

***PANOLA COLLEGE***

***COMPREHENSIVE***

***ANNUAL FINANCIAL REPORT***

***FOR THE FISCAL YEAR ENDED***

***AUGUST 31, 1997***

***PREPARED BY:***

***FISCAL AFFAIRS DEPARTMENT  
PANOLA COLLEGE***



COMPREHENSIVE ANNUAL FINANCIAL REPORT

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***INTRODUCTORY***

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***SECTION***

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# PANOLA COLLEGE

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

December 4, 1997

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, 1997, 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 independent 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 as amended in 1996 and U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditure of federal awards and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in 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, Harrison County, and Marion 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 is generally less than the East Texas average. 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 continues to be that of expanding health science course offerings.

The associate degree nursing program that began in the 94/95 year graduated its first class last year.

The college began a licensed vocational nursing program in Shelby County. Funding of the start up costs associated with this program were made by special appropriations from the legislature. The facilities in Shelby County were renovated to accommodate this new program, and the first class of students enrolled in the spring of 1997.

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

The fall of 1996 was the first season for the women's volleyball program. In its first season the team won their conference championship.

A Small Business Development Center Satellite was established in the spring of 1996. The Center was largely funded from local gifts, and it continues to serve local communities in need of economic development.

The 97/98 year will mark the fiftieth anniversary of Panola College. To commemorate this milestone the College has published a documentary history of its operations. One of the College's own history instructors compiled this publication.

Advisory boards consisting of citizens from the service area are in operation. 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 meet 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 promulgated.

During the second half of the 96/97 academic year, a program for resource identification and development was established which will enable the college to utilize the Panola Junior College Development Foundation. The foundation was established several years ago to strengthen the financial base of the college. In addition, further efforts were made by the college to more actively and effectively seek grant funds.

The college acquired 78 acres of land for future expansion and should receive an additional 25 acres through a donation from Union Pacific Resources during the 97/98 year. Architectural plans have been produced as guidelines for this growth.

Administrative offices and some instructional programs were moved from Marshall, Texas, to Jefferson, Texas. This move should benefit the college by reducing lease/rental expenses and expanding our sphere of influence.

In the fall of 1996, a wellness center was opened to offer services to the local communities in the areas of physical fitness and nutrition.

The College has continued its summer recruitment efforts. These efforts are in addition to the normal recruitment activities. The summer recruitment drives continue to make a positive influence on the enrollment.

#### FINANCIAL INFORMATION

The administration of the College is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance 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 concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived and 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, 1997, 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, 1997, 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 1996</u>	<u>Percent of Increase (Decrease)</u>
State Appropriations	\$ 2,961,081	36.1%	\$ (11,264)	-0.4%
Tuition and Fees	1,556,362	19.0%	335,559	27.5%
Taxes for Current Operations	2,588,723	31.5%	785	0.0%
Interest	140,506	1.7%	130	0.1%
Auxiliary Enterprises	811,386	9.9%	10,875	1.4%
Other Revenues	<u>153,242</u>	<u>1.9%</u>	<u>(32,796)</u>	<u>-17.6%</u>
	<u>\$ 8,211,300</u>	<u>100.0%</u>	<u>\$ 303,289</u>	<u>3.8%</u>

Revenues totaled \$8,211,300, an increase of 3.8% 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 decreased slightly due to the College's decision not to participate in noncourse-based remedial instruction. The appropriations reflect the special appropriations from the legislature to fund the Shelby College licensed vocational nursing program. This is the second and final year of that special appropriation.

Tuition and fee revenues reflect increases due to two reasons. We experienced a record enrollment in the fall 1996 semester. In addition, a \$24 per semester technology fee was implemented last year.

The tax rate was not increased last year, and the tax revenues remained about the same.

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

Other local revenues reflected a decrease due to the recognition as income in 1996 the closing of a Department of Education grant from 1992. The College had previously classified this a deferred revenue.

The following schedule presents a summary of unrestricted current fund and auxiliary enterprises fund expenditures for the fiscal year ended August 31, 1997 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 1996</u>	<u>Percent of Increase (Decrease)</u>
Instruction	\$ 3,613,880	45.8%	\$ 273,191	8.2%
Academic Support	748,141	9.5%	(23,138)	- 3.0%
Public Service	71,336	0.9%	63,093	765.4%
Student Services	507,048	6.4%	44,731	9.7%
Institutional Support	957,611	12.1%	124,440	14.9%
Operation and Maintenance of Plant	939,420	11.9%	185,984	24.7%
Scholarships and Awards	111,739	1.4%	15,348	15.9%
Auxiliary Enterprises	<u>947,469</u>	<u>12.0%</u>	<u>83,041</u>	<u>9.6%</u>
	<u>\$ 7,896,644</u>	<u>100.0%</u>	<u>\$ 766,690</u>	<u>10.8%</u>

Expenditures totaled \$7,896,644, an increase of 10.8% 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 the continuation of start up costs of the occupational therapy assisting program and the health information systems technology program.

Academic support decreased because technology upgrades in the library were down from the prior year.

The public service area includes the Wellness Center and the Small Business Development Center. The increase was due to this being the opening year for the Wellness Center.

Student services area showed an increase due to the costs of computer upgrades, a new computer-guidance testing program, and a new GED testing location at the Shelby County Center.

Institutional support increases were primarily due to computer upgrades and the creation and staffing of an administrative computing department. The department was responsible for the completion of the campus computer network. The establishing of campus wide internet connectivity through our fiber optic cable backbone was made available through a \$145,000 grant in 95/96.

Operation and maintenance of plant area expenditures increased primarily due to major street and parking lot projects and renovations made to the ballroom and the residence halls.

Scholarships and awards showed an increase due to the scholarships provided for the women's volleyball program that was started in fall 1996.

The increase in auxiliary enterprises was also primarily due to the new women's volleyball program. Costs for items for resale in the college store also showed an increase.

#### AUXILIARY ENTERPRISES

The Auxiliary Enterprises Fund accounts for activities that are essentially self-supporting or 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 \$873,704 at August 31, 1997. The interest income from the endowment investments was used to provide scholarships.

#### FUND BALANCE

The fund balance of the unrestricted current fund decreased by \$67,700, or three percent in the year ended August 31, 1997. This remaining fund balance is equivalent to approximately three months of expenditures.

## DEBT ADMINISTRATION

As of August 31, 1997, the College had \$105,000 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 \$14,632 at August 31, 1997. Final payment on this obligation is currently scheduled for January, 1998.

The only other debt the College has is also in the form of capital leases. The College leases most of its copying machines. Terms of these leases require payments to be made over the next five years. The principal balance on the leases at August 31, 1997, was \$76,866.

## 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 4.98 percent. The average yield rate for 90-day U. S. Treasury bills for the year ended August 31, 1997, was approximately 5.06 percent. The College earned interest revenue of \$225,372 on all investments for the year ended August 31, 1997.

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, 1997, 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 on College 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 Robinson & Williams 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 and related OMB Circular A-133.

#### AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) to the College for its comprehensive annual financial reports for the fiscal years ended August 31, 1994, 1995, and 1996. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

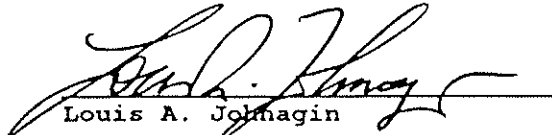
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal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

#### ACKNOWLEDGMENTS

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 the accounting firm of Robinson & Williams for their assistance and timely completion of the audit.

Sincerely,

  
Louis A. Jolmagin  
Dean of Fiscal Affairs

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Panola College,  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 1996

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.



*Linda K. Savitsky*  
President

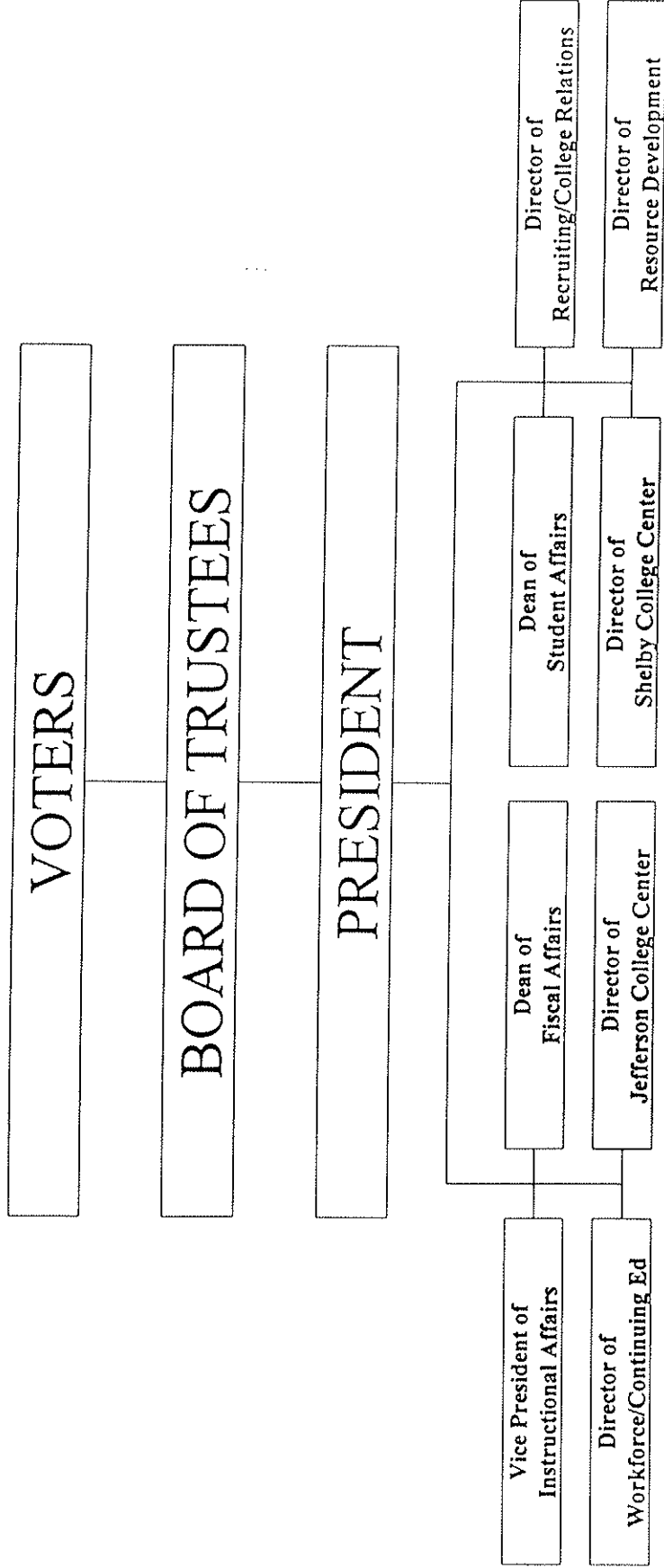
*Jeffrey L. Essler*  
Executive Director



# ORGANIZATIONAL CHART

## PANOLA COLLEGE

Carthage, Texas



PANOLA COLLEGE  
PRINCIPAL OFFICIALS  
AUGUST 31, 1997

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  
2002  
2002

ADMINISTRATION

Dr. William Edmonson  
Mr. Charles Hughes  
Mr. Louis Johnagin, CPA  
Mrs. Betsy Wheat  
Mr. Todd Witt  
Mrs. Twink Ross  
Dr. Jerry Hopkins  
Dr. Jeanne Scott  
Mr. David Starnes

President  
Vice-President of  
Instructional Affairs  
Dean of Fiscal Affairs  
Dean of Student Affairs  
Director of Workforce/  
Continuing Education  
Director of Recruiting  
and College/School  
Relations  
Director of Shelby  
College Center  
Director of Jefferson  
College Center  
Director of Resource  
Development

*FINANCIAL*  
*SECTION*

ROBINSON & WILLIAMS  
CERTIFIED PUBLIC ACCOUNTANTS  
410 WEST PANOLA  
CARTHAGE, TEXAS 75633

MEMBERS OF  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE  
(903) 693-8522

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, 1997 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-133, AUDITS OF STATES, LOCAL GOVERNMENTS, and NON-PROFIT ORGANIZATIONS. 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, 1997, 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 November 10, 1997 on our consideration of the College's compliance and internal control over financial reporting.

We have audited the basic financial statements of Panola College as of and for the year ended August 31, 1997, and have issued our report thereon dated November 10, 1997. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards (Schedule D-3) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

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 20 to 26, 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.

*Robinson & Williams*

Robinson & Williams  
Certified Public Accountants

November 10, 1997

PANOLA COLLEGE  
EXHIBIT A  
BALANCE SHEET  
August 31, 1997  
With Memorandum Totals at August 31, 1996

CURRENT FUNDS

ASSETS	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
Cash and Cash Equivalents (Sch A-1)	\$ 2,440,063	\$ 204,673	\$ 155,262	\$ 2,799,998
Short-Term Investments (Sch A-1)				
Accounts Receivable (net of allowance for doubtful accounts of \$-0-)	235,226	188,874	5,947	430,047
Taxes Receivable (net of allowance for doubtful accounts of \$149,402) (Sch C-4)	58,101			58,101
Due From Other Funds	244,259	329,890		574,149
Prepaid Expenses	48,293	866	186	49,345
Federal Receivables			144,484	144,484
Due From Other Agencies			22,984	22,984
Inventories for Resale		66,725		66,725
Land				
Buildings				
Equipment				
Library Books				
<b>Total Assets</b>	<b>\$ 3,025,942</b>	<b>\$ 791,028</b>	<b>\$ 328,863</b>	<b>\$ 4,145,833</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 106,123	\$ 23,431	\$ 10,354	\$ 139,908
Accrued Liabilities	148,944	39,067	1,164	189,175
Deposits Payable		18,800		18,800
Due To Other Funds	60,232	236,281	264,456	560,969
Deferred Revenues	702,407	295,832		998,239
Accrued Compensable Absences Payable	12,209			12,209
Due To Other Agencies				
Bonds Payable (net of unamortized premium/ discount of \$-0- as of 8/31/97) (Sch D-1)				
Lease-Purchase Agreements Payable				
Funds Held In Custody for Others				
<b>Total Liabilities</b>	<b>1,029,915</b>	<b>613,411</b>	<b>275,974</b>	<b>1,919,300</b>
<b>Fund Balance:</b>				
<b>Unrestricted</b>				
<b>Reserved</b>				
Encumbrances	78,785	55,933		134,718
Inventory		66,725		66,725
Plant Improvements				
Other				
<b>Unreserved</b>				
Undesignated	1,917,242	54,959		1,972,201
<b>Restricted</b>				
Other			52,889	52,889
Net Investment in Plant				
<b>Total Fund Balances (Exh. B)</b>	<b>1,996,027</b>	<b>177,617</b>	<b>52,889</b>	<b>2,226,533</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,025,942</b>	<b>\$ 791,028</b>	<b>\$ 328,863</b>	<b>\$ 4,145,833</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
\$ 874,205	\$ 604,260	\$ 963 19,000	\$	\$ 70,542	\$ 4,349,968 19,000	\$ 1,262,690 3,387,819
	336	8			430,391	411,304
		62,708			58,101	59,963
		6,000			636,857	108,437
					55,345	49,715
					144,484	102,614
					22,984	16,818
					66,725	109,653
			756,340		756,340	425,744
			9,145,569		9,145,569	9,145,569
			2,705,589		2,705,589	2,421,810
			537,773		537,773	494,125
<u>\$ 874,205</u>	<u>\$ 604,596</u>	<u>\$ 88,679</u>	<u>\$ 13,145,271</u>	<u>\$ 70,542</u>	<u>\$ 18,929,126</u>	<u>\$ 17,996,261</u>
\$	\$	\$	\$	\$ 1,850	\$ 141,758	\$ 163,666
		1,890			191,065	112,023
	501	61,272		38,956	57,756	77,508
	3,118			10,997	636,857	108,437
					998,239	1,009,912
					12,209	9,919
			105,000		105,000	130,000
			91,498		91,498	122,129
				18,739	18,739	32,901
<u>501</u>	<u>3,118</u>	<u>63,162</u>	<u>196,498</u>	<u>70,542</u>	<u>2,253,121</u>	<u>1,766,495</u>
					134,718	174,381
					66,725	109,653
	601,478				601,478	864,752
						13,693
					1,972,201	1,941,974
873,704		25,517			952,110	890,194
			12,948,773		12,948,773	12,235,119
<u>873,704</u>	<u>601,478</u>	<u>25,517</u>	<u>12,948,773</u>		<u>16,676,005</u>	<u>16,229,766</u>
<u>\$ 874,205</u>	<u>\$ 604,596</u>	<u>\$ 88,679</u>	<u>\$ 13,145,271</u>	<u>\$ 70,542</u>	<u>\$ 18,929,126</u>	<u>\$ 17,996,261</u>

PANOLA COLLEGE  
EXHIBIT B  
STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended August 31, 1997  
With Memorandum Totals at August 31, 1996

	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
<b>REVENUES AND OTHER ADDITIONS</b>				
Unrestricted Current Funds Revenue (Exh. C)	\$ 7,394,188	\$ 817,112	\$	\$ 8,211,300
State Appropriations - Restricted			563,008	563,008
Federal Grants and Contracts			1,329,302	1,329,302
State Grants and Contracts			3,900	3,900
Private Gifts, Grants and Contracts			23,844	23,844
Investment/Endowment Income			76,393	76,393
Net Change in Bonds Payable				
Net Change in Lease Purchase Agreements Payable				
Expended for Plant Facilities (Includes \$403,058 Charged to Current Funds Expenditures)				
<b>Total Revenues and Other Additions</b>	<u>7,394,188</u>	<u>817,112</u>	<u>1,996,447</u>	<u>10,207,747</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>				
Expenditures (Exh. C)	6,949,175	947,469	2,262,953	10,159,597
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness				
Disposal of Plant Facilities				
<b>Total Expenditures and Other Deductions</b>	<u>6,949,175</u>	<u>947,469</u>	<u>2,262,953</u>	<u>10,159,597</u>
<b>TRANSFERS - ADDITIONS / (DEDUCTIONS)</b>				
<b>Mandatory Transfers</b>				
Retirement of Indebtedness	(82,076)			(82,076)
TPEG	(15,467)		15,467	
<b>National Science Foundation</b>				
Grant Matching	(43,330)		43,330	
To Restricted for Scholarships	(214,840)		214,840	
<b>Non-Mandatory Transfers</b>				
	(157,000)	132,000		(25,000)
<b>Total Transfers - Additions / (Deductions)</b>	<u>(512,713)</u>	<u>132,000</u>	<u>273,637</u>	<u>(107,076)</u>
<b>NET INCREASE/(DECREASE) FOR THE FISCAL YEAR</b>	<u>(67,700)</u>	<u>1,643</u>	<u>7,131</u>	<u>(58,926)</u>
<b>FUND BALANCES, September 1, 1996</b>	<u>2,063,727</u>	<u>175,974</u>	<u>45,758</u>	<u>2,285,459</u>
<b>FUND BALANCES, August 31, 1997 (Exh. A)</b>	<u>\$ 1,996,027</u>	<u>\$ 177,617</u>	<u>\$ 52,889</u>	<u>\$ 2,226,533</u>

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
\$	\$	\$	\$	\$ 8,211,300	\$ 7,908,011
				563,008	668,227
		8,688		1,337,990	1,176,194
				3,900	2,645
54,785	7,000			85,629	46,949
	28,322	780		105,495	98,976
			25,000	25,000	20,000
			30,631	30,631	46,351
			756,543	756,543	562,592
<u>54,785</u>	<u>35,322</u>	<u>9,468</u>	<u>812,174</u>	<u>11,119,496</u>	<u>10,529,945</u>
				10,159,597	9,259,681
	323,596			323,596	
		61,187		61,187	66,351
		30,357		30,357	22,400
			98,520	98,520	30,245
	<u>323,596</u>	<u>91,544</u>	<u>98,520</u>	<u>10,673,257</u>	<u>9,378,677</u>
		82,076			
	25,000				
	<u>25,000</u>	<u>82,076</u>			
<u>54,785</u>	<u>(263,274)</u>		<u>713,654</u>	<u>446,239</u>	<u>1,151,268</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>
<u>\$ 873,704</u>	<u>\$ 601,478</u>	<u>\$ 25,517</u>	<u>\$ 12,948,773</u>	<u>\$ 16,676,005</u>	<u>\$ 16,229,766</u>

PANOLA COLLEGE  
EXHIBIT C  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES  
For the Year Ended August 31, 1997  
With Memorandum Totals for the Year Ended August 31, 1996

REVENUES	TOTALS				
	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
State Appropriations - General Revenue	\$ 2,961,081	\$	\$ 563,008	\$ 3,524,089	\$ 3,640,572
Tuition and Fees	1,556,362			1,556,362	1,220,804
Taxes for Current Operation	2,588,723			2,588,723	2,587,938
Federal Grants and Contracts			1,329,302	1,329,302	1,167,506
State Grants and Contracts			3,900	3,900	2,645
Private Gifts, Grants and Contracts	21,630		23,844	45,474	35,447
Sales & Service of Educational Activities	121,303			121,303	80,085
Sales & Services of Auxiliary Enterprises		811,386		811,386	800,510
Other Sources					
Interest/Endowment Income	134,780	5,726	48,633	189,139	212,044
Royalty Income			20,629	20,629	29,426
Misc. Income	10,309			10,309	78,452
<b>Total Current Funds Revenues</b>	<b>\$ 7,394,188</b>	<b>\$ 817,112</b>	<b>\$ 1,989,316</b>	<b>\$ 10,200,616</b>	<b>\$ 9,855,429</b>
	(Exh. B)	(Exh. B)			
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>					
<b>Educational and General</b>					
Instruction	\$ 3,681,275	\$	\$ 337,467	\$ 4,018,742	\$ 3,668,420
Academic Support	680,746		39,902	720,648	826,387
Public Service	71,336			71,336	
Student Services	507,048		441,692	948,740	745,232
Institutional Support	957,611		86,199	1,043,810	909,160
Operation and Maintenance of Plant	939,420		35,708	975,128	960,603
Scholarships and Fellowships	111,739		1,321,985	1,433,724	1,285,451
<b>Total Educational &amp; General Expenditures</b>	<b>6,949,175</b>		<b>2,262,953</b>	<b>9,212,128</b>	<b>8,395,253</b>
	(Exh. B)		(Exh. B)		
<b>Auxiliary Enterprise Expenditures</b>		947,469		947,469	864,428
		(Exh. B)			
<b>Mandatory Transfers for:</b>					
Retirement of indebtedness	(82,076)			(82,076)	(79,043)
TPEG	(15,467)		15,467		
National Science Foundation Grant Matching	(43,330)		43,330		
To restricted for scholarships	(214,840)		214,840		(17,275)
<b>Total expenditures and mandatory transfers</b>	<b>7,304,888</b>	<b>947,469</b>	<b>1,989,316</b>	<b>10,241,673</b>	<b>9,355,999</b>
<b>Other transfers and additions/(deductions):</b>					
Non-mandatory transfers	(157,000)	132,000		(25,000)	(200,000)
Excess (deficiency) of restricted receipts over transfer to revenues			7,131	7,131	(48,543)
<b>Net increase (decrease) in fund balances</b>	<b>\$ (67,700)</b>	<b>\$ 1,643</b>	<b>\$ 7,131</b>	<b>\$ (58,926)</b>	<b>\$ 250,887</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, 1997

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, 1997

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, 1997

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, 1997

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

Panola College is authorized to invest in obligations and instruments as defined in the Public Funds Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The investments of the College are in compliance with these investment policies.

F. DEPOSITS AND SHORT-TERM INVESTMENTS

Deposits and Investments

At August 31, 1997, the carrying amount of Panola College's deposits was \$4,365,528 and total bank balances (balances per bank records) equaled \$4,566,657.

Depository bank balances of \$4,471,257 were covered by \$200,000 in federal depository insurance and \$5,911,286 (book value) in pledged securities. These pledged securities are held by the depository bank's agent in the name of the bank, for the benefit of Panola College. Based on this arrangement, the pledged securities meet the definition of GASB Statement No. 3 as uncollateralized.

Deposits and investments in other financial institutions totaling \$95,400 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's agent. 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 \$6,600,406. The highest combined balances of cash, savings and time deposits accounts amounted to \$5,792,994 and occurred during the month of November, 1996.
- 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 \$5,911,286.

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

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
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<u>Cash and Deposits</u>		
Cash in Bank		
Demand Deposits	\$ 861,593	
Time Deposits	<u>3,484,935</u>	
Cash and Cash Equivalents		\$4,346,528
Petty Cash on Hand		<u>3,440</u>
 Total Cash and Deposits		 <u>\$4,349,968</u>

Short-term investments reflected on Exhibit A, Balance Sheet, consisted of a certificate of deposit with a maturity date greater than 90 days in the amount of \$19,000.

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	\$ 295,400	\$ 295,400
Pledged Securities held in the name of the pledging financial institution	3	<u>4,070,128</u>	<u>4,271,257</u>
		<u>\$4,365,528</u>	<u>\$4,566,657</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.

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1997

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, 1997, \$105,000

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 \$8,460 during the current year. Accrued interest amounted to approximately \$1,890 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	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 105,000</u>	<u>\$ 15,660</u>	<u>\$ 120,660</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	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>
1998	<u>\$ 368</u>	<u>\$ 14,632</u>	<u>\$ 15,000</u>



PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1997

In August of 1995, the College entered into a 5 year lease for the rental of twelve copy machines. In 1996, subsequent leases were entered into. Terms of the leases require that Panola College pay \$2,128 per month for sixty months. Total rents to be paid on the original and subsequent leases amounted to \$127,639.

Summarized below are annual lease requirements associated with the agreements. Imputed interest rates ranging from 4.41% to 10.00% are assumed in the leases.

<u>Year Ending</u> <u>August 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>
1998	\$ 3,790	\$ 21,738	\$ 25,528
1999	2,640	22,888	25,528
2000	1,420	24,108	25,528
2001	544	4,568	5,112
2002	154	3,564	3,718
	<u>\$ 8,548</u>	<u>\$ 76,866</u>	<u>\$ 85,414</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</u> <u>OTHER FUNDS</u>	<u>DUE TO</u> <u>OTHER FUNDS</u>	<u>NET</u>
Unrestricted	\$244,259	\$(112,392)	\$ 131,867
Auxiliary Enterprises	329,890	(236,281)	93,609
Restricted	50,185	(262,481)	(212,296)
Endowment		(501)	(501)
Unexpended plant		(3,118)	(3,118)
Retirement of Indebtedness	62,708	(61,272)	1,436
Agency		( 10,997)	( 10,997)
	<u>\$687,042</u>	<u>\$(687,042)</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.

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1997

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 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> 9/01/96	<u>Adjustment/</u> <u>Additions</u>	<u>Retirement/</u> <u>Deletions</u>	<u>Balance</u> 8/31/97
Land and Improvements	\$ 425,744	\$ 330,596		\$ 756,340
Buildings and Improvements	9,145,569			9,145,569
Equipment (Including furniture, fixtures, and vehicles)	2,421,810	382,299	\$ 98,520	2,705,589
Library Holdings	<u>494,125</u>	<u>43,648</u>	<u>          </u>	<u>537,773</u>
	<u>\$12,487,248</u>	<u>\$ 756,543</u>	<u>\$ 98,520</u>	<u>\$13,145,271</u>

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1997

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.

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 and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively.

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

PANOLA COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 AT AND FOR THE YEAR ENDED AUGUST 31, 1997

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

State law provided for a state contribution rate for fiscal years 1996 and 1997 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. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during that fiscal year. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The contribution requirement for the fiscal year ended August 31, 1997, for Panola College was \$271,335 which consisted of \$131,291 from the State, and \$140,044 from the employee. These contribution amounts were based on total covered payroll of \$2,188,181.

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 1996, were as follows (in millions):

Fiscal Year	Pension Benefit Obligation	Net Assets Available for Benefits	Unfunded Pension Benefit Obligation	Annual Covered Payroll
1987	\$20.1	\$15.5	\$ 4.6	\$ 8.6
1988	\$21.8	\$17.5	\$ 4.3	\$ 9.2
1989	\$24.6	\$19.7	\$ 4.9	\$ 9.8
1990	\$27.1	\$21.8	\$ 5.3	\$10.4
1991	\$29.8	\$24.0	\$ 5.8	\$11.2
1992	\$32.0	\$26.1	\$ 5.9	\$12.0
1993	\$35.7	\$28.9	\$ 6.7	\$13.4
1994	\$36.1	\$33.3	\$ 2.8	\$14.2
1995	\$41.9	\$37.1	\$ 4.8	\$14.9
1996	\$45.4	\$50.1	\$(4.7)	\$16.0
1997	information will be available March 1, 1998.			

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 \$124,551 for the Optional Retirement Plan for the fiscal year ended August 31, 1997. Participants

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1997

contributed \$138,312 for the Optional Retirement Programs. The District contributed \$22,237 to the Optional Retirement Program to cover the 1.19% referenced above.

Additionally, the State through special appropriations contributed \$24,480 to the Optional Retirement Program. This amount represents the difference between the former contribution rate of 7.31% and the current state contribution rate of 6.0%.

The contributions described above were based on total covered payroll of \$2,075,950 for the year.

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, 1997, the College had twenty-two employees participating in the tax sheltered annuity program. A total of \$73,410 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 a maximum of twenty days of unused vacation leave. The College recognized the accrued liability for the unpaid annual leave in the Current Unrestricted Fund. Sick leave is not paid to an employee upon death, termination, or retirement; therefore, there is no liability shown in the financial statements.

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, 1997, 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 \$186 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 121 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 provided to active employees.

The College in accordance with state statutes, has six 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, 1997, was \$186 per retiree.

In addition to providing pension benefits, the State provides in accordance with

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEAR ENDED AUGUST 31, 1997

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 34 retirees was \$84,583.

U. OPERATING LEASES

Included in current expenditures is \$34,332 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 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. 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, 1997.

*SUPPLEMENTARY DATA*

PANOLA COLLEGE  
 SCHEDULE A-1  
 SCHEDULE OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS  
 August 31, 1997

	CURRENT FUNDS			PLANT FUNDS			TOTAL
	Unrestricted	Auxiliary Enterprises	Restricted	Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	
Cash on Hand	\$ 3,140	\$ 300	\$	\$	\$	\$	\$ 3,440
Petty Cash							
Cash in Transit							
Subtotal	<u>3,140</u>	<u>300</u>					<u>3,440</u>
Cash in Bank							
Demand Account	438,923	204,373	147,262	1,270	260	70,542	861,593
Cash Equivalents							
Certificates of Deposit	2,000,000		8,000	872,935	604,000		3,484,935
Repurchase Agreements							
Subtotal	<u>2,000,000</u>		<u>8,000</u>	<u>872,935</u>	<u>604,000</u>		<u>3,484,935</u>
Total Cash and Cash Equivalents (Exhibit A)	<u>2,440,063</u>	<u>204,673</u>	<u>155,262</u>	<u>874,205</u>	<u>604,260</u>	<u>70,542</u>	<u>4,349,968</u>
Short-Term Investments							
Certificates of Deposit						19,000	19,000
Repurchase Agreements							
Total Short-Term Investments (Exhibit A)						<u>19,000</u>	<u>19,000</u>
Total Cash, Cash Equivalents and Short-Term Investments	<u>\$ 2,440,063</u>	<u>\$ 204,673</u>	<u>\$ 155,262</u>	<u>\$ 874,205</u>	<u>\$ 604,260</u>	<u>\$ 19,963</u>	<u>\$ 4,368,968</u>

	Cash in Banks	Cash Equivalents	Short-Term Investments
Balance in Depositories as follows:			
First State Bank	\$ 811,193	\$ 3,439,935	\$ 19,000
Bank One-Marshall	2,567		
First National Bank	3,204	28,000	
Farmers State Bank	43,039	17,000	
Shelby County Savings	1,590		
Total Balance in Depositories	<u>\$ 861,593</u>	<u>\$ 3,484,935</u>	<u>\$ 19,000</u>

See Independent Auditor's Report on Additional Information.



PANOLA COLLEGE  
 SCHEDULE C-1  
 SCHEDULE OF CURRENT FUNDS REVENUES  
 For the Year Ended August 31, 1997

	Unrestricted	Auxiliary Enterprises	Restricted	Total
<b>State Appropriations:</b>				
Education and General State Support	\$ 2,961,081	\$	\$	\$ 2,961,081
State Group Insurance			282,686	282,686
State Retirement Matching			255,842	255,842
State Retirement Adjustment			24,480	24,480
<b>Total State Appropriations</b>	<b>2,961,081</b>		<b>563,008</b>	<b>3,524,089</b>
<b>Tuition and Fees</b>				
Tuition	791,286			791,286
General Fees	607,932			607,932
Laboratory Fee	85,322			85,322
<b>Remissions and Exemptions</b>				
Concurrent Registration	32,460			32,460
Statutory Waiver of Non-Resident Status	38,208			38,208
Other	1,154			1,154
<b>Total Tuition and Fees</b>	<b>1,556,362</b>			<b>1,556,362</b>
<b>Taxes for Current Operations</b>	<b>2,588,723</b>			<b>2,588,723</b>
<b>Federal Grants and Contracts</b>				
Programs			1,329,302	1,329,302
<b>Total Federal Grants and Contracts</b>			<b>1,329,302</b>	<b>1,329,302</b>
<b>State Grants and Contracts</b>				
Programs			3,900	3,900
<b>Total State Grants and Contracts</b>			<b>3,900</b>	<b>3,900</b>
<b>Private, Gifts, Grants, and Contracts</b>				
Programs	21,630		23,844	45,474
<b>Total Private Gifts, Grants, and Contracts</b>	<b>21,630</b>		<b>23,844</b>	<b>45,474</b>
<b>Sales &amp; Services of Educational Activities</b>	<b>121,303</b>			<b>121,303</b>
<b>Sales &amp; Services of Auxiliary Activities</b>		<b>811,386</b>		<b>811,386</b>
<b>Other Sources</b>				
Interest/Endowment Income	134,780	5,726	48,633	189,139
Royalty Income			20,629	20,629
Federal and State Administrative Allowances	3,548			3,548
Other Misc. Income	6,761			6,761
<b>Total Other Sources</b>	<b>145,089</b>	<b>5,726</b>	<b>69,262</b>	<b>220,077</b>
<b>Total Current Funds Revenues (Exh. C)</b>	<b>\$ 7,394,188</b>	<b>\$ 817,112</b>	<b>\$ 1,989,316</b>	<b>\$ 10,200,616</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, 1997

	SALARIES AND WAGES	OTHER EXPENSES	CAPITAL OUTLAY	TOTAL
Unrestricted - Educational and General				
Instruction	\$ 2,923,342	\$ 624,158	\$ 133,775	\$ 3,681,275
Academic Support	346,115	236,499	98,132	680,746
Public Service	34,174	26,827	10,335	71,336
Student Services	371,117	122,099	13,832	507,048
Institutional Support	532,321	416,972	8,318	957,611
Operation and Maintenance of Plant	309,732	579,530	50,158	939,420
Scholarships and Fellowships		111,739		111,739
Total Unrestricted	<u>4,516,801</u>	<u>2,117,824</u>	<u>314,550</u>	<u>6,949,175</u>
				(Exh. C)
Restricted - Education and General				
Instruction		337,467		337,467
Academic Support		39,902		39,902
Student Services	181,695	171,489	88,508	441,692
Institutional Support		86,199		86,199
Operation and Maintenance of Plant		35,708		35,708
Scholarships and Fellowships		1,321,985		1,321,985
Total Restricted	<u>181,695</u>	<u>1,992,750</u>	<u>88,508</u>	<u>2,262,953</u>
				(Exh. C)
Total Educational and General	<u>4,698,496</u>	<u>4,110,574</u>	<u>403,058</u>	<u>9,212,128</u>
Auxiliary Enterprises				
	<u>181,200</u>	<u>763,844</u>	<u>2,425</u>	<u>947,469</u>
				(Exh. C)
Total Current Fund Expenditures	<u>\$ 4,879,696</u>	<u>\$ 4,874,418</u>	<u>\$ 405,483</u>	<u>\$ 10,159,597</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, 1997

Instruction			
Academic Programs			
Faculty Salaries	\$	1,500,397	
Departmental Operating Expenses		207,106	
Total Academic Programs			\$ 1,707,503
Vocational Technical Programs			
Faculty Salaries		1,422,806	
Departmental Operating Expenses		266,979	
Total Vocational Technical Programs			1,689,785
Total Instruction			3,397,288
Public Service			66,711
Academic Support			
Library		286,428	
Instructional Administration		312,925	
Total Academic Support			599,353
Student Services			470,669
Institutional Support			891,524
Operation and Maintenance of Plant			
Plant Support Services		294,363	
Building Maintenance		96,682	
Custodial Services		110,370	
Grounds Maintenance		36,069	
Utilities		250,854	
Total Operation and Maintenance of Plant			788,338
Staff Benefits			
Group Insurance Premiums		119,897	
O. A. S. I.		324,203	
Worker's Compensation Insurance		66,059	
State Retirement Adjustment		24,480	
Other		17,414	
Total Staff Benefits			552,053
Major Repairs and Rehabilitation of Facilities and Buildings			133,135
Total Expenditures by Elements of Institutional Costs			\$ 6,899,071
			[a]
[a] Reconciliation			
Total Expenditures by Function (Exh. C)			\$ 6,949,175
Plus: State Retirement Adjustment			24,480
Less: Increase in Accrued Compensable Absences			(2,762)
Remissions and Exemptions			(71,822)
Total Expenditures by Elements of Institutional Costs			\$ 6,899,071

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, 1997

Assessed valuation of District	\$ <u>1,572,994,934</u>
	<u>Current Operations</u>
Tax rate authorized per \$100 valuation	\$ <u>0.16999</u>
Tax rate assessed per \$100 valuation	\$ <u>0.16999</u>
Taxes Receivable, August 31, 1996	\$ 199,876
Less: Allowance for Doubtful Accounts	139,913
Adjusted Taxes Receivable, August 31, 1996	<u>59,963</u>
Taxes Assessed	2,673,934
Supplemental Adjustments to delinquent Roll	54,018
Penalty & Interest Assessed	41,414
Subtotal Assessment	<u>2,769,366</u>
Taxes collected	
Current	2,622,811
Delinquent	57,295
Penalties and interest	41,414
Subtotal Collections	<u>2,721,520</u>
Adjustments	
Fees for Assessment and Collecting	40,219
Change in Allowance for Doubtful Accounts	9,489
Subtotal Adjustments	<u>49,708</u>
Taxes Receivable, August 31, 1997	\$ <u>58,101</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, 1997

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 09/01/96	Bonds Issued After 09/01/96	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 08/31/97
Student Fee							
Revenue Bond 1970C	\$ 495,000	7.00-7.20 %	\$ 130,000	\$	\$ 25,000	\$	\$ 105,000
<b>Total</b>	<b>\$ 495,000</b>		<b>\$ 130,000</b>	<b>\$</b>	<b>\$ 25,000</b>	<b>\$</b>	<b>\$ 105,000</b>

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

Description	1998	1999	2000	2001	Total Requirement
Principal Due					
Revenue Bond 1970C	\$ 25,000	\$ 25,000	\$ 25,000	\$ 30,000	\$ 105,000
Interest Due	6,660	4,860	3,060	1,080	15,660
<b>Total</b>	<b>\$ 31,660</b>	<b>\$ 29,860</b>	<b>\$ 28,060</b>	<b>\$ 31,080</b>	<b>\$ 120,660</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, 1997

Description	PLEGGED 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
	Minimum Required	Actual Balance	Minimum Required	Actual Balance
Student Fee Revenue Bonds 1970	\$	\$	\$	\$
Totals	\$	\$	\$	\$

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 SCHEDULE D-3  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 1997

Federal Grantor/Pass Through Grantor/ Program Title	PROJECT NUMBER	Federal CFDA Number	PROGRAM OR AWARD AMOUNT	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
<b>U.S. Department of Education</b>				
Direct Programs:				
SEOG	EP007A64092	84.007	\$ 50,017	\$ 50,017
SEOG	EP007A74092	84.007	27,450	
Federal College Workstudy Program	EP033A54092	84.033	49,923	
Federal College Workstudy Program	EP033A64092	84.033	47,158	44,702
Federal College Workstudy Program	EP033A74092	84.033	52,148	3,104
Federal Pell Grant Program	EP063P66491	84.063 *	847,703	542,600
Federal Pell Grant Program	EP063P76491	84.063 *	461,586	377,233
Pass-Through From:				
Texas Higher Education Coordinating Board				
Carl Perkins Voc. Ed.	77420236	84.048	157,000	146,323
Carl Perkins Voc. Ed.	77150033	84.048	63,840	51,990
<b>Total U. S. Department of Education</b>				<u><u>1,215,969</u></u>
<b>National Science Foundation</b>				
Direct Programs:				
Physics Lab Grant	DUE-9650100	47.076	19,226	14,765
Interdisciplinary Technology Center	DUE-9652088	47.076	181,075	95,060
Pass-Through From:				
Texas Higher Education Coordinating Board				
Internet Connection Grant	NSF-205	47.070	15,730	3,508
<b>Total National Science Foundation</b>				<u><u>113,333</u></u>
<b>Other Federal Assistance</b>				
U. S. Department of Housing and Urban Development				
Housing Interest Subsidy	CH-TEX-263 (D)		8,688	8,688
<b>Total Federal Financial Assistance</b>				<u><u>\$ 1,337,990</u></u>
Federal Revenues Per Exhibit C				\$ 1,329,302
Add: HUD Interest Subsidy				8,688
Federal Expenditures Per Federal Schedule				<u><u>\$ 1,337,990</u></u>

Denotes major federal financial assistance programs as defined by the Single Audit Act as amended in 1996 and OMB Circular A-133

PANOLA COLLEGE  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 1997

1. The College uses the restricted fund account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the Restricted - Current Fund with the exception of the HUD Interest Subsidy accounted for in the Retirement of Indebtedness Fund.
2. The financial statements of Panola College are 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.

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.

3. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.
4. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.



*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, 1997  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1996

ASSETS	<u>1997</u>	(Memo Only) <u>1996</u>
Cash and cash equivalents	\$ 2,440,063	\$ 563,518
Short-term investments		2,000,000
Accounts receivable	235,226	215,991
Taxes receivable (net of allowance for doubtful accounts)	58,101	59,963
Due from other funds	244,259	81,494
Due from other agencies		16,818
Prepaid expenses	48,293	42,715
Total Assets	\$ <u>3,025,942</u>	\$ <u>2,980,499</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 106,123	\$ 125,138
Accrued liabilities	148,944	80,368
Due to other funds	60,232	2,441
Deferred revenues	702,407	699,378
Accrued compensable absences payable	12,209	9,447
Total Liabilities	<u>1,029,915</u>	<u>916,772</u>
Fund Balance:		
Reserved		
Encumbrances	78,785	155,635
Other		13,693
Unreserved		
Undesignated	<u>1,917,242</u>	<u>1,894,399</u>
Total Fund Balance	<u>1,996,027</u>	<u>2,063,727</u>
Total Liabilities and Fund Balance	\$ <u>3,025,942</u>	\$ <u>2,980,499</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 UNRESTRICTED  
 STATEMENT OF CURRENT FUNDS REVENUES,  
 EXPENDITURES AND OTHER CHANGES  
 FOR THE YEAR ENDED AUGUST 31, 1997  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1996

	1997	(Memo Only) 1996
<b>REVENUES</b>		
State Appropriations	\$ 2,961,081	\$ 2,972,345
Local Funds:		
Tuition and fees	1,556,362	1,206,399
Taxes	2,588,723	2,587,938
Sales and services	121,303	80,085
Interest income	134,780	135,244
Administrative Cost Allowances	3,548	20,576
Other local revenues	28,391	85,376
<b>Total Revenues</b>	<u>7,394,188</u>	<u>7,087,963</u>
<b>EXPENDITURES</b>		
Educational and general		
Instruction	3,681,275	3,340,689
Academic support	680,746	771,279
Public service	71,336	
Student services	507,048	462,317
Institutional support	957,611	841,414
Operation and maintenance of plant	939,420	753,436
Scholarships and awards	111,739	96,391
<b>Total Expenditures</b>	<u>6,949,175</u>	<u>6,265,526</u>
Excess of Revenues over Expenditures	<u>445,013</u>	<u>822,437</u>
<b>TRANSFERS-ADDITIONS / (DEDUCTIONS)</b>		
Mandatory transfers	(355,713)	(278,627)
Non-mandatory transfers	(157,000)	(246,378)
<b>Total Transfers-Additions /(Deductions)</b>	<u>(512,713)</u>	<u>(525,005)</u>
Net Increase (Decrease) in Fund Balance	(67,700)	297,432
Fund Balance, beginning of year	<u>2,063,727</u>	<u>1,766,295</u>
Fund Balance, end of year	\$ <u><u>1,996,027</u></u>	\$ <u><u>2,063,727</u></u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
AUXILIARY  
BALANCE SHEET  
AUGUST 31, 1997  
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1996

ASSETS	<u>1997</u>	(Memo Only) <u>1996</u>
Cash and cash equivalents	\$ 204,673	\$ 245,458
Accounts receivable	188,874	195,313
Inventory, at cost	66,725	109,653
Due from other funds	329,890	24,503
Prepaid expenses	866	1,000
Total Assets	<u>\$ 791,028</u>	<u>\$ 575,927</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
<b>Liabilities:</b>		
Accounts payable	\$ 23,431	\$ 36,574
Accrued liabilities	39,067	29,540
Deposits payable	18,800	17,500
Due to other funds	236,281	5,333
Deferred revenues	295,832	310,534
Accrued compensable absences payable		472
Total Liabilities	<u>613,411</u>	<u>399,953</u>
 <b>Fund Balance:</b>		
Reserved		
Encumbrances	55,933	18,746
Inventory	66,725	109,653
Unreserved		
Undesignated	<u>54,959</u>	<u>47,575</u>
Total Fund Balance	<u>177,617</u>	<u>175,974</u>
Total Liabilities and Fund Balance	<u>\$ 791,028</u>	<u>\$ 575,927</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
AUXILIARY  
STATEMENT OF CURRENT FUNDS REVENUES,  
EXPENDITURES AND OTHER CHANGES  
FOR THE YEAR ENDED AUGUST 31, 1997  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1996

	1997	(Memo Only) 1996
<b>REVENUES</b>		
Bookstore	\$ 439,273	\$ 435,629
Food service and vending	267,308	270,686
Student housing	83,854	88,813
Student service fees		14,405
Other local revenues	26,677	10,515
<b>Total Revenues</b>	<u>817,112</u>	<u>820,048</u>
<b>EXPENDITURES</b>		
Bookstore	330,543	322,477
Food service and vending	251,978	246,290
Student housing	15,120	16,952
Athletics	332,488	263,582
Staff benefits	13,729	9,120
Other	3,611	6,007
<b>Total Expenditures</b>	<u>947,469</u>	<u>864,428</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(130,357)</u>	<u>(44,380)</u>
<b>TRANSFERS-ADDITIONS / (DEDUCTIONS)</b>		
Non-mandatory transfers	132,000	46,378
<b>Total Transfers-Additions /(Deductions)</b>	<u>132,000</u>	<u>46,378</u>
Net Increase in Fund Balance	1,643	1,998
Fund Balance, beginning of year	<u>175,974</u>	<u>173,976</u>
Fund Balance, end of year	\$ <u><u>177,617</u></u>	\$ <u><u>175,974</u></u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RESTRICTED  
 BALANCE SHEET  
 AUGUST 31, 1997  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1996

ASSETS	<u>1997</u>	<u>(Memo Only)</u> <u>1996</u>
Cash and cash equivalents	\$ 155,262	\$ 45,758
Federal receivables	144,484	102,614
Other grant receivables	22,984	
Interest receivable	5,947	
Prepaid expenses	186	
Total Assets	<u>\$ 328,863</u>	<u>\$ 148,372</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
<b>Liabilities:</b>		
Accounts payable	\$ 10,354	\$ 1,954
Accrued liabilities	1,164	
Due to other funds	<u>264,456</u>	<u>100,660</u>
Total Liabilities	<u>275,974</u>	<u>102,614</u>
Fund Balance-Restricted	<u>52,889</u>	<u>45,758</u>
Total Liabilities and Fund Balance	<u>\$ 328,863</u>	<u>\$ 148,372</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, 1997  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1996

	1997	(Memo Only) 1996
<b>REVENUES</b>		
State appropriations	\$ 563,008	\$ 668,227
Federal grants and contracts	1,329,302	1,167,506
State grants and contracts	3,900	2,645
Private grants and gifts	23,844	7,947
Interest and investment income	69,262	101,093
<b>Total Revenues</b>	<u>1,989,316</u>	<u>1,947,418</u>
<b>EXPENDITURES</b>		
Educational and general		
Instruction	337,467	327,731
Academic support	39,902	55,108
Student services	441,692	282,915
Institutional support	86,199	67,746
Operation and maintenance of plant	35,708	207,167
Scholarships and awards	1,321,985	1,189,060
<b>Total Expenditures</b>	<u>2,262,953</u>	<u>2,129,727</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(273,637)</u>	<u>(182,309)</u>
<b>TRANSFERS-ADDITIONS / (DEDUCTIONS)</b>		
Mandatory transfers	273,637	182,309
Excess (Deficiency) of restricted receipts over transfers to revenues	<u>7,131</u>	<u>(48,543)</u>
<b>Total Transfers-Additions /(Deductions)</b>	<u>280,768</u>	<u>133,766</u>
Net Increase (Decrease) in Fund Balance	7,131	(48,543)
Fund Balance, beginning of year	<u>45,758</u>	<u>94,301</u>
Fund Balance, end of year	<u>\$ 52,889</u>	<u>\$ 45,758</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, 1997  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1996

	<u>1997</u>	(Memo Only) <u>1996</u>
ASSETS		
Cash and cash equivalents	\$ 874,205	\$ 100
Short-term investments		818,819
Total Assets	\$ <u>874,205</u>	\$ <u>818,919</u>
LIABILITIES AND FUND BALANCE		
Liabilities: Due to other funds	\$ <u>501</u>	\$
Fund Balance-Restricted for Endowments	<u>873,704</u>	<u>818,919</u>
Total Liabilities and Fund Balance	\$ <u>874,205</u>	\$ <u>818,919</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 ENDOWMENT AND SIMILAR FUNDS  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED AUGUST 31, 1997  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1996

	<u>1997</u>	(Memo Only) <u>1996</u>
<b>REVENUES AND OTHER ADDITIONS</b>		
Private gifts	\$ 54,785	\$ 44,545
<b>Total Revenues</b>	<u>54,785</u>	<u>44,545</u>
<b>TRANSFERS-ADDITIONS/(DEDUCTIONS)</b>		<u>17,275</u>
<b>Net Increase in Fund Balance</b>	54,785	61,820
<b>Fund Balance, beginning of year</b>	<u>818,919</u>	<u>757,099</u>
<b>Fund Balance, end of year</b>	<u>\$ 873,704</u>	<u>\$ 818,919</u>

See Independent Auditor's Report on Additional Information.

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

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

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

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

PANOLA COLLEGE  
 UNEXPENDED  
 BALANCE SHEET  
 AUGUST 31, 1997  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1996

	<u>1997</u>	(Memo Only) <u>1996</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 604,260	\$ 314,752
Short-term investments		550,000
Interest receivable	<u>336</u>	
<b>Total Assets</b>	<b>\$ <u><u>604,596</u></u></b>	<b>\$ <u><u>864,752</u></u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities: Due to other funds	\$ <u>3,118</u>	\$
Fund Balance-Reserved for Plant Improvements	<u>601,478</u>	<u>864,752</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u><u>604,596</u></u></b>	<b>\$ <u><u>864,752</u></u></b>

See Independent Auditor's Report on Additional Information.



PANOLA COLLEGE  
 UNEXPENDED  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED AUGUST 31, 1997  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1996

	<u>1997</u>	<u>(Memo Only)</u> <u>1996</u>
<b>REVENUES AND OTHER ADDITIONS</b>		
	\$	\$
Interest income	28,322	39,863
Private gifts	7,000	
Total Revenues	<u>35,322</u>	<u>39,863</u>
 <b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Expended for plant facilities	323,596	
Excess (deficiency) of Revenues and Other Additions over Expenditures and Other Deductions	(288,274)	39,863
 <b>TRANSFERS-ADDITIONS/ (DEDUCTIONS)</b>		
Non-mandatory transfers	<u>25,000</u>	<u>200,000</u>
Net Increase (Decrease) in Fund Balance	(263,274)	239,863
Fund Balance, beginning of year	<u>864,752</u>	<u>624,889</u>
Fund Balance, end of year	<u>\$ 601,478</u>	<u>\$ 864,752</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
 RETIREMENT OF INDEBTEDNESS  
 BALANCE SHEET  
 AUGUST 31, 1997  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1996

ASSETS	<u>1997</u>	(Memo Only) <u>1996</u>
Cash and cash equivalents	\$ 963	\$ 192
Short-term investments	19,000	19,000
Due from other funds	62,708	2,440
Interest receivable	8	
Prepaid expenses	6,000	6,000
Total Assets	\$ <u>88,679</u>	\$ <u>27,632</u>
 <b>LIABILITIES AND FUND BALANCE</b>  		
Liabilities:		
Accrued interest	\$ 1,890	\$ 2,115
Due to other funds	61,272	
Total Liabilities	<u>63,162</u>	<u>2,115</u>
 Fund Balance-Restricted for Debt Retirement	 <u>25,517</u>	 <u>25,517</u>
Total Liabilities and Fund Balance	\$ <u>88,679</u>	\$ <u>27,632</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, 1997  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1996

	1997	(Memo Only) 1996
<b>REVENUES AND OTHER ADDITIONS</b>		
Interest income	\$ 780	\$ 1,020
Federal interest subsidy	8,688	8,688
Other income		
<b>Total Revenues and Other Additions</b>	<u>9,468</u>	<u>9,708</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Retirement of indebtedness:		
Principal	61,187	66,351
Interest and fees	30,357	22,400
<b>Total Expenditures and Other Deductions</b>	<u>91,544</u>	<u>88,751</u>
<b>Excess (deficiency) of revenues and other additions over expenditures and other deductions</b>	(82,076)	(79,043)
<b>TRANSFERS-ADDITIONS/ (DEDUCTIONS)</b>		
Non-mandatory transfers	<u>82,076</u>	<u>79,043</u>
<b>Net Increase (Decrease) in Fund Balance</b>		
Fund Balance, beginning of year	<u>25,517</u>	<u>25,517</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, 1997  
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1996

	<u>1997</u>	(Memo Only) <u>1996</u>
<b>ASSETS</b>		
Land	\$ 756,340	\$ 425,744
Buildings	9,145,569	9,145,569
Equipment, fixtures and vehicles	2,705,589	2,421,810
Library books	537,773	494,125
Total Assets	\$ <u>13,145,271</u>	\$ <u>12,487,248</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Bonds payable	\$ 105,000	\$ 130,000
Lease purchase agreement payable	91,498	122,129
Total Liabilities	<u>196,498</u>	<u>252,129</u>
Fund Balance-Net investment in plant	<u>12,948,773</u>	<u>12,235,119</u>
Total Liabilities and Fund Balance	\$ <u>13,145,271</u>	\$ <u>12,487,248</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE  
INVESTMENT IN PLANT  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED AUGUST 31, 1997  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1996

	<u>1997</u>	(Memo Only) <u>1996</u>
<b>REVENUES AND OTHER ADDITIONS</b>		
Retirement of indebtedness	\$ 76,095	\$ 66,351
Expended for plant facilities	756,543	562,592
Total Revenues and Other Additions	<u>832,638</u>	<u>628,943</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Capital lease obligation	20,464	
Disposal of equipment and fixtures	98,520	
Retirement of equipment and fixtures		30,245
Total Expenditures and Other Deductions	<u>118,984</u>	<u>30,245</u>
Net Increase (Decrease) in Fund Balance	713,654	598,698
Fund Balance, beginning of year	<u>12,235,119</u>	<u>11,636,421</u>
Fund Balance, end of year	<u>\$ 12,948,773</u>	<u>\$ 12,235,119</u>

See Independent Auditor's Report on Additional Information.

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

PANOLA COLLEGE  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN  
 ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED AUGUST 31, 1997

	<u>BALANCE</u> <u>09-01-96</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>09-01-97</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 92,912	\$ 265,602	\$ 287,972	\$ 70,542
<b>Total Assets</b>	<u>\$ 92,912</u>	<u>\$ 265,602</u>	<u>\$ 287,972</u>	<u>\$ 70,542</u>
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Deposits payable	\$ 60,008	\$ 79,218	\$ 100,270	\$ 38,956
Funds held in trust	32,901	70,273	84,435	18,739
Accounts payable		39,673	37,823	1,850
Due to other funds	3	76,438	65,444	10,997
<b>Total Liabilities</b>	<u>\$ 92,912</u>	<u>\$ 265,602</u>	<u>\$ 287,972</u>	<u>\$ 70,542</u>

See Independent Auditor's Report on Additional Information.



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*STATISTICAL*

*SECTION*

*(UNAUDITED)*

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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>
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
1996-97	3,681,275		71,336	680,746	507,048

- (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>
\$ 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
957,611	939,420	111,739	947,469	91,544	7,988,188

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>
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	1,220,804	2,587,938		140,376
1996-97	2,961,081	1,556,362	2,588,723		140,506

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>
\$ 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	7,917,720
153,242	811,386	9,468	8,220,768

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>
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
1996-97	2,673,934	2,622,811	98.09%	57,295	2,680,106

Table 3

<u>% of Total Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>% of Delinquent Taxes to Levy</u>
\$ 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%
100.23%	207,503	7.76%

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>
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	1,442,232,681	1,442,232,681	130,762,253	130,762,253
1997	1,887,026,214	1,887,026,214	143,318,312	143,318,312



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>
\$ 1,331,875,578	\$ 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%
1,572,994,934	1,572,994,934		100%
2,030,344,526	2,030,344,526		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		
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
1996-97	0.16999		0.16999	0.4661

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>Rural Fire District</u>	<u>Total</u>
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
0.51742	1.48223		0.03000	2.665740

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) (Thousands)	Gross Bonded Debt	Available Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
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	1,572,994	130,000	25,517	104,483	6.64%	4.64
1996-97	23,402	2,031,345	105,000	25,517	79,483	3.91%	3.40

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. 1996 is based on Texas State and Local Government Fiscal 1996 Debt Report.

2) Panola County Appraisal District.

PANOLA COLLEGE  
COMPUTATION OF LEGAL DEBT MARGIN  
AUGUST 31, 1997  
(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, 1997, 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, 1997  
 (UNAUDITED)

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u> (1)	<u>Percent Applicable to College</u> (2)	<u>Amount Applicable to College</u>
Direct:			
Panola College	\$105,000	100.00%	\$105,000
Overlapping:			
Panola County	1,200,000	100.00%	1,200,000
City of Carthage	11,660,000	100.00%	11,660,000
City of Beckville	247,000	100.00%	247,000
Carthage ISD	425,000	100.00%	425,000
Gary ISD		100.00%	
Beckville ISD		100.00%	
Elysian Fields ISD	2,750,000	53.75%	1,478,125
Tatum ISD		32.50%	
Tenaha ISD	240,000	1.86%	4,464
Joaquin ISD	2,955,000	5.05%	149,228
<b>Total Direct and Overlapping Debt</b>			<u><u>\$15,268,817</u></u>

(1) Respective entities and auditors of respective entities.

(2) Texas Municipal Reports

MANOLA 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>
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%
1996-97	25,000	8,460	33,460	7,992,088	0.42%

PANOLA COLLEGE  
 PRINCIPAL TAXPAYERS  
 AUGUST 31, 1997  
 (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	\$261,557	16.63%
Pennzoil Company	Petroleum	135,880	8.64%
Texaco Producing, Inc.	Petroleum	111,195	7.07%
Exxon Corporation	Petroleum	76,603	4.87%
Texas Utilities Mining Co.	Utilities	53,460	3.40%
Amoco Production Co.	Petroleum	42,822	2.72%
R. Lacy, Inc.	Petroleum	38,331	2.44%
Vastar Resources	Petroleum	29,767	1.89%
Seagull Mid-South	Petroleum	29,371	1.87%
Sonat Exploration	Petroleum	26,891	1.71%
Totals (51.23% of Actual Value of \$1,572,994,934)		<u>\$805,877</u>	<u>51.23%</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>
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%
1996-97	23,402	36.1	17,550	22,899	9.6%	5.40%

- (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.  
 1997 based on Texas State and Local Government Fiscal 1996 Debt Report.
- (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.

PANOLA COLLEGE  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

Head Count:

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Jefferson/ Marshall</u>	<u>Center</u>	<u>Total</u>
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
1996-97	1,292	312	168	1,772

Full-Time Equivalent (FTEs):

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Jefferson/ Marshall</u>	<u>Center</u>	<u>Total</u>
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
1996-97	1,202	169	116	1,487

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
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%
1996-97	51%	49%	38%	62%	31%	63%	6%

Fiscal Year	Average Age of Student	Ethnic Background				
		Asian	Black	Hispanic	White	Other
1987-88	25.4	0%	14%	1%	85%	0%
1988-89	25.2	0%	13%	1%	85%	1%
1989-90	25.9	0%	13%	1%	85%	1%
1990-91	26.0	0%	14%	1%	84%	1%
1991-92	27.0	0%	17%	1%	81%	1%
1992-93	25.5	0%	14%	1%	84%	1%
1993-94	25.8	1%	14%	1%	83%	1%
1994-95	25.3	0%	15%	1%	84%	0%
1995-96	25.2	0%	15%	1%	84%	0%
1996-97	25.7	1%	14%	1%	83%	1%

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>
1987-88	64	25	89	0.0%
1988-89	64	25	89	0.0%
1989-90	64	25	89	0.0%
1990-91	64	25	89	0.0%
1991-92	72	30	102	14.6%
1992-93	120	48	168	64.7%
1993-94	120	48	168	0.0%
1994-95	180	48	228	35.7%
1995-96	180	48	228	0.0%
1996-97	180	48	228	0.0%

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

Regular Laboratory Fees	\$15
Technology Fee	\$24
Special Laboratory Fees:	
Photography, Welding, Cosmetology, Forestry and Nursing	\$24-\$105
Private Music Lessons	\$20-\$36

Table 15

PANOLA COLLEGE  
 FACULTY STATISTICS  
 AUGUST 31, 1997  
 (UNAUDITED)

<u>Years of Experience</u>	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
0-5 years	28	46.67%
6-10 years	14	23.33%
11-15 years	8	13.33%
16-20 years	4	6.67%
More than 21 years	<u>6</u>	<u>10.00%</u>
	<u>60</u>	<u>100.00%</u>

	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
Less than Bachelor's	4	6.67%
Bachelor's	10	16.67%
Master's	41	68.33%
Doctorate	<u>5</u>	<u>8.33%</u>
	<u>60</u>	<u>100.00%</u>

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***SINGLE AUDIT***

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***SECTION***

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ROBINSON & WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

410 WEST PANOLA

CARTHAGE, TEXAS 75633

MEMBERS OF  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE  
(903) 693-8522

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING 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

We have audited the financial statements of Panola College as of and for the year ended August 31, 1997, and have issued our report thereon dated November 10, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Panola College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the Public Funds Investment Act (Texas Government Code, Chapter 2256), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not a objective of our audit and, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panola College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the administration of Panola College in a separate letter dated November 10, 1997.

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.

*Robinson & Williams*

Robinson & Williams  
Certified Public Accountants

November 10, 1997



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Panola College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 1997. Panola College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of Panola College's administration. Our responsibility is to express an opinion on Panola College's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Panola College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Panola College's compliance with those requirements.

In our opinion, Panola College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 1997.

Internal Control Over Compliance

The management of Panola College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Panola College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

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

*Robinson & Williams*

Robinson & Williams  
Certified Public Accountants

November 10, 1997

PANOLA COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 1997

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of Panola College was an unqualified opinion.
- b. No reportable conditions in internal control were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements of the College.
- d. No reportable conditions in internal control over major programs were disclosed by the audit.
- e. The type of report issued on compliance for major programs was an unqualified opinion.
- f. The audit did not disclose any audit findings which is required to be reported under Section .510(a) of the Office of Management and Budget (OMB) Circular No. A-133.
- g. Major programs of Panola College include the cluster of The United States Department of Education Student Financial Aid Programs administered by the College. These include the campus-based programs of the Federal Work Study (FWS) and the Federal Supplemental Education Opportunity Grant (FSEOG); and the Federal Pell Grant (Pell) program.
- h. The dollar threshold used to distinguish between Type A Type B programs was \$300,000.
- i. Panola College did not qualify as a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

NONE

III. Findings and Questioned Costs For Federal Awards

NONE

IV. Status of Prior Audit Findings

There are no outstanding findings. The corrective action plan in the previous report was resolved as indicated. Pell over award expenditures were reversed and repaid.

