

PANOLA COLLEGE

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

AUGUST 31, 1998

PREPARED BY:

FISCAL AFFAIRS DEPARTMENT

PANOLA COLLEGE

PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY

SECTION



PANOLA COLLEGE

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

October 28, 1998

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, 1998, 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.

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 97/98 year marked the fiftieth anniversary of Panola College. To commemorate this milestone the College published a documentary history of its operations. One of the College's own history instructors compiled this publication. The College celebrated the anniversary with numerous events.

The Resource Development department established during the second half of the 96/97 academic year has enabled the college to utilize the Panola College Development Foundation. The foundation was established several years ago to strengthen the financial base of the college. In addition, further efforts have been made by the college to more actively and effectively seek grant funds.

The college in 96/97 acquired 78 acres of land for future expansion and received an additional 25 acres through a donation from Union Pacific Resources during the 97/98 year. A Long-Range Master Campus Building Plan was developed to utilize this property for expansion over the next fifty years.

Major innovations were completed which modernized the College's telephone facilities. The College also installed POISE, an integrated computer software system. The system has improved the registration process and the maintenance of student and financial records. The new software is year 2000 compliant.

Administrative offices and instructional programs were moved from Marshall,

Texas, to Jefferson, Texas. This move has benefited the college by reducing lease/rental expenses and expanding our sphere of influence.

A Jefferson College Center Advisory Board was formed during the year. 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.

The Shelby College Center graduated its first eighteen Vocational Nursing students in December, 1997. All the students passed the State Board of Nurse Examiners license test.

During 97/98 the College received a \$300,000 Rural Utilities Service Distance Learning grant. The grant will help the College provide distance learning services to area high schools.

The College also received a \$161,957 Telecommunications Infrastructure Fund grant for a library automation system and additional workstations.

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, 1998, 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, 1998, 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 1997</u> | <u>Percent of Increase (Decrease)</u> |
|---------------------------------|---------------------|-----------------------------|--|---|
| State Appropriations | \$ 3,353,530 | 36.0% | \$392,449 | 13.3% |
| Tuition and Fees | 1,541,162 | 16.5% | (15,200) | (.1%) |
| Taxes for Current Operations | 2,683,436 | 28.8% | 94,713 | 3.7% |
| Sales and Services | 298,386 | 3.2% | 177,083 | 145.9% |
| Interest | 141,191 | 1.5% | 685 | .5% |
| Auxiliary Enterprises | 1,020,164 | 11.0% | 208,778 | 25.7% |
| Other Revenues | <u>285,864</u> | <u>3.0%</u> | <u>253,925</u> | <u>795.0%</u> |
| | <u>\$ 9,323,733</u> | <u>100.0%</u> | <u>\$ 1,112,433</u> | <u>13.5%</u> |

Revenues totaled \$9,323,733, an increase of 13.5% from the previous fiscal year. The revenue fluctuations shown above are reasonable except for those areas described below. Significant fluctuations are described below.

State revenues reflect an increase due to the Fall of 1997 being the beginning of a new two year funding cycle. State funding is based on base period contact hours. The base period for the new funding cycle reflected an increase in contact hours. The legislature approved an increase of fourteen percent in general revenue appropriations for Community and Technical Colleges contact hour funding.

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

Revenues from auxiliary sources increased due to several factors. There were continued efforts to maximize profits in the bookstore, in-house duplicating charges were recognized in the bookstore, and book sales increased.

Sales of services increased primarily due to an agreement for contract instruction between the College and Texas State Technical College in Marshall. The College also received revenue from area high schools to help offset the cost of internet and distance learning services via telephone data lines to the high schools.

Other revenues reflect an increase for two reasons which included the gift twenty-five acres of land donated from Union Pacific Resources and the proceeds from the Bank One Lease agreement.

The following schedule presents a summary of unrestricted current fund and auxiliary enterprises fund expenditures for the fiscal year ended August 31, 1998 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 1997</u> | <u>Percent of Increase (Decrease)</u> |
|------------------------------------|---------------------|-------------------------|--------------------------------------|---------------------------------------|
| Instruction | \$ 3,705,760 | 42.4% | \$ 91,880 | 2.5% |
| Academic Support | 952,728 | 10.8% | 204,587 | 27.3% |
| Public Service | 109,216 | 1.2% | 37,880 | 53.1% |
| Student Services | 494,177 | 5.6% | (12,871) | (2.5%) |
| Institutional Support | 1,191,038 | 13.4% | 233,427 | 13.5% |
| Operation and Maintenance of Plant | 1,093,965 | 12.4% | 154,545 | 16.5% |
| Scholarships and Awards | 98,990 | 1.1% | (12,749) | (11.4%) |
| Auxiliary Enterprises | <u>1,158,777</u> | <u>13.1%</u> | <u>211,308</u> | <u>22.3%</u> |
| | <u>\$ 8,804,651</u> | <u>100.0%</u> | <u>\$ 908,007</u> | <u>11.5%</u> |

Expenditures totaled \$8,804,651, an increase of 11.5% 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 a salary increase that was effective at the start of the year.

Academic support increased due to technology upgrades in the library and in

distance learning.

The public service area includes the Small Business Development Center, the Wellness Center, and the NEXT Peer performance group . This was the first full year of the Wellness Center and the Next Peer performance group was organized this year.

The institutional support increase was due to the establishment of a Resource Development department, due to computer upgrades, and the additional staffing of an administrative computing department. The department was responsible for the completion of the campus computer network.

Operation and maintenance of plant area expenditures increased primarily due to the land donated to the College by Union Pacific Resource, improvements to the telephone system, vehicle acquisitions and other capital improvements during the year.

The increase in auxiliary enterprises was primarily due to in-house duplicating costs recognized in the bookstore, and increased book cost was a result of increased book sales.

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 \$967,129 at August 31, 1998. The interest income from the endowment investments was used to provide scholarships.

FUND BALANCE

The fund balance of the unrestricted current fund increased by \$95,542, or approximately five percent in the year ended August 31, 1998. This remaining fund balance is equivalent to approximately three months of expenditures.

DEBT ADMINISTRATION

As of August 31, 1998, the College had \$80,000 of student revenue bonds. These bonds were issued in 1970. The College has not had any new bonded debt issues since 1971.

The only other debt the College has is also in the form of capital leases. The College leases most of its copying machines. In addition, three vehicles, POISE computer technology equipment, and the telephone system are on a capital lease with Bank One. Terms of these leases require payments to be made over

the next five years. The principal balance on the leases at August 31, 1998, was \$356,901.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, repurchase agreements, certificates of deposit, and the Lone Star Investment Pool. The Lone Star Investment Pool is a public funds investment pool administered by the Texas Association of School Boards. The average yield on investments was 4.95 percent. The College earned interest revenue of \$231,792 on all investments for the year ended August 31, 1998.

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, pledged to the College. Release of due collateral requires approval of the College. The Lone Star Investment Pool invests solely in obligations issued or secured by the U. S. Government and its agencies and instrumentalities. All of the investments held by the College during the year and on August 31, 1998, 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, umbrella liability, 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, 1996, and 1997. 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

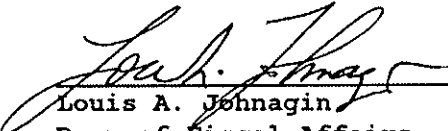
publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

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. Johnagin
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, 1997

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.



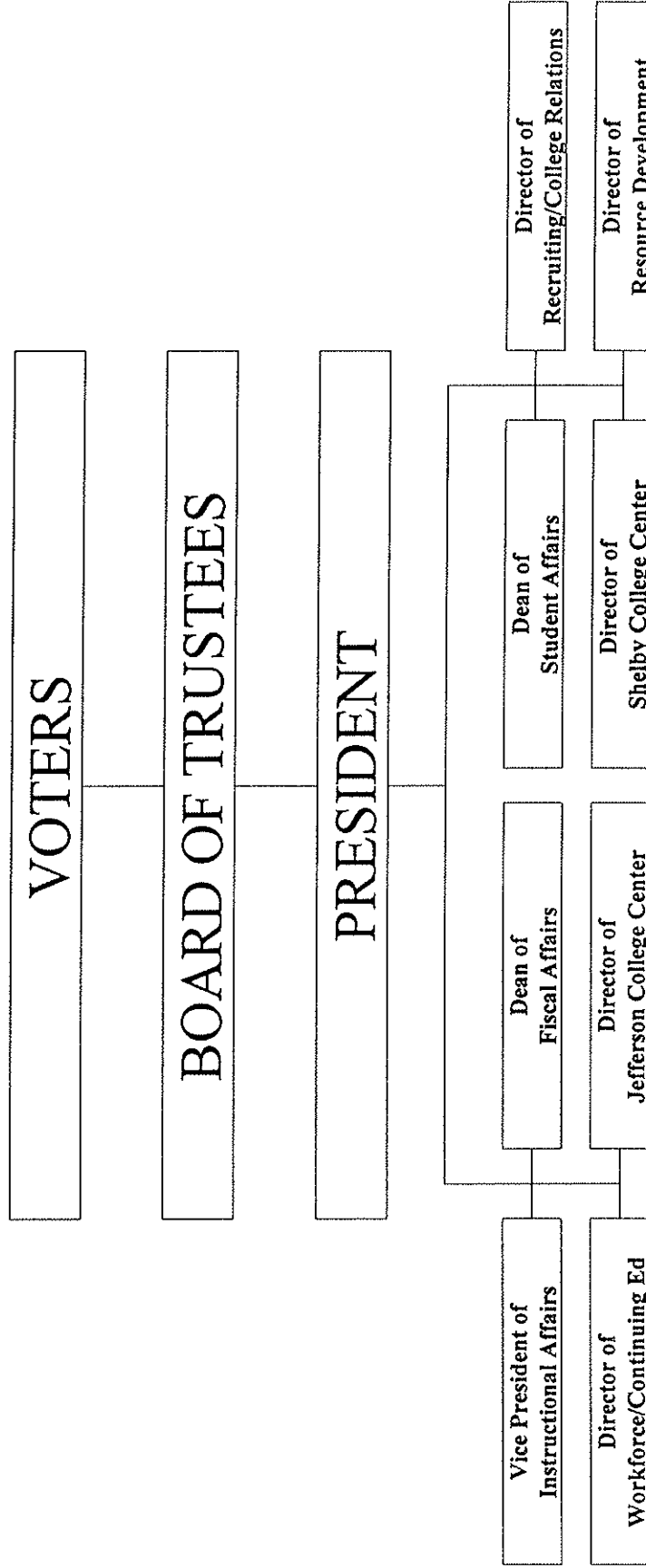
Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

ORGANIZATIONAL CHART

PANOLA COLLEGE

Carthage, Texas



PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 1998

BOARD OF TRUSTEES

OFFICERS

Mr. William Goolsby
Mr. Steve Roberson
Mr. Mr. Hal Palmer

Chair
Vice-Chair
Secretary/Treasurer

MEMBERS

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

Term Expires
May 31

2000
2000
2002
2002
2004
2004
2004

ADMINISTRATION

Dr. William Edmonson

President

Mr. Charles Hughes

Vice-President of
Instructional Affairs

Mr. Louis Johnagin, CPA

Dean of Fiscal Affairs

Mrs. Betsy Wheat

Dean of Student Affairs

Mr. Todd Witt

Director of Workforce/
Continuing Education

Mrs. Twink Ross

Director of Recruiting
and College/School
Relations

Dr. Jerry Hopkins

Director of Shelby
College Center

Dr. Jeanne Scott

Director of Jefferson
College Center

Mr. David Starnes

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, 1998 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 administrators. 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 the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 1998, 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 October 30, 1998 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants.

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, *Audits of States, Local Governments, and Non-Profit Organizations* 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 24 to 31, the individual fund statements on pages 34 to 48, and the statistical section on pages 49 to 68 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

October 30, 1998

PANOLA COLLEGE
EXHIBIT A
BALANCE SHEET
August 31, 1998
With Memorandum Totals at August 31, 1997

CURRENT FUNDS

| ASSETS | CURRENT FUNDS | | | |
|--|---------------------|--------------------------|-------------------|---------------------|
| | Unrestricted | Auxiliary Enterprises | Restricted | Total |
| Cash and Cash Equivalents (Sch A-1) | \$ 2,039,291 | \$ 189,505 | \$ 241,802 | \$ 2,470,598 |
| Short-Term Investments (Sch A-1) | 253,387 | | | 253,387 |
| Accounts Receivable (net of allowance for doubtful accounts of \$23,115) | 301,464 | 101,581 | 4,137 | 407,182 |
| Taxes Receivable (net of allowance for doubtful accounts of \$133,954) (Sch C-4) | 57,409 | | | 57,409 |
| Due From Other Funds | 501,369 | 178,661 | 501 | 680,531 |
| Prepaid Expenses | 74,645 | 6,351 | | 80,996 |
| Federal Receivables | | | 628,387 | 628,387 |
| Due From Other Agencies | | | | |
| Inventories for Resale | | 44,924 | | 44,924 |
| Land | | | | |
| Buildings | | | | |
| Equipment | | | | |
| Library Books | | | | |
| Total Assets | \$ 3,227,565 | \$ 521,022 | \$ 874,827 | \$ 4,623,414 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 242,363 | \$ 37,032 | \$ 325,919 | \$ 605,314 |
| Accrued Liabilities | 57,879 | 44,246 | | 102,125 |
| Deposits Payable | | 17,600 | | 17,600 |
| Due To Other Funds | 184,890 | | 487,439 | 672,329 |
| Deferred Revenues | 591,994 | 242,568 | | 834,562 |
| Accrued Compensable Absences Payable | 58,870 | 377 | | 59,247 |
| Bonds Payable (net of unamortized premium/ discount of \$-0- as of 8/31/98) (Sch D-1) | | | | |
| Lease-Purchase Agreements Payable | | | | |
| Funds Held in Custody for Others | | | | |
| Total Liabilities | 1,135,996 | 341,823 | 813,358 | 2,291,177 |
| Fund Balance: | | | | |
| Unrestricted | | | | |
| Reserved | | | | |
| Encumbrances | 30,169 | 23,358 | 6,179 | 59,706 |
| Inventory | | 44,924 | | 44,924 |
| Plant Improvements | | | | |
| Other | 8,778 | | | 8,778 |
| Unreserved | | | | |
| Undesignated | 2,052,622 | 110,917 | | 2,163,539 |
| Restricted | | | | |
| Other | | | 55,290 | 55,290 |
| Net Investment in Plant | | | | |
| Total Fund Balances (Exh. B) | 2,091,569 | 179,199 | 61,469 | 2,332,237 |
| Total Liabilities and Fund Balances | \$ 3,227,565 | \$ 521,022 | \$ 874,827 | \$ 4,623,414 |

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 |
| \$ 930,630 37,000 | \$ 704,482 | \$ 20,728 | \$ | \$ 72,782 | \$ 4,199,220 290,387 407,182 | \$ 4,349,968 19,000 430,391 |
| | | 6,229 | | | 57,409 686,760 80,996 628,387 | 58,101 636,857 65,345 144,484 |
| | | | | | 44,924 855,460 9,145,569 3,624,035 590,078 | 66,725 756,340 9,145,569 2,705,589 637,773 |
| <u>\$ 967,630</u> | <u>\$ 704,482</u> | <u>\$ 26,957</u> | <u>\$ 14,215,142</u> | <u>\$ 72,782</u> | <u>\$ 20,610,407</u> | <u>\$ 18,929,126</u> |
| \$ | \$ | \$ | \$ | \$ 1,020 | \$ 606,334 103,565 48,312 686,760 834,562 59,247 | \$ 141,758 191,065 57,756 636,857 998,239 12,209 |
| | 501 | 3,118 | | 30,712 10,812 | 80,000 356,901 30,238 | 105,000 91,498 18,739 |
| | <u>501</u> | <u>3,118</u> | <u>1,440</u> | <u>436,901</u> | <u>72,782</u> | <u>2,805,919</u> |
| | | | | | 59,706 44,924 701,364 8,778 | 134,718 66,725 601,478 |
| | | | | | 2,163,539 | 1,972,201 |
| | | 25,517 | | | 1,047,936 | 952,110 |
| | | | 13,778,241 | | 13,778,241 | 12,948,773 |
| <u>967,129</u> | <u>701,364</u> | <u>25,517</u> | <u>13,778,241</u> | | <u>17,804,488</u> | <u>16,676,005</u> |
| <u>\$ 967,630</u> | <u>\$ 704,482</u> | <u>\$ 26,957</u> | <u>\$ 14,215,142</u> | <u>\$ 72,782</u> | <u>\$ 20,610,407</u> | <u>\$ 18,929,126</u> |

PANOLA COLLEGE
EXHIBIT B
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1998
With Memorandum Totals at August 31, 1997

| | <u>CURRENT FUNDS</u> | | | |
|---|----------------------|----------------------------------|-------------------|---------------------|
| | <u>Unrestricted</u> | <u>Auxiliary Enterprises</u> | <u>Restricted</u> | <u>Total</u> |
| REVENUES AND OTHER ADDITIONS | | | | |
| Unrestricted Current Funds Revenue (Exh. C) | \$ 8,290,106 | \$ 1,033,627 | \$ | \$ 9,323,733 |
| State Appropriations - Restricted | | | 574,726 | 574,726 |
| Federal Grants and Contracts | | | 1,482,967 | 1,482,967 |
| State Grants and Contracts | | | | |
| Private Gifts, Grants and Contracts | | | 27,722 | 27,722 |
| Investment/Endowment Income | | | 75,722 | 75,722 |
| Net Change in Bonds Payable | | | | |
| Net Change in Lease Purchase Agreements Payable | | | | |
| Expended for Plant Facilities (Includes \$873,059 Charged to Current Funds Expenditures) | | | | |
| Total Revenues and Other Additions | <u>8,290,106</u> | <u>1,033,627</u> | <u>2,161,137</u> | <u>11,484,870</u> |
| EXPENDITURES AND OTHER DEDUCTIONS | | | | |
| Expenditures (Exh. C) | 7,645,874 | 1,158,777 | 2,400,048 | 11,204,699 |
| Expended for Plant Facilities | | | | |
| Retirement of Indebtedness | | | | |
| Interest on Indebtedness | | | | |
| Total Expenditures and Other Deductions | <u>7,645,874</u> | <u>1,158,777</u> | <u>2,400,048</u> | <u>11,204,699</u> |
| TRANSFERS - ADDITIONS / (DEDUCTIONS) | | | | |
| Mandatory Transfers | | | | |
| Retirement of Indebtedness | (104,467) | | | (104,467) |
| TPEG | (23,553) | | 23,553 | |
| National Science Foundation Grant Matching | | | | |
| To Restricted for Scholarships | (223,938) | | 223,938 | |
| Non-Mandatory Transfers | (196,732) | 126,732 | | (70,000) |
| Total Transfers - Additions / (Deductions) | <u>(548,690)</u> | <u>126,732</u> | <u>247,491</u> | <u>(174,467)</u> |
| NET INCREASE FOR THE FISCAL YEAR | <u>95,542</u> | <u>1,582</u> | <u>8,580</u> | <u>105,704</u> |
| FUND BALANCES, September 1, 1997 | <u>1,996,027</u> | <u>177,617</u> | <u>52,889</u> | <u>2,226,533</u> |
| FUND BALANCES, August 31, 1998 (Exh. A) | <u>\$ 2,091,569</u> | <u>\$ 179,199</u> | <u>\$ 61,469</u> | <u>\$ 2,332,237</u> |

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

| Endowment and Similar Funds | PLANT FUNDS | | | TOTALS MEMORANDUM ONLY | |
|-----------------------------------|-------------------|----------------------------------|---|---------------------------|----------------------|
| | Unexpended | Retirement of Indebtedness | Investment in Plant | Current Year | Prior Year |
| \$ | \$ | \$ | \$ | \$ 9,323,733 | \$ 8,211,300 |
| | | | | 574,726 | 563,008 |
| | | 8,688 | | 1,491,655 | 1,337,990 |
| | | | | | 3,900 |
| 93,425 | | | | 121,147 | 85,629 |
| | 29,886 | 757 | | 106,365 | 105,495 |
| | | | 25,000 | 25,000 | 25,000 |
| | | | (265,403) | (265,403) | 30,631 |
| | | | 1,069,871 | 1,069,871 | 756,543 |
| <u>93,425</u> | <u>29,886</u> | <u>9,445</u> | <u>829,468</u> | <u>12,447,094</u> | <u>11,119,496</u> |
| | | | | 11,204,699 | 10,159,597 |
| | | | | | 323,596 |
| | | 93,980 | | 93,980 | 61,187 |
| | | 19,932 | | 19,932 | 30,357 |
| | | | | | 98,520 |
| | | <u>113,912</u> | | <u>11,318,611</u> | <u>10,673,257</u> |
| | | | | | |
| | | 104,467 | | | |
| | 70,000 | | | | |
| | <u>70,000</u> | <u>104,467</u> | | | |
| <u>93,425</u> | <u>99,886</u> | | <u>829,468</u> | <u>1,128,483</u> | <u>446,239</u> |
| <u>873,704</u> | <u>601,478</u> | <u>25,517</u> | <u>12,944,773</u> <u>13,778,241</u> | <u>16,676,005</u> | <u>16,229,766</u> |
| <u>\$ 967,129</u> | <u>\$ 701,364</u> | <u>\$ 25,517</u> | <u>\$ 13,778,241</u> <u>14,607,709</u> | <u>\$ 17,804,488</u> | <u>\$ 16,676,005</u> |

PANOLA COLLEGE
EXHIBIT C
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
For the Year Ended August 31, 1998
With Memorandum Totals for the Year Ended August 31, 1997

| REVENUES | TOTALS | | | | |
|---|---------------------|-----------------------|---------------------|----------------------|----------------------|
| | Unrestricted | Auxiliary Enterprises | Restricted | Current Year | Prior Year |
| State Appropriations - General Revenue | \$ 3,353,530 | \$ | \$ 574,726 | \$ 3,928,256 | \$ 3,524,089 |
| Tuition and Fees | 1,541,162 | | | 1,541,162 | 1,556,362 |
| Taxes for Current Operation | 2,683,436 | | | 2,683,436 | 2,588,723 |
| Federal Grants and Contracts | | | 1,482,967 | 1,482,967 | 1,329,302 |
| State Grants and Contracts | 3,554 | | | 3,554 | 3,900 |
| Private Gifts, Grants and Contracts | 110,120 | | 27,722 | 137,842 | 45,474 |
| Sales & Service of Educational Activities | 298,386 | | | 298,386 | 121,303 |
| Sales & Services of Auxiliary Enterprises | | 1,020,164 | | 1,020,164 | 811,386 |
| Other Sources | | | | | |
| Interest/Endowment Income | 135,070 | 6,121 | 51,378 | 192,569 | 189,139 |
| Royalty Income | | | 15,764 | 15,764 | 20,629 |
| Misc. Income | 164,848 | 7,342 | | 172,190 | 10,309 |
| Total Current Funds Revenues | \$ 8,290,106 | \$ 1,033,627 | \$ 2,152,557 | \$ 11,476,290 | \$ 10,200,616 |
| | (Exh. B) | (Exh. B) | | | |
| EXPENDITURES AND MANDATORY TRANSFERS: | | | | | |
| Educational and General | | | | | |
| Instruction | \$ 3,705,760 | \$ | \$ 416,714 | \$ 4,122,474 | \$ 4,018,742 |
| Public Service | 109,216 | | 33,215 | 142,431 | 71,336 |
| Academic Support | 952,728 | | 326,288 | 1,279,016 | 720,648 |
| Student Services | 494,177 | | 209,129 | 703,306 | 948,740 |
| Institutional Support | 1,191,038 | | 185,714 | 1,376,752 | 1,043,810 |
| Operation and Maintenance of Plant | 1,093,965 | | 19,787 | 1,113,752 | 975,128 |
| Scholarships and Fellowships | 98,990 | | 1,209,201 | 1,308,191 | 1,433,724 |
| Total Educational & General Expenditures | 7,645,874 | | 2,400,048 | 10,045,922 | 9,212,128 |
| | (Exh. B) | | (Exh. B) | | |
| Auxiliary Enterprise Expenditures | | 1,158,777 | | 1,158,777 | 947,469 |
| | | (Exh. B) | | | |
| Mandatory Transfers for: | | | | | |
| Retirement of indebtedness | (104,467) | | | (104,467) | (82,076) |
| TPEG | (23,553) | | 23,553 | | |
| To restricted for scholarships | (223,938) | | 223,938 | | |
| Total expenditures and mandatory transfers | 7,997,832 | 1,158,777 | 2,152,557 | 11,309,166 | 10,241,673 |
| Other transfers and additions/(deductions): | | | | | |
| Non-mandatory transfers | (196,732) | 126,732 | | (70,000) | (25,000) |
| Excess of restricted receipts over transfer to revenues | | | 8,580 | 8,580 | 7,131 |
| Net increase (decrease) in fund balances | \$ 95,542 | \$ 1,582 | \$ 8,580 | \$ 105,704 | \$ (58,926) |

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, 1998

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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 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.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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

Current Funds

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

Unrestricted Current Funds

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

Auxiliary Enterprises

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

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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, 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, 1998, the carrying amount of Panola College's deposits was \$4,486,018 and total bank balances (balances per bank records) equaled \$4,643,834.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 1998

Depository bank balances of \$4,323,602 were covered by \$200,000 in federal depository insurance and \$6,042,389 (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 \$66,845 were fully covered by federal depository insurance. Short-term investments with the Lonestar Investment Pool described below totaling \$253,387 were not covered by 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 \$6,776,625. The highest combined balances of cash, savings and time deposits accounts amounted to \$6,253,468 and occurred during the month of November, 1997.
- c. Total amount of FDIC coverage at the time of the highest combined balance in November was \$200,000.
- d. At year end, market value of securities pledged was \$6,042,389.

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

Cash and Deposits

| | | |
|-----------------------------|------------------|------------------------|
| Cash in Bank | | |
| Demand Deposits | \$ 789,269 | |
| Time Deposits | <u>3,406,361</u> | |
| Cash and Cash Equivalents | | \$4,195,630 |
| Petty Cash on Hand | | <u>3,590</u> |
| Total Cash and Deposits | | <u>\$4,199,220</u> |

Short-term investments reflected on Exhibit A, Balance Sheet, consisted of certificates of deposit with a maturity date greater than 90 days in the amount of \$37,000 and an investment in the Lonestar Investment Pool in the amount of \$253,387. The Lonestar Investment Pool is an investment pool administered by the Texas Association of School Boards, Inc. The pool has various investment options for participating members. The College's investment portfolio at August 31, 1998 is in the Liquidity Plus Fund. The composition of this pool consists of cash and repurchase agreements (92%) and U.S. Treasures and Agencies (8%). Market value of the College's portfolio at August 31, 1998 was approximately \$253,853 or \$466 greater than the carrying amount.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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 | \$ 263,845 | \$ 263,845 |
| Pledged Securities held in the name of the pledging financial institution | 3 | <u>3,931,786</u> <u>\$4,195,631</u> | <u>4,126,203</u> <u>\$4,390,048</u> |

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

G. DERIVATIVES

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

H. BONDS PAYABLE

General information related to bonds payable is summarized below:

- * Student Fee Revenue Bond, Series 1970C
- * To construct student housing

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 1998

- * 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, 1998, \$80,000

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 \$6,660 during the current year. Accrued interest amounted to approximately \$1,440 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 <u>August 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------|------------------|
| 1999 | \$ 25,000 | \$ 4,860 | \$ 29,860 |
| 2000 | 25,000 | 3,060 | 28,060 |
| 2001 | <u>30,000</u> | <u>1,080</u> | <u>31,080</u> |
| | <u>\$ 80,000</u> | <u>\$ 9,000</u> | <u>\$ 89,000</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. The lease expired during the current fiscal year, and the College is under no further obligation.

Interest paid on the obligation amounted to \$368 during the year.

In August of 1995, the College entered into a 5 year lease for the rental of twelve copy machines. In 1996 and 1997, subsequent leases were entered into. Terms of the leases require that Panola College pay \$2,284 per month for sixty months. Total rents to be paid on the original and subsequent leases amounted to \$137,059.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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. The interest portion of the lease payments in the current year amounted to \$4,220.

| Year Ending August 31 | Interest | Principal | Total Requirement |
|--------------------------|-----------------|------------------|-------------------|
| 1999 | \$ 3,049 | \$ 24,363 | \$ 27,412 |
| 2000 | 1,720 | 23,990 | 25,710 |
| 2001 | 800 | 6,196 | 6,996 |
| 2002 | 290 | 4,745 | 5,035 |
| 2003 | 43 | 1,370 | 1,413 |
| | <u>\$ 5,902</u> | <u>\$ 60,664</u> | <u>\$ 66,566</u> |

During the year, the College entered into lease purchase agreements with Bank One Leasing Corporation for the rental of vehicles, computer technology equipment, and telephone systems. Terms of current, five separate lease agreements require that the College pay \$3,618.20 for 60 months. Total rents to be paid on the lease agreements amount to \$217,152.

Summarized below are annual lease requirements associated with the agreements. Interest rates of 5.25% to 5.65% are assumed in the leases. The interest portion of lease payments in the current year amounted to \$8,634.

| Year Ending August 31 | Interest | Principal | Total Requirement |
|--------------------------|------------------|-------------------|-------------------|
| 1999 | \$ 13,137 | \$ 53,790 | \$ 66,927 |
| 2000 | 11,679 | 63,082 | 74,761 |
| 2001 | 8,097 | 66,664 | 74,761 |
| 2002 | 4,345 | 69,486 | 73,831 |
| 2003 | 1,313 | 35,445 | 36,758 |
| 2004 | 66 | 7,770 | 7,836 |
| | <u>\$ 38,637</u> | <u>\$ 296,237</u> | <u>\$ 334,874</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.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 1998

| <u>FUND</u> | <u>DUE FROM OTHER FUNDS</u> | <u>DUE TO OTHER FUNDS</u> | <u>NET</u> |
|----------------------------|---------------------------------|-------------------------------|-------------------|
| Unrestricted | \$501,369 | \$(184,890) | \$ 316,479 |
| Auxiliary Enterprises | 178,661 | | 178,661 |
| Restricted | 501 | (487,439) | (486,938) |
| Endowment | | (501) | (501) |
| Unexpended plant | | (3,118) | (3,118) |
| Retirement of Indebtedness | 6,229 | | 6,229 |
| Agency | | (10,812) | (10,812) |
| | <u>\$686,760</u> | <u>\$ 686,760</u> | <u>\$ ---0---</u> |

K. CONTRACT AND GRANT AWARDS

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

L. PROPERTY TAXES

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code, but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent on June 30. A tax lien attaches to property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes receivable as reflected on the balance sheet are net of an allowance for doubtful accounts. The allowance is based upon historical experience in collecting property taxes. Additionally, the net receivable is offset by deferred revenues in the same amount as they are only available to fund expenditures for the next fiscal year. Property taxes are restricted to use within the taxing district. There are no other restrictions on the use of taxes. Tax collections for the current year including delinquent collections amounted to approximately 100.62% of the current tax levy.

M. LITIGATION

In May of 1996, a former employee filed suit against the College alleging her employment was terminated in violation of the Texas Whistleblowers Statute. The suit seeks an injunction requiring her reinstatement as an employee. The suit also seeks unspecified damages, attorneys' fees and costs. There are no presently scheduled hearings or trial dates in the matter.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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 9/01/97</u> | <u>Adjustment/ Additions</u> | <u>Retirement/ Deletions</u> | <u>Balance 8/31/98</u> |
|--|----------------------------|----------------------------------|----------------------------------|----------------------------|
| Land and Improvements | \$ 756,340 | \$ 99,120 | | \$ 855,460 |
| Buildings and Improvements | 9,145,569 | | | 9,145,569 |
| Equipment (Includes furniture fixtures, and vehicles) | 2,705,589 | 918,446 | | 3,624,035 |
| Library Holdings | <u>537,773</u> | <u>52,305</u> | | <u>590,078</u> |
| | <u>\$13,145,271</u> | <u>\$ 1,069,871</u> | | <u>\$14,215,142</u> |

O. CONTINGENT LIABILITIES

The College participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 1998, 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.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

P. EMPLOYEES' RETIREMENT PLAN

Plan Description:

The Teacher Retirement System of Texas (TRS) 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
 age plus years of service equals 80
2. Reduced- age 55 with at least 5 years of service, or
 any age below 50 with 30 years of service

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

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
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FUNDING STATUS AND PROGRESS

State law provided for a state contribution rate for fiscal years 1997 and 1998 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, 1998, for Panola College was \$276,918 which consisted of \$134,016 from the State, and \$142,902 from the employee. These contribution amounts were based on total covered payroll of \$2,238,604.

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, 1988 to 1997, were as follows (in millions):

| Fiscal Year | Pension Benefit Obligation | Net Assets Available for Benefits | Unfunded Pension Benefit Obligation | Annual Covered Payroll |
|----------------|--|---|---|------------------------------|
| 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 | \$ 50.0 | \$ 62.2* | \$(12.2) | \$ 17.0 |
| 1998 | information will be available March 1, 1999. | | | |

*Effective in FY 1996 TRS implemented GASB Statement 25 which required all investments at fair value. Prior to FY 1996, investments were reported at book value.

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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 2.5% 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 \$133,109 for the Optional Retirement Plan for the fiscal year ended August 31, 1998. Participants contributed \$150,291 for the Optional Retirement Programs. The District contributed \$46,228 to the Optional Retirement Program to cover the 2.5% referenced above.

The contributions described above were based on total covered payroll of \$2,249,379 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, 1998, the College had twenty-two employees participating in the tax sheltered annuity program. A total of \$67,629 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, 1998, 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 \$188 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 \$307,601 and covered an average of 125 employees per month.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

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 the 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, 1998, was \$188 per retiree.

In addition to providing pension benefits, the State provides in accordance with state statutes, certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The cost to the State of providing those benefits for 34 retirees was \$87,429.

U. OPERATING LEASES

Included in current expenditures is \$35,497 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, 1998, 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 \$318,120 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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

preclude any significant uninsured losses to the College. At no time during the last three fiscal years have claims exceeded commercial coverage.

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, 1998.

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the College's operations as early as fiscal year 1999.

Panola College has been working on its Year 2000 project for approximately nine months. The College has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting College operations.

Mission critical systems identified in which the College's operations may be affected include the areas of instruction, distance learning, admissions and registration, and financial accounting and reporting. In each of the above instances, the College is dependent upon outside vendors for remediation of any non-compliant components and applications.

Vendor certification has been obtained from major vendors supporting the systems of the College and for those systems where certification has not yet been obtained, certification is in process. It is believed that cost of remediation will be minimal to the College.

Panola College contracts with Panola County to collect and process advalorem taxes of the College. Panola County contracts with an outside vendor to insure year 2000 compliancy with the tax collection and reporting system. The County is responsible for insuring remediation of this system and is solely responsible for any cost associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Administration cannot assure the College is or will be Year

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1998

2000 ready, that the College's remediation efforts will be successful in whole or part, or that parties with whom the College does business will be year 2000 ready.

SUPPLEMENTARY DATA

PANOLA COLLEGE
 SCHEDULE A-1
 SCHEDULE OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS
 August 31, 1998

| | CURRENT FUNDS | | | PLANT FUNDS | | | TOTAL |
|---|---------------|-----------------------|------------|-----------------------------|-------------------------|--------------|--------------|
| | Unrestricted | Auxiliary Enterprises | Restricted | Endowment and Similar Funds | Unexpended indebtedness | Agency Funds | |
| Cash on Hand | \$ 3,290 | \$ 300 | \$ | \$ | \$ | \$ | \$ 3,590 |
| Petty Cash | 3,290 | 300 | | | | | 3,590 |
| Cash in Transit | | | | | | | |
| Subtotal | 186,001 | 189,205 | 233,802 | 5,269 | 100,482 | 72,782 | 789,269 |
| Cash in Bank | | | | | | | |
| Demand Account | | | | | | | |
| Cash Equivalents | | | | | | | |
| Certificates of Deposit | 1,850,000 | | 8,000 | 925,361 | 604,000 | 19,000 | 3,406,361 |
| Repurchase Agreements | | | | | | | |
| Subtotal | 1,850,000 | | 8,000 | 925,361 | 604,000 | 19,000 | 3,406,361 |
| Total Cash and Cash Equivalents (Exhibit A) | 2,039,291 | 189,505 | 241,802 | 930,630 | 704,482 | 72,782 | 4,199,220 |
| Short-Term Investments | | | | | | | |
| Certificates of Deposit | 253,387 | | | 37,000 | | | 37,000 |
| Repurchase Agreements | | | | | | | 253,387 |
| Total Short-Term Investments (Exhibit A) | 253,387 | | | 37,000 | | | 290,387 |
| Total Cash, Cash Equivalents and Short-Term Investments | \$ 2,292,678 | \$ 189,505 | \$ 241,802 | \$ 967,630 | \$ 704,482 | \$ 20,728 | \$ 4,489,607 |

| | Cash in Banks | Cash Equivalents | Short-Term Investments |
|-------------------------------------|---------------|------------------|------------------------|
| Balance in Depositories as follows: | | | |
| First State Bank | \$ 767,423 | \$ 3,398,361 | \$ |
| Lonestar Investment Pool | | | 253,387 |
| First National Bank | 5,788 | 8,000 | 20,000 |
| Farmers State Bank | 13,282 | | 17,000 |
| Shelby County Savings | 2,776 | | |
| Total Balance in Depositories | \$ 789,269 | \$ 3,406,361 | \$ 290,387 |

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 SCHEDULE B-3
 SCHEDULE OF CHANGES IN FUND BALANCES
 Unrestricted Current Funds - Auxiliary Enterprises
 August 31, 1998

| | TOTAL | Intercollegiate Athletics | Housing | Food Service/Vending | Bookstore | Other |
|---|---------------------|---------------------------|------------------|----------------------|-------------------|------------------|
| Revenues | | | | | | |
| Sales and Services | \$ 1,020,164 | \$ 2,292 | \$ 85,750 | \$ 276,083 | \$ 656,039 | \$ 13,463 |
| Miscellaneous Income | 13,463 | | | | | 13,463 |
| Total Revenues (Schedule C-1) | <u>1,033,627</u> | <u>2,292</u> | <u>85,750</u> | <u>276,083</u> | <u>656,039</u> | <u>13,463</u> |
| Expenditures | | | | | | |
| Salaries and Wages | 193,975 | 148,956 | 8,400 | | 36,619 | |
| Other Operating Expenses | 964,802 | 237,399 | 6,513 | 254,680 | 466,210 | |
| Capital Outlay | | | | | | |
| Total Expenditures | <u>1,158,777</u> | <u>386,355</u> | <u>14,913</u> | <u>254,680</u> | <u>502,829</u> | |
| Excess (Deficit) of Revenues Over Expenditures | <u>\$ (125,150)</u> | <u>\$ (384,063)</u> | <u>\$ 70,837</u> | <u>\$ 21,403</u> | <u>\$ 153,210</u> | <u>\$ 13,463</u> |
| Summary of Fund Balances as of September 1, 1997 | | | | | | |
| Addition/Reduction | \$ 177,617 | \$ | \$ | \$ | \$ 177,617 | \$ |
| Excess (Deficit) of Revenues Over Expenditures | <u>(125,150)</u> | <u>(384,063)</u> | <u>70,837</u> | <u>21,403</u> | <u>153,210</u> | <u>13,463</u> |
| Intrafund Transfers | | | | | | |
| Bookstore | | 165,091 | | | (151,628) | (13,463) |
| Housing | | 70,837 | (70,837) | | | |
| Food Service | | 21,403 | | (21,403) | | |
| Total Intrafund Transfers | | <u>257,331</u> | <u>(70,837)</u> | <u>(21,403)</u> | <u>(151,628)</u> | <u>(13,463)</u> |
| Interfund Transfers | | | | | | |
| Unrestricted Fund | 126,732 | 126,732 | | | | |
| Total Interfund Transfers | <u>126,732</u> | <u>126,732</u> | | | | |
| Total Additions/Deductions | 1,582 | | | | 1,582 | |
| Balance August 31, 1998 | <u>\$ 179,199</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$ 1,582</u> | <u>\$</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, 1998

| | Unrestricted | Auxiliary Enterprises | Restricted | Total |
|---|---------------------|--------------------------|---------------------|----------------------|
| State Appropriations: | | | | |
| Education and General State Support | \$ 3,353,530 | \$ | \$ | 3,353,530 |
| State Group Insurance | | | 307,601 | 307,601 |
| State Retirement Matching | | | 267,125 | 267,125 |
| State Retirement Adjustment | | | | |
| Total State Appropriations | 3,353,530 | | 574,726 | 3,928,256 |
| Tuition and Fees | | | | |
| State Funded Courses | | | | |
| In-District Resident Tuition | 249,335 | | | 249,335 |
| Out-of-District Resident Tuition | 481,570 | | | 481,570 |
| Non-resident Tuition | 11,334 | | | 11,334 |
| Subtotal Tuition | 742,239 | | | 742,239 |
| General Fees | 183,179 | | | 183,179 |
| Out of District Fees | 307,477 | | | 307,477 |
| Laboratory Fee | 67,478 | | | 67,478 |
| Technology Fees | 98,592 | | | 98,592 |
| Other Fees | 109,916 | | | 109,916 |
| Subtotal Fees | 766,642 | | | 766,642 |
| Remissions and Exemptions-State | 32,281 | | | 32,281 |
| Total Tuition and Fees | 1,541,162 | | | 1,541,162 |
| Taxes for Current Operations | 2,683,436 | | | 2,683,436 |
| Federal Grants and Contracts | | | | |
| Programs | | | 1,482,967 | 1,482,967 |
| Total Federal Grants and Contracts | | | 1,482,967 | 1,482,967 |
| State Grants and Contracts | | | | |
| Programs | 3,554 | | | 3,554 |
| Total State Grants and Contracts | 3,554 | | | 3,554 |
| Private, Gifts, Grants, and Contracts | | | | |
| Programs | 11,000 | | 27,722 | 38,722 |
| Gift of land | 99,120 | | | 99,120 |
| Total Private Gifts, Grants, and Contracts | 110,120 | | 27,722 | 137,842 |
| Sales & Services of Educational Activities | 298,386 | | | 298,386 |
| Sales & Services of Auxiliary Activities | | 1,020,164 | | 1,020,164 |
| Other Sources | | | | |
| Interest/Endowment Income | 135,070 | 6,121 | 51,378 | 192,569 |
| Royalty Income | | | 15,764 | 15,764 |
| Federal and State Administrative Allowances | 6,862 | | | 6,862 |
| Equipment Sale | 137,570 | | | 137,570 |
| Other Misc. Income | 20,416 | 7,342 | | 27,758 |
| Total Other Sources | 299,918 | 13,463 | 67,142 | 380,523 |
| Total Current Funds Revenues (Exh. C) | \$ 8,290,106 | \$ 1,033,627 | \$ 2,152,557 | \$ 11,476,290 |

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, 1998

| | SALARIES AND WAGES | OTHER EXPENSES | CAPITAL OUTLAY | TOTAL |
|---|-----------------------|---------------------|-------------------|------------------------------|
| Unrestricted - Educational and General | | | | |
| Instruction | \$ 2,974,058 | \$ 643,334 | \$ 88,368 | \$ 3,705,760 |
| Public Service | 73,162 | 25,676 | 10,378 | 109,216 |
| Academic Support | 500,716 | 285,438 | 166,574 | 952,728 |
| Student Services | 361,633 | 118,018 | 14,526 | 494,177 |
| Institutional Support | 642,712 | 539,095 | 9,231 | 1,191,038 |
| Operation and Maintenance of Plant | 391,225 | 443,251 | 259,489 | 1,093,965 |
| Scholarships and Fellowships | | 98,990 | | 98,990 |
| Total Unrestricted | <u>4,943,506</u> | <u>2,153,802</u> | <u>548,566</u> | <u>7,645,874</u> (Exh. C) |
| Restricted - Education and General | | | | |
| Instruction | 54,472 | 342,566 | 19,676 | 416,714 |
| Public Service | 10,603 | 22,612 | | 33,215 |
| Academic Support | 1,822 | 24,779 | 299,687 | 326,288 |
| Student Services | 113,491 | 90,508 | 5,130 | 209,129 |
| Institutional Support | | 185,714 | | 185,714 |
| Operation and Maintenance of Plant | | 19,787 | | 19,787 |
| Scholarships and Fellowships | | 1,209,201 | | 1,209,201 |
| Total Restricted | <u>180,388</u> | <u>1,895,167</u> | <u>324,493</u> | <u>2,400,048</u> (Exh. C) |
| Total Educational and General | <u>5,123,894</u> | <u>4,048,969</u> | <u>873,059</u> | <u>10,045,922</u> |
| Auxiliary Enterprises | <u>193,975</u> | <u>964,802</u> | | <u>1,158,777</u> (Exh. C) |
| Total Current Fund Expenditures | <u>\$ 5,317,869</u> | <u>\$ 5,013,771</u> | <u>\$ 873,059</u> | <u>\$ 11,204,699</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, 1998

| | | |
|--|--------------|--------------|
| Instruction | | |
| Academic Programs | | |
| Faculty Salaries | \$ 1,507,080 | |
| Departmental Operating Expenses | 263,451 | |
| Total Academic Programs | | \$ 1,770,531 |
| Vocational Technical Programs | | |
| Faculty Salaries | 1,466,809 | |
| Departmental Operating Expenses | 243,331 | |
| Total Vocational Technical Programs | | 1,710,140 |
| Total Instruction | | 3,480,671 |
| Public Service | | 100,023 |
| Academic Support | | |
| Library | 287,017 | |
| Distance Learning | 76,569 | |
| Instructional Administration | 482,027 | |
| Total Academic Support | | 845,613 |
| Student Services | | 459,848 |
| Institutional Support | | 1,227,071 |
| Operation and Maintenance of Plant | | |
| Plant Support Services | 206,517 | |
| Building Maintenance | 184,614 | |
| Custodial Services | 175,821 | |
| Grounds Maintenance | 37,960 | |
| Utilities | 276,326 | |
| Total Operation and Maintenance of Plant | | 881,238 |
| Staff Benefits | | |
| Group Insurance Premiums | 111,495 | |
| O. A. S. I. | 345,210 | |
| Worker's Compensation Insurance | 43,011 | |
| Other | 72,752 | |
| Total Staff Benefits | | 572,468 |
| Total Expenditures by Elements of Institutional Costs | | \$ 7,566,932 |
| | | [a] |
| [a] Reconciliation | | |
| Total Expenditures by Function (Exh. C) | | \$ 7,645,874 |
| Plus: State Retirement Adjustment | | (46,661) |
| Less: Increase in Accrued Compensable Absences | | (32,281) |
| Remissions and Exemptions | | |
| Total Expenditures by Elements of Institutional Costs | | \$ 7,566,932 |

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, 1998

| | |
|---|---------------------------|
| Assessed valuation of District | \$ <u>2,032,137,421</u> |
| | <u>Current Operations</u> |
| Tax rate authorized per \$100 valuation | \$ <u>0.20000</u> |
| Tax rate assessed per \$100 valuation | \$ <u>0.13535</u> |
| | |
| Taxes Receivable, August 31, 1996 | \$ 207,503 |
| Less: Allowance for Doubtful Accounts | 149,402 |
| Adjusted Taxes Receivable, August 31, 1996 | <u>58,101</u> |
| | |
| Taxes Assessed | 2,750,498 |
| Supplemental Adjustments to delinquent Roll | 6,641 |
| Penalty & Interest Assessed | 49,377 |
| Subtotal Assessment | <u>2,806,516</u> |
| | |
| Taxes collected | |
| Current | 2,700,732 |
| Delinquent | 72,547 |
| Penalties and interest | 34,463 |
| Subtotal Collections | <u>2,807,742</u> |
| | |
| Adjustments | |
| Fees for Assessment and Collecting | 14,914 |
| Change in Allowance for Doubtful Accounts | (15,448) |
| Subtotal Adjustments | <u>(534)</u> |
| | |
| Taxes Receivable, August 31, 1997 | \$ <u>57,409</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, 1998

| Description | Bonds Issued to Date | Range of Interest Rates | Bonds Outstanding 09/01/97 | Bonds Issued After 09/01/97 | Bonds Matured or Retired | Bonds Refunded | Bonds Outstanding 08/31/98 |
|--------------------------------|----------------------|-------------------------|----------------------------|-----------------------------|--------------------------|----------------|----------------------------|
| Student Fee Revenue Bond 1970C | \$ 495,000 | 7.00-7.20 % | \$ 105,000 | \$ | \$ 25,000 | \$ | \$ 80,000 |
| Total | \$ 495,000 | | \$ 105,000 | \$ | \$ 25,000 | \$ | \$ 80,000 |

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

| Description | 1999 | 2000 | 2001 | Total Requirement |
|--------------------|------------------|------------------|------------------|-------------------|
| Principal Due | | | | |
| Revenue Bond 1970C | \$ 25,000 | \$ 25,000 | \$ 30,000 | \$ 80,000 |
| Interest Due | 4,860 | 3,060 | 1,080 | 9,000 |
| Total | \$ 29,860 | \$ 28,060 | \$ 31,080 | \$ 89,000 |

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 SCHEDULE D-2
 SCHEDULE OF PLEDGED REVENUES AND FUND BALANCES
 FOR REVENUE BONDS OUTSTANDING
 For the Year Ended August 31, 1998

| Description | PLEDGED REVENUES AND RELATED EXPENDITURES | | | | | | | (a+b-c-d) Net Available for Debt Service |
|-----------------------------------|---|---|-------------------------------------|-------------------------------------|------------------------------------|-----------------------------|--------------------------|---|
| | (a) Operating Revenues | (b) Interest Earned on Investments | (c) Other Pledged Revenues | (d) Total Pledged Revenues | (e) Other Revenue Sources | (f) Operating Expense | (g) Capital Outlay | |
| Student Fee Revenue Bonds 1970 | \$ 29,860 | \$ | \$ | \$ 29,860 | \$ | \$ | \$ | \$ 29,860 |
| Totals | \$ 29,860 | \$ | \$ | \$ 29,860 | \$ | \$ | \$ | \$ 29,860 |

| Description | RESTRICTED ACCOUNT BALANCES | | | |
|---------------------------|------------------------------|-----------------------------|---------------------------|-------------------|
| | Debt Service Principal | Debt Service Interest | Interest and Sinking Fund | Bond Reserve Fund |
| 1970 | Minimum Required | Actual Balance | Minimum Required | Actual Balance |
| Student Fee Revenue Bonds | \$ | \$ | \$ 19,000 | \$ 19,000 |
| Totals | \$ | \$ | \$ 19,000 | \$ 19,000 |

See Independent Auditor's Report on Additional Information.

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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, 1998
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1997

| ASSETS | <u>1998</u> | (Memo Only) <u>1997</u> |
|--|---------------------|----------------------------|
| Cash and cash equivalents | \$ 2,039,291 | \$ 2,440,063 |
| Short-term investments | 253,387 | |
| Accounts receivable (net of allowance for doubtful accounts) | 301,464 | 235,226 |
| Taxes receivable (net of allowance for doubtful accounts) | 57,409 | 58,101 |
| Due from other funds | 501,369 | 244,259 |
| Due from other agencies | | |
| Prepaid expenses | 74,645 | 48,293 |
| Total Assets | \$ <u>3,227,565</u> | \$ <u>3,025,942</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable | \$ 242,363 | \$ 106,123 |
| Accrued liabilities | 57,879 | 148,944 |
| Due to other funds | 184,890 | 60,232 |
| Deferred revenues | 591,994 | 702,407 |
| Accrued compensable absences payable | 58,870 | 12,209 |
| Total Liabilities | <u>1,135,996</u> | <u>1,029,915</u> |
| Fund Balance: | | |
| Reserved | | |
| Encumbrances | 30,169 | 78,785 |
| Other | 8,778 | |
| Unreserved | | |
| Undesignated | <u>2,052,622</u> | <u>1,917,242</u> |
| Total Fund Balance | <u>2,091,569</u> | <u>1,996,027</u> |
| Total Liabilities and Fund Balance | \$ <u>3,227,565</u> | \$ <u>3,025,942</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, 1998
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1997

| | 1998 | (Memo Only) 1997 |
|--|---------------------|---------------------|
| REVENUES | | |
| State Appropriations | \$ 3,353,530 | \$ 2,961,081 |
| Local Funds: | | |
| Tuition and fees | 1,541,162 | 1,556,362 |
| Taxes | 2,683,436 | 2,588,723 |
| Sales and services | 298,386 | 121,303 |
| Grants, Gifts and Contracts | 113,674 | 21,630 |
| Interest income | 135,069 | 134,780 |
| Administrative Cost Allowances | 6,862 | 3,548 |
| Other local revenues | 157,987 | 6,761 |
| Total Revenues | <u>8,290,106</u> | <u>7,394,188</u> |
| EXPENDITURES | | |
| Educational and general | | |
| Instruction | 3,705,760 | 3,613,880 |
| Public service | 109,216 | 71,336 |
| Academic support | 952,728 | 748,141 |
| Student services | 494,177 | 507,048 |
| Institutional support | 1,191,038 | 957,611 |
| Operation and maintenance of plant | 1,093,965 | 939,420 |
| Scholarships and awards | 98,990 | 111,739 |
| Total Expenditures | <u>7,645,874</u> | <u>6,949,175</u> |
| Excess of Revenues over Expenditures | <u>644,232</u> | <u>445,013</u> |
| TRANSFERS-ADDITIONS / (DEDUCTIONS) | | |
| Mandatory transfers | (351,958) | (355,713) |
| Non-mandatory transfers | (196,732) | (157,000) |
| Total Transfers-Additions /(Deductions) | <u>(548,690)</u> | <u>(512,713)</u> |
| Net Increase (Decrease) in Fund Balance | 95,542 | (67,700) |
| Fund Balance, beginning of year | <u>1,996,027</u> | <u>2,063,727</u> |
| Fund Balance, end of year | <u>\$ 2,091,569</u> | <u>\$ 1,996,027</u> |

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
AUXILIARY
BALANCE SHEET
AUGUST 31, 1998
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1997

| | 1998 | (Memo Only) 1997 |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 189,505 | \$ 204,673 |
| Accounts receivable | 101,581 | 188,874 |
| Inventory, at cost | 44,924 | 66,725 |
| Due from other funds | 178,661 | 329,890 |
| Prepaid expenses | 6,351 | 866 |
| Total Assets | \$ <u>521,022</u> | \$ <u>791,028</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable | \$ 37,032 | \$ 23,431 |
| Accrued liabilities | 44,246 | 39,067 |
| Deposits payable | 17,600 | 18,800 |
| Due to other funds | | 236,281 |
| Deferred revenues | 242,568 | 295,832 |
| Accrued compensable absences payable | 377 | |
| Total Liabilities | <u>341,823</u> | <u>613,411</u> |
| Fund Balance: | | |
| Reserved | | |
| Encumbrances | 23,358 | 55,933 |
| Inventory | 44,924 | 66,725 |
| Unreserved | | |
| Undesignated | <u>110,917</u> | <u>54,959</u> |
| Total Fund Balance | <u>179,199</u> | <u>177,617</u> |
| Total Liabilities and Fund Balance | \$ <u>521,022</u> | \$ <u>791,028</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, 1998
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1997

| | 1998 | (Memo Only) 1997 |
|--|--------------------------|--------------------------|
| REVENUES | | |
| Bookstore | \$ 656,039 | \$ 439,273 |
| Food service and vending | 276,083 | 267,308 |
| Student housing | 85,750 | 83,854 |
| Other local revenues | 15,755 | 26,677 |
| Total Revenues | <u>1,033,627</u> | <u>817,112</u> |
| EXPENDITURES | | |
| Bookstore | 502,829 | 334,883 |
| Food service and vending | 254,680 | 251,978 |
| Student housing | 14,913 | 15,120 |
| Athletics | 386,355 | 345,488 |
| Total Expenditures | <u>1,158,777</u> | <u>947,469</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(125,150)</u> | <u>(130,357)</u> |
| TRANSFERS-ADDITIONS / (DEDUCTIONS) | | |
| Non-mandatory transfers | 126,732 | 132,000 |
| Total Transfers-Additions /(Deductions) | <u>126,732</u> | <u>132,000</u> |
| Net Increase in Fund Balance | 1,582 | 1,643 |
| Fund Balance, beginning of year | <u>177,617</u> | <u>175,974</u> |
| Fund Balance, end of year | \$ <u><u>179,199</u></u> | \$ <u><u>177,617</u></u> |

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 RESTRICTED
 BALANCE SHEET
 AUGUST 31, 1998
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1997

| | <u>1998</u> | (Memo Only) <u>1997</u> |
|---|--------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 241,802 | \$ 155,262 |
| Federal receivables | 628,387 | 144,484 |
| Other grant receivables | | 22,984 |
| Interest receivable | 4,137 | 5,947 |
| Due from other funds | 501 | |
| Prepaid expenses | | 186 |
| Total Assets | \$ <u>874,827</u> | \$ <u>328,863</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable | \$ 325,919 | \$ 10,354 |
| Accrued liabilities | | 1,164 |
| Due to other funds | 487,439 | 264,456 |
| Total Liabilities | <u>813,358</u> | <u>275,974</u> |
| Fund Balance-Reserved | 6,179 | |
| Fund Balance-Restricted | <u>55,290</u> | <u>52,889</u> |
| Total Fund Balance | <u>61,469</u> | <u>52,889</u> |
| Total Liabilities and Fund Balance | \$ <u>874,827</u> | \$ <u>328,863</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, 1998
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1997

| | 1998 | (Memo Only) 1997 |
|---|-------------------------|-------------------------|
| REVENUES | | |
| State appropriations | \$ 574,726 | \$ 563,008 |
| Federal grants and contracts | 1,482,967 | 1,329,302 |
| State grants and contracts | | 3,900 |
| Private grants and gifts | 27,722 | 23,844 |
| Interest and investment income | 67,142 | 69,262 |
| Total Revenues | <u>2,152,557</u> | <u>1,989,316</u> |
| EXPENDITURES | | |
| Educational and general | | |
| Instruction | 416,714 | 337,467 |
| Public Service | 33,215 | |
| Academic support | 326,288 | 39,902 |
| Student services | 209,129 | 441,692 |
| Institutional support | 185,714 | 86,199 |
| Operation and maintenance of plant | 19,787 | 35,708 |
| Scholarships and awards | 1,209,201 | 1,321,985 |
| Total Expenditures | <u>2,400,048</u> | <u>2,262,953</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(247,491)</u> | <u>(273,637)</u> |
| TRANSFERS-ADDITIONS / (DEDUCTIONS) | | |
| Mandatory transfers | 247,491 | 273,637 |
| Excess of restricted receipts over transfers to revenues | 8,580 | 7,131 |
| Total Transfers-Additions /(Deductions) | <u>256,071</u> | <u>280,768</u> |
| Net Increase (Decrease) in Fund Balance | 8,580 | 7,131 |
| Fund Balance, beginning of year | <u>52,889</u> | <u>45,758</u> |
| Fund Balance, end of year | \$ <u><u>61,469</u></u> | \$ <u><u>52,889</u></u> |

See Independent Auditor's Report on Additional Information.

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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, 1998
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1997

| | <u>1998</u> | <u>(Memo Only)</u> <u>1997</u> |
|---|--------------------------|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 930,630 | \$ 874,205 |
| Short-term investments | <u>37,000</u> | |
| Total Assets | \$ <u>967,630</u> | \$ <u>874,205</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: Due to other funds | \$ <u>501</u> | \$ <u>501</u> |
| Fund Balance-Restricted for Endowments | <u>967,129</u> | <u>873,704</u> |
| Total Liabilities and Fund Balance | \$ <u>967,630</u> | \$ <u>874,205</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, 1998
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1997

| | <u>1998</u> | <u>(Memo Only)</u> <u>1997</u> |
|--|--------------------------|-----------------------------------|
| REVENUES AND OTHER ADDITIONS | | |
| Private gifts | \$ <u>93,425</u> | \$ <u>54,785</u> |
| Total Revenues | <u>93,425</u> | <u>54,785</u> |
| | | |
| Net Increase in Fund Balance | 93,425 | 54,785 |
| | | |
| Fund Balance, beginning of year | <u>873,704</u> | <u>818,919</u> |
| | | |
| Fund Balance, end of year | \$ <u><u>967,129</u></u> | \$ <u><u>873,704</u></u> |

See Independent Auditor's Report on Additional Information.

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

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

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

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

PANOLA COLLEGE
 UNEXPENDED
 BALANCE SHEET
 AUGUST 31, 1998
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1997

| | <u>1998</u> | (Memo Only) <u>1997</u> |
|--|--------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 704,482 | \$ 604,260 |
| Short-term investments | | |
| Interest receivable | | 336 |
| Total Assets | \$ <u>704,482</u> | \$ <u>604,596</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: Due to other funds | \$ <u>3,118</u> | \$ <u>3,118</u> |
| Fund Balance-Reserved for Plant Improvements | <u>701,364</u> | <u>601,478</u> |
| Total Liabilities and Fund Balance | \$ <u>704,482</u> | \$ <u>604,596</u> |

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 UNEXPENDED
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED AUGUST 31, 1998
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1997

| | 1998 | (Memo Only) 1997 |
|---|-------------------|---------------------|
| REVENUES AND OTHER ADDITIONS | | |
| | \$ | \$ |
| Interest income | 29,886 | 28,322 |
| Private gifts | | 7,000 |
| Total Revenues | <u>29,886</u> | <u>35,322</u> |
| EXPENDITURES AND OTHER DEDUCTIONS | | |
| Expended for plant facilities | | 323,596 |
| Excess (deficiency) of Revenues and Other Additions over Expenditures and Other Deductions | 29,886 | (288,274) |
| TRANSFERS-ADDITIONS/ (DEDUCTIONS) | | |
| Non-mandatory transfers | <u>70,000</u> | <u>25,000</u> |
| Net Increase (Decrease) in Fund Balance | 99,886 | (263,274) |
| Fund Balance, beginning of year | <u>601,478</u> | <u>864,752</u> |
| Fund Balance, end of year | <u>\$ 701,364</u> | <u>\$ 601,478</u> |

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 RETIREMENT OF INDEBTEDNESS
 BALANCE SHEET
 AUGUST 31, 1998
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1997

| | <u>1998</u> | <u>(Memo Only)</u> <u>1997</u> |
|--|------------------|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 20,728 | \$ 963 |
| Short-term investments | | 19,000 |
| Due from other funds | 6,229 | 62,708 |
| Interest receivable | | 8 |
| Prepaid expenses | | 6,000 |
| Total Assets | <u>\$ 26,957</u> | <u>\$ 88,679</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accrued interest | \$ 1,440 | \$ 1,890 |
| Due to other funds | | 61,272 |
| Total Liabilities | <u>1,440</u> | <u>63,162</u> |
| Fund Balance-Restricted for Debt Retirement | <u>25,517</u> | <u>25,517</u> |
| Total Liabilities and Fund Balance | <u>\$ 26,957</u> | <u>\$ 88,679</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, 1998
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1997

| | 1998 | (Memo Only) 1997 |
|---|------------------|---------------------|
| REVENUES AND OTHER ADDITIONS | | |
| Interest income | \$ 757 | \$ 780 |
| Federal interest subsidy | 8,688 | 8,688 |
| Other income | | |
| Total Revenues and Other Additions | <u>9,445</u> | <u>9,468</u> |
| EXPENDITURES AND OTHER DEDUCTIONS | | |
| Retirement of indebtedness: | | |
| Principal | 93,980 | 61,187 |
| Interest and fees | 19,932 | 30,357 |
| Total Expenditures and Other Deductions | <u>113,912</u> | <u>91,544</u> |
| Excess (deficiency) of revenues and other additions over expenditures and other deductions | (104,467) | (82,076) |
| TRANSFERS-ADDITIONS/ (DEDUCTIONS) | | |
| Non-mandatory transfers | <u>104,467</u> | <u>82,076</u> |
| Net Increase (Decrease) in Fund Balance | | |
| 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, 1998
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 1997

| | <u>1998</u> | (Memo Only) <u>1997</u> |
|---|---------------------------------|---------------------------------|
| ASSETS | | |
| Land | \$ 855,460 | \$ 756,340 |
| Buildings | 9,145,569 | 9,145,569 |
| Equipment, fixtures and vehicles | 3,624,035 | 2,705,589 |
| Library books | <u>590,078</u> | <u>537,773</u> |
| Total Assets | \$ <u>14,215,142</u> | \$ <u>13,145,271</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Bonds payable | \$ 80,000 | \$ 105,000 |
| Lease purchase agreement payable | <u>356,901</u> | <u>91,498</u> |
| Total Liabilities | <u>436,901</u> | <u>196,498</u> |
| Fund Balance-Net investment in plant | <u>13,778,241</u> | <u>12,948,773</u> |
| Total Liabilities and Fund Balance | \$ <u>14,215,142</u> | \$ <u>13,145,271</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, 1998
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 1997

| | 1998 | (Memo Only) 1997 |
|---|--------------------------|--------------------------|
| REVENUES AND OTHER ADDITIONS | | |
| Retirement of indebtedness | \$ 93,980 | \$ 76,095 |
| Expended for plant facilities | <u>1,069,871</u> | <u>756,543</u> |
| Total Revenues and Other Additions | <u>1,163,851</u> | <u>832,638</u> |
| EXPENDITURES AND OTHER DEDUCTIONS | | |
| Capital lease obligation | 334,383 | 20,464 |
| Disposal of equipment and fixtures | <u> </u> | <u>98,520</u> |
| Total Expenditures and Other Deductions | <u>334,383</u> | <u>118,984</u> |
| Net Increase (Decrease) in Fund Balance | 829,468 | 713,654 |
| Fund Balance, beginning of year | <u>12,948,773</u> | <u>12,235,119</u> |
| Fund Balance, end of year | \$ <u>13,778,241</u> | \$ <u>12,948,773</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, 1998

| | <u>BALANCE</u> <u>09-01-97</u> | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | <u>BALANCE</u> <u>09-01-98</u> |
|---------------------------|-----------------------------------|-------------------|-------------------|-----------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 70,542 | \$ 158,795 | \$ 156,555 | \$ 72,782 |
| Total Assets | <u>\$ 70,542</u> | <u>\$ 158,795</u> | <u>\$ 156,555</u> | <u>\$ 72,782</u> |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Deposits payable | \$ 38,956 | \$ 55,191 | \$ 63,435 | \$ 30,712 |
| Funds held in trust | 18,739 | 100,371 | 88,872 | 30,238 |
| Accounts payable | 1,850 | 845 | 1,675 | 1,020 |
| Due to other funds | 10,997 | 2,388 | 2,573 | 10,812 |
| Total Liabilities | <u>\$ 70,542</u> | <u>\$ 158,795</u> | <u>\$ 156,555</u> | <u>\$ 72,782</u> |

See Independent Auditor's Report on Additional Information.

STATISTICAL

SECTION

(UNAUDITED)

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

| <u>Fiscal Year</u> | <u>Instruction</u> | <u>Research</u> | <u>Public Service</u> | <u>Academic Support</u> | <u>Student Services</u> |
|--------------------|--------------------|-----------------|---------------------------|-----------------------------|-----------------------------|
| 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 |
| 1997-98 | 3,705,760 | | 109,216 | 952,728 | 494,177 |

- (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 & Maintenance of Plant</u> | <u>Scholarships and Fellowships (2)</u> | <u>Auxiliary Enterprises</u> | <u>Debt Service (3)</u> | <u>Totals</u> |
|----------------------------------|---|---|----------------------------------|-----------------------------|---------------|
| \$ 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 |
| 1,191,038 | 1,093,965 | 98,990 | 1,158,777 | 113,912 | 8,918,563 |

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

| <u>Fiscal Year</u> | <u>State Appropriations</u> | <u>Tuition & Fees</u> | <u>Taxes for Current Operations</u> | <u>Federal Grants & Contracts</u> | <u>Interest</u> |
|--------------------|---------------------------------|-------------------------------|---|---|-----------------|
| 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 |
| 1997-98 | 3,353,530 | 1,541,162 | 2,683,436 | | 141,191 |

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> |
|----------------------|----------------------------------|-------------------------|---------------|
| \$ 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 |
| 584,250 | 1,020,164 | 9,445 | 9,333,178 |

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> |
|--------------------|---------------------------|--|------------------------------------|---|--------------------------------------|
| 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 |
| 1997-98 | 2,750,498 | 2,700,732 | 98.19% | 72,547 | 2,773,279 |

Table 3

| <u>% of Total Collections to Tax Levy</u> | <u>Outstanding Delinquent Taxes</u> | <u>% of Delinquent Taxes to Levy</u> |
|---|---|--|
| \$ 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% |
| 100.83% | 191,363 | 6.96% |

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> |
| 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 | 145,111,207 | 145,111,207 |
| 1998 | 2,006,974,982 | 2,006,974,982 | 180,005,791 | 180,005,791 |

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> |
| 1,315,137,569 | 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% |
| 2,032,137,421 | 2,032,137,421 | 100% |
| 2,186,980,773 | 2,186,980,773 | 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 | | |
| 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 |
| 1997-98 | 0.13535 | | 0.13535 | 0.3862 |

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>(I) CED (Average)</u> | <u>Rural Fire District</u> | <u>Total</u> |
|-----------------------------|---|----------------------------------|------------------------------------|--------------|
| 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 |
| 0.42621 | 1.44714 | | 0.02370 | 2.418600 |

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 |
|-------------|------------|----------------------------------|-------------------|------------------------------|-----------------|--|----------------------------|
| 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 |
| 1997-98 | 22,949 | 2,186,981 | 80,000 | 25,517 | 54,483 | 2.50% | 2.37 |

(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, 1998
(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, 1998, 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, 1998
 (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 | \$80,000 | 100.00% | \$80,000 |
| Overlapping: | | | |
| Panola County | 800,000 | 100.00% | 800,000 |
| City of Carthage | 15,400,000 | 100.00% | 15,400,000 |
| City of Beckville | 224,000 | 100.00% | 224,000 |
| Carthage ISD | 11,000,000 | 100.00% | 11,000,000 |
| Gary ISD | 2,000,000 | 100.00% | 2,000,000 |
| Beckville ISD | 6,900,000 | 100.00% | 6,900,000 |
| Elysian Fields ISD | 2,575,000 | 53.75% | 1,384,063 |
| Tatum ISD | | 32.50% | |
| Tenaha ISD | 200,000 | 1.86% | 3,720 |
| Joaquin ISD | 2,500,000 | 5.05% | 126,250 |
| Total Direct and Overlapping Debt | | | <u>\$37,918,033</u> |

(1) Respective entities and auditors of respective entities.

(2) Texas Municipal Reports

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> | <u>Total General Expenditures (1)</u> | <u>Ratio of Debt Service to Total General Expenditures</u> |
|------------------------|------------------|-----------------|-------------------------------|---|--|
| 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 | 7,988,188 | 0.42% |
| 1997-98 | 25,000 | 6,660 | 31,660 | 8,918,563 | 0.36% |

(1) Represents total expenditures in the auxiliary, unrestricted, and retirement of indebtedness funds.

Table 10

PANOLA COLLEGE
 PRINCIPAL TAXPAYERS
 AUGUST 31, 1998
 (UNAUDITED)

| <u>Taxpayer (1)</u> | <u>Type of Business</u> | <u>1997 Assessed Valuation (1) (in 1,000's)</u> | <u>Percentage of Total Assessed Valuation</u> |
|--|-------------------------|---|---|
| Union Pacific Resources | Petroleum | \$312,572 | 15.38% |
| Pennzoil Company | Petroleum | 184,989 | 9.10% |
| Texaco Producing, Inc. | Petroleum | 174,894 | 8.60% |
| Exxon Corporation | Petroleum | 115,301 | 5.67% |
| Enron Company | Petroleum | 69,303 | 3.41% |
| Amoco Production Co. | Petroleum | 50,282 | 2.47% |
| R. Lacy, Inc. | Petroleum | 49,627 | 2.44% |
| Texas Utilities Mining Co. | Utilities | 47,154 | 2.32% |
| Vastar Resources | Petroleum | 41,480 | 2.04% |
| Seagull Mid-South | Petroleum | 40,801 | 2.00% |
| Totals (53.43% of Actual Value of \$2,031,886,088) | | <u>\$1,086,403</u> | <u>53.43%</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> |
|--------------------|-----------------------------|---------------------------|---|---|--|---|
| 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% |
| 1997-98 | 22,949 | 36.1 | 16,720 | 21,027 | 9.8% | 4.60% |

(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
 Economic Information System Bureau of Economic Analysis and
 Estimates.

(3) Texas Employment Commission.

Table 12

PANOLA COLLEGE
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Head Count:

| <u>Fiscal Year</u> | <u>Carthage</u> | <u>Jefferson/ Marshall</u> | <u>Center</u> | <u>Total</u> |
|--------------------|-----------------|--------------------------------|---------------|--------------|
| 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 |
| 1997-98 | 1,232 | 292 | 193 | 1,717 |

Full-Time Equivalentents (FTEs):

| <u>Fiscal Year</u> | <u>Carthage</u> | <u>Jefferson/ Marshall</u> | <u>Center</u> | <u>Total</u> |
|--------------------|-----------------|--------------------------------|---------------|--------------|
| 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 |
| 1997-98 | 1,204 | 149 | 139 | 1,492 |

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 |
| 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% |
| 1997-98 | 53% | 47% | 38% | 62% | 27% | 68% | 5% |

| Fiscal Year | Average Age of Student | Ethnic Background | | | | |
|----------------|------------------------------|-------------------|-------|----------|-------|-------|
| | | Asian | Black | Hispanic | White | Other |
| 1988-89 | 25.2 | | 13% | 1% | 85% | 1% |
| 1989-90 | 25.9 | | 13% | 1% | 85% | 1% |
| 1990-91 | 26.0 | | 14% | 1% | 84% | 1% |
| 1991-92 | 27.0 | | 17% | 1% | 81% | 1% |
| 1992-93 | 25.5 | | 14% | 1% | 84% | 1% |
| 1993-94 | 25.8 | 1% | 14% | 1% | 83% | 1% |
| 1994-95 | 25.3 | | 15% | 1% | 84% | |
| 1995-96 | 25.2 | | 15% | 1% | 84% | |
| 1996-97 | 25.7 | 1% | 14% | 1% | 83% | 1% |
| 1997-98 | 24.7 | 1% | 16% | 1% | 81% | 1% |

Table 14

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

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

| <u>Fiscal Year</u> | <u>Tuition</u> | <u>General Fees</u> | <u>Total Cost</u> | <u>Percentage of Increase</u> |
|------------------------|----------------|-------------------------|-----------------------|---------------------------------------|
| 1988-89 | 64 | 25 | 89 | |
| 1989-90 | 64 | 25 | 89 | |
| 1990-91 | 64 | 25 | 89 | |
| 1991-92 | 72 | 30 | 102 | 14.6% |
| 1992-93 | 120 | 48 | 168 | 64.7% |
| 1993-94 | 120 | 48 | 168 | |
| 1994-95 | 180 | 48 | 228 | 35.7% |
| 1995-96 | 180 | 48 | 228 | |
| 1996-97 | 180 | 48 | 228 | |
| 1997-98 | 216 | 48 | 264 | 15.8% |

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, 1998
 (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

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

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, 1998, and have issued our report thereon dated October 30, 1998. 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 October 30, 1998.

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

October 30, 1998

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, 1998. 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, 1998.

Internal Control Over Compliance

The administration 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

October 30, 1998

PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 1998

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 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 and a Rural Utility Service grant funded by the Department of Agriculture, (CFDA 10.855). The cluster of programs include the campus- based programs of the Federal Work Study (FWS -CFDA 84.033) and the Federal Supplemental Education Opportunity Grant (FSEOG - CFDA 84.007); and the Federal Pell Grant (Pell - CFDA 84.063) 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.

