restricted</b>				
<b>Encumbrances</b>				
Other			45,758	45,758
<b>Net Investment in Plant</b>				
<b>Total Fund Balances (Exh. B)</b>	<b>2,063,727</b>	<b>175,974</b>	<b>45,758</b>	<b>2,285,459</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,980,499</b>	<b>\$ 575,927</b>	<b>\$ 148,372</b>	<b>\$ 3,704,798</b>

The accompanying notes are an integral part of this financial statement.



PLANT FUNDS					TOTALS MEMORANDUM ONLY	
Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$ 100	\$ 314,752	\$ 192	\$	\$ 92,912	\$ 1,262,690	\$ 3,004,926
818,819	550,000	19,000			3,387,819	1,053,025
					411,304	355,298
					59,963	61,109
		2,440			108,437	159,703
		6,000			49,715	23,914
					102,614	32,711
					16,818	11,575
					109,653	97,649
			425,744		425,744	425,744
			9,145,569		9,145,569	8,904,872
			2,421,810		2,421,810	2,172,401
			494,125		494,125	451,884
<u>\$ 818,919</u>	<u>\$ 864,752</u>	<u>\$ 27,632</u>	<u>\$ 12,487,248</u>	<u>\$ 92,912</u>	<u>\$ 17,996,261</u>	<u>\$ 16,754,811</u>
\$	\$	\$	\$	\$	\$ 163,666	\$ 104,664
		2,115			112,023	54,164
				60,008	77,508	81,147
				3	108,437	159,703
					1,009,912	874,112
					9,919	6,170
						48,727
			130,000		130,000	150,000
			122,129		122,129	168,480
				32,901	32,901	29,146
		2,115	252,129	92,912	1,766,495	1,676,313
					174,381	11,048
					109,653	97,649
	864,752				864,752	624,889
					13,693	
					1,941,974	1,831,574
						4,397
818,919		25,517			890,194	872,520
			12,235,119		12,235,119	11,636,421
<u>818,919</u>	<u>864,752</u>	<u>25,517</u>	<u>12,235,119</u>		<u>16,229,766</u>	<u>15,078,498</u>
<u>\$ 818,919</u>	<u>\$ 864,752</u>	<u>\$ 27,632</u>	<u>\$ 12,487,248</u>	<u>\$ 92,912</u>	<u>\$ 17,996,261</u>	<u>\$ 16,754,811</u>

PANOLA COLLEGE  
EXHIBIT B  
STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended August 31, 1996  
With Memorandum Totals at August 31, 1995

	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
<b>REVENUES AND OTHER ADDITIONS</b>				
Unrestricted Current Funds Revenue (Exh. C)	\$ 7,087,963	\$ 820,048		\$ 7,908,011
State Appropriations – Restricted			668,227	668,227
Federal Grants and Contracts			1,167,506	1,167,506
State Grants and Contracts			2,645	2,645
Private Gifts, Grants and Contracts			2,404	2,404
Investment/Endowment Income			58,093	58,093
Net Change in Bonds Payable				
Net Change in Lease Purchase Agreements Payable				
Expended for Plant Facilities (Includes \$304,003 Charged to Current Funds Expenditures)				
Other Additions				
<b>Total Revenues and Other Additions</b>	<b>7,087,963</b>	<b>820,048</b>	<b>1,898,875</b>	<b>9,806,886</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>				
Expenditures (Exh. C)	6,265,526	864,428	2,129,727	9,259,681
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Disposal of Plant Facilities				
Other Deductions				
<b>Total Expenditures and Other Deductions</b>	<b>6,265,526</b>	<b>864,428</b>	<b>2,129,727</b>	<b>9,259,681</b>
<b>TRANSFERS – ADDITIONS / (DEDUCTIONS)</b>				
<b>Mandatory Transfers</b>				
Retirement of Indebtedness	(79,043)			(79,043)
TPEG	(12,149)		12,149	
SEOG Matching	(22,224)		22,224	
CWS Matching	(10,727)		10,727	
To Restricted for Scholarships	(154,484)		137,209	(17,275)
<b>Non – Mandatory Transfers</b>	<b>(246,378)</b>	<b>46,378</b>		<b>(200,000)</b>
<b>Total Transfers – Additions / (Deductions)</b>	<b>(525,005)</b>	<b>46,378</b>	<b>182,309</b>	<b>(296,318)</b>
<b>NET INCREASE/(DECREASE) FOR THE FISCAL YEAR</b>	<b>297,432</b>	<b>1,998</b>	<b>(48,543)</b>	<b>250,887</b>
<b>FUND BALANCES, September 1, 1995</b>	<b>1,766,295</b>	<b>173,976</b>	<b>94,301</b>	<b>2,034,572</b>
<b>FUND BALANCES, August 31, 1996 (Exh. A)</b>	<b>\$ 2,063,727</b>	<b>\$ 175,974</b>	<b>\$ 45,758</b>	<b>\$ 2,285,459</b>

The accompanying notes are an integral part of this financial statement.

Endowment and Similar Funds	P L A N T F U N D S			TOTALS MEMORANDUM ONLY	
	Unexpended	Retirement of Indebtedness	Investment in Plant	Current Year	Prior Year
\$	\$	\$	\$	\$ 7,908,011	\$ 7,319,653
				668,227	508,146
		8,688		1,176,194	1,524,480
				2,645	4,677
44,545				46,949	12,665
	39,863	1,020		98,976	97,860
			20,000	20,000	20,000
			46,351	46,351	4,579
			562,592	562,592	1,018,868
					97,379
<u>44,545</u>	<u>39,863</u>	<u>9,708</u>	<u>628,943</u>	<u>10,529,945</u>	<u>10,608,307</u>
				9,259,681	8,827,624
					623,491
		66,351		66,351	116,058
		22,400		22,400	22,680
			30,245	30,245	121,716
					91,478
		88,751	30,245	9,378,677	9,803,047
		79,043			
17,275					
	200,000				
<u>17,275</u>	<u>200,000</u>	<u>79,043</u>			
61,820	239,863		598,698	1,151,268	805,260
<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>818,919</u>	\$ <u>864,752</u>	\$ <u>25,517</u>	\$ <u>12,235,119</u>	\$ <u>16,229,766</u>	\$ <u>15,078,498</u>

PANOLA COLLEGE

EXHIBIT C

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

For the Year Ended August 31, 1996

With Memorandum Totals for the Year Ended August 31, 1995

REVENUES	TOTALS				
	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
State Appropriations – General Revenue	\$ 2,972,345	\$	\$ 668,227	\$ 3,640,572	\$ 3,282,548
Tuition and Fees	1,206,399	14,405		1,220,804	1,094,453
Taxes for Current Operation	2,587,938			2,587,938	2,491,307
Federal Grants and Contracts			1,167,506	1,167,506	1,510,102
State Grants and Contracts			2,645	2,645	4,677
Local Grants and Contracts					1,500
Private Gifts, Grants and Contracts	27,500		7,947	35,447	41,680
Sales & Service of Educational Activities	80,085			80,085	71,695
Sales & Services of Auxiliary Enterprises		800,510		800,510	746,851
Other Sources					
Interest/Endowment Income	135,244	5,133	71,667	212,044	197,391
Royalty Income			29,426	29,426	49,127
Misc. Income	78,452			78,452	8,234
<b>Total Current Funds Revenues</b>	<b>\$ 7,087,963</b>	<b>\$ 820,048</b>	<b>\$ 1,947,418</b>	<b>\$ 9,855,429</b>	<b>\$ 9,499,565</b>
	(Exh. B)	(Exh. B)			
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>					
<b>Educational and General</b>					
Instruction	\$ 3,340,689	\$	\$ 327,731	\$ 3,668,420	\$ 3,564,957
Academic Support	771,279		55,108	826,387	525,834
Student Services	462,317		282,915	745,232	669,241
Institutional Support	841,414		67,746	909,160	808,962
Operation and Maintenance of Plant	753,436		207,167	960,603	759,500
Scholarships and Fellowships	96,391		1,189,060	1,285,451	1,626,866
<b>Total Educational &amp; General Expenditures</b>	<b>6,265,526</b>		<b>2,129,727</b>	<b>8,395,253</b>	<b>7,955,360</b>
	(Exh. B)		(Exh. B)		
<b>Auxiliary Enterprise Expenditures</b>		<b>864,428</b>		<b>864,428</b>	<b>872,264</b>
		(Exh. B)			
<b>Mandatory Transfers for:</b>					
Retirement of indebtedness	(79,043)			(79,043)	
TPEG	(12,149)		12,149		
SEOG Matching	(22,224)		22,224		
CWS Matching	(10,727)		10,727		
To restricted for scholarships	(154,484)		137,209	(17,275)	(96,902)
<b>Total expenditures and mandatory transfers</b>	<b>6,544,153</b>	<b>864,428</b>	<b>1,947,418</b>	<b>9,355,999</b>	<b>8,924,526</b>
<b>Other transfers and additions/(deductions):</b>					
Non-mandatory transfers	(246,378)	46,378		(200,000)	(350,000)
Excess (deficiency) of restricted receipts over transfer to revenues			(48,543)	(48,543)	(104,204)
<b>Net increase (decrease) in fund balances</b>	<b>\$ 297,432</b>	<b>\$ 1,998</b>	<b>\$ (48,543)</b>	<b>\$ 250,887</b>	<b>\$ 120,835</b>

The accompanying notes are an integral part of this financial statement.

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1996

A. ORGANIZATIONAL STRUCTURE AND REPORTING ENTITY

Reporting Entity

Panola College was established in 1947 in accordance with the laws of the State of Texas, to serve the educational needs of the Panola College service area. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state and federal sources, and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines

The significant accounting policies followed by Panola 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 substantial conformity with the AICPA Industry Audit Guide, Audits of Colleges and Universities, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by Applicable FASB pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section Co5, "Colleges and Universities".

Basis of Accounting

The financial statements of Panola College have been prepared on the accrual basis of accounting except depreciation expenses related to plant fund assets is not recorded. 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.

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.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment and library holdings; (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1996

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, 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

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1996

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 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 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,

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1996

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

E. AUTHORIZED INVESTMENTS

The Board of Trustees of Panola College adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the College are in compliance with the Trustees' investment policies.

F. DEPOSITS AND SHORT-TERM INVESTMENTS

Deposits and Investments

At August 31, 1996, the carrying amount of Panola College's deposits was \$4,647,069 and total bank balances (balances per bank records) equaled \$4,772,779.

Depository bank balances of \$4,714,220 were covered by \$200,000 in federal depository insurance and \$6,146,240 (book value) in pledged securities.

Deposits and investments in other financial institutions totaling \$58,559 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 \$6,608,811. The highest combined balances of cash, savings and time deposits accounts amounted to \$5,018,867 and occurred during the month of November, 1995.
- 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 \$6,189,259.

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

<u>Cash and Deposits</u>		
Cash in Bank		
Demand Deposits	\$846,250	
Time Deposits	<u>413,000</u>	
Cash and Cash Equivalents		\$1,259,250
Petty Cash on Hand		<u>3,440</u>
Total Cash and Deposits		<u>\$1,262,690</u>



PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1996

Short-term investments reflected on Exhibit A, Balance Sheet, consisted of certificates of deposit with a maturity date greater than 90 days in the amount of \$3,387,819.

The cash deposits held at financial institutions can be categorized according to three levels of risk in accordance with GASB Statement 3. 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	\$ 258,559	\$ 258,559
Pledged Securities held in the name of the pledging financial institution	3	<u>4,388,510</u> <u>\$4,647,069</u>	<u>4,514,220</u> <u>\$4,772,779</u>

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.

G. 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.

H. BONDS PAYABLE

General information related to bonds payable is summarized below:

- \* Student Fee Revenue Bond, Series 1970C
- \* To construct student housing
- \* Issued December 1, 1970
- \* \$495,000; all authorized bonds have been issued.
- \* Source of revenue for debt service - general fees, Department of Housing and Urban Development annual interest subsidy.
- \* Outstanding Balance August 31, 1996, \$130,000

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1996

The bonds are payable in annual installments varying from \$10,000 to \$30,000, the final payment being due in November, 2000, with interest varying from 7.0% to 7.2%.

The 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 \$10,080 during the current year. Accrued interest amounted to approximately \$2,115 at August 31, and is reflected in the financial statements.

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

Year Ending August 31	Principal	Interest	Total
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>\$ 130,000</u>	<u>\$ 24,120</u>	<u>\$ 154,120</u>

I. LEASE PURCHASE AGREEMENTS PAYABLE

In March of 1993 the College entered into a five year non-cancelable 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.

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 \$6,366 during the year.

Year Ending August 31	Interest	Principal	Total Requirement
1997	\$ 3,263	\$ 32,737	\$ 36,000
1998	369	14,631	15,000
	<u>\$ 3,632</u>	<u>\$ 47,368</u>	<u>\$ 51,000</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 amounted 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.

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1996

Year Ending August 31	Interest	Principal	Total Requirement
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>\$ 6,903</u>	<u>\$ 74,761</u>	<u>\$ 81,664</u>

J. INTER-FUND RECEIVABLES AND PAYABLES

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

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>	<u>NET</u>
Unrestricted	\$ 81,494	\$( 2,441)	\$ 79,053
Auxiliary Enterprises	24,503	( 5,333)	19,170
Restricted		(100,660)	(100,660)
Retirement of Indebtedness	2,440		2,440
Agency		( 3)	( 3)
	<u>\$108,437</u>	<u>\$(108,437)</u>	<u>\$ ---0---</u>

K. 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.

L. 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. Property taxes are restricted to use within the taxing district. There are no other restrictions on the use of taxes. Tax collections for the current year including delinquent collections amounted to approximately 100.62% of the current tax levy.

M. LITIGATION

In May of 1996, a former employee filed suit against the College alleging her employment was terminated in violation of the Texas Whistleblowers Statute. The suit seeks an injunction requiring her reinstatement as an employee. The suit

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1996

also seeks unspecified damages, attorneys' fees and costs. There are no presently scheduled hearings or trial dates in the matter.

The College denies the material allegations made by the plaintiff and intends to defend the case vigorously.

Legal counsel is unable to express an informed opinion as to the probable outcome of this matter. Accordingly, no accrual of the possible outcome is reflected in the financial statements.

N. 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, 1996, are summarized as follows:

	<u>Balance</u> 9/01/95	<u>Adjustment/</u> <u>Additions</u>	<u>Retirement/</u> <u>Deletions</u>	<u>Balance</u> 8/31/96
Land and Improvements	\$ 425,744			\$ 425,744
Buildings and Improvements	8,904,872	\$ 240,697		9,145,569
Equipment (Including furniture, fixtures, and vehicles)	2,172,401	279,654	\$ 30,245	2,421,810
Library Holdings	<u>451,884</u>	<u>42,241</u>	<u>          </u>	<u>494,125</u>
	<u>\$11,954,901</u>	<u>\$ 562,592</u>	<u>\$ 30,245</u>	<u>\$12,487,248</u>

O. 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, 1996, 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.

The College's annual audit and related Schedule of Federal Financial Assistance for the fiscal year ended August 31, 1992 reflected an unreconcilable amount in the amount of \$48,727 of assistance thought to be payable to the Department of Education for SEOG and Pell awards. The awards for these periods have been closed and this amount is no longer considered payable. The payable has been liquidated in the current year as absorption into other income in the current unrestricted fund.

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1996

P. 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.

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 50 with 30 years of service
2. Reduced-           age 55 with at least 5 years of service, or  
                  any age below 50 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, 1995, state law provided for a state contribution rate of 6.0% 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 6.0% for the state. In certain instances, the reporting district is required to make all or a portion of the State's 6.0% contribution.

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1996

The contribution requirement for the fiscal year ended August 31, 1996, for Panola College was \$224,155 which consisted of \$108,462 from the State, and \$115,693 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 1995, were as follows (in millions):

<u>Fiscal Year</u>	<u>Pension Benefit Obligation</u>	<u>Net Assets Available for Benefits</u>	<u>Unfunded Pension Benefit Obligation</u>	<u>Annual Covered Payroll</u>
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	\$41.9	\$37.1	\$4.8	\$14.9
1996	information will be available March 1, 1997.			

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 of participant salaries currently contributed by the state and each participant are 6.0% 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 who were members of the program at August 31, 1995, to the Optional Retirement Program as allowed under provisions of state law.

The retirement expense to the State of Texas for the District was \$121,984 for the Optional Retirement Plan for the fiscal year ended August 31, 1996. Participants contributed \$137,033 for the Optional Retirement Programs. The District contributed \$24,147 to the Optional Retirement Program to cover the 1.19% referenced above.

Additionally, the State through special appropriations contributed \$29,991 to the Optional Retirement Program. This amount represents the difference between the former contribution rate of 7.31% and the current contribution rate of 6.0%.

**Q. 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, 1996, the College had twenty employees participating in the tax sheltered annuity program. A total of \$83,043 in payroll deductions had been invested in approved plans during the fiscal year.

**R. 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

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1996

liability shown in the financial statements.

Vacation is earned at the rate of one day per month up to a maximum of ten days per year. Employees accrue the vacation during the first six months of employment but are not eligible to take vacation until after six months of continuous employment. Sick leave is also earned at the rate of one day per month up to ten days. In addition, two personal days are earned each year.

S. HEALTH CARE COVERAGE

During the year ended August 31, 1996, 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 \$262,790 and covered an average of 112 employees per month.

T. POST-RETIREMENT HEALTH BENEFITS

Panola College as allowed but not required by state statutes, presently reimburses 40 retired employees \$15.92 per month representing cost of continuation of dental insurance. This is the same amount as provided to active employees.

The College in accordance with state statutes, 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, 1996, was \$196 per retiree.

In addition to providing pension benefits, the State provides in accordance with state statutes, 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 40 retirees was \$93,994.

U. OPERATING LEASES

Included in current expenditures is \$27,634 of rent paid or due under operating leases for facilities.

V. 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.

W. 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, 1996, there were five such funds for the benefit of the College. The Lawrence R. and Debbie

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1996

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 \$296,060 at the end of the fiscal year.

X. 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.

Y. 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.

Z. SUBSEQUENT EVENTS

In September, 1996, the College purchased approximately seventy-nine acres of land for \$313,478.40. The land is situated north of the main campus. The expenditure was made from the unexpended plant fund.

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, 1996.



***SUPPLEMENTARY DATA***

PANOLA COLLEGE  
 SCHEDULE A-1  
 SCHEDULE OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS  
 August 31, 1996

	CURRENT FUNDS			PLANT FUNDS			TOTAL
	Unrestricted	Auxiliary Enterprises	Restricted	Endowment and Similar Funds	Unexpended Indebtedness	Retirement of Agency Funds	
Cash on Hand	\$ 3,140	\$ 300	\$	\$	\$	\$	3,440
Petty Cash							
Cash in Transit	3,140	300					3,440
Subtotal							
Cash in Bank	460,378	245,158	45,758	100	1,752	92,912	846,250
Demand Account							
Cash Equivalents	100,000				313,000		413,000
Certificates of Deposit							
Repurchase Agreements							
Subtotal	100,000				313,000		413,000
Total Cash and Cash Equivalents (Exhibit A)	563,518	245,458	45,758	100	314,752	92,912	1,262,690
Short-Term Investments	2,000,000			818,819	550,000	19,000	3,387,819
Certificates of Deposit							
Repurchase Agreements							
Total Short-Term Investments (Exhibit A)	2,000,000			818,819	550,000	19,000	3,387,819
Total Cash, Cash Equivalents and Short-Term Investments	\$ 2,563,518	\$ 245,458	\$ 45,758	\$ 818,919	\$ 864,752	\$ 19,192	\$ 4,650,509

	Cash In Banks	Cash Equivalents	Short-Term Investments
Balance in Depositories as follows:			
First State Bank	\$ 824,691	\$ 413,000	\$ 3,350,819
Bank One--Marshall	1,162		
First National Bank	10,121		20,000
Farmers State Bank	6,858		17,000
Shelby County Savings	3,418		
Total Balance in Depositories	\$ 846,250	\$ 413,000	\$ 3,387,819

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
SCHEDULE C--1  
SCHEDULE OF CURRENT FUNDS REVENUES  
For the Year Ended August 31, 1996

	Unrestricted	Auxiliary Enterprises	Restricted	Total
<b>State Appropriations:</b>				
Education and General State Support	\$ 2,961,081		\$	\$ 2,961,081
Non--Course--Based Remedial Education	11,264			11,264
State Group Insurance			262,790	262,790
State Retirement Matching			230,446	230,446
State Retirement Adjustment			29,991	29,991
Other (Technology Upgrade)			145,000	145,000
<b>Total State Appropriations</b>	<b>2,972,345</b>		<b>668,227</b>	<b>3,640,572</b>
<b>Tuition and Fees</b>				
Tuition	648,243			648,243
General Fees	435,758			435,758
Student Service Fee		14,405		14,405
Laboratory Fee	76,463			76,463
<b>Remissions and Exemptions</b>				
Blind, Deaf Students	2,017			2,017
Concurrent Registration	11,580			11,580
Statutory Waiver of Non--Resident Status	30,225			30,225
Veteran, Dependents, Etc.	2,113			2,113
<b>Total Tuition and Fees</b>	<b>1,206,399</b>	<b>14,405</b>		<b>1,220,804</b>
<b>Taxes for Current Operations</b>	<b>2,587,938</b>			<b>2,587,938</b>
<b>Federal Grants and Contracts Programs</b>				
			1,167,506	1,167,506
<b>Total Federal Grants and Contracts</b>			<b>1,167,506</b>	<b>1,167,506</b>
<b>State Grants and Contracts Programs</b>				
			2,645	2,645
<b>Total State Grants and Contracts</b>			<b>2,645</b>	<b>2,645</b>
<b>Private, Gifts, Grants, and Contracts Programs</b>				
	27,500		7,947	35,447
<b>Total Private Gifts, Grants, and Contracts</b>	<b>27,500</b>		<b>7,947</b>	<b>35,447</b>
<b>Sales &amp; Services of Educational Activities</b>	<b>80,085</b>			<b>80,085</b>
<b>Sales &amp; Services of Auxiliary Activities</b>		<b>800,510</b>		<b>800,510</b>
<b>Other Sources</b>				
Interest/Endowment Income	135,244	5,133	71,667	212,044
Royalty Income			29,426	29,426
Department of Education Reclassification	48,727			48,727
Federal and State Administrative Allowances	20,576			20,576
Other Misc. Income	9,149			9,149
<b>Total Other Sources</b>	<b>213,696</b>	<b>5,133</b>	<b>101,093</b>	<b>319,922</b>
<b>Total Current Funds Revenues (Exh. C)</b>	<b>\$ 7,087,963</b>	<b>\$ 820,048</b>	<b>\$ 1,947,418</b>	<b>\$ 9,855,429</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, 1996

	<u>SALARIES AND WAGES</u>	<u>OTHER EXPENSES</u>	<u>CAPITAL OUTLAY</u>	<u>TOTAL</u>
<b>Unrestricted – Educational and General</b>				
Instruction	\$ 2,584,054	\$ 575,667	\$ 180,968	\$ 3,340,689
Academic Support	434,501	244,751	92,027	771,279
Student Services	338,436	109,590	14,291	462,317
Institutional Support	485,649	353,385	2,380	841,414
Operation and Maintenance of Plant	282,821	400,657	69,958	753,436
Scholarships and Fellowships		96,391		96,391
<b>Total Unrestricted</b>	<u>4,125,461</u>	<u>1,780,441</u>	<u>359,624</u>	<u>6,265,526</u>
				(Exh. C)
<b>Restricted – Education and General</b>				
Instruction		327,731		327,731
Academic Support		55,108		55,108
Student Services	118,504	128,014	36,397	282,915
Institutional Support		67,746		67,746
Operation and Maintenance of Plant		40,598	166,569	207,167
Scholarships and Fellowships		1,189,060		1,189,060
<b>Total Restricted</b>	<u>118,504</u>	<u>1,808,257</u>	<u>202,966</u>	<u>2,129,727</u>
				(Exh. C)
<b>Total Educational and General</b>	<u>4,243,965</u>	<u>3,588,698</u>	<u>562,590</u>	<u>8,395,253</u>
<b>Auxiliary Enterprises</b>	<u>149,175</u>	<u>715,253</u>		<u>864,428</u>
				(Exh. C)
<b>Total Current Fund Expenditures</b>	<u>\$ 4,393,140</u>	<u>\$ 4,303,951</u>	<u>\$ 562,590</u>	<u>\$ 9,259,681</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, 1996

Instruction	
Academic Programs	
Faculty Salaries	\$ 1,427,982
Departmental Operating Expenses	209,323
Total Academic Programs	<u>1,637,305</u>
Vocational Technical Programs	
Faculty Salaries	1,156,048
Departmental Operating Expenses	285,651
Total Vocational Technical Programs	<u>1,441,699</u>
Total Instruction	<u>3,079,004</u>
Academic Support	
Library	293,156
Instructional Administration	252,063
Total Academic Support	<u>545,219</u>
Student Services	<u>430,009</u>
Institutional Support	
General Administration	723,117
General Institutional Expense	188,946
Campus Security	44,641
Total Institutional Support	<u>956,704</u>
Operation and Maintenance of Plant	
Plant Support Services	167,153
Building Maintenance	135,359
Custodial Services	121,143
Grounds Maintenance	36,601
Utilities	224,526
Total Operation and Maintenance of Plant	<u>684,782</u>
Staff Benefits	
Group Insurance Premiums	75,879
O. A. S. I.	296,659
Worker's Compensation Insurance	50,917
State Retirement Adjustment	29,991
Other	44,453
Total Staff Benefits	<u>497,899</u>
Major Repairs and Rehabilitation of Facilities and Buildings	<u>52,300</u>
Total Expenditures by Elements of Institutional Costs	\$ <u>6,245,917</u>
	[a]
[a] Reconciliation	
Total Expenditures by Function (Exh. C)	\$ <u>6,265,526</u>
Plus: State Retirement Adjustment	29,991
Less: Increase in Accrued Compensable Absences	(3,665)
Remissions and Exemptions	(45,935)
Total Expenditures by Elements of Institutional Costs	\$ <u>6,245,917</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, 1996

Assessed valuation of District	\$	<u>1,773,071,737</u>
		<u>Current Operations</u>
Tax rate authorized per \$100 valuation	\$	<u>0.15002</u>
Tax rate assessed per \$100 valuation	\$	<u>0.15002</u>
Taxes Receivable, August 31, 1995	\$	203,696
Less: Allowance for Doubtful Accounts		<u>142,587</u>
Adjusted Taxes Receivable, August 31, 1995		<u>61,109</u>
Taxes Assessed		2,659,962
Supplemental Adjustments to delinquent Roll		57,497
Penalty & Interest Assessed		<u>38,821</u>
Subtotal Assessment		<u>2,756,280</u>
Taxes collected		
Current		2,609,186
Delinquent		67,287
Penalties and interest		<u>38,821</u>
Subtotal Collections		<u>2,715,294</u>
Adjustments		
Fees for Assessment and Collecting		44,806
Change in Allowance for Doubtful Accounts		<u>(2,674)</u>
Subtotal Adjustments	-	<u>42,132</u>
Taxes Receivable, August 31, 1996	\$	<u>59,963</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, 1996

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 09/01/95	Bonds			Maturities			
				Issued After 09/01/95	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 08/31/96	First Year	Last Year	First Call Date
Student Fee Revenue Bond 1970C	\$ 495,000	7.00-7.20 %	\$ 150,000	\$	\$ 20,000	\$	\$ 130,000	1970	2,000	N/A
<b>Total</b>	<b>\$ 495,000</b>		<b>\$ 150,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 130,000</b>				

Summary of Debt Service Requirements to Maturity  
 Year Ending August 31,

Description	Total Requirements			
	1997	1998	1999	2000
Student Fee Revenue Bond 1970C	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
<b>Total</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>

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, 1996

Description	PLEDGED REVENUES AND RELATED EXPENDITURES							(a+b-c-d) Net Available for Debt Service
	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	(a) 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
1970	Minimum Required	Actual Balance	Minimum Required	Actual Balance
Student Fee Revenue Bonds	\$	\$	\$	\$
Totals	\$	\$	\$	\$

See Independent Auditor's Report on Additional Information.



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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.

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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, 1996, and have issued our report thereon dated September 27, 1996. 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 27, 1996



PANOLA COLLEGE  
SCHEDULE D-3 (Continued)  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
For the Year Ended August 31, 1996

**Notes to Schedule of Federal Financial Assistance**

**Note 1: Pell Award Reduction**

The Pell award for project EP063P46491 was reduced by the Department of Education. This project is applicable to the 94-95 fiscal year. The reduction in authorization is reflected in the schedule as a negative transaction in both grant proceeds received and expenditures.

***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, 1996  
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1995

	1996	(Memo Only) 1995
<b>ASSETS</b>		
Cash and cash equivalents	\$ 563,518	\$ 1,325,200
Short-term investments	2,000,000	1,000,000
Accounts receivable	215,991	185,598
Taxes receivable (net of allowance for doubtful accounts)	59,963	61,109
Due from other funds	81,494	
Due from other agencies	16,818	11,575
Prepaid expenses	42,715	12,414
<b>Total Assets</b>	<b>\$ <u>2,980,499</u></b>	<b>\$ <u>2,595,896</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 125,138	\$ 71,836
Accrued liabilities	80,368	33,875
Due to other funds	2,441	138,226
Deferred revenues	699,378	579,882
Accrued compensable absences payable	9,447	5,782
<b>Total Liabilities</b>	<b><u>916,772</u></b>	<b><u>829,601</u></b>
<b>Fund Balance:</b>		
Reserved		
Encumbrances	155,635	10,623
Other	13,693	
Unreserved		
Undesignated	<u>1,894,399</u>	<u>1,755,672</u>
<b>Total Fund Balance</b>	<b><u>2,063,727</u></b>	<b><u>1,766,295</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>2,980,499</u></b>	<b>\$ <u>2,595,896</u></b>

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, 1996  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1995

	1996	(Memo Only) 1995
<b>REVENUES</b>		
State Appropriations	\$ 2,972,345	\$ 2,774,402
Local Funds:		
Tuition and fees	1,206,399	1,073,325
Taxes	2,587,938	2,491,307
Sales and services	80,085	71,695
Interest income	135,244	108,755
Administrative Cost Allowances	20,576	11,686
Other local revenues	85,376	14,734
Total Revenues	<u>7,087,963</u>	<u>6,545,904</u>
<b>EXPENDITURES</b>		
Educational and general		
Instruction	3,340,689	3,037,836
Academic support	771,279	668,266
Student services	462,317	448,089
Institutional support	841,414	747,103
Operation and maintenance of plant	753,436	740,535
Scholarships and awards	96,391	99,348
Total Expenditures	<u>6,265,526</u>	<u>5,741,177</u>
Excess of Revenues over Expenditures	<u>822,437</u>	<u>804,727</u>
<b>TRANSFERS—ADDITIONS / (DEDUCTIONS)</b>		
Mandatory transfers	(278,627)	(131,173)
Non—mandatory transfers	(246,378)	(450,000)
Total Transfers—Additions /(Deductions)	<u>(525,005)</u>	<u>(581,173)</u>
Net Increase in Fund Balance	297,432	223,554
Fund Balance, beginning of year	<u>1,766,295</u>	<u>1,542,741</u>
Fund Balance, end of year	<u>\$ 2,063,727</u>	<u>\$ 1,766,295</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
AUXILIARY  
BALANCE SHEET  
AUGUST 31, 1996  
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1995

	1996	(Memo Only) 1995
<b>ASSETS</b>		
Cash and cash equivalents	\$ 245,458	\$ 147,805
Accounts receivable	195,313	169,700
Inventory, at cost	109,653	97,649
Due from other funds	24,503	116,251
Prepaid expenses	1,000	5,500
<b>Total Assets</b>	<b>\$ <u>575,927</u></b>	<b>\$ <u>536,905</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 36,574	\$ 29,808
Accrued liabilities	29,540	19,578
Deposits payable	17,500	18,925
Due to other funds	5,333	
Deferred revenues	310,534	294,230
Accrued compensable absences payable	472	388
<b>Total Liabilities</b>	<b><u>399,953</u></b>	<b><u>362,929</u></b>
<b>Fund Balance:</b>		
Reserved		
Encumbrances	18,746	425
Inventory	109,653	97,649
Unreserved		
Undesignated	47,575	75,902
<b>Total Fund Balance</b>	<b><u>175,974</u></b>	<b><u>173,976</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>575,927</u></b>	<b>\$ <u>536,905</u></b>

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, 1996  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1995

	1996	(Memo Only) 1995
<b>REVENUES</b>		
Bookstore	\$ 435,629	\$ 464,053
Food service and vending	270,686	217,914
Student housing	88,813	56,291
Student service fees	14,405	21,128
Other local revenues	10,515	14,363
Total Revenues	<u>820,048</u>	<u>773,749</u>
 <b>EXPENDITURES</b>		
Bookstore	322,477	395,040
Food service and vending	246,290	201,059
Student housing	16,952	18,564
Athletics	263,582	247,388
Staff benefits	9,120	10,213
Other	6,007	
Total Expenditures	<u>864,428</u>	<u>872,264</u>
 Excess (Deficiency) of Revenues over Expenditures	<u>(44,380)</u>	<u>(98,515)</u>
 <b>TRANSFERS—ADDITIONS / (DEDUCTIONS)</b>		
Non—mandatory transfers	<u>46,378</u>	<u>100,000</u>
Total Transfers—Additions /(Deductions)	<u>46,378</u>	<u>100,000</u>
 Net Increase in Fund Balance	1,998	1,485
 Fund Balance, beginning of year	<u>173,976</u>	<u>172,491</u>
 Fund Balance, end of year	\$ <u><u>175,974</u></u>	\$ <u><u>173,976</u></u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RESTRICTED  
 BALANCE SHEET  
 AUGUST 31, 1996  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1995

	<u>1996</u>	(Memo Only) <u>1995</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 45,758	\$ 92,046
Federal receivables	102,614	32,711
Due from other funds		43,452
<b>Total Assets</b>	<u>\$ 148,372</u>	<u>\$ 168,209</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,954	\$ 3,020
Accrued liabilities		711
Due to other funds	100,660	21,450
Due to other agencies		48,727
<b>Total Liabilities</b>	<u>102,614</u>	<u>73,908</u>
<b>Fund Balance – Restricted</b>	<u>45,758</u>	<u>94,301</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 148,372</u>	<u>\$ 168,209</u>

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, 1996  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1995

	<u>1996</u>	<u>(Memo Only)</u> <u>1995</u>
<b>REVENUES</b>		
State appropriations	\$ 668,227	\$ 508,146
Federal grants and contracts	1,167,506	1,498,416
State grants and contracts	2,645	4,677
Private gifts	7,947	36,680
Interest and investment income	101,093	131,993
<b>Total Revenues</b>	<u>1,947,418</u>	<u>2,179,912</u>
<b>EXPENDITURES</b>		
Educational and general		
Instruction	327,731	345,228
Academic support	55,108	39,461
Student services	282,915	221,152
Institutional support	67,746	61,859
Operation and maintenance of plant	207,167	18,965
Scholarships and awards	1,189,060	1,527,518
<b>Total Expenditures</b>	<u>2,129,727</u>	<u>2,214,183</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(182,309)</u>	<u>(34,271)</u>
<b>TRANSFERS—ADDITIONS / (DEDUCTIONS)</b>		
Mandatory transfers	182,309	34,271
Excess (Deficiency) of restricted receipts over transfers to revenues	<u>(48,543)</u>	<u>(104,204)</u>
<b>Total Transfers—Additions /(Deductions)</b>	<u>133,766</u>	<u>(69,933)</u>
<b>Net Increase (Decrease) in Fund Balance</b>	(48,543)	(104,204)
<b>Fund Balance, beginning of year</b>	<u>94,301</u>	<u>198,505</u>
<b>Fund Balance, end of year</b>	<u>\$ 45,758</u>	<u>\$ 94,301</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, 1996  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1995

	<u>1996</u>	<u>(Memo Only)</u> <u>1995</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 100	\$ 723,074
Short-term investments	818,819	34,025
<b>Total Assets</b>	<b>\$ <u>818,919</u></b>	<b>\$ <u>757,099</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:	\$	\$
Fund Balance—Restricted for Endowments	<u>818,919</u>	<u>757,099</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>818,919</u></b>	<b>\$ <u>757,099</u></b>

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, 1996  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1995

	<u>1996</u>	(Memo Only) <u>1995</u>
REVENUES AND OTHER ADDITIONS		
Private gifts	\$ 44,545	\$ 9,525
Total Revenues	<u>44,545</u>	<u>9,525</u>
TRANSFERS—ADDITIONS/(DEDUCTIONS)	<u>17,275</u>	
Net Increase in Fund Balance	61,820	9,525
Fund Balance, beginning of year	<u>757,099</u>	<u>747,574</u>
Fund Balance, end of year	\$ <u>818,919</u>	\$ <u>757,099</u>

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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, 1996  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1995

	<u>1996</u>	<u>(Memo Only)</u> <u>1995</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 314,752	\$ 624,889
Short-term investments	<u>550,000</u>	
Total Assets	<u>\$ 864,752</u>	<u>\$ 624,889</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:	\$	\$
Fund Balance—Reserved for Plant Improvements	<u>864,752</u>	<u>624,889</u>
Total Liabilities and Fund Balance	<u>\$ 864,752</u>	<u>\$ 624,889</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 UNEXPENDED  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED AUGUST 31, 1996  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1995

	<u>1996</u>	<u>(Memo Only)</u> <u>1995</u>
<b>REVENUES AND OTHER ADDITIONS</b>		
	\$	\$
Interest income	<u>39,863</u>	<u>35,755</u>
<b>Total Revenues</b>	<u>39,863</u>	<u>35,755</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Expended for plant facilities		<u>623,491</u>
Excess (deficiency) of Revenues and Other Additions over Expenditures and Other Deductions	39,863	(587,736)
<b>TRANSFERS--ADDITIONS/ (DEDUCTIONS)</b>		
Non--mandatory transfers	<u>200,000</u>	<u>350,000</u>
<b>Net Increase in Fund Balance</b>	239,863	(237,736)
<b>Fund Balance, beginning of year</b>	<u>624,889</u>	<u>862,625</u>
<b>Fund Balance, end of year</b>	<u>\$ 864,752</u>	<u>\$ 624,889</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RETIREMENT OF INDEBTEDNESS  
 BALANCE SHEET  
 AUGUST 31, 1996  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1995

	<u>1996</u>	<u>(Memo Only)</u> <u>1995</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 192	\$ 517
Short-term investments	19,000	19,000
Due from other funds	2,440	
Prepaid expenses	6,000	6,000
Total Assets	\$ <u>27,632</u>	\$ <u>25,517</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accrued Interest	\$ <u>2,115</u>	\$
Total Liabilities	<u>2,115</u>	
Fund Balance—Restricted for Debt Retirement	<u>25,517</u>	<u>25,517</u>
Total Liabilities and Fund Balance	\$ <u>27,632</u>	\$ <u>25,517</u>

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, 1996  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1995

	1996	(Memo Only) 1995
<b>REVENUES AND OTHER ADDITIONS</b>		
Interest income	\$ 1,020	\$ 776
Federal interest subsidy	8,688	26,064
Other income		5,901
Total Revenues and Other Additions	<u>9,708</u>	<u>32,741</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Retirement of indebtedness:		
Principal	66,351	116,058
Interest and fees	22,400	22,680
Total Expenditures and Other Deductions	<u>88,751</u>	<u>138,738</u>
Excess (deficiency) of revenues and other additions over expenditures and other deductions	(79,043)	(105,997)
<b>TRANSFERS—ADDITIONS/ (DEDUCTIONS)</b>		
Non—mandatory transfers	<u>79,043</u>	<u>96,902</u>
Net Increase (Decrease) in Fund Balance		(9,095)
Fund Balance, beginning of year	<u>25,517</u>	<u>34,612</u>
Fund Balance, end of year	<u>\$ 25,517</u>	<u>\$ 25,517</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
INVESTMENT IN PLANT  
BALANCE SHEET  
AUGUST 31, 1996  
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1995

	<u>1996</u>	<u>(Memo Only)</u> <u>1995</u>
<b>ASSETS</b>		
Land	\$ 425,744	\$ 425,744
Buildings	9,145,569	8,904,872
Equipment, fixtures and vehicles	2,421,810	2,172,401
Library books	494,125	451,884
<b>Total Assets</b>	<b>\$ <u>12,487,248</u></b>	<b>\$ <u>11,954,901</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Bonds payable	\$ 130,000	\$ 150,000
Lease purchase agreement payable	122,129	168,480
<b>Total Liabilities</b>	<b><u>252,129</u></b>	<b><u>318,480</u></b>
 <b>Fund Balance—Net investment in plant</b>	 <b><u>12,235,119</u></b>	 <b><u>11,636,421</u></b>
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ <u>12,487,248</u></b>	 <b>\$ <u>11,954,901</u></b>

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, 1996  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1995

	1996	(Memo Only) 1995
<b>REVENUES AND OTHER ADDITIONS</b>		
Retirement of indebtedness	\$ 66,351	\$ 116,057
Expended for plant facilities	562,592	1,018,868
Total Revenues and Other Additions	<u>628,943</u>	<u>1,134,925</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Capital lease obligation		91,478
Disposal of equipment and fixtures		89,700
Retirement of equipment and fixtures	30,245	32,016
Total Expenditures and Other Deductions	<u>30,245</u>	<u>213,194</u>
 Net Increase (Decrease) in Fund Balance	 598,698	 921,731
Fund Balance, beginning of year	<u>11,636,421</u>	<u>10,714,690</u>
Fund Balance, end of year	<u>\$ 12,235,119</u>	<u>\$ 11,636,421</u>

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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, 1996

	BALANCE <u>09-01-95</u>	ADDITIONS	DEDUCTIONS	BALANCE <u>09-01-96</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 91,395	\$ 129,980	\$ 128,463	\$ 92,912
Due from other funds		45,815	45,815	
<b>Total Assets</b>	<b>\$ <u>91,395</u></b>	<b>\$ <u>175,795</u></b>	<b>\$ <u>174,278</u></b>	<b>\$ <u>92,912</u></b>
<b>LIABILITIES</b>				
Liabilities:				
Deposits payable	\$ 62,222	\$ 83,532	\$ 85,746	\$ 60,008
Funds held in trust	29,146	49,198	45,443	32,901
Due to other funds	27	43,065	43,089	3
<b>Total Liabilities</b>	<b>\$ <u>91,395</u></b>	<b>\$ <u>175,795</u></b>	<b>\$ <u>174,278</u></b>	<b>\$ <u>92,912</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>
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	3,037,836			668,266	448,089
1995-96	3,340,689			771,279	462,317

- (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>
\$ 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
841,414	753,436	96,391	864,428	88,751	7,218,705

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>
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		114,525
1995-96	2,972,345	1,220,803	2,587,938		140,376

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>
\$ 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
98,115	746,851	32,741	7,352,394
186,038	800,511	9,708	7,917,719

PANOLA COLLEGE  
PROPERTY TAX LEVIES & COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>% of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1986-87	\$ 1,282,191	\$ 1,029,278	\$ 80.27%	\$ 25,187	\$ 1,054,465
1987-88	1,062,624	1,022,099	96.19%	22,931	1,045,030
1988-89	1,100,953	1,058,607	96.15%	34,819	1,093,426
1989-90	1,111,471	1,097,560	98.75%	15,207	1,112,767
1990-91	1,763,525	1,662,044	94.25%	29,482	1,691,526
1991-92	2,382,093	2,188,551	91.88%	49,285	2,237,836
1992-93	2,451,113	2,331,122	95.10%	66,624	2,397,746
1993-94	2,463,580	2,393,870	97.17%	64,064	2,457,934
1994-95	2,556,344	2,510,759	98.22%	65,682	2,576,441
1995-96	2,659,962	2,609,186	98.09%	67,287	2,676,473

Table 3

<u>% of Total Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>% of Delinquent Taxes to Levy</u>
\$ 82.24%	\$ 214,160	\$ 16.70%
98.34%	214,374	20.17%
99.32%	178,467	16.21%
100.12%	203,030	18.27%
95.92%	238,029	13.50%
93.94%	219,743	9.22%
97.82%	212,214	8.66%
99.77%	211,927	8.60%
100.79%	203,696	7.97%
100.62%	199,876	7.51%

PANOLA COLLEGE  
 ASSESSED & ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN TAX ROLL YEARS  
 AND CURRENT TAX ROLL YEAR  
 (UNAUDITED)

<u>Tax Roll Year</u>	<u>Real Property</u>		<u>Personal Property</u>	
	<u>Taxable Value</u>	<u>Estimated Value</u>	<u>Taxable Value</u>	<u>Estimated Value</u>
1985	\$ 1,933,197,976	\$ 1,933,197,976	\$ 48,551,030	\$ 48,551,030
1986	1,586,560,836	1,586,560,836	58,066,650	58,066,650
1987	1,286,470,558	1,286,470,558	45,405,020	45,405,020
1988	1,268,117,899	1,268,117,899	47,019,670	47,019,670
1989	1,288,624,017	1,288,624,017	44,488,689	44,488,689
1990	1,450,988,311	1,450,988,311	60,189,330	60,189,330
1991	1,521,935,629	1,521,935,629	63,206,930	63,206,930
1992	1,336,841,815	1,336,841,815	66,709,990	66,709,990
1993	1,444,886,739	1,444,886,739	74,087,920	74,087,920
1994	1,795,307,718	1,795,307,718	116,651,531	116,651,531
1995	1,652,772,786	1,652,772,786	120,298,951	120,298,951
1996	1,441,122,992	1,441,122,992	130,762,253	130,762,253

Table 4

	<u>Total</u>		
	<u>Taxable</u>	<u>Estimated</u>	<u>Ratio of</u>
	<u>Value</u>	<u>Value</u>	<u>Total Actual/</u>
			<u>Total Estimated</u>
\$	1,981,749,006	\$ 1,981,749,006	100%
	1,644,627,486	1,644,627,486	100%
	1,331,875,578	1,331,875,578	100%
	1,315,137,569	1,315,137,569	100%
	1,333,112,706	1,333,112,706	100%
	1,511,177,641	1,511,177,641	100%
	1,585,142,559	1,585,142,559	100%
	1,403,551,805	1,403,551,805	100%
	1,518,974,659	1,518,974,659	100%
	1,911,959,249	1,911,959,249	100%
	1,773,071,737	1,773,071,737	100%
	1,571,885,245	1,571,885,245	100%

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		
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	0.3668
1995-96	0.15002		0.15002	0.3996

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>
0.50600	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		2.282650
0.51742	1.33137		2.398410

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
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	1,773,072	150,000	25,517	124,483	7.02%	5.53
1995-96	22,500	1,571,885	130,000	25,517	104,483	6.65%	4.64

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, 1996  
(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, 1996, the College had no general obligation debt; therefore, no tax rate was established for the purpose of debt service.

PANOLA COLLEGE  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT  
 AUGUST 31, 1996  
 (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	\$130,000	100.00%	\$130,000
<b>Overlapping:</b>			
Panola County	1,600,000	100.00%	1,600,000
City of Carthage	10,893,000	100.00%	10,893,000
City of Beckville	269,000	100.00%	269,000
Carthage ISD	1,075,000	100.00%	1,075,000
Gary ISD		100.00%	
Beckville ISD		100.00%	
Elysian Fields ISD	2,900,000	53.75%	1,558,750
Tatum ISD		32.50%	
Tenaha ISD	280,000	1.86%	5,208
Joaquin ISD	3,000,000	5.05%	151,500
<b>Total Direct and Overlapping Debt</b>			<b><u>\$15,682,458</u></b>

(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>
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	5,272,994	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	6,023,150	0.49%
1993-94	20,000	12,965	32,965	6,462,951	0.51%
1994-95	20,000	11,520	31,520	6,752,183	0.47%
1995-96	20,000	10,080	30,080	7,218,705	0.42%

Table 10

PANOLA COLLEGE  
 PRINCIPAL TAXPAYERS  
 AUGUST 31, 1996  
 (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	\$327,232	18.46%
Pennzoil Company	Petroleum	159,984	9.02%
Texaco Producing, Inc.	Petroleum	122,277	6.90%
Exxon Corporation	Petroleum	94,095	5.31%
Texas Utilities Mining Co.	Utilities	48,578	2.74%
Amoco Production Co.	Petroleum	35,232	1.99%
R. Lacy, Inc.	Petroleum	34,310	1.94%
Vastar Resources	Petroleum	29,907	1.69%
Seagull Mid-South	Petroleum	29,107	1.64%
Sonat Exploration	Petroleum	28,975	1.63%
Totals (51.31% of Actual Value of \$1,773,071,737)		<u>\$909,697</u>	<u>51.31%</u>

(1) Panola County Appraisal District

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>
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%
1995-96	22,500	36.1	16,695	21,027	8.7%	5.00%

(1) Federal Bureau of Census, Sales and Marketing Survey of Buying Power.  
 1987 population based on Texas Department of Health projections.  
 1989 through 1996 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>
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
1995-96	1,264	220	173	1,657

## Full-Time Equivalents (FTEs):

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Marshall</u>	<u>Center</u>	<u>Total</u>
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
1995-96	1,230	126	125	1,481

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
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%
1995-96	54%	46%	35%	65%	32%	61%	7%

Fiscal Year	Average Age of Student	Ethnic Background				
		Asian	Black	Hispanic	White	Other
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%	
1995-96	25.2		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>
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%
1995-96	180	48	228	

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, 1996  
 (UNAUDITED)

<u>Years of Experience</u>	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
0-5 years	22	43.14%
6-10 years	12	23.53%
11-15 years	6	11.76%
16-20 years	5	9.80%
More than 21 years	<u>6</u>	<u>11.76%</u>
	<u>51</u>	<u>100.00%</u>

	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
Less than Bachelor's	2	3.92%
Bachelor's	6	11.76%
Master's	39	76.47%
Doctorate	<u>4</u>	<u>7.84%</u>
	<u>51</u>	<u>100.00%</u>

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*SINGLE AUDIT*

*SECTION*

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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, 1996, and have issued our report thereon dated September 27, 1996.

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, including the Public Funds Investment Act (Texas Government Code, Chapter 2256). 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 27, 1996

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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, 1996, and have issued our report thereon dated September 27, 1996.

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, 1996, 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.

*Alexander, Lankford & Hiers, Inc.*

Alexander, Lankford & Hiers, Inc.  
Certified Public Accountants

September 27, 1996

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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, 1996, and have issued our report thereon dated September 27, 1996. 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 27, 1996.

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, 1996, 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 27, 1996.

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:

Accounting Applications

- Billings
- Receivables
- Cash receipts
- Purchasing and receiving
- Accounts payable
- Cash disbursements
- Payroll
- Property and equipment
- General ledger

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, 1996, Panola College expended 69 percent of its total federal financial assistance under its major federal financial assistance program.

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.



Board of Trustees  
Panola College  
Page 3

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.

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 27, 1996

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Richard A. Rudel, CPA  
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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, 1996, and have issued our report thereon dated September 27, 1996.

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, 1996: 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.*

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September 27, 1996

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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, 1996, and have issued our report thereon dated September 27, 1996.

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, 1996. 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, 1996.

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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Certified Public Accountants

September 27, 1996

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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, 1996, and have issued our report thereon dated September 27, 1996.

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, 1996.

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 27, 1996

PANOLA COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 1996

The sample population was 44 Pell recipients with Pell awards totaling \$58,468. The total population was 683 Pell recipients and awards of \$835,383.

<u>PROGRAMS</u>	<u>FINDINGS/NONCOMPLIANCE</u>	<u>QUESTIONED COSTS</u>
Direct Program, Department of Education-Federal Pell Grant Program EP063P56491	1. Two students received over-awards as a result of clerical error.	\$ 0
	<u>CORRECTIVE ACTION RECOMMENDED/TAKEN</u>	
	Pell expenditures were reversed for \$29, the amount of the over-awards.	
Direct Program, Department of Education-Federal Pell Grant Program EP063P56491	2. A student's enrollment dropped to less than half-time but the cost of attendance was not recomputed, resulting in an over-award.	0
	<u>CORRECTIVE ACTION RECOMMENDED/TAKEN</u>	
	Pell expenditures were reversed for \$100, the amount of the over-award.	
Direct Program, Department of Education-Federal Pell Grant Program EP063P56491	3. A student who was not registered with the selective service due to oversight was not eligible at the time the award was received.	545
	<u>CORRECTIVE ACTION RECOMMENDED/TAKEN</u>	
	The student was subsequently registered in February, 1996.	
Direct Program, Department of Education-Federal College Work Study Program EP033A54092	4. A student received an over-award due to the incorrect computation of a scholarship, resulting in total financial assistance in excess of financial need.	604
	<u>CORRECTIVE ACTION RECOMMENDED/TAKEN</u>	
	The expenditure will be reversed and the over-award repaid.	
<b>TOTAL QUESTIONED COSTS</b>		<u><b>\$1,149</b></u>

Comment on status of prior findings:

There are no outstanding findings. Pell expenditures were reversed for the questioned amount.