

PANOLA COLLEGE
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
AUGUST 31, 2015 AND 2014



PREPARED BY:
FISCAL SERVICES DEPARTMENT
PANOLA COLLEGE

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**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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PANOLA COLLEGE COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION



903.693.2000 • panola.edu
1109 West Panola • Carthage, Texas 75633

November 23, 2015

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

We are pleased to present the following comprehensive annual financial report (CAFR) for the Panola County Junior College District (Panola College) for the fiscal year ended August 31, 2015. The CAFR has been prepared in conformance with the financial reporting standards applicable to government entities set forth by the Governmental Accounting Standards Board (GASB) in its authoritative pronouncements, as well as the financial reporting requirements of the Government Finance Officers Association (GFOA). The report complies with the requirements of Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges as set forth by the Texas Higher Education Coordinating Board (THECB).

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 and the State of Texas Single Audit Circular. Information related to this single audit, including the schedules of expenditures of federal and state awards and auditor's reports on the internal control over compliance with applicable laws and regulations are included in this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation of this report, including all disclosures, rests with the management of Panola College. To the best of our knowledge, the enclosed data is accurate in all material respects and is 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 administration of the College is responsible for establishing and maintaining internal control over financial reporting 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 is 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.

The independent accounting firm of Alexander, Lankford & Hiers, Inc. conducted the audit of the financial statements and related notes in conformance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and state statutes. Their report on the MD&A, the basic financial statements, and supplementary schedules are included within the financial section of this report.

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

Panola College is an equal opportunity institution that provides educational and employment opportunities on the basis of merit and without discrimination because of race, color, religion, sex, age, national origin, veteran status, disability or genetic information.

COLLEGE PROFILE

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. An elected, seven-member Board of Trustees governs the District.

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 the city of Carthage, Panola County, Texas. Classes are offered at alternate sites in Shelby County and Harrison County. 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.

The Panola College Foundation, Inc. was created for the sole purpose to support the mission and vision of Panola College and to support its students. The Foundation is controlled by a separate board of directors that are ratified by the Panola College Board of Trustees and is included in the financial statements of the College as an affiliated organization.

BOND ELECTION

On May 11, 2013 the College conducted a successful bond election in which the voters authorized the issuance of \$35 million of general obligation bonds for the construction of a new science/health science building, a new student life center and the renovation of several existing buildings. All of the authorized bonds have been issued and construction on the science/health science building and the student life center is complete as of the date of this letter. Renovation and demolition of several existing buildings have begun and are planned to be completed in time for the fall 2016 semester.

ECONOMIC CONDITION AND OUTLOOK

Panola College's four county service area borders Louisiana in Northeast Texas. The counties include Panola, Shelby, Marion, and Harrison. 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 and is located in the Cotton Valley Gas Field, which is the second largest natural gas field in the state. 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.

Panola College continues to have strong enrollment. Today approximately 2,600 credit students and 800 continuing education students are enrolled in one of 56 programs of study offered through Panola College. This growth has created a need for additional facilities to handle the increased student loads. In addition to the aforementioned bond election, the College constructed a new 64 bed residence hall in fiscal year 2013. The College can now house up to 250 resident students.

Panola College's financial condition remains strong. The largest areas of funding for the College are property taxes, tuition and fees and state appropriations. Although the state appropriations have significantly decreased as a percentage of our total funding, the College's outlook for the future remains strong due to student growth, strategic leadership and fiscal management. As part of the College's long-term financial plan, the College maintains reserves sufficient to operate the College for between 3 and 7 months.

Panola College is an equal opportunity institution that provides educational and employment opportunities on the basis of merit and without discrimination because of race, color, religion, sex, age, national origin, veteran status, disability or genetic information.

BUDGETING PROCESS

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenses for the fiscal year beginning September 1. The annual budget process allocates resources based on the College's strategic, institutional, and long term financial plans. 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 appropriated 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.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) for the fiscal year ended August 31, 2014 to Panola College for its comprehensive annual financial report. This was the twentieth consecutive year that the college has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a College must publish an easily readable and efficiently organized CAFR. This report 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 Alexander, Lankford & Hiers, Inc. for their assistance and timely completion of the audit.

Sincerely,

Stephen K. Williams

Stephen K. Williams, CPA
Vice President of Fiscal Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Panola College
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

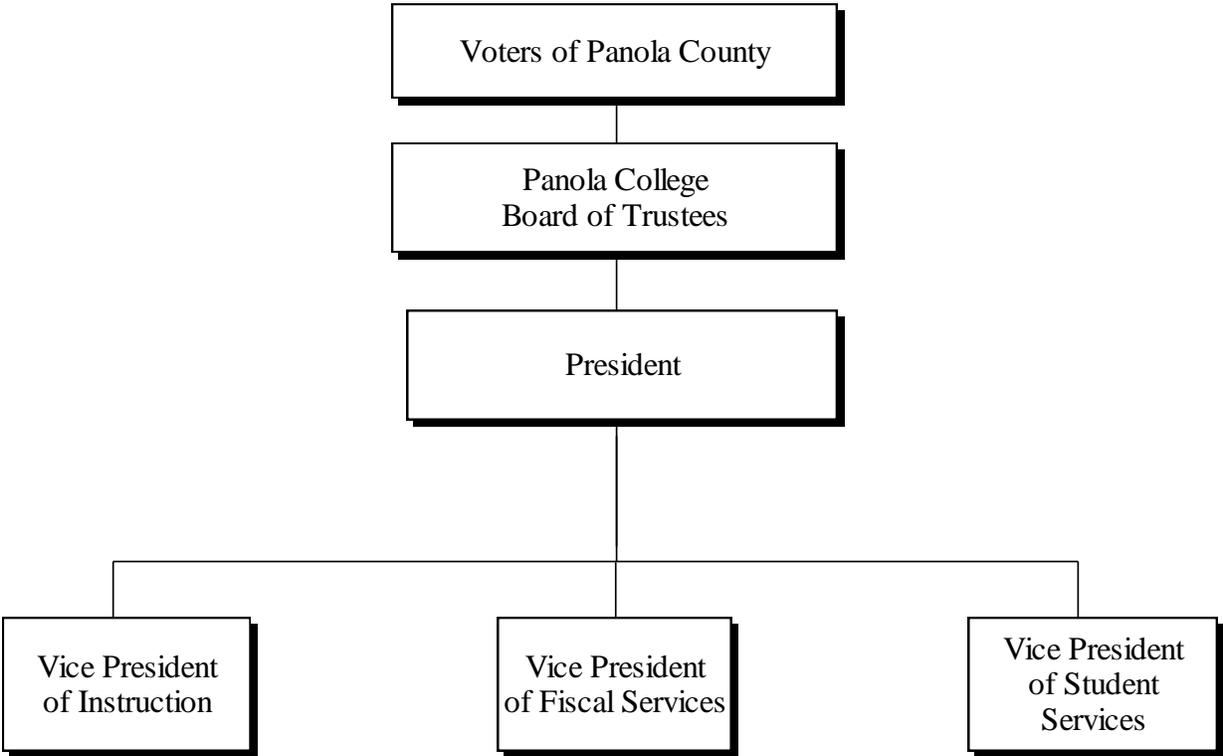
August 31, 2014

Executive Director/CEO

ORGANIZATIONAL CHART

PANOLA COLLEGE

Carthage, Texas



**PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 2015**

BOARD OF TRUSTEES

OFFICERS

**Mr. William Goolsby
Mr. Hal Palmer
Mrs. Evelyn Sharp**

**Chair
Vice-Chair
Secretary**

MEMBERS

**Mr. William Goolsby
Mr. Bobby Phillips
Mr. Kevin Smith
Mrs. Evelyn Sharp
Mr. Richard Thomas
Mr. Hal Palmer
Mrs. Glendell Chadwick**

**Term Expires
May 31**

**2016
2016
2016
2018
2018
2020
2020**

ADMINISTRATION

Dr. Gregory Powell

President

Dr. Joe Shannon

Vice President of Instruction

Mr. Stephen Williams, CPA

**Vice President of Fiscal
Services**

Mr. Don Clinton

**Vice President of Student
Services**

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PANOLA COLLEGE COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION

Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudel, CPA

AL&H ALEXANDER LANKFORD & HIERS, INC.

Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Kimber Rhodes Jones, CPA
Susan L. Murrell, CPA

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Panola College
Carthage, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Panola College (the College) as of and for the years ended August 31, 2015 and 2014, which collectively comprise Panola College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Auditor's Responsibility - Continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Panola College as of August 31, 2015 and 2014 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 29 to the financial statements, effective September 1, 2014, Panola College adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of the College's share of the net pension liability, and schedule of College's contributions on pages 12 through 21 and 55 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Other Matters - Continued

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Panola College's basic financial statements. The introductory section, supplementary schedules, which include the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Expenditures of State Awards, and statistical supplements are presented for purposes of additional analysis, and are not a required part of the financial statements.

The supplementary schedules, including the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015 on our consideration of Panola College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Panola College's internal control over financial reporting and compliance.



ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Panola County Junior College District (College), we offer readers of the College's financial statement this narrative overview and analysis of the financial activities of the College for the year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report, and the College's financial statements and notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the College exceeded its liabilities and deferred inflows of resources at August 31, 2015 by \$34,222,187 (net position). Of this amount, \$15,247,530 (unrestricted net position) may be used to meet the College's ongoing obligations.
- Revenue exceeded expenses by \$5,499,499, or 23.10%, for the current fiscal year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the College's basic financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 first required the implementation of new financial statement reporting standards for the College with the fiscal year ended August 31, 2002. The new standards required the College's financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements include: 1) the *Statement of Net Position*, 2) the *Statement of Revenues, Expenses, and Changes in Net Position*, and 3) the *Statement of Cash Flows*. The notes to the financial statements are an integral part of the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Statement of Net Position. The Statement of Net Position presents all of the College's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities, which are supported mainly by state appropriations, federal revenue, ad-valorem taxes, and tuition and fee revenues. This approach is intended to summarize and simplify the user's analysis of costs of various College services to students and the public. The statement presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of these statements distinguish the functions of the College as being a "special purpose government engaged only in business-type activities" (BTA), as permitted in GASB 35, Par. 43. Business-type activity reporting is a category of "Proprietary" funds referred to as "Enterprise" funds (GASB 34, Par. 66 and 138) and is presented in a single column entity-wide format. Although the College is funded from sources in addition to user charges, the College meets the principal criteria for BTA reporting (GASB 34, Par. 67 & GASB 35 Par. 44).

Statement of Cash Flows. The Statement of Cash Flows is used to account for essentially the same functions reported in the other basic financial statements. However, unlike the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows focuses on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year.

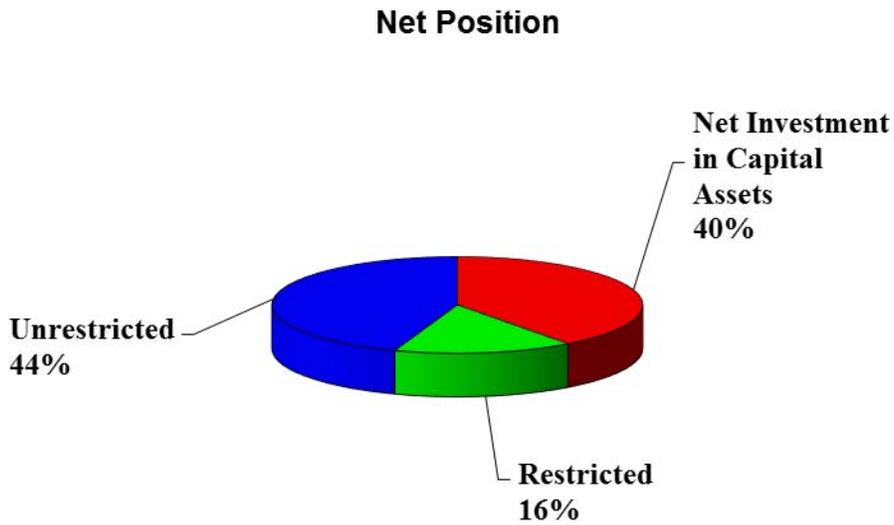
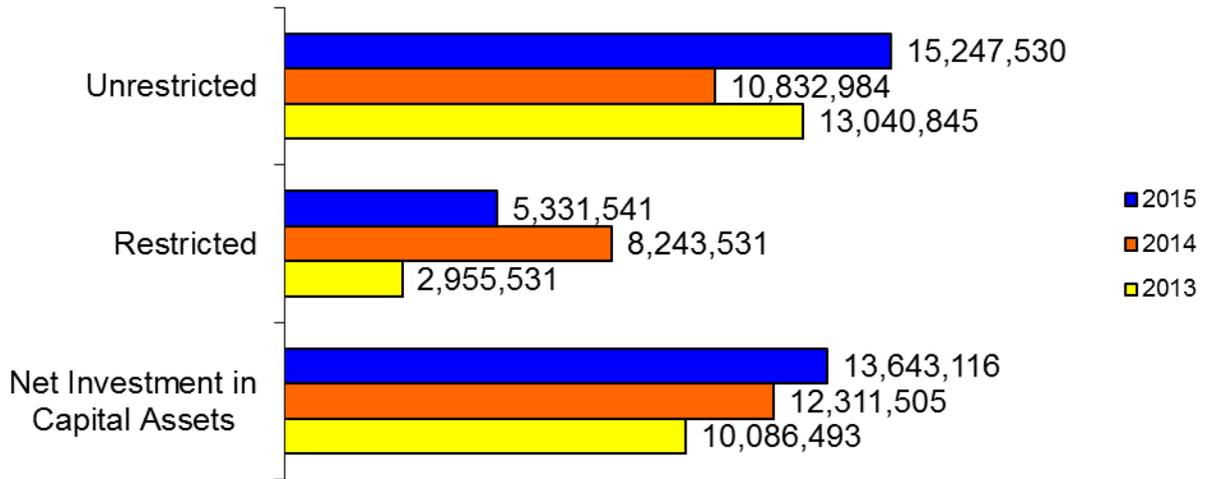
Notes to the financial statements.

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

ANALYSIS OF BASIC FINANCIAL STATEMENTS**Condensed Statements of Net Position
as of August 31, 2015, 2014 and 2013**

	<u>2015</u>	<u>% of Total</u>	<u>Increase (Decrease)</u>	<u>% Change</u>	<u>2014</u>	<u>2013</u>
Current assets	\$29,844,725	37.1%	\$ 2,701,136	10.0%	\$27,143,589	\$18,206,818
Noncurrent assets:						
Capital assets, net	47,495,211	59.0%	28,463,361	149.6%	19,031,850	14,410,782
Other	<u>3,162,539</u>	<u>3.9%</u>	<u>90,560</u>	<u>2.9%</u>	<u>3,071,979</u>	<u>2,984,236</u>
Total Assets	<u>80,502,475</u>	<u>100.0%</u>	<u>31,255,057</u>	<u>63.5%</u>	<u>49,247,418</u>	<u>35,601,836</u>
Deferred Outflows	<u>435,210</u>	<u>100.0%</u>	<u>435,210</u>	<u>N/A</u>	<u>0</u>	<u>0</u>
Current liabilities	10,345,129	22.5%	2,934,448	39.6%	7,410,681	5,761,800
Non-current liabilities	<u>35,650,747</u>	<u>77.5%</u>	<u>25,202,030</u>	<u>241.2%</u>	<u>10,448,717</u>	<u>3,757,167</u>
Total Liabilities	<u>45,995,876</u>	<u>100.0%</u>	<u>28,136,478</u>	<u>157.5%</u>	<u>17,859,398</u>	<u>9,518,967</u>
Deferred Inflows	<u>719,620</u>	<u>100.0%</u>	<u>719,620</u>	<u>N/A</u>	<u>0</u>	<u>0</u>
Net Position:						
Net Investment in capital assets	13,643,116	39.9%	1,331,611	10.8%	12,311,505	10,086,493
Restricted	5,331,541	15.6%	(2,911,990)	(35.3)%	8,243,531	2,955,531
Unrestricted	<u>15,247,530</u>	<u>44.5%</u>	<u>4,414,546</u>	<u>40.8%</u>	<u>10,832,984</u>	<u>13,040,845</u>
Total Net Position	<u>\$34,222,187</u>	<u>100.0%</u>	<u>\$2,834,167</u>	<u>9.0%</u>	<u>\$31,388,020</u>	<u>\$26,082,869</u>

Net Position As of August 31, 2015, 2014, and 2013

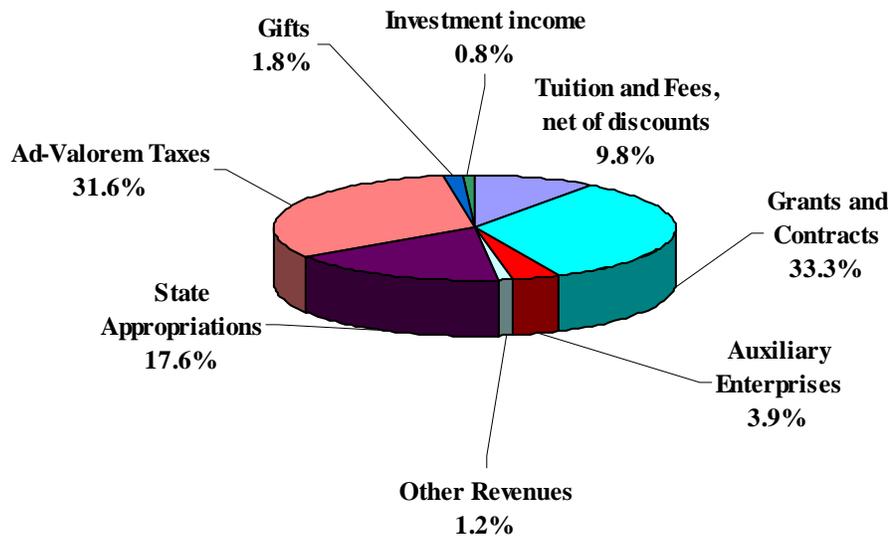


The College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34,222,187 at August 31, 2015. Assets amounted to \$80,502,475 with investment in capital assets comprising \$47,495,211 of that total. Capital assets include land, library books, buildings and improvements, construction in progress, vehicles, furniture, and equipment. The College uses these capital assets to provide services to students and, consequently, these assets are not available for future spending. The College's net investment in capital assets is 39.9% of total net position. It should be noted that the capital assets themselves may not be used to liquidate liabilities. Additionally \$5,331,541 or 15.6%, of total net position is externally restricted. The remaining balance of \$15,247,530 represents unrestricted net position that may be used to meet the College's ongoing obligations. Debt related to capital assets was \$33,852,094. Total liabilities amounted to \$45,995,876, of which \$10,345,129 is due next year. Also, Panola College implemented GASB Statement 68 this year. With the new reporting change, the College is allocated its proportionate share of the Texas Teacher Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$2,665,332. Decisions regarding the allocations are made by the administrators of the pension plan, not by the College.

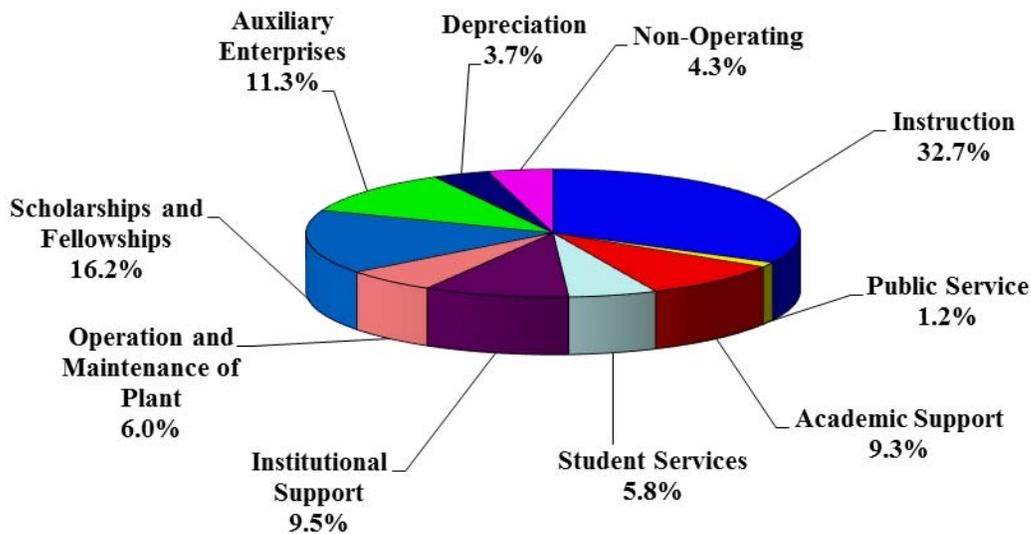
**Condensed Statements of Revenues,
Expenses, and Changes in Net Position
For the Years Ended August 31, 2015, 2014 and 2013**

	2015	% of Total	Increase (Decrease)	% Change	2014	2013
Operating Revenues						
Tuition and Fees, Net of Discounts	\$ 2,974,067	9.8%	\$ (435,649)	(12.8)%	\$ 3,409,716	\$ 2,764,154
Grants and Contracts	1,239,347	4.1%	528,599	74.4%	710,748	634,539
Auxiliary Enterprises	1,189,262	3.9%	70,760	6.3%	1,118,502	886,096
Other Operating Revenues	<u>358,522</u>	<u>1.2%</u>	<u>3,438</u>	<u>1.0%</u>	<u>355,084</u>	<u>389,499</u>
Total Operating Revenues	<u>5,761,198</u>	<u>19.0%</u>	<u>167,148</u>	<u>3.0%</u>	<u>5,594,050</u>	<u>4,674,288</u>
Non-Operating Revenues						
State Appropriations	5,355,628	17.6%	50,149	0.9%	5,305,479	4,455,597
Ad-Valorem Taxes	9,622,930	31.6%	612,253	6.8%	9,010,677	5,962,541
Federal Revenue – Non-Operating	8,875,816	29.2%	(224,676)	(2.5)%	9,100,492	8,958,767
Gifts	545,612	1.8%	380,230	229.9%	165,382	240,519
Gain (Loss) on assets	10,874	0.0%	61,379	(121.5)%	(50,505)	0
Investment Income	<u>237,621</u>	<u>0.8%</u>	<u>18,771</u>	<u>8.6%</u>	<u>218,850</u>	<u>245,574</u>
Total Non-Operating Revenues	<u>24,648,481</u>	<u>81.0%</u>	<u>898,106</u>	<u>3.8%</u>	<u>23,750,375</u>	<u>19,862,998</u>
Total Revenues	<u>30,409,679</u>	<u>100.0%</u>	<u>1,065,254</u>	<u>3.6%</u>	<u>29,344,425</u>	<u>24,537,286</u>
Operating Expenses						
Instruction	8,136,613	32.7%	177,553	2.2%	7,959,060	7,119,015
Public Service	305,449	1.2%	14,354	4.9%	291,095	368,612
Academic Support	2,316,980	9.3%	93,743	4.2%	2,223,237	2,011,614
Student Services	1,440,941	5.8%	139,254	10.7%	1,301,687	1,285,526
Institutional Support	2,362,238	9.5%	200,411	9.3%	2,161,827	2,497,736
Operation and Maintenance of Plant	1,507,100	6.2%	(217,597)	(12.6)%	1,724,697	1,385,327
Scholarships and Fellowships	4,048,892	16.2%	(244,533)	(5.7)%	4,293,425	4,277,521
Auxiliary Enterprises	2,805,565	11.3%	93,217	3.4%	2,712,348	2,347,291
Depreciation	<u>925,788</u>	<u>3.7%</u>	<u>57,977</u>	<u>6.7%</u>	<u>867,811</u>	<u>777,171</u>
Total Operating Expenses	<u>23,849,566</u>	<u>95.7%</u>	<u>314,379</u>	<u>1.3%</u>	<u>23,535,187</u>	<u>22,069,813</u>
Non-Operating Expenses	<u>1,060,614</u>	<u>4.3%</u>	<u>556,527</u>	<u>110.4%</u>	<u>504,087</u>	<u>154,271</u>
Total Expenses	<u>24,910,180</u>	<u>100.0%</u>	<u>870,906</u>	<u>3.6%</u>	<u>24,039,274</u>	<u>22,224,084</u>
Changes in Net Position	5,499,499	16.1%	194,348	3.7%	5,305,151	2,313,202
Prior Period Adjustment	(2,665,332)	(7.8)%	(2,665,332)	N/A	0	0
Beginning Net Position	<u>31,388,020</u>	<u>91.7%</u>	<u>5,305,151</u>	<u>20.3%</u>	<u>26,082,869</u>	<u>23,769,667</u>
Ending Net Position	<u>\$34,222,187</u>	<u>100.0%</u>	<u>\$2,834,167</u>	<u>9.0%</u>	<u>\$31,388,020</u>	<u>\$26,082,869</u>

**Revenue by Source
For Year Ending August 31, 2015**



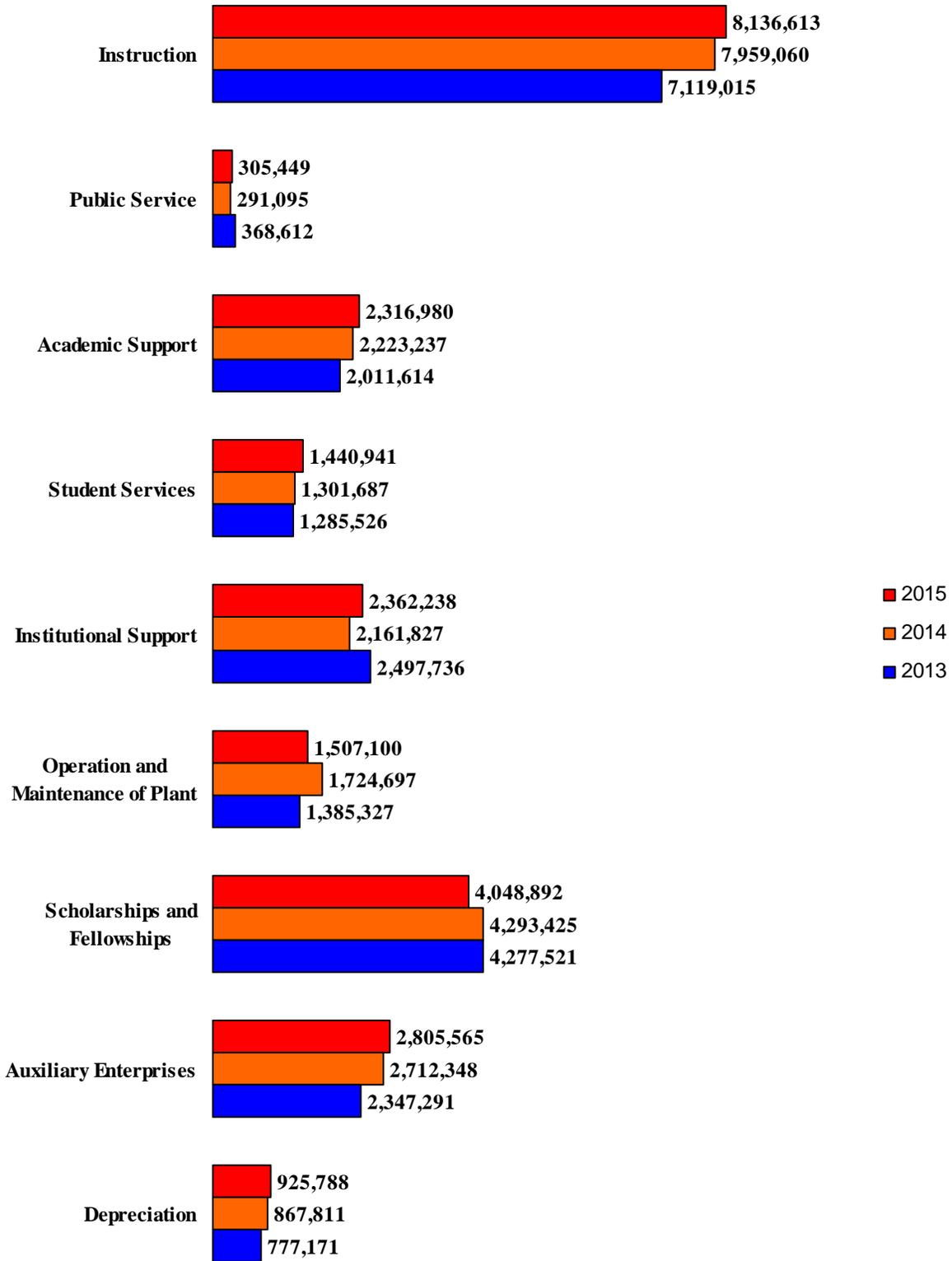
**Expenses by Function
For Year Ending August 31, 2015**



Operating revenues amounted to \$5,761,198 and non-operating revenues \$24,648,481 for a total of \$30,409,679. Major operating revenues include \$2,974,067 in tuition and fees, \$1,239,347 in grants and contracts, and \$1,189,262 in auxiliary enterprises.

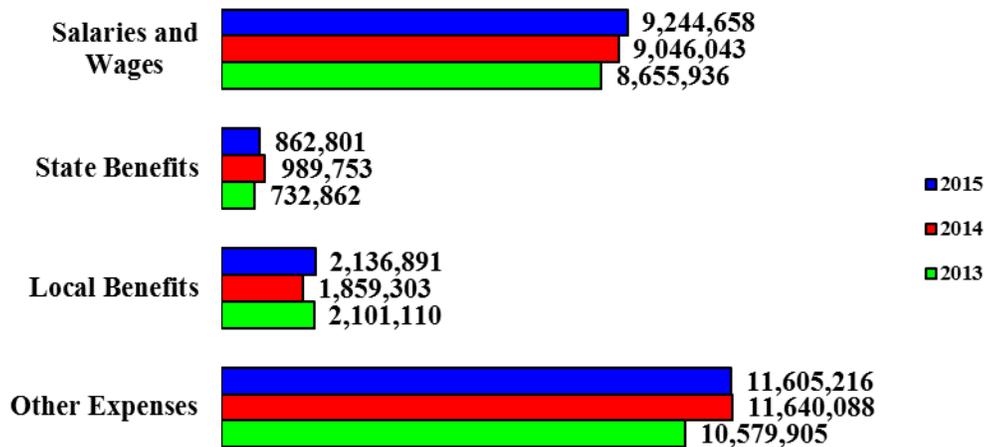
Major non-operating revenues include \$5,355,628 in state appropriations, \$9,622,930 in ad-valorem taxes, and \$8,875,816 in federal revenues. State appropriations include \$1,039,902 for employee benefits (\$237,200 for retirement benefits and \$802,702 for health and life insurance coverage). Additional information is available in footnotes 14, 15, and 17-19 found on pages 44-51. The Federal Pell Grant Program is the largest of the federal revenues and amounts to \$5,233,551. More detail is provided on federal awards in Schedule F (page 64) and state awards in Schedule G (page 65).

**Operating Expense Comparison
For Years Ended August 31, 2015, 2014, and 2013**



Operating expenses totaled \$23,849,566 and non-operating expenses were \$1,060,614 for total expenses of \$24,910,180. Instruction at \$8.1 million is the largest operating expense. It includes expenditures for all activities that are part of the College's instruction program. These activities include credit and noncredit courses for academic, vocational, and developmental and tutorial instruction. Public Service expenses totaled \$305,449. Public Service includes funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the College. Academic support amounted to \$2.3 million. These expenses are used to provide support services for the College's primary missions of instruction, research, and public service. This includes library expenses, academic administration, computer services, and distance learning support. Student services, \$1.4 million, include expenses for offices of records and admissions and student activities. Institutional support, \$2.4 million, includes expenses related to the College's executive management, fiscal operations, personnel management, college development, administrative computing, and general institutional expenses. Operation and maintenance of plant, \$1.5 million, are expenditures for the operation and maintenance of the physical plant. Scholarships and fellowships, \$4.1 million, includes scholarships and fellowships including tuition remissions and exemptions. Auxiliary enterprises, \$2.8 million, include expenditures for the college store, food service, residence halls, and athletic programs.

**Operating Expenses By Object
For Years Ended August 31, 2015, 2014, and 2013**



Operating expenses for educational activities amounted to \$20.1 million; \$5.6 million (28.0%) were restricted. Employee related expenses amounted to \$11.8 million, or 58.8 %, of educational activities expenses.

Condensed Statements of Cash Flows
For the Years Ended August 31, 2015, 2014 and 2013

	2015	Increase (Decrease)	2014	2013
Cash provided by/(used) for:				
Operating Activities	\$(14,441,016)	\$ 547,595	\$(14,988,611)	\$(15,385,679)
Noncapital Financing Activities	23,327,684	631,416	22,696,268	18,539,703
Capital and Related Financing Activities	(6,677,637)	(7,543,554)	865,917	(3,200,316)
Investing Activities	<u>1,315,283</u>	<u>5,940,218</u>	<u>(4,624,935)</u>	<u>(700,849)</u>
Net increase (decrease) in Cash and Cash Equivalents	3,524,314	(424,325)	3,948,639	(747,141)
Cash and cash equivalents – beginning of year	<u>5,958,368</u>	<u>3,948,639</u>	<u>2,009,729</u>	<u>2,756,870</u>
Cash and cash equivalents – end of year	<u>\$9,482,682</u>	<u>\$3,524,314</u>	<u>\$5,958,368</u>	<u>\$2,009,729</u>

Cash and cash equivalents at August 31, 2015 were \$9,482,682, which is an increase of \$3,524,314 or 59.2%.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

As mentioned earlier, revenues exceeded expenses by \$5,499,499 for the year ended August 31, 2015. The College's financial position remains strong, with unrestricted net position representing approximately seven months of operating reserves, which is above the 3.6 months minimum recommended by the State Auditor's Office.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The College's investment in capital assets as of August 31, 2015 amounts to \$47,495,211 (net of accumulated depreciation) and represents a 149.6% increase from last year. This investment includes land, library books, buildings and improvements, and furniture and equipment.

	Capital Assets (net of depreciation)				
	as of August 31, 2015, 2014 and 2013				
	2015	Increase (Decrease)	%	2014	2013
			Change		
Land	\$1,882,273	\$ 59,754	3.2%	\$1,822,519	\$1,822,519
Library Books	179,229	(15,862)	(8.1)%	195,091	216,133
Buildings and Improvements	10,301,625	(516,758)	(4.8)%	10,818,383	11,270,502
Construction in Progress	33,626,178	28,505,223	556.6%	5,120,955	82,617
Furniture and Equipment	<u>1,505,906</u>	<u>431,004</u>	<u>40.1%</u>	<u>1,074,902</u>	<u>1,019,011</u>
Total	<u>\$47,495,211</u>	<u>\$28,463,361</u>	<u>149.6%</u>	<u>\$19,031,850</u>	<u>\$14,410,782</u>

Please refer to footnote number 8 on page 37 for additional information on capital assets.

Long-term Debt

The College issued \$6 million, 10 year revenue bonds in April 2008. The principal balance at August 31, 2015 was \$1,800,000. The College issued \$2.5 million, 15 year revenue bonds in March 2005. The principal balance at August 31, 2015 was \$997,000. In September 2013, the College issued 25 year general obligation bonds of \$9,325,000. The principal balance at August 31, 2015 was \$7,165,000. In September 2014, the College issued 25 year general obligation bonds of \$25,155,000. The principal balance at August 31, 2015 was \$23,925,000.

Long-term Liabilities as of August 31, 2015, 2014 and 2013

	2015	Increase (Decrease)	% Change	2014	2013
General Obligation Bonds	\$31,090,000	\$23,730,000	322.4%	\$7,360,000	\$ 0
General Obligation Bonds Premium	1,026,676	710,735	225.0%	315,941	0
Revenue Bonds Payable	<u>2,797,000</u>	<u>(778,000)</u>	<u>(21.8)%</u>	<u>3,575,000</u>	<u>4,346,000</u>
Total Long-term Liabilities	<u>\$34,913,676</u>	<u>\$23,662,735</u>	<u>210.3%</u>	<u>\$11,250,941</u>	<u>\$4,346,000</u>

On May 11, 2013 the College passed a \$35 million bond program to fund the construction of a new science/health science building, a new student life center and to renovate several existing buildings. In September 2013, in order to provide funds for architectural design, site work and other construction activities the College issued initial \$9,325,000 par value General Obligation Bonds, Series 2013. In September 2014, the College issued the final tranche of the authorized bonds in the amount of \$25,155,000. A new science/health science building and a new student life center were completed in time for the fall 2015 semester.

Additional information on the College's long-term debt can be found in footnote number 9 on page 39 of this report.

ECONOMIC FACTORS

Panola College is committed to excellence in instructional programs, student services, service to the community, and leadership in economic development and cultural enrichment of the area. Our ability to meet this commitment is highly dependent on enrollment and state appropriations. The College continues to see strong student enrollment but State appropriations have not kept up with these past increases. The support of the State is critical in the mission to provide an affordable education to the students in our District.

The Board of Trustees and the citizens of the College district are committed to meeting the needs of our students today and in the future. The College is currently in a building program that will provide facilities to meet the needs of these students for years to come. The College will continue to strive to meet its mission while providing an affordable education for its students. The outlook for Panola College is positive due to its strong leadership, fiscal management and a strong economy in its service area.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, students, stakeholders and creditors with a general overview of the College's finances as well as demonstrate accountability for the funds the College receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Vice President of Fiscal Services, Panola College, 1109 West Panola, Carthage, Texas 75633.

BASIC FINANCIAL STATEMENTS



PANOLA COLLEGE
EXHIBIT 1
STATEMENTS OF NET POSITION
August 31, 2015 and 2014

	<u>2015</u> <u>Primary</u> <u>Institution</u>	<u>2014</u> <u>Primary</u> <u>Institution</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,482,682	\$ 5,958,368
Short-term investments	15,537,636	16,713,257
Accounts receivable (net)	3,389,514	3,244,135
Inventories	502,095	474,432
Other assets	<u>932,798</u>	<u>753,397</u>
Total Current Assets	<u>29,844,725</u>	<u>27,143,589</u>
Noncurrent Assets		
Endowment and other short-term investments	3,162,539	3,071,979
Capital assets, net (See note)	<u>47,495,211</u>	<u>19,031,850</u>
Total Noncurrent Assets	<u>50,657,750</u>	<u>22,103,829</u>
Total Assets	<u>80,502,475</u>	<u>49,247,418</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	<u>435,210</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>435,210</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable	3,380,661	1,618,078
Accrued liabilities	227,762	242,269
Accrued compensable absences - current portion	119,878	113,520
Funds held for others	503,858	410,790
Unearned revenues	4,260,477	4,013,158
Bonds payable - current portion	<u>1,852,493</u>	<u>1,012,866</u>
Total Current Liabilities	<u>10,345,129</u>	<u>7,410,681</u>
Noncurrent Liabilities		
Deposits	73,295	65,365
Accrued compensable absences	163,824	145,277
Bonds payable	33,061,183	10,238,075
Net pension liability	<u>2,352,445</u>	<u>-</u>
Total Noncurrent Liabilities	<u>35,650,747</u>	<u>10,448,717</u>
Total Liabilities	<u>45,995,876</u>	<u>17,859,398</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	<u>719,620</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>719,620</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	13,643,116	12,311,505
Restricted for		
Nonexpendable		
Student Aid	3,131,018	3,103,835
Expendable		
Construction	1,061,583	4,530,598
Debt Service	451,718	308,311
Student Aid	687,222	300,787
Unrestricted	<u>15,247,530</u>	<u>10,832,984</u>
Total Net Position	<u>\$ 34,222,187</u>	<u>\$ 31,388,020</u>

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

PANOLA COLLEGE
EXHIBIT 1-A
AFFILIATED ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
August 31, 2015 and 2014

	2015	2014
	Panola College Foundation	Panola College Foundation
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 295,015	\$ 153,208
Short-term certificates of deposit	120,310	119,300
Mutual fund investments	1,654,763	1,525,248
Annuity contracts	79,068	240,633
Total Assets	<u>2,149,156</u>	<u>2,038,389</u>
Liabilities		
Accounts payable	<u>-</u>	<u>330</u>
Total Liabilities	<u>-</u>	<u>330</u>
Net Position		
Unrestricted	851,357	671,931
Permanently restricted	1,297,799	1,366,128
Total Net Position	<u>\$ 2,149,156</u>	<u>\$ 2,038,059</u>

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

PANOLA COLLEGE
EXHIBIT 2
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
	<u>Primary</u>	<u>Primary</u>
	<u>Institution</u>	<u>Institution</u>
Operating Revenues		
Tuition and fees (net of discounts of \$4,626,937 for 2015 and \$4,325,948 for 2014)	\$ 2,974,067	\$ 3,409,716
Federal grants and contracts	485,699	402,088
State grants and contracts	737,228	306,870
Non-governmental grants and contracts	16,420	1,790
Sales and services of educational activities	98,817	97,608
Auxiliary enterprises (net of discounts of \$1,923,924 for 2015 and \$1,958,319 for 2014)	1,189,262	1,118,502
Other operating revenues (net of discounts of \$-0-)	259,705	257,476
Total Operating Revenues (Schedule A)	<u>5,761,198</u>	<u>5,594,050</u>
Operating Expenses		
Instruction	8,136,613	7,959,060
Public service	305,449	291,095
Academic support	2,316,980	2,223,237
Student services	1,440,941	1,301,687
Institutional support	2,362,238	2,161,827
Operation and maintenance of plant	1,507,100	1,724,697
Scholarships and fellowships	4,048,892	4,293,425
Auxiliary enterprises	2,805,565	2,712,348
Depreciation	925,788	867,811
Total Operating Expenses (Schedule B)	<u>23,849,566</u>	<u>23,535,187</u>
Operating Loss	<u>(18,088,368)</u>	<u>(17,941,137)</u>
Non-Operating Revenues (Expenses)		
State appropriations	5,355,628	5,305,479
Ad-valorem taxes - maintenance & operations	6,936,082	6,468,902
Ad-valorem taxes - debt service	2,686,848	2,541,775
Federal revenue, non-operating	8,875,816	9,100,492
Gifts	545,612	165,382
Investment income (net of investment expenses)	153,106	187,033
Gain (loss) on disposal of capital assets	10,874	(50,505)
Royalty income	84,515	31,817
Interest on capital related debt	(461,443)	(341,047)
Bond issuance costs	(599,171)	(163,040)
Net Non-Operating Revenues (Schedule C)	<u>23,587,867</u>	<u>23,246,288</u>
Increase in Net Position	5,499,499	5,305,151
Net Position		
Net position - beginning of year	31,388,020	26,082,869
Cumulative effect of change in accounting principle	(2,665,332)	-
Net position - beginning of year as restated	<u>28,722,688</u>	<u>-</u>
Net position - end of year	<u>\$ 34,222,187</u>	<u>\$ 31,388,020</u>

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

PANOLA COLLEGE
EXHIBIT 2-A
AFFILIATED ORGANIZATION
STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2015 and 2014

	2015 Panola College Foundation Unrestricted	2015 Panola College Foundation Restricted	2015 Panola College Foundation Total
Revenue			
Investment income	\$ 132	\$ 52,896	\$ 53,028
Unrealized investment income(loss)	-	(92,974)	(92,974)
Realized investment income(loss)	-	(1,392)	(1,392)
Gifts	304,851	10,689	315,540
Other	82	-	82
Total Revenue	<u>305,065</u>	<u>(30,781)</u>	<u>274,284</u>
Expenses			
Scholarships and support	125,639	37,548	163,187
Total Expenses	<u>125,639</u>	<u>37,548</u>	<u>163,187</u>
Increase (decrease) in Net Position	179,426	(68,329)	111,097
Net position - beginning of year	671,931	1,366,128	2,038,059
Net position - end of year	<u>\$ 851,357</u>	<u>\$ 1,297,799</u>	<u>\$ 2,149,156</u>

	2014 Panola College Foundation Unrestricted	2014 Panola College Foundation Restricted	2014 Panola College Foundation Total
Revenue			
Investment income	\$ 58	\$ 45,519	\$ 45,577
Unrealized investment income	-	198,101	198,101
Gifts	126,693	20,311	147,004
Other	42	-	42
Total Revenue	<u>126,793</u>	<u>263,931</u>	<u>390,724</u>
Expenses			
Scholarships and support	14,766	33,882	48,648
Total Expenses	<u>14,766</u>	<u>33,882</u>	<u>48,648</u>
Increase in Net Position	112,027	230,049	342,076
Net position - beginning of year	559,904	1,136,079	1,695,983
Net position - end of year	<u>\$ 671,931</u>	<u>\$ 1,366,128</u>	<u>\$ 2,038,059</u>

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

PANOLA COLLEGE
EXHIBIT 3
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2015 and 2014

	2015	2014
	Primary Institution	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 4,515,180	\$ 4,768,422
Receipts from grants and contracts	1,190,809	692,919
Payments to or on behalf of employees	(11,252,367)	(10,815,513)
Payments to suppliers for goods or services	(4,845,746)	(5,341,014)
Payments of scholarships	(4,048,892)	(4,293,425)
Net cash used for operating activities	<u>(14,441,016)</u>	<u>(14,988,611)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	4,315,726	4,315,726
Ad valorem tax revenues	9,615,623	8,969,178
Receipts from non-operating federal revenue	8,818,403	9,195,347
Proceeds from disposal of assets	16,237	565
Gifts and grants (other than capital)	460,697	165,382
Student organization and other agency transactions	100,998	50,070
Net cash provided by noncapital financing activities	<u>23,327,684</u>	<u>22,696,268</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(29,309,597)	(5,500,780)
Proceeds from issuance of bonds (net of bond issuance costs)	25,500,000	9,529,768
Interest expense paid	(665,040)	(427,071)
Payments on capital debt and leases	(2,203,000)	(2,736,000)
Net cash provided by (used for) capital and related financing activities	<u>(6,677,637)</u>	<u>865,917</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	34,591,126	40,662,996
Investment earnings	232,726	189,897
Purchases of investments	(33,508,569)	(45,477,828)
Net cash provided by (used for) investing activities	<u>1,315,283</u>	<u>(4,624,935)</u>
Increase in cash and cash equivalents	3,524,314	3,948,639
Cash and cash equivalents - beginning of year	<u>5,958,368</u>	<u>2,009,729</u>
Cash and cash equivalents - end of year	<u>\$ 9,482,682</u>	<u>\$ 5,958,368</u>
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	\$ <u>(2,504)</u>	\$ <u>34,982</u>
Amortization of bond premium	\$ <u>233,436</u>	\$ <u>51,367</u>

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

PANOLA COLLEGE
EXHIBIT 3 (Continued)
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2015 and 2014

	2015	2014
	Primary	Primary
	Institution	Institution
	<hr/>	<hr/>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (18,088,368)	\$ (17,941,137)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	925,788	867,811
On-behalf state benefits (excluding pension expense)	862,056	989,753
Pension expense	395,285	-
College's contributions to TRS made subsequent to the measurement date	(245,917)	-
Changes in assets and liabilities		
(Increase) decrease in Receivables, net	(73,260)	46,193
(Increase) decrease in Inventories	(27,663)	(197,355)
(Increase) decrease in Other assets	(179,401)	(134,287)
Increase in Unearned revenue	247,319	50,369
Increase (decrease) in Accounts payable	1,762,583	1,240,209
Increase (decrease) in Accrued liabilities-payroll related	(44,343)	55,680
Increase in Compensated absences	24,905	34,153
Total Adjustments	<hr/> 3,647,352	<hr/> 2,952,526
Net cash used for operating activities	<hr/> \$ (14,441,016)	<hr/> \$ (14,988,611)

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

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PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College is reported as a special-purpose government engaged in business-type activities in accordance with GASB Statements 34 and 35.

Tuition Discountings

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. The amount set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code 56.0333). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount.

Title IV, Higher Education Act (HEA) Program Funds

Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount.

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount.

Basis of Accounting

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

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the College's policy is to apply restricted resources first.

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

Budgetary Data

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

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Inflows and Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

For the year ended August 31, 2015, the College has items that qualify for reporting as deferred outflows of resources and deferred inflows of resources. The College reports the deferred outflows and inflows related to the TRS net pension liability on the Statement of Net Position. Those items are detailed in TRS Note 14.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds investment pools comprised of \$4,809,573 and \$796 at August 31, 2015 and 2014, respectively, to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

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Inventories

Inventories consist of consumable office supplies, physical plant supplies, food service supplies, and bookstore stock. Inventories are valued at lower of cost under the “first-in, first-out” method, or market and are charged to expense as consumed.

Capital Assets

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. Panola College’s capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated life of greater than 1 year. The College reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	30 years
Facilities and Other Improvements	10-20 years
Furniture, Machinery, Vehicles and Other Equipment	5-10 years
Telecommunications and Peripheral Equipment	5 years
Library Books	15 years

Collections

The College does not maintain any capitalized collections for public exhibition, education, or research.

Unearned Revenues

Tuition, fees, and other revenues received and related to the periods after August 31, 2015 and 2014 have been reported as unearned revenues.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses and Non-Operating Revenues and Expenses

The statement of revenues, expenses and changes in net position distinguishes between operating revenues and expenses and non-operating revenues and expenses. For this purpose, operating revenues, such as tuition and fees, result from exchange transactions associated with the principal ongoing operations of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the College’s principal activities (such as investment income and state allocations) and from all non-exchange transactions (such as property taxes and Title IV grants). Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Non-operating expenses are comprised of interest on long-term debt and bond issuance costs.

Net Position

The College reports its net position in three components. Net investment in capital assets is equal to amounts reported for capital assets net of accumulated depreciation and net of related debt. Restricted net position is

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reported when assets (net of related debt) can only be used for a specified purpose that is established by grantors, contributors, or laws or regulations governing the College. Unrestricted net position is comprised of all other College assets net of related depreciation and debt that do not meet the definitions of invested in capital assets or restricted.

Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined based on the flow of economic resource measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability: deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, and liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

Implementation of New Accounting Pronouncements

Panola College implemented two GASB statements in fiscal year 2015, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68". These statements were issued in June 2012 and November 2013, respectively. Both statements were effective for fiscal years beginning after June 15, 2014. Panola College has implemented the provisions of these Statements for the year ended August 31, 2015. See Note 29 for more information.

3. COMPONENT UNIT (AFFILIATED ORGANIZATION)

Governmental Accounting Standards Board (GASB) Statement 39 amends GASB Statement 14 regarding the inclusion of annual financial statements of certain non-profit organizations in the primary government's annual report. The Panola College Foundation (the Foundation) is a non-profit corporation organized under the Texas Non Profit Corporation Act. The Foundation is not a governmental entity. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The sole purpose of the Foundation is to strengthen the educational resources of Panola College by encouraging a program of benefactions to the College. Appointments to the board of trustees are ratified by the Panola College board of trustees, and two members of the College's board serve on the Foundation's board. The College discretely presents the financial activity of the Foundation in the College's annual financial report as an affiliated organization. Separate financial statements of the Foundation are normally not issued.

Financial transactions in the form of support from the Foundation to the College for the years ended August 31, 2015 and 2014 amounted to approximately \$163,187 and \$48,648 respectively.

Deposits were fully covered by FDIC insurance at August 31, 2015 and 2014, and consisted of deposits in bank, certificates of deposit and money market funds. Investments in mutual funds and annuities are valued at fair value based on quoted market values obtained from the various investment brokers. The Foundation's investments in mutual funds are all rated "****" or better by Morningstar Rating Services, except for the investment in TPF Balanced Fund which is unrated.

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4. 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.

5. DEPOSITS AND SHORT-TERM INVESTMENTS

During the 2015 and 2014 fiscal years, deposits and investments were comprised of cash on hand, bank demand deposits, bank time deposits, investments with the Lonestar Investment Pool, and mutual funds administered by American Funds Distributors.

Deposits on account with financial institutions were insured by federal depository insurance and collateralized by pledged securities. The pledged securities are held by the depository bank's agent bank in the name of the College. Such securities cannot be released without the express written permission of the Board of Trustees of the College.

The College's temporary investments consist of balances held by Lonestar Investment Pool (Government Overnight Fund) and Lincoln Financial Advisors. The Lonestar Investment Pool is a public fund investment pool created to provide a safe environment for the placement of local government funds in short-term investments. The Government Overnight Fund is regulated by the Securities and Exchange Act and seeks to maintain a net asset value of one dollar, and its dollar weighted average maturity is 57 days or fewer.

Lonestar Investment Pool is administered by First Public. Lonestar Investment Pool has a rating of AAAM by Standard & Poor's.

The fair value of the investment in Lonestar Investment Pool was the same as its carrying value of \$4,809,573 and \$796 for the years ending August 31, 2015 and 2014, respectively.

Lincoln Financial Advisors is the broker for the College's investment in five mutual funds within the American Funds Family. Each of the five funds were rated "***" or better by Morningstar Rating Services. The fair value of the mutual fund investments was the same as its carrying value of \$216,806 and \$216,810 for the years ending August 31, 2015 and 2014, respectively.

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Details of the composition of the deposit balances and categorization as presented in the Statement of Net Position at Exhibit 1 are summarized below:

Composition of Cash, Deposits and Investments

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Cash and Deposits		
Cash in Banks:		
Demand Deposits	\$ 4,670,719	\$ 5,955,382
Time Deposits	18,483,369	19,568,426
Petty Cash on Hand	2,390	2,190
Total Cash and Deposits	<u>23,156,478</u>	<u>25,525,998</u>
Investments		
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	4,809,573	796
Mutual Fund Investments	216,806	216,810
Total Investments	<u>5,026,379</u>	<u>217,606</u>
Total Deposits and Investments	<u>\$ 28,182,857</u>	<u>\$ 25,743,604</u>

Classification in Statement of Net Position, Exhibit 1

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Cash and Cash Equivalents		
Cash in Banks:		
Demand Deposits	\$ 4,670,719	\$ 5,955,382
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	4,809,573	796
Petty Cash on Hand	2,390	2,190
Total Cash and Cash Equivalents	<u>9,482,682</u>	<u>5,958,368</u>
Short-Term Investments		
Cash in Banks – Time Deposits	<u>15,537,636</u>	<u>16,713,257</u>
Endowment and Other Short-Term Investments		
Cash in Banks – Time Deposits	2,945,733	2,855,169
Mutual Fund Investments	216,806	216,810
Total Short-Term Investments	<u>3,162,539</u>	<u>3,071,979</u>
Total Cash, Deposits and Investments	<u>\$ 28,182,857</u>	<u>\$ 25,743,604</u>

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Policies Governing Deposits and Investments

In compliance with the *Public Funds Investment Act*, the College has adopted a deposit and investment policy. Specific policies applicable to deposits and investments of the College and the risks of such are described below.

- a. **Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy does not limit investments based on credit ratings. The credit ratings for the College's investments are indicated in the preceding paragraphs.
- b. **Custodial Credit Risk – Deposits:** This is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College's policy with respect to custodial credit risk complies with State law. At August 31, 2015 and 2014, the bank balance of the College's deposits were \$23,741,801 and \$25,922,933, respectively. Of these balances, the amounts covered by FDIC insurance were \$672,122 and \$654,767 at August 31, 2015 and 2014, respectively. The remaining balance at August 31, 2015 and 2014 of \$23,069,679 and \$25,268,166, respectively, were entirely covered by pledged collateral held by the pledging financial institution in the College's name.
- c. **Concentration of Credit Risk:** This is the risk of loss that occurs due to a lack of diversification. The College's investment policy does not limit the amount that may be invested in any one issuer. At August 31, 2015 and 2014, more than five percent of the College's investments, excluding certificates of deposit, were in the following:

<u>Issuer</u>	<u>% of</u>	<u>Investments</u>
<u>Mutual Funds</u>	<u>8/31/15</u>	<u>8/31/14</u>
The Growth Fund of America	-	19.02%
New Perspective Fund	-	14.15%
Capital Income Builder	-	24.99%
Washington Mutual Investors Fund	-	18.54%
American Balanced Fund	-	22.94%
<u>Investment Pools</u>		
Lonestar Investment Pool	95.69%	-

6. DERIVATIVES

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.

7. ENDOWMENTS

The investment policy of the Board of Trustees is reviewed and adopted annually. Within that investment policy, the investment objective for the endowment fund is to preserve the real purchasing power of the principal and to provide a stable source of perpetual financial support to scholarships in accordance with the endowment spending policy. The brokerage firm or other endowment manager is also adopted annually by the Board of Trustees and is required to certify familiarity with and compliance with the Public Funds

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Investment Act of the State of Texas and the Investment Policy of the College. Endowment funds are subject to the provisions of the “Uniform Prudent Management of Institutional Funds Act” in Chapter 163 of the Texas Property Code.

Distributions from endowment investments are required to be spent for the purposes for which the endowment was established. Scholarship distributions are made pursuant to the investment policy. For the years ended August 31, 2015 and 2014, endowment interest, dividend earnings, and capital gains totaled \$17,066 and \$15,362 respectively. Gifts to endowments totaled \$29,319 and \$113,087 for the fiscal years ended August 31, 2015 and 2014, respectively. Unrealized gains and losses for the years ended August 31, 2015 and 2014 totaled \$2,504 loss and \$34,981 gain, respectively. Endowment net position is classified as restricted nonexpendable student aid in the Statement of Net Position.

8. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2015 was as follows:

<u>Description</u>	<u>Balance September 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2015</u>
Capital assets not being depreciated:				
Construction in progress	\$ 5,120,955	\$ 28,505,223	\$ -	\$ 33,626,178
Land	1,822,519	65,117	5,363	1,882,273
Total capital assets not being depreciated	6,943,474	28,570,340	5,363	35,508,451
Capital assets being depreciated:				
Buildings and Improvements	23,170,188	-	-	23,170,188
Furniture, Fixtures, Machinery & Equipment and Other Equipment	4,358,996	802,864	-	5,161,860
Library Books	493,775	21,308	81,045	434,038
Total capital assets being depreciated	28,022,959	824,172	81,045	28,766,086
Less accumulated depreciation for:				
Building and Improvements	(12,351,805)	(516,758)	-	(12,868,563)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(3,284,094)	(371,860)	-	(3,655,954)
Library Books	(298,684)	(37,170)	(81,045)	(254,809)
Total accumulated depreciation	(15,934,583)	(925,788)	(81,045)	(16,779,326)
Total capital assets being depreciated, net	12,088,376	(101,616)	-	11,986,760
Net Capital Assets	\$ 19,031,850	\$ 28,468,724	\$ 5,363	\$ 47,495,211

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Capital assets activity for the year ended August 31, 2014 was as follows:

<u>Description</u>	<u>Balance September 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2014</u>
Capital assets not being depreciated:				
Construction in progress	\$ 82,617	\$ 5,038,338	\$ -	\$ 5,120,955
Land	1,822,519	-	-	1,822,519
Total capital assets not being depreciated	1,905,136	5,038,338	-	6,943,474
Capital assets being depreciated:				
Buildings and Improvements	23,260,577	129,042	219,431	23,170,188
Furniture, Fixtures, Machinery & Equipment and Other Equipment	4,003,663	355,333	-	4,358,996
Library Books	525,106	17,235	48,566	493,775
Total capital assets being depreciated	27,789,346	501,610	267,997	28,022,959
Less accumulated depreciation for:				
Building and Improvements	(11,909,075)	(530,092)	(168,362)	(12,351,805)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(2,984,652)	(299,442)	-	(3,284,094)
Library Books	(308,973)	(38,277)	(48,566)	(298,684)
Total accumulated depreciation	(15,283,700)	(867,811)	(216,928)	(15,934,583)
Total capital assets being depreciated, net	12,505,646	(366,201)	51,069	12,088,376
Net Capital Assets	\$ 14,410,782	\$ 4,672,137	\$ 51,069	\$ 19,031,850

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9. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2015 was as follows:

	<u>Balance September 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2015</u>	<u>Current Portion</u>
<u>Notes and Bonds</u>					
Revenue Bonds Payable	\$ 3,575,000	\$ -	\$ 778,000	\$ 2,797,000	\$ 785,000
General Obligation Bonds Payable	7,360,000	25,155,000	1,425,000	31,090,000	855,000
General Obligation Bond Premium	315,941	944,171	233,436	1,026,676	212,493
<u>Other Long-Term Liabilities</u>					
Accrued Compensable Absences	258,797	132,837	107,932	283,702	119,878
Net Pension Liability	-	2,352,445	-	2,352,445	-
Total Long-Term Liabilities	\$ 11,509,738	\$ 28,584,453	\$ 2,544,368	\$ 37,549,823	\$ 1,972,371

Long-term liability activity for the year ended August 31, 2014 was as follows:

	<u>Balance September 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance August 31, 2014</u>	<u>Current Portion</u>
<u>Notes and Bonds</u>					
Revenue Bonds Payable	\$ 4,346,000	\$ -	\$ 771,000	\$ 3,575,000	\$ 778,000
General Obligation Bonds Payable	-	9,325,000	1,965,000	7,360,000	195,000
General Obligation Bond Premium	-	367,808	51,867	315,941	39,866
<u>Other Long-Term Liabilities</u>					
Accrued Compensable Absences	224,644	129,971	95,818	258,797	113,520
Total Long-Term Liabilities	\$ 4,570,644	\$ 9,822,779	\$ 2,883,685	\$ 11,509,738	\$ 1,126,386

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NOTES TO THE FINANCIAL STATEMENTS
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Revenue Bonds Payable

The College issues bonds where the College pledges income derived from the acquired or constructed assets to pay debt service.

The College issued \$2,500,000 in revenue bonds in fiscal year 2005 to finance construction of student housing apartment complexes and additional improvements to the physical plant. In accordance with Section 130.123 of the Texas Education Code, the Series 2005 revenue bonds are to be paid by the assessment of a dorm fee to all students occupying residence halls at the College. Such fees assessed are pledged toward repayment of the bonds along with other pledged revenues of the College sufficient for payment of principal and interest on the bonds. The Series 2005 bonds mature in the year ending August 31, 2020. The remaining principal and interest to be paid was \$1,117,643 and \$1,341,938 at August 31, 2015 and 2014, respectively. Principal and interest paid during the years ended August 31, 2015 and 2014 was \$224,295 and \$224,032 respectively. Total dorm fee revenue for August 31, 2015 and 2014 was \$1,173,696 and \$1,124,160, respectively.

In fiscal year 2008, the College issued \$6,000,000 in revenue bonds to finance the expansion and renovation of the existing library. In accordance with Section 130.123 of the Texas Education Code, the Series 2008 revenue bonds are to be paid by the collection of a general use fee. Such fees assessed are pledged toward repayment of the bonds along with other pledged revenues of the College sufficient for payment of principal and interest on the bonds. The final maturity of the bonds is in the year ending August 31, 2018. The remaining principal and interest to be paid was \$1,903,680 and \$2,572,800 at August 31, 2015 and 2014, respectively. Principal and interest paid during the years ended August 31, 2015 and 2014 was \$669,120 and \$686,400 respectively. Total general use fee revenue for August 31, 2015 and 2014 was \$2,616,563 and \$2,624,830 respectively.

Bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2005	Student housing	3.94%	\$ 997,000
Series 2008	Library expansion	2.88%	<u>1,800,000</u>

Total outstanding revenue bonds \$ 2,797,000

Interest expense on the bonds amounted to \$106,305 and \$130,617 for the years ended August 31, 2015 and 2014, respectively. Accrued interest on the bonds at August 31, 2015 and 2014 amounted to approximately \$34,171 and \$43,472 respectively, and is included in the financial statements.

Annual debt service requirements associated with the revenue bonds are summarized below.

Year Ending August 31,	2015			2014		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2015	\$ -	\$ -	\$ -	\$ 115,415	\$ 778,000	\$ 893,415
2016	91,122	785,000	876,122	91,122	785,000	876,122
2017	66,553	792,000	858,553	66,553	792,000	858,553
2018	41,708	800,000	841,708	41,708	800,000	841,708
2019	16,548	207,000	223,548	16,548	207,000	223,548
2020	8,392	213,000	221,392	8,392	213,000	221,392
Total	<u>\$ 224,323</u>	<u>\$ 2,797,000</u>	<u>\$ 3,021,323</u>	<u>\$ 339,738</u>	<u>\$ 3,575,000</u>	<u>\$ 3,914,738</u>

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General Obligation Bonds Payable

General Obligation bonds are authorized by the Board of Trustees and approved by the voters of the College's taxing district and secured by an ad valorem tax rate Interest & Sinking portion to cover the debt service of the bonds.

On September 26, 2013 the College issued \$9,325,000 in general obligation bonds approved by the voters in the May 2013 \$35 million bond election to finance construction and equipping of buildings and the renovation of current buildings. On September 25, 2014 the College issued the remaining \$25,155,000 in general obligation bonds approved by the voters in the May 2013 \$35 million bond election. The bonds were sold in \$5,000 increments with interest rates varying from 2% to 5% and maturity dates from February 15, 2014 to February 15, 2038. A call option can be exercised for maturities after February 15, 2024. The bonds are issued pursuant to the provisions of the Constitution and the laws of the State of Texas.

The remaining principal and interest to be paid is \$46,384,713 and \$12,021,100 at August 31, 2015 and 2014, respectively. Principal and interest paid during the years ended August 31, 2015 and 2014 was \$2,576,314 and \$2,276,450, respectively.

Bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2013	Construction, renovation	2.00-5.00%	\$ 7,165,000
Series 2014	Construction, renovation	2.00-5.00%	<u>23,925,000</u>

Total outstanding general obligation bonds \$31,090,000

Interest expense on the bonds amounted to \$1,130,568 and \$262,295 for the year ended August 31, 2015 and 2014, respectively. Accrued interest on the bonds at August 31, 2015 and 2014 amounted to approximately \$52,964 and \$13,824 respectively, and is included in the financial statements. Interest capitalized into construction in progress amounted to \$542,554 and \$39,166 for the years ended August 31, 2015 and 2014.

The original premiums associated with the bonds were \$944,171 and \$367,808 for the Series 2014 and Series 2013, respectively. Amortization expense amounted to \$233,436 and \$51,867 for the years ended August 31, 2015 and 2014.

Annual debt service requirements associated with the general obligation bonds are summarized below.

Year Ending August 31,	2015			2014		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2015	\$ -	\$ -	\$ -	\$ 305,250	\$ 195,000	\$ 500,250
2016	1,161,888	855,000	2,016,888	301,300	200,000	501,300
2017	1,130,112	885,000	2,015,112	296,225	205,000	501,225
2018	1,096,088	920,000	2,016,088	290,000	210,000	500,000
2019	1,060,638	960,000	2,020,638	283,550	220,000	503,550
2020	1,019,788	1,000,000	2,019,788	276,875	225,000	501,875
2021-2025	4,347,887	5,735,000	10,082,887	1,245,600	1,255,000	2,500,600
2026-2030	3,218,369	6,865,000	10,083,369	966,663	1,540,000	2,506,663
2031-2035	1,915,521	8,165,000	10,080,521	588,512	1,915,000	2,503,512
2036-2038	344,422	5,705,000	6,049,422	107,125	1,395,000	1,502,125
Total	<u>\$ 15,294,713</u>	<u>\$ 31,090,000</u>	<u>\$ 46,384,713</u>	<u>\$ 4,661,100</u>	<u>\$ 7,360,000</u>	<u>\$ 12,021,100</u>

**PANOLA COLLEGE
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10. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2015 and 2014 were as follows:

	<u>2015</u>			<u>2014</u>		
	Total	Less Allowance For	Net	Total	Less Allowance For	Net
	Receivable	Uncollectibles	Receivable	Receivable	Uncollectibles	Receivable
Student Receivables	\$ 1,665,515	\$ 1,063,529	\$ 601,986	\$ 1,475,210	\$ 931,529	\$ 543,681
Taxes Receivable	399,322	216,671	182,651	375,419	200,075	175,344
Federal Receivables	2,475,425	-	2,475,425	2,418,012	-	2,418,012
State Receivables	78,455	-	78,455	29,917	-	29,917
Interest Receivable	47,641	-	47,641	40,242	-	40,242
Other Receivables	3,356	-	3,356	36,939	-	36,939
TOTAL	\$ 4,669,714	\$ 1,280,200	\$ 3,389,514	\$ 4,375,739	\$ 1,131,604	\$ 3,244,135

Payables

Payables at August 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Vendors Payable	\$ 3,380,661	\$ 1,618,078
Salaries and Benefits Payable	424,329	443,769
Students Payable	147,115	175,440
Accrued Interest	87,135	57,296
Other Payables	356,743	235,351
TOTAL	\$ 4,395,983	\$ 2,529,934

11. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

12. PROPERTY TAXES

Property taxes are levied each October 1 in conformity with Subtitle E, Texas Property Tax Code. The levy is based on the assessed value as of the prior January 1 for all real and personal property located in the College's district. The taxes become due January 1 of the following year. A discount of up to 3% is allowed

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for taxes paid between October 1 and December 31. 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.

Taxes levied for current year operations are summarized below:

	<u>2015</u>	<u>2014</u>
Original tax levy	\$ 9,618,399	\$ 8,486,233
Supplemental levy and adjustments	315,803	886,714
Adjusted levy	<u>9,934,202</u>	<u>9,372,947</u>
Penalty and interest assessments	<u>25,366</u>	<u>76,876</u>
Total Levy	<u>\$ 9,908,836</u>	<u>\$ 9,296,071</u>

Tax collections for the years ended August 31, 2015 and 2014, including delinquent collections, exceeded 96% of the levy for both years.

A summary of tax data is presented as follows:

	<u>2015</u>	<u>2014</u>
Assessed valuation of the District	\$ 5,613,560,147	\$ 5,088,971,480
Less: Exemptions	(213,195,180)	(210,679,832)
Less: Abatements	(923,150,858)	(928,083,246)
Net Assessed Valuation of the District	<u>\$ 4,477,214,109</u>	<u>\$ 3,950,208,402</u>
Tax Rate Per \$100 authorized:		
Current Operations	\$ 0.35000	\$ 0.35000
Debt Service	0.50000	0.50000
Total	<u>\$ 0.85000</u>	<u>\$ 0.85000</u>
Tax Rate Per \$100 assessed		
Current Operations	\$ 0.15483	\$ 0.15483
Debt Service	0.06000	0.06000
Total	<u>\$ 0.21483</u>	<u>\$ 0.21483</u>
Gross Taxes Collected (Current Operations)	\$ 9,668,270	\$ 9,060,783
Discounts Allowed	(215,001)	(191,969)
Delinquent Taxes Collected	199,844	170,255
Penalties and Interest Collected	116,181	106,153
Collection Fees	(146,365)	(134,545)
Total Collections	<u>\$ 9,622,929</u>	<u>\$ 9,010,677</u>

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13. **UNEARNED REVENUES**

Revenues, primarily consisting of tuition, fees and housing charges, related to academic terms in the next fiscal year are recorded in the statement of net position as unearned revenues in the current fiscal year.

A summary of unearned revenues follows:

	2015	2014
Tuition and Fees	\$ 3,570,754	\$ 3,356,476
Housing and Residential Life	686,350	644,510
Other	3,373	12,172
Total	\$ 4,260,477	\$ 4,013,158

14. **EMPLOYEE RETIREMENT PLANS**

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas (TRS)

Plan Description. Panola College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The TRS pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their eligible beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of creditable service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% 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 paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular

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action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2014 College Contributions	\$223,279	
FY 2014 Member Contributions	\$379,859	
FY 2014 State of Texas On-behalf Contributions	\$182,199	

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2014
• Actuarial Cost Method	Individual Entry Age Normal
• Amortization Method	Level Percentage of Payroll, Open
• Remaining Amortization Period	30 years
• Asset Valuation Method	5 year Market Value
• Discount Rate	8.00%
• Long-term expected Investment Rate of Return*	8.00%
• Salary Increases*	4.25% to 7.25%
• Weighted-Average at Valuation Date	5.55%
• Payroll Growth Rate	3.50%

*Includes Inflation of 3%

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The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010, and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate. The discount rate used to measure the total pension liability was 8.0 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution To Long-Term Portfolio Returns*
Global Equity			
U.S	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha			1.0%
Total	100.0%		8.7%

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*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Panola College's proportionate share of the net pension liability:	\$4,203,676	\$2,352,445	\$968,068

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Panola College reported a liability of \$2,352,445 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Panola College. The amount recognized by Panola College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Panola College were as follows:

Panola College's proportionate share of the collective net pension liability	\$2,352,445
State's proportionate share that is associated with Panola College	<u>\$1,923,725</u>
Total	<u>\$4,276,170</u>

The net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013, thru August 31, 2014.

At the measurement date of August 31, 2014, the employer's proportion of the collective net pension liability was 0.0088069%. Since this is the first year of implementation, Panola College does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial, and therefore, disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, Panola College recognized pension expense of \$177,845 and revenue of \$177,845 for support provided by the State. The College also recognized their proportionate share of pension expense of \$217,440.

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At August 31, 2015, Panola College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual economic experience	\$ 36,381	\$ -
Change in actuarial assumptions	\$ 152,912	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 719,003
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ 617
Contributions paid to TRS subsequent to the measurement date (calculated by employer)	\$ 245,917	\$ -
Total	\$ 435,210	\$ 719,620

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

Plan (Fiscal) Year ended August 31	Pension Expense Amount
2015 (2016)	\$(147,921)
2016 (2017)	\$(147,921)
2017 (2018)	\$(147,921)
2018 (2019)	\$(147,921)
2019 (2020)	\$ 31,830
Thereafter	\$ 29,527

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Optional Retirement Program

Plan Description. Participation in the Optional Retirement Program, a defined contribution plan, is in lieu of participation in the Teacher Retirement System of Texas. The optional retirement program provides for the purchase of annuity contracts or mutual funds and operates under the provisions of the Texas Constitution, Article XVI, Sec 67, and the Texas Government Code, Title 8, Subtitle C.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries contributed by the state and each participant are 3.30 and 6.65 respectively for fiscal years 2015 and 2014 and 6.00 and 6.65 respectively for fiscal year 2013. The College contributed 5.20 percent for fiscal years 2015 and 2014 and 2.50 percent for fiscal years 2013 for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual contracts, the state has no additional or unfunded liability for the program.

The on behalf amounts have been reflected in the financial statements as revenue and expense. Actual contributions to ORP, which were equal to the required contributions each year, are shown below:

Year Ended <u>August 31,</u>	On Behalf State <u>Contribution</u>	Panola College <u>Contribution</u>	Participant <u>Contributions</u>	Total <u>Contributions</u>	Covered <u>Payroll</u>
2015	\$59,355	\$78,838	\$119,609	\$257,802	\$1,798,628
2014	61,550	82,744	124,033	268,327	1,865,160
2013	127,107	30,046	140,877	298,030	2,118,450

15. 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 Government Code 609.001. As of August 31, 2015 and 2014, the College had twenty-eight and twenty-six respectively, employees participating in the tax sheltered annuity program. A total of \$124,300 and \$103,525 in payroll deductions was invested in approved plans during the years ending August 31, 2015 and 2014, respectively.

16. COMPENSATED ABSENCES

Upon retirement, termination, or death of full time employees, the College pays employees for unused vacation leave. The College recognized the accrued liability for the unpaid annual leave in the financial statements. 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 for 12 month employees only. Employees accrue 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 per year. In addition, two personal days are earned each year.

Total accrued compensated absences representing unused vacation leave amounted to approximately \$283,702 at August 31, 2015 and \$258,797 at August 31, 2014. The liability is shown in the statement of net position split between current and noncurrent in the amounts of \$119,878 and \$163,824 respectively for August 31, 2015 and \$113,520 and \$145,277 respectively for August 31, 2014.

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17. **HEALTH CARE AND LIFE INSURANCE COVERAGE**

Employees of Panola College were covered by a health and life insurance plan (the Plan). The Plan is funded by the State. The State paid premiums of \$538 and \$503 per month per employee to the Plan for the years ending August 31, 2015 and 2014, respectively. 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 College supplements the cost of the plan from local sources for active employees and board members due to the state not fully funding this benefit plan. Cost and employees covered under the plan are summarized below.

Fiscal Year Ended August 31,	Average Number Employees Covered	Board Members Covered	On Behalf State Contributions	College Contributions
2015	144	6	\$ 558,921	\$ 713,744
2014	142	6	527,052	690,419
2013	138	6	120,497	760,071

18. **POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$538 per month for the year ended August 31, 2015 and \$503 per month for the year ended August 31, 2014 and totaled \$802,702 for the year ended August 31, 2015 and \$747,883 for the year ended August 31, 2014. The cost of providing those benefits for 69 retirees in the year ended August 31, 2015 was \$243,781 and benefits for 64 retirees cost \$220,831 in the year ended August 31, 2014. For 144 active employees, the cost was \$558,921 for the year ended August 31, 2015 and active employee benefits for 142 employees cost \$527,052 for the year ended August 31, 2014.

Panola College as allowed, but not required by state statutes, presently reimburses retired employees for the cost of continuation of dental insurance. This is the same amount provided to active employees employed prior to May 26, 1998 who participate in the dental plan.

Additionally, the College in accordance with state statutes, funds the costs of health insurance of retired employees who formerly worked in auxiliary departments of the College. Shown below are costs and coverages associated with the dental and health insurance plans.

Year Ended August 31,	Average Number Retirees Covered	Average Monthly Dental Premium	Retired Auxiliary Employees	Average Monthly Health Insurance Premium
2015	52	\$ 20.00	2	\$ 583
2014	52	20.00	2	503
2013	51	20.00	2	470

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19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employee Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

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

Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS board of trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy. It is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS board of trustees sets the employer contribution rate based on the implicit rate subsidy which is actuarially determined in accordance with the parameters of GASB Statement 45.

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

The College's contributions to SRHP for the years ended August 31, 2015, 2014, and 2013 were \$713,744, \$690,419, \$760,071, respectively, which equaled the required contributions each year.

20. RELATED PARTIES

Panola College 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. Other details regarding activities of the Foundation are presented in Note 3.

21. FUNDS HELD IN TRUST BY OTHERS

The balances and transactions of funds held in trust by others on behalf of Panola College are not reflected in the financial statements. At August 31, 2015 and 2014 there were four such funds for the benefit of the College. The Lawrence R. and Debbie H. Sharp Endowment Scholarship Trust, the Quintin M. Martin Trust No. 2, the Daniel Scholarship Fund Trust, and the Jacke Daniel Davis Memorial Scholarship Fund Trust are held in trust by First State Bank and Trust Company of Carthage, Texas. Funds held in trust in these amounted to \$279,216 at August 31, 2015 and \$280,782 at August 31, 2014.

22. 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

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

23. **NON-MONETARY TRANSACTIONS**

The College receives the benefit from the use of certain facilities at its off campus sites at no cost or costs below prevailing market rates that the College would have to pay in an exchange transaction. Included in operating revenues is approximately \$229,271 and \$229,271 in non-monetary transactions representing the value of the use of the facilities for the years ended August 31, 2015 and 2014 respectively. A corresponding amount is also included in operating expenses.

24. **PENDING CLAIMS**

The administration of the College and its legal counsel are not aware of any pending lawsuits against the College.

25. **OTHER DISCLOSURES**

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

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, 2015 or 2014.

26. **COMMITMENTS**

At August 31, 2015, the College has a commitment of \$1,331,165 remaining on the uncompleted construction contract with Hunt Construction Group, Inc. There is also a remaining commitment to the architect, Corgan Associates, Inc., in the amount of \$289,656. Both of these relate to the 2013 and 2014 Bond Program projects.

27. **AUTHORITATIVE PRONOUNCEMENTS NOT YET EFFECTIVE**

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (issued June 2015)

The primary objective of this statement is to improve the usefulness of information about pensions included in the external financial report of state and local governments. It establishes requirements for pension plans not within the scope of GASB 68. It also amends certain provisions of GASB 67 and 68. For the requirements for pension plans not within the scope of GASB 68, the effective date of this statement is for fiscal years beginning after June 15, 2016, while the effective date for the portion of this statement that amends GASB 67 and 68 is for fiscal years beginning after June 15, 2015.

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GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Other than Pensions (issued June 2015)

This statement's primary objective is to improve the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governments about financial support for OPEB that is provided by other entities. The effective date of this statement is for fiscal years beginning after June 15, 2017.

28. PRIOR YEAR RESTATEMENT

In the year of implementation of GASB Statement 68, as amended by GASB Statement 71, a restatement to beginning net position was required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and the beginning of the reporting entity's fiscal year.

29. CHANGE IN ACCOUNTING PRINCIPLE

Effective September 1, 2014, Panola College implemented GASB Statement Nos. 68 and 71, as discussed in Note 2. These statements require numerous new pension disclosures and two new schedules in required supplementary information. Also, Panola College is required to report deferred outflows of resources, deferred inflows of resources, and a net pension liability as well as recognize pension expense. Panola College amounts reported and recognized are the proportionate share of the collective deferred outflows of resources, deferred inflows of resources, net pension liability, and pension expense of TRS. Panola College reported a cumulative effect of a change in accounting principle as a result of the implementation of these statements. The effect of the change was the reduction in net position at September 1, 2014 of \$2,665,332.

PANOLA COLLEGE COMPREHENSIVE ANNUAL FINANCIAL REPORT



REQUIRED SUPPLEMENTARY INFORMATION

PANOLA COLLEGE

Schedule of College's Share of Net Pension Liability
Teacher Retirement System of Texas
For the Year Ended August 31, 2015

Fiscal year ending August 31,	2015
College's proportion of the net pension liability (asset)	0.0088069%
College's proportionate share of the net pension liability (asset)	\$ 2,352,445
State's proportionate share of the net pension liability (asset) associated with the College	<u>1,923,725</u>
Total	\$ <u>4,276,170</u>
College's covered-employee payroll	\$ 5,935,288
College's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	39.63%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

The amounts presented for each fiscal year were determined as of the measurement date which is August 31 of the prior fiscal year.

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

See independent auditor's report on required supplementary information.

PANOLA COLLEGE

Schedule of College's Contributions
Teacher Retirement System of Texas
For the Year Ended August 31, 2015

Fiscal year ending August 31,	2015
Contractually required contribution	\$ 245,917
Contributions in relation to the contractually required contribution	(245,917)
Contribution deficiency (excess)	\$ -
College's covered-employee payroll	\$ 6,390,034
Contributions as a percentage of covered-employee payroll	3.85%

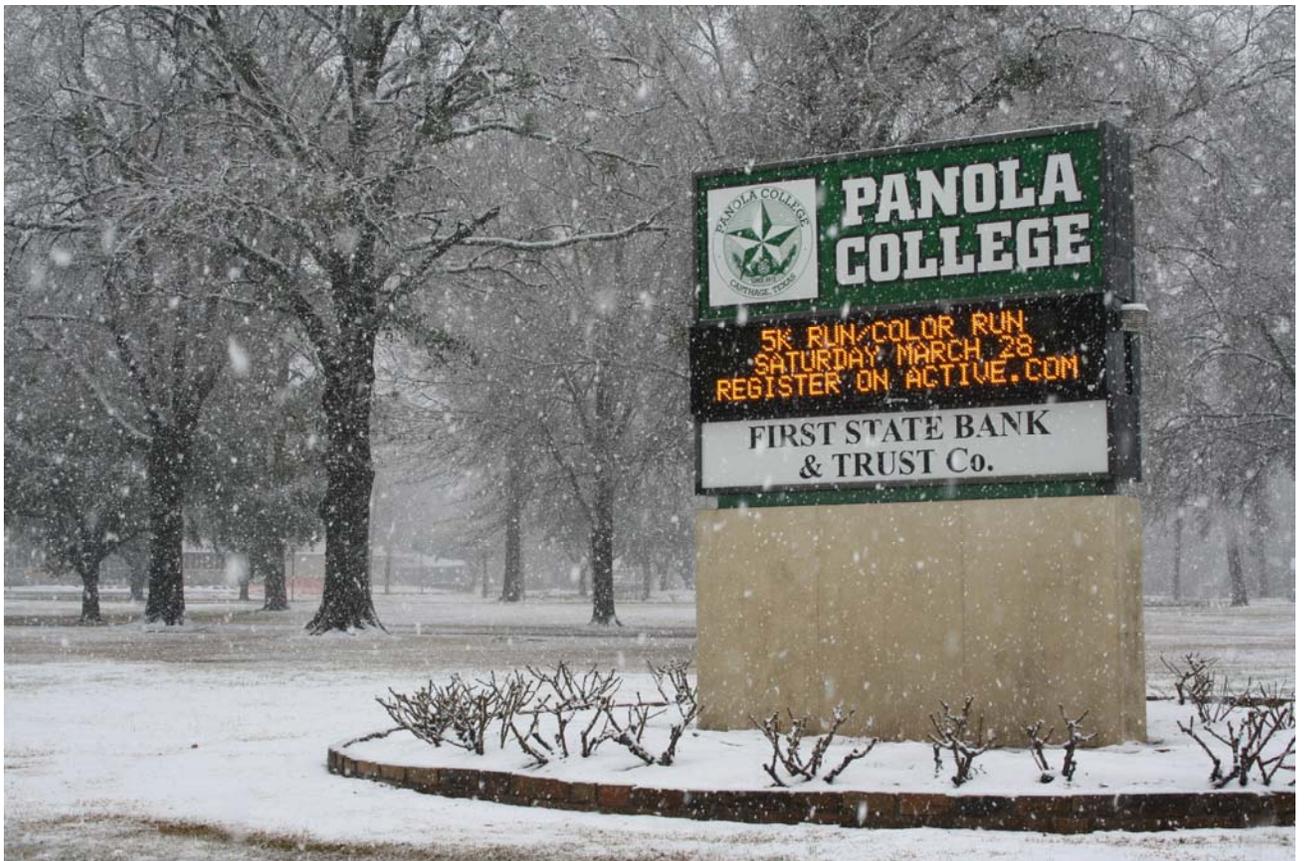
Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

See independent auditor's report on required supplementary information.

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SUPPLEMENTARY SCHEDULES



PANOLA COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2015 Total	2014 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 340,265	\$ -	\$ 340,265	\$ -	\$ 340,265	\$ 340,250
Out-of-district resident tuition	937,009	-	937,009	-	937,009	939,295
TPEG (set aside)*	100,925	-	100,925	-	100,925	118,402
Non-resident tuition	136,938	-	136,938	-	136,938	145,432
State funded continuing education	275,218	-	275,218	-	275,218	550,255
Non-state funded continuing education	17,718	-	17,718	-	17,718	29,190
Total tuition	1,808,073	-	1,808,073	-	1,808,073	2,122,824
Fees						
General fee	2,616,563	-	2,616,563	-	2,616,563	2,624,830
Out-of-district fees	1,938,926	-	1,938,926	-	1,938,926	1,761,026
Laboratory fee	452,621	-	452,621	-	452,621	437,039
Other fees	784,821	-	784,821	-	784,821	789,945
Total fees	5,792,931	-	5,792,931	-	5,792,931	5,612,840
Scholarship allowances and discounts						
Institutional scholarships	(784,615)	-	(784,615)	-	(784,615)	(676,291)
Remissions and exemptions-state	(156,483)	-	(156,483)	-	(156,483)	(137,607)
Remissions and exemptions-local	(218,850)	-	(218,850)	-	(218,850)	(199,644)
Title IV federal grants	(3,327,426)	-	(3,327,426)	-	(3,327,426)	(3,248,663)
TPEG allowances	(33,233)	-	(33,233)	-	(33,233)	(38,460)
State grants to students	(106,330)	-	(106,330)	-	(106,330)	(25,283)
Total scholarship allowances	(4,626,937)	-	(4,626,937)	-	(4,626,937)	(4,325,948)
Total net tuition and fees	2,974,067	-	2,974,067	-	2,974,067	3,409,716
Additional operating revenues						
Federal grants and contracts	-	485,699	485,699	-	485,699	402,088
State grants and contracts	-	737,228	737,228	-	737,228	306,870
Nongovernmental grants and contracts	-	16,420	16,420	-	16,420	1,790
Sales and services of educational activities	98,817	-	98,817	-	98,817	97,608
General operating revenues	259,705	-	259,705	-	259,705	257,476
Total other operating revenues	358,522	1,239,347	1,597,869	-	1,597,869	1,065,832
Auxiliary enterprises						
Bookstore	-	-	-	1,939,490	1,939,490	1,952,661
Less allowances and discounts	-	-	-	(1,117,900)	(1,117,900)	(1,132,790)
Residential life	-	-	-	1,173,696	1,173,696	1,124,160
Less allowances and discounts	-	-	-	(806,024)	(806,024)	(825,529)
Total net auxiliary enterprises	-	-	-	1,189,262	1,189,262	1,118,502
Total Operating Revenues	\$ 3,332,589	\$ 1,239,347	\$ 4,571,936	\$ 1,189,262	\$ 5,761,198	\$ 5,594,050
				(Exhibit 2)		(Exhibit 2)

*In accordance with Education Code 56.033, \$100,925 and \$118,402 of tuition was set aside for Texas Public Education Grants (TPEG).

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
For the Year Ended August 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

	Salaries And Wages	Benefits		Other Expenses	2015 Total	2014 Total
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 5,321,607	\$ -	\$ 1,183,499	\$ 870,399	\$ 7,375,505	\$ 7,133,533
Public Service	-	-	-	-	-	-
Academic Support	1,354,272	-	263,317	566,444	2,184,033	2,078,014
Student Services	791,548	-	174,988	248,388	1,214,924	1,110,701
Institutional Support	966,422	-	287,395	1,012,313	2,266,130	2,059,735
Operation and Maintenance of Plant	276,919	-	84,035	1,146,146	1,507,100	1,724,697
Scholarship and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	8,710,768	-	1,993,234	3,843,690	14,547,692	14,106,680
Restricted Educational Activities						
Instruction	28,323	537,788	1,084	193,913	761,108	825,527
Public Service	192,964	19,478	48,505	44,502	305,449	291,095
Academic Support	-	132,947	-	-	132,947	145,223
Student Services	711	76,480	139	148,687	226,017	190,986
Institutional Support	-	96,108	-	-	96,108	102,092
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarship and Fellowships	-	-	-	4,048,892	4,048,892	4,293,425
Total Restricted Educational Activities	221,998	862,801	49,728	4,435,994	5,570,521	5,848,348
Auxiliary Enterprises	311,892	-	93,929	2,399,744	2,805,565	2,712,348
Depreciation Expense-Buildings & other real estate improvements			-	516,758	516,758	530,092
Depreciation Expense-Equipment & fixtures		-	-	371,860	371,860	299,442
Depreciation Expense-Library books				37,170	37,170	38,277
Total	\$ 9,244,658	\$ 862,801	\$ 2,136,891	\$ 11,605,216	\$ 23,849,566	\$ 23,535,187

(Exhibit 2) (Exhibit 2)

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE C
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2015 (With Memorandum Totals for the Year Ended August 31, 2014)

	Unrestricted	Restricted	Auxiliary Enterprises	2015 Total	2014 Total
NON-OPERATING REVENUES					
State Appropriations					
Education and General State Support	\$ 4,315,726	\$ -	\$ -	\$ 4,315,726	\$ 4,315,726
State Group Insurance	-	802,702	-	802,702	747,883
State Retirement Matching	-	237,200	-	237,200	241,870
Total State Appropriations	4,315,726	1,039,902	-	5,355,628	5,305,479
Ad-Valorem Taxes - Maintenance & Operations	6,936,082	-	-	6,936,082	6,468,902
Ad-Valorem Taxes - Debt Service	2,686,848	-	-	2,686,848	2,541,775
Federal Revenue, Non Operating	-	8,875,816	-	8,875,816	9,100,492
Gifts	504,693	40,919	-	545,612	165,382
Investment Income	124,824	27,082	1,200	153,106	187,033
Gain (Loss) on Disposal of Asset	10,874	-	-	10,874	(50,505)
Royalty Income	-	84,515	-	84,515	31,817
Total Non-Operating Revenues	10,263,321	9,028,332	1,200	19,292,853	18,444,896
NON-OPERATING EXPENSES					
Interest on Capital Related Debt	461,443	-	-	461,443	341,047
Bond Issuance Costs	599,171	-	-	599,171	163,040
Total Non-Operating Expenses	1,060,614	-	-	1,060,614	504,087
Net Non-Operating Revenues	\$ 13,518,433	\$ 10,068,234	\$ 1,200	\$ 23,587,867	\$ 23,246,288
				Exhibit 2	Exhibit 2

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2015
With Memorandum Totals for the Year Ended August 31, 2014

	Detail By Source					Available for Current Operations		
	Restricted					Total	Yes	No
	Unrestricted	Expendable	Non-Expendable	Capital Assets Net of Depreciation & Related Debt				
Current								
Unrestricted	\$ 11,056,300	\$ -	\$ -	\$ -	\$ 11,056,300	\$ 11,056,300	\$ -	
Restricted	-	687,222	-	-	687,222		687,222	
Auxiliary enterprises	1,298,333	-	-	-	1,298,333	1,298,333	-	
Endowment								
Quasi:								
Unrestricted	-	-	-	-	-	-	-	
Restricted	-	-	3,131,018	-	3,131,018		3,131,018	
Plant								
Unexpended	2,892,897	1,061,583	-	-	3,954,480	-	3,954,480	
Debt Service		451,718			451,718		451,718	
Investment in Plant	-	-	-	13,643,116	13,643,116	-	13,643,116	
Total Net Position, August 31, 2015	<u>15,247,530</u>	<u>2,200,523</u>	<u>3,131,018</u>	<u>13,643,116</u>	<u>34,222,187</u>	<u>12,354,633</u>	<u>21,867,554</u>	
					(Exhibit 1)			
Total Net Position, August 31, 2014	<u>10,832,984</u>	<u>5,139,696</u>	<u>3,103,835</u>	<u>12,311,505</u>	<u>31,388,020</u>	<u>13,716,574</u>	<u>17,671,446</u>	
					(Exhibit 1)			
Net Increase (Decrease) in Net Position	<u>\$ 4,414,546</u>	<u>\$ (2,939,173)</u>	<u>\$ 27,183</u>	<u>\$ 1,331,611</u>	<u>\$ 2,834,167</u>	<u>\$ (1,361,941)</u>	<u>\$ 4,196,108</u>	
					(Exhibit 2)			

See Accompanying Independent Auditor's Report on Supplementary Information.

**PANOLA COLLEGE
SCHEDULE E
AFFILIATED ORGANIZATION
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2015 and 2014**

	<u>2015 Panola College Foundation</u>	<u>2014 Panola College Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 315,540	\$ 147,004
Payments for scholarships and support	(163,517)	(48,528)
Other income	82	42
Investment receipts	<u>53,028</u>	<u>47,950</u>
Net cash provided by operating activities	<u>205,133</u>	<u>146,468</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities and liquidation of investments	167,508	21,208
Purchase of investments and annuities	<u>(230,834)</u>	<u>(95,062)</u>
Net cash used for investing activities	<u>(63,326)</u>	<u>(73,854)</u>
 Increase (decrease) in cash and cash equivalents	 141,807	 72,614
 Cash and cash equivalents-beginning	 <u>153,208</u>	 <u>80,594</u>
 Cash and cash equivalents-ending	 <u>\$ 295,015</u>	 <u>\$ 153,208</u>
 Reconciliation of change in net position to net cash provided by operating activities		
Change in net position	\$ 111,097	\$ 342,076
Adjustments to reconcile change in net position to net cash provided by for operating activities		
(Increase) decrease in fair value of investments	94,366	(198,101)
 Changes in assets and liabilities		
Increase (decrease) in miscellaneous receivables	-	2,373
Increase (decrease) in accounts payable	<u>(330)</u>	<u>120</u>
Total Adjustments	<u>94,036</u>	<u>(195,608)</u>
 Net cash provided by operating activities	 <u>\$ 205,133</u>	 <u>\$ 146,468</u>

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE F
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2015

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
National Endowment for the Humanities:			
Direct:			
Promotion of the Humanities Public Programs	45.164	MR22932715	\$ 316
Institute of Museum and Library Services			
Passed Through From:			
Texas State Library and Archives Commission			
Grants to State	45.310	723-15008	3,248
U. S. Department of Education			
Direct:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007	P007A144092	20,132
Federal Supplemental Educational Opportunity Grant	84.007	P033A144092	11,994
Subtotal Federal Supplemental Educational Opportunity Grant			32,126
Federal Workstudy Program	84.033	P033A144092	35,984
Subtotal Federal Workstudy Program			35,984
Federal Pell Grant Program	84.063	P063P152297	1,947,905
Federal Pell Grant Program	84.063	P063P142297	3,285,646
Subtotal Federal Pell Grant Program			5,233,551
Federal Direct Student Loans	84.268	P268K162297	481,622
Federal Direct Student Loans	84.268	P268K152297	3,099,565
Federal Direct Student Loans	84.268	P268K142297	(7,032)
Subtotal Federal Direct Student Loans			3,574,155
Passed Through From:			
Literacy Council of Tyler			
Adult Education - Basic Grants to States	84.002	0814AEL000	100,314
Adult Education - Basic Grants to States	84.002	0814AEL000-3	2,597
Angelina College			
Adult Education - Basic Grants to States	84.002	1714AEL000	45,896
Adult Education - Basic Grants to States	84.002	PAN201415	5,582
Adult Education - Basic Grants to States	84.002	PAN201415	655
Subtotal Adult Education - Basic Grants to States			155,044
Texas Higher Education Coordinating Board			
Career and Technical Education - Basic Grants to States	84.048	1542020601	246,196
Career and Technical Education - Leadership	84.048	1542020701	39,021
Subtotal Career and Technical Education			285,217
Total U. S. Department of Education			9,316,077
U.S. Department of Health and Human Services			
Passed Through From:			
East Texas Council of Governments			
Temporary Assistance for Needy Families	93.558	PC-TANF-PY14-01	31,705
Literacy Council of Tyler			
Adult Education - Temporary Assistance for Needy Families	93.558	0814AEL000	8,500
Adult Education - Temporary Assistance for Needy Families	93.558	0814AEL000-3	319
Angelina College			
Adult Education - Temporary Assistance for Needy Families	93.558	1714AEL0000	1,350
Total U.S. Department of Health and Human Services			41,874
Total Federal Awards			\$ 9,361,515

See accompanying independent auditor's report on supplementary information and notes to schedules of expenditures of federal and state awards.

PANOLA COLLEGE
SCHEDULE G
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2015

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
Passed Through From:		
Adult Education GR-Adult Education		
Literacy Council of Tyler		
Adult Education - Basic Grants to States	0814AEL000-3	22,322
Adult Education - Basic Grants to States	0814AEL000	35,685
Angelina College		
Adult Education - Basic Grants to States	PAN201415	2,474
Adult Education - Basic Grants to States	1714AEL000	16,141
Subtotal Texas Workforce Commission		<u>76,622</u>
Texas Higher Education Coordinating Board		
Texas Grant		182,642
Texas College Work-Study		13,772
Hazelwood		2,731
Subtotal Texas Higher Education Coordinating Board		<u>199,145</u>
Texas Comptroller		
JET Grant	5535-02	314,537
Texas Commission on the Arts	10063940	1,394
NIG Common Application Grant	14131	144,530
Trinity Valley Community College		
CABNET Grant		<u>1,000</u>
Total State Awards		<u>\$ 737,228</u>
State Grants and Revenues -Per Schedule A		<u>\$ 737,228</u>

See accompanying independent auditor's report on supplementary information and notes to schedules of expenditures of federal and state awards.

PANOLA COLLEGE
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2015

Note 1: Federal Awards Reconciliation:

Federal Grants and Contracts – Schedule A	\$ 485,699
Add: Federal Revenue, Non-Operating – Schedule C	<u>8,875,816</u>
Total Federal Awards	<u>\$ 9,361,515</u>

Significant Accounting Policies Used in Preparing the Schedules

The expenditures included in the schedules are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on pages 64 and 65 represent funds which have been expended by the College for the purposes of the award. The expenditures reported in the schedules may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedules may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

Relationship to Federal and State Financial Reports

Amounts reflected in the financial reports filed with grantor agencies for the programs and in the schedules of expenditures of federal and state awards may be different because of program year ends and accruals that will be reflected in the next report filed with the agencies.

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PANOLA COLLEGE COMPREHENSIVE ANNUAL FINANCIAL REPORT



SINGLE AUDIT SECTION

Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudel, CPA

AL&H ALEXANDER LANKFORD & HIERS, INC.

Yvette Sidnell, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Panola College
Carthage, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Panola College as of and for the year ended August 31, 2015, which collectively comprise Panola College's basic financial statements and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* - CONTINUED**

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Public Funds Investment Act

We have performed tests designed to verify Panola College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2015, no instances of noncompliance were found.

Purpose of this Report

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

Alexander, Lankford + Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 23, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Trustees
Panola College
Carthage, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Panola College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Panola College's major federal and state programs for the year ended August 31, 2015. Panola College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Panola College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and, the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133, and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal or state program. However, our audit does not provide a legal determination of Panola College's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE
STATE OF TEXAS SINGLE AUDIT CIRCULAR - CONTINUED**

Report on Compliance for Each Major Federal and State Program - Continued

Opinion on Each Major Federal and State Program

In our opinion, Panola College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of Panola College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Panola College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Panola College's internal control over compliance.

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE
STATE OF TEXAS SINGLE AUDIT CIRCULAR - CONTINUED**

Report on Internal Control Over Compliance - Continued

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 23, 2015

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2015**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **UNMODIFIED**

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiencies identified that are not considered to be material weaknesses?	_____	Yes	_____	<u>X</u>	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____	<u>X</u>	No

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiencies identified that are not considered to be material weaknesses?	_____	Yes	_____	<u>X</u>	None Reported

Type of auditor's report issued on compliance for major programs: **UNMODIFIED**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or TSAC?

	_____	Yes	_____	<u>X</u>	No
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Identification of major programs:

CFDA Number(s)	Name of Federal or State Program
	Student Financial Aid Cluster:
84.007	Federal Supplemental Education Opportunity Grant
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
N/A	JET Grant
N/A	NIG Common Application Grant

Dollar threshold used to distinguish between type A and type B federal and state programs: **\$300,000**

Auditee qualified as low-risk auditee for federal awards	_____	<u>X</u>	Yes	_____	No
Auditee qualified as low-risk auditee for state awards	_____	_____	Yes	_____	<u>X</u>

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AUGUST 31, 2015**

B. Financial Statements Findings

Findings related to the financial statements required to be reported under GAS:

None

C. Federal and State Awards Findings and Questioned Costs

Required to be reported in accordance with section 510(a) of Circular A-133 or TSAC:

None

PANOLA COLLEGE COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SUPPLEMENTS (UNAUDITED)

PANOLA COLLEGE
STATISTICAL SECTION
TABLE OF CONTENTS

This part of Panola’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about Panola’s overall financial health. The statistical tables are not audited.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how Panola’s financial performance and well-being have changed over time.

- **Net Position by Component**
- **Revenues by Source**
- **Program Expenses by Function**

REVENUE CAPACITY

These schedules contain information to help the reader assess Panola’s most significant local revenue sources.

- **Tuition and Fees**
- **Assessed Value and Taxable Assessed Value of Property**
- **State Appropriations per FTSE and Contact Hour**
- **Principal Taxpayers**
- **Property Tax Levies and Collections**

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of Panola’s current level of outstanding debt.

- **Ratios of Outstanding Debt**
- **Legal Debt Margin Information**
- **Pledged Revenue Coverage**

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which Panola’s activities take place.

- **Demographic and Economic Information – Taxing District**
- **Principal Employers**

OPERATING INFORMATION

These schedules contain employment, enrollment and infrastructure data to help the reader understand how the information in Panola’s comprehensive annual financial report relates to the services Panola provides and the activities it performs.

- **Faculty, Staff, and Administrative Statistics**
- **Enrollment Details**
- **Student Profile**
- **Transfers to Senior Institutions**
- **Capital Asset Information**

Panola College
Statistical Supplement 1
Net Position by Component
Fiscal Years 2006 to 2015
(unaudited)
(amounts expressed in thousands)

	For the Fiscal Year Ended August 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net Investment in capital assets	\$ 13,643	\$ 12,311	\$ 10,086	\$ 7,818	\$ 6,553	\$ 6,039	\$ 5,898	\$ 4,886	\$ 5,280	\$ 4,788
Restricted - expendable	2,201	5,140	-	-	-	-	-	-	-	-
Restricted - nonexpendable	3,131	3,104	2,956	2,848	2,615	2,262	2,070	1,883	956	1,705
Unrestricted	15,247	10,833	13,041	13,104	12,068	10,082	8,700	8,096	6,797	5,668
Total	34,222	31,388	26,083	23,770	21,236	18,383	16,668	14,865	13,033	12,161
Net position, beginning of year*	31,388	26,083	23,770	21,236	18,383	16,668	14,865	13,033	12,161	11,508
Cumulative effect of change in accounting principle (Note 2)	(2,665)	N/A								
Net position, beginning of year, as restated (Note 2)	28,723	N/A								
Increase (decrease) in net position	\$ (5,499)	\$ (5,305)	\$ (2,313)	\$ (2,534)	\$ (2,853)	\$ (1,715)	\$ (1,803)	\$ (1,832)	\$ (872)	\$ (653)

*In fiscal year 2015, net position as of the beginning of the year was restated (reduced) by \$2,665,332 for the cumulative effect of applying GASB Statement, No. 68. See Note 2.

Panola College
Statistical Supplement 2
Revenues by Source
Fiscal years 2006 to 2015
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and Fees (Net of Discounts)	\$2,974	\$3,410	\$2,764	\$2,879	\$2,196	\$2,088	\$ 2,336	\$ 2,248	\$ 2,065	\$ 1,914
Governmental Grants and Contracts										
Federal Grants and Contracts	486	402	401	422	450	388	428	2,289	2,393	2,529
State Grants and Contracts	737	307	231	117	407	583	261	274	573	232
Local Grants and Contracts	-	-	-	-	-	-	-	-	-	-
Non-Governmental Grants and Contracts	16	2	2	1	4	4	1	1	5	20
Sales and services of educational activities	99	98	140	140	163	161	143	158	164	182
Auxiliary enterprises	1,189	1,118	886	981	1,006	1,168	1,400	1,161	1,158	1,088
Other Operating Revenues	260	257	250	256	240	322	304	371	251	310
Total Operating Revenues	5,761	5,594	4,674	4,796	4,466	4,714	4,873	6,502	6,609	6,275
State Appropriations	5,355	5,305	4,456	4,087	4,739	5,017	4,995	4,973	4,555	4,526
Ad Valorem Taxes	9,623	9,011	5,962	5,750	5,661	5,308	5,158	4,625	4,129	3,639
Federal Revenue, Non Operating	8,876	9,100	8,959	8,296	6,193	3,913	2,468	-	-	-
Gifts	545	165	241	266	416	207	666	721	304	162
Investment income	153	187	213	208	139	389	292	443	466	356
Gain(Loss) on Disposal of Capital Assets	11	(50)	1	2	32	-	-	-	-	-
Other non-operating revenues	85	32	31	51	74	31	47	59	56	70
Total Non-Operating Revenues	24,648	23,750	19,863	18,660	17,254	14,865	13,626	10,821	9,510	8,753
Total Revenues	\$ 30,409	\$ 29,344	\$ 24,537	\$ 23,456	\$ 21,720	\$ 19,579	\$ 18,499	\$ 17,323	\$ 16,119	\$ 15,028

For the Year Ended August 31,
(amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tuition and fees (net of discounts)	9.78%	11.62%	11.26%	12.27%	10.11%	10.66%	12.63%	12.98%	12.81%	12.74%
Governmental grants and contracts										
Federal grants and contracts	1.60%	1.37%	1.63%	1.80%	2.07%	1.98%	2.31%	13.21%	14.85%	16.83%
State grants and contracts	2.42%	1.05%	0.94%	0.50%	1.87%	2.98%	1.41%	1.58%	3.55%	1.54%
Local grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-governmental grants and contracts	0.05%	0.01%	0.01%	0.00%	0.02%	0.02%	0.01%	0.01%	0.03%	0.13%
Sales and services of educational activities	0.33%	0.33%	0.57%	0.60%	0.75%	0.82%	0.77%	0.91%	1.02%	1.21%
Auxiliary enterprises	3.91%	3.81%	3.61%	4.18%	4.63%	5.97%	7.57%	6.70%	7.18%	7.24%
Other operating revenues	0.86%	0.88%	1.02%	1.09%	1.10%	1.64%	1.64%	2.14%	1.56%	2.06%
Total Operating Revenues	18.95%	19.06%	19.05%	20.45%	20.56%	24.08%	26.34%	37.53%	41.00%	41.76%
State appropriations	17.61%	18.08%	18.16%	17.42%	21.82%	25.62%	27.00%	28.71%	28.26%	30.12%
Ad valorem taxes	31.65%	30.71%	24.30%	24.51%	26.06%	27.11%	27.88%	26.70%	25.62%	24.21%
Non-Governmental Grants and Contracts	29.19%	31.01%	36.51%	35.37%	28.51%	19.99%	13.34%	0.00%	0.00%	0.00%
Gifts	1.79%	0.56%	0.98%	1.13%	1.92%	1.06%	3.60%	4.16%	1.89%	1.08%
Investment income	0.50%	0.64%	0.87%	0.89%	0.64%	1.99%	1.58%	2.56%	2.89%	2.37%
Gain on Disposal of Capital Assets	0.04%	-0.17%	0.00%	0.01%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating revenues	0.28%	0.11%	0.13%	0.22%	0.34%	0.16%	0.25%	0.34%	0.35%	0.47%
Total Non-Operating Revenues	81.05%	80.94%	80.95%	79.55%	79.44%	75.92%	73.66%	62.47%	59.00%	58.24%
Total Revenues	100.00%									

Panola College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2006 to 2015
(unaudited)

For the Year Ended August 31,
(amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	\$8,137	\$7,959	\$7,119	\$6,661	\$6,289	\$6,417	\$6,009	\$5,652	\$6,015	\$5,420
Research	-	-	-	-	-	-	-	-	-	-
Public service	305	291	369	339	355	356	300	408	259	323
Academic support	2,317	2,223	2,012	2,032	2,047	2,099	2,250	1,775	1,658	1,558
Student services	1,441	1,302	1,286	1,226	1,261	1,185	1,122	1,122	1,068	1,029
Institutional support	2,362	2,162	2,498	2,036	1,845	1,878	1,808	1,747	1,563	1,500
Operation and maintenance of plant	1,507	1,725	1,385	1,372	1,384	1,508	1,638	1,486	1,513	1,192
Scholarships and fellowships	4,049	4,293	4,277	4,026	2,601	1,359	963	736	840	1,030
Auxiliary enterprises	2,806	2,712	2,347	2,217	1,996	1,966	1,713	1,653	1,468	1,469
Depreciation	926	868	777	824	843	819	637	696	699	688
Total Operating Expenses	23,850	23,535	22,070	20,733	18,621	17,587	16,440	15,275	15,083	14,209
Interest on capital related debt	461	341	154	190	246	275	256	216	164	169
Bond issuance costs	599	163	-	-	-	-	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	14
Total Non-Operating Expenses	1,060	504	154	190	246	275	256	216	164	183
Total Expenses	\$ 24,910	\$ 24,039	\$ 22,224	\$ 20,923	\$ 18,867	\$ 17,862	\$ 16,696	\$ 15,491	\$ 15,247	\$ 14,392

For the Year Ended August 31,
(amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Instruction	32.67%	33.11%	32.03%	31.84%	33.33%	35.93%	35.99%	36.49%	39.45%	37.66%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	1.22%	1.21%	1.66%	1.62%	1.88%	1.99%	1.80%	2.63%	1.70%	2.24%
Academic support	9.30%	9.25%	9.05%	9.71%	10.85%	11.75%	13.48%	11.46%	10.87%	10.83%
Student services	5.78%	5.42%	5.79%	5.86%	6.68%	6.63%	6.72%	7.24%	7.00%	7.15%
Institutional support	9.48%	8.99%	11.24%	9.73%	9.78%	10.51%	10.83%	11.28%	10.25%	10.42%
Operation and maintenance of plant	6.05%	7.18%	6.23%	6.56%	7.34%	8.44%	9.81%	9.59%	9.92%	8.28%
Scholarships and fellowships	16.25%	17.86%	19.24%	19.24%	13.79%	7.61%	5.77%	4.75%	5.51%	7.16%
Auxiliary enterprises	11.26%	11.28%	10.56%	10.60%	10.58%	11.01%	10.26%	10.67%	9.63%	10.21%
Depreciation	3.72%	3.61%	3.50%	3.94%	4.47%	4.59%	3.82%	4.49%	4.58%	4.78%
Total Operating Expenses	95.74%	97.90%	99.31%	99.09%	98.70%	98.46%	98.47%	98.61%	98.92%	98.73%
Interest on capital related debt	1.85%	1.42%	0.69%	0.91%	1.30%	1.54%	1.53%	1.39%	1.08%	1.17%
Bond issuance costs	2.40%	0.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss on disposal of fixed assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%
Total Non-Operating Expenses	4.26%	2.10%	0.69%	0.91%	1.30%	1.54%	1.53%	1.39%	1.08%	1.27%
Total Expenses	100.00%	100.00%	100.00%							
Change in Net Position	\$ 5,499	\$ 5,305	\$ 2,313	\$ 2,533	\$ 2,853	\$ 1,717	\$ 1,803	\$ 1,832	\$ 872	\$ 636

Panola College
Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)

Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee (per student)	In-District Tuition	Out-of-District Tuition	Technology Fees
2014	\$ 0	\$ 25	\$ 25	0
2013	0	25	25	0
2012	0	25	25	0
2011	0	25	25	0
2010	0	25	25	0
2009	0	25	25	0
2008	0	23	23	0
2007	0	21	21	0
2006	0	21	21	0
2005	0	21	21	0

Non-Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee (per student)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Technology Fees
2014	\$ 0	\$ 25	\$ 25	0
2013	0	25	25	0
2012	0	25	25	0
2011	0	25	25	0
2010	0	25	25	0
2009	0	25	25	0
2008	0	23	23	0
2007	0	21	21	0
2006	0	21	21	0
2005	0	21	21	0

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fes and certification fees.

	General Fees	Out-of-District Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
\$	45	\$ 48	\$ 840	\$ 1,416	0.00%	4.42%
	45	43	840	1,356	4.48%	5.61%
	42	40	804	1,284	0.00%	0.00%
	42	40	804	1,284	9.84%	10.31%
	36	36	732	1,164	8.93%	11.49%
	31	31	672	1,044	3.70%	4.82%
	31	29	648	996	3.85%	5.06%
	31	27	624	948	6.12%	6.76%
	28	25	588	888	8.89%	8.82%
	24	23	540	816	7.69%	4.62%

	General Fees	Out-of-State/International Fees	Cost for 12 SCH Out of State	Cost for 12 SCH International	Increase from Prior Year Out of State	Increase from Prior Year International
\$	45	\$ 79	\$ 1,788	\$ 1,788	4.20%	4.20%
	45	73	1,716	1,716	5.93%	5.93%
	42	68	1,620	1,620	0.00%	0.00%
	42	68	1,620	1,620	9.76%	9.76%
	36	62	1,476	1,476	8.85%	8.85%
	31	57	1,356	1,356	5.61%	5.61%
	31	53	1,284	1,284	5.94%	5.94%
	31	49	1,212	1,212	7.45%	7.45%
	28	45	1,128	1,128	16.05%	16.05%
	24	36	972	972	3.85%	3.85%

Panola College
Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(unaudited)

(amounts expressed in thousands)

Fiscal Year	Residential Property	Commercial Property	Personal Property	Mineral	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value
2014-15	\$ 1,628,304	\$ 304,379	\$ 77,740	\$ 3,603,137	\$ 1,136,346	\$ 4,477,214	79.76%
2013-14	1,621,302	300,582	76,670	3,090,417	1,138,763	3,950,208	77.62%
2012-13	1,589,713	303,647	68,638	3,223,946	1,073,371	4,112,573	79.30%
2011-12	1,532,863	291,863	63,206	3,593,438	1,107,280	4,374,090	79.80%
2010-11	1,519,420	257,371	62,771	4,082,132	1,067,043	4,854,651	81.98%
2009-10	1,304,979	236,802	70,538	4,306,204	867,770	5,050,753	85.34%
2008-09	1,241,281	201,772	66,118	4,679,892	822,942	5,366,121	86.70%
2007-08	1,073,341	190,800	61,946	3,770,106	688,521	4,407,672	86.49%
2006-07	964,014	175,663	60,713	3,740,767	625,236	4,315,921	87.35%
2005-06	791,870	144,294	49,871	3,072,773	604,286	3,454,522	85.11%

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

Direct Rate		
Maintenance & Operations (a)	Debt Service (a)	Total (a)
0.154830	0.060000	0.214830
0.154830	0.060000	0.214830
0.145190	0.000000	0.145190
0.134070	0.000000	0.134070
0.118130	0.000000	0.118130
0.105790	0.000000	0.000000
0.095930	0.000000	0.095930
0.104770	0.000000	0.104770
0.094320	0.000000	0.094320
0.108500	0.000000	0.108500

Panola College
Statistical Supplement 6
State Appropriation per FTSE and Contact Hour
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Appropriation per FTSE			Appropriation per Contact Hour			
	State Appropriation	FTSE (a)	State Appropriation per FTSE	Academic Contact Hours (a)	Voc/Tech Contact Hours (b)	Total Contact Hours	State Appropriation per Contact Hour
2014-15	\$4,315,726	1,911	\$2,258	711,584	618,111	1,329,695	\$3.25
2013-14	\$4,315,726	1,932	\$2,234	732,752	588,286	1,321,038	\$3.27
2012-13	\$3,722,735	1,860	\$2,001	700,368	559,283	1,259,651	\$2.96
2011-12	\$3,381,641	1,804	\$1,875	729,184	491,800	1,220,984	\$2.77
2010-11	\$3,428,604	1,617	\$2,120	667,008	478,359	1,145,367	\$2.99
2009-10	\$3,686,559	1,552	\$2,375	607,664	481,322	1,088,986	\$3.39
2008-09	\$3,643,562	1,475	\$2,470	551,088	461,097	1,012,185	\$3.60
2007-08	\$3,643,558	1,388	\$2,625	538,528	422,646	961,174	\$3.79
2006-07	\$3,300,206	1,383	\$2,386	546,016	408,684	954,700	\$3.46
2005-06	\$3,300,206	1,428	\$2,311	581,632	403,276	984,908	\$3.35

Notes:

FTSE is defined as the number semester hours divided by 30 plus non-semester length contact hours divided by 900.

(a) Source THECB Report CBM001

(b) Source THECB Report CBM00A

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Panola College
Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)

Taxable Assessed Value (TAV) by Tax Year (\$000 omitted)

Taxpayer	Type of Business	2014	2013	2012	2011	2010	2009
Anadarko E & P Company LP	Petroleum	\$ 504,403	\$ 256,522	\$ 253,302	\$ 334,472	\$ 400,768	\$ 422,063
Devon Energy (Pennzenergy)	Petroleum	315,366	328,213	379,823	460,033	669,158	705,899
DCP Midstream LP	Petroleum	194,905	136,948	144,307	128,525	117,969	97,956
MarkWest Eastern TX Gas Co LP	Petroleum	158,252	153,956	146,575	137,866	134,438	117,310
XTO Energy (Min)	Petroleum	101,024	112,289	110,701	114,211	150,928	123,161
Samson Lone Star LP	Petroleum	97,163	-	-	-	-	-
MarkWest Carthage Plant & East	Petroleum	81,656	78,246	-	70,132	-	-
Memorial Production	Petroleum	77,401	-	-	-	-	-
Luminant	Coal Mining	76,199	-	61,504	-	-	-
ETC Tiger Pipeline	Petroleum	-	77,288	82,904	71,791	-	-
Chevron USA Inc.	Petroleum	-	69,830	84,022	135,824	193,937	225,486
Lacy Operations Ltd.	Petroleum	-	66,241	71,399	94,102	124,911	129,763
Exxon Mobile Corp.	Petroleum	-	62,964	72,677	87,985	127,263	129,656
EOG Resources Inc.	Petroleum	-	-	-	-	99,708	115,854
BP America Production	Petroleum	-	-	-	-	86,788	115,563
Conoco Phillips Co	Petroleum	-	-	-	-	-	-
Duke Energy Field Svcs	Petroleum	-	-	-	-	-	-
Louisiana Pacific	Timber	-	-	-	-	-	-
XTO Energy (Hunt Pet)	Petroleum	-	-	-	-	-	-
RME Petroleum Company	Petroleum	-	-	-	-	-	-
Texaco E & P Inc.	Petroleum	-	-	-	-	-	-
Union Pacific Resources	Petroleum	-	-	-	-	-	-
Vastar Resources Inc.	Petroleum	-	-	-	-	-	-
Amoco Production Company	Petroleum	-	-	-	-	-	-
Totals		\$ 1,606,369	\$ 1,342,497	\$ 1,407,214	\$ 1,634,941	\$ 2,105,868	\$ 2,182,711
Total Taxable Assessed Value		\$ 9,618,399	\$ 5,971,045	\$ 5,864,343	\$ 5,734,799	\$ 5,343,192	\$ 5,147,720

% of Taxable Assessed Value (TAV) by Tax Year

Taxpayer	Type of Business	2014	2013	2012	2011	2010	2009
Devon Energy (Pennzenergy)	Petroleum	5.24%	4.30%	4.32%	5.83%	7.50%	8.20%
Anadarko E & P Company LP	Petroleum	3.28%	5.50%	6.48%	8.02%	12.52%	13.71%
MarkWest Eastern TX Gas Co LP	Petroleum	2.03%	2.29%	2.46%	2.24%	2.21%	1.90%
DCP Midstream LP	Petroleum	1.65%	2.58%	2.50%	2.40%	2.52%	2.28%
XTO Energy	Petroleum	1.05%	1.88%	1.89%	1.99%	2.82%	2.39%
MarkWest Carthage Plant & East	Petroleum	1.01%	0.00%	0.00%	0.00%	0.00%	0.00%
ETC Tiger Pipeline	Petroleum	0.85%	1.31%	0.00%	1.22%	0.00%	0.00%
Chevron USA Inc.	Petroleum	0.80%	0.00%	0.00%	0.00%	0.00%	0.00%
Lacy Operations Ltd.	Petroleum	0.79%	0.00%	1.05%	0.00%	0.00%	0.00%
Exxon Mobile Corp.	Petroleum	0.00%	1.29%	1.41%	1.25%	0.00%	0.00%
Luminant	Coal Mining	0.00%	1.17%	1.43%	2.37%	3.63%	4.38%
EOG Resources Inc.	Petroleum	0.00%	1.11%	1.22%	1.64%	2.34%	2.52%
BP America Production	Petroleum	0.00%	1.05%	1.24%	1.53%	2.38%	2.52%
Conoco Phillips Co	Petroleum	0.00%	0.00%	0.00%	0.00%	1.87%	2.25%
Samson Lone Star LP	Petroleum	0.00%	0.00%	0.00%	0.00%	1.62%	2.24%
Devon Louisiana Corporation	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Duke Energy Field Svcs	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Louisiana Pacific	Timber	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ocean Energy	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RME Petroleum Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Texaco E & P Inc.	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Pacific Resources	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vastar Resources Inc.	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Amoco Production Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Totals		16.70%	22.48%	24.00%	28.51%	39.41%	42.40%

Source: Local County Appraisal District

Panola College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)
(amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2015	\$ 9,618	\$ 290	\$ 9,908	\$ 9,753	98.44%	\$ -	\$ -	\$ 9,753	98.44%
2014	8,483	886	9,369	9,136	97.51%	-	160	9,296	99.22%
2013	5,971	75	6,046	5,881	97.27%	102	21	6,004	99.31%
2012	5,864	103	5,967	5,833	97.75%	108	8	5,949	99.70%
2011	5,735	158	5,893	5,765	97.83%	112	4	5,881	99.80%
2010	5,343	135	5,478	5,308	96.90%	153	3	5,464	99.74%
2009	5,147	223	5,370	5,250	97.77%	111	2	5,363	99.87%
2008	4,618	166	4,784	4,702	98.29%	75	1	4,778	99.87%
2007	4,071	184	4,255	4,184	98.33%	65	1	4,250	99.88%
2006	3,753	(3)	3,750	3,705	98.80%	41	0	3,746	99.89%

Source: Local Tax Assessor/Collector and District records.

- (a) As reported in notes to the financial statements for the year of the levy.
- (b) As of August 31st of the current reporting year.
- (c) Property tax only - does not include penalties and interest.
- (d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy.
- (e) Represents current year collections of prior years levies.

Panola College
Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

	For the Year Ended August 31 (amounts expressed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Bonded Debt										
General obligation bonds	\$ 31,090	\$ 7,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General obligation bonds premium	1,027	316								
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 32,117	\$ 7,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt										
Revenue bonds	\$ 2,979	\$ 3,575	\$ 4,346	\$ 5,110	\$ 5,868	\$ 6,620	\$ 7,366	\$ 8,107	\$ 2,374	\$ 2,500
Notes	-	-	-	-	895	1,035	1,169	1,297	1,536	1,647
Capital lease obligations	-	-	-	-	-	-	-	13	100	8
Total Outstanding Debt	\$ 2,979	\$ 3,575	\$ 4,346	\$ 5,110	\$ 6,763	\$ 7,655	\$ 8,535	\$ 9,417	\$ 4,010	\$ 4,155
General Bonded Debt Ratios										
Per Capita	\$ 1.35	\$ 0.32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Per FTSE	\$ 17	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
As a percentage of Taxable Assessed Value	0.72%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Outstanding Debt Ratios										
Per Capita	\$ 0.13	\$ 0.15	\$ 0.18	\$ 0.21	\$ 0.29	\$ 0.34	\$ 0.37	\$ 0.41	\$ 0.17	\$ 0.18
Per FTSE	\$ 2	\$ 2	\$ 2	\$ 3	\$ 4	\$ 5	\$ 6	\$ 7	\$ 3	\$ 3
As a percentage of Taxable Assessed Value	0.07%	0.09%	0.11%	0.12%	0.14%	0.15%	0.16%	0.21%	0.09%	0.12%

Notes: Ratios calculated using population and TAV from current year. Debt per student calculated using full-time-equivalent enrollment.

Panola College
Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

For the Year Ended August 31 (amount expressed in thousands)

	2015	2014	2013
Taxable Assessed Value	\$ 4,477,214	\$ 3,950,208	\$ 4,112,573
General Obligation Bonds			
Statutory Tax Levy Limit for Debt Service	2,238,607	1,975,104	2,056,287
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-
Total Net General Obligation Debt	2,238,607	1,975,104	2,056,287
Current Year Debt Service Requirements	1,425,000	1,965,000	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 813,607	\$ 10,104	\$ 2,056,287
Net Current Requirements as a % of Statutory Limit	63.66%	99.49%	0.00%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

2012	2011	2010	2009	2008	2007	2006
\$ 4,374,091	\$ 4,854,651	\$ 5,050,753	\$ 5,366,121	\$ 4,407,672	\$ 4,315,921	\$ 3,454,522
2,187,046	2,427,326	2,525,377	2,683,061	2,203,836	2,157,961	1,727,261
-	-	-	-	-	-	-
2,187,046	2,427,326	2,525,377	2,683,061	2,203,836	2,157,961	1,727,261
-	-	-	-	-	-	-
\$ 2,187,046	\$ 2,427,326	\$ 2,525,377	\$ 2,683,061	\$ 2,203,836	\$ 2,157,961	\$ 1,727,261
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Panola College
Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Revenue Bonds

Pledged Revenues (\$000 omitted)						
Fiscal Year Ended August 31	General			Auxilliary Revenues	Investment Income	Total
	Tuition	Fee	Operating Revenues			
2015	\$ 1,808	\$ 5,793	\$ 260	\$ 3,113	\$ 126	\$ 11,100
2014	2,123	5,613	257	3,077	127	11,197
2013	1,952	5,086	250	2,690	152	10,130
2012	1,905	4,853	256	2,620	151	9,785
2011	1,636	3,980	240	2,411	89	8,356
2010	1,585	3,016	322	2,305	329	7,557
2009	1,386	2,717	304	2,278	221	6,906
2008	1,144	2,544	371	1,868	332	6,259
2007	1,160	2,281	251	1,794	347	5,833
2006	1,101	1,980	310	1,737	272	5,400

The Series 2005 and Series 2008 Revenue Bonds requires virtually all tuition, fees and general revenues of the College be pledged toward payment of principal and interest on the bonds.

Debt Service Requirements (\$000
omitted)

Principal	Interest	Total	Coverage Ratio
\$ 778	\$ 115	\$ 893	12.43
771	139	910	12.30
764	163	927	10.93
758	187	945	10.35
752	210	962	8.69
746	233	979	7.72
741	259	1,000	6.91
136	88	224	27.94
131	94	225	25.92
126	99	225	24.00

Panola College
Statistical Supplement 12
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(unaudited)

Calendar Year	District Population	District Personal Income (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2014	23,769	\$ 1,091,774	\$ 45,738	3.9%
2013	23,870	1,070,065	44,549	5.1%
2012	24,020	1,000,264	40,962	5.6%
2011	24,058	953,996	39,654	6.7%
2010	23,826	883,668	37,089	7.3%
2009	23,678	799,987	33,786	7.3%
2008	23,537	871,091	37,009	4.0%
2007	23,351	751,002	32,161	3.9%
2006	23,456	662,733	28,254	4.4%
2005	23,140	609,972	26,360	4.9%

Sources:

Panola County CAFR

Personal income from U.S. Bureau of Economic Analysis.

Unemployment rate from Texas Workforce Commission

Panola College
Statistical Supplement 13
Principal Employers by Industry
Current Fiscal Year
(unaudited)

Employer	Number of Employees	Percentage of Total Employment
Natural Resource and Mining	1,315	12.49%
Construction	2,553	24.26%
Manufacturing	921	8.75%
Trade, Transportation, Utilities	1,821	17.30%
Information	56	0.53%
Financial Activities	276	2.62%
Professional Business Services	696	6.61%
Education Health Services	888	8.44%
Leisure Hospitality	417	3.96%
Other Services	176	1.67%
Federal	71	0.67%
State	58	0.55%
Local	1,279	12.15%
Total	10,527	100.00%

Source:

East Texas Council of Governments: Sites on Texas;
Texas Metropolitan Statistical Area Data

Note:

Percentages are calculated using the midpoints of the ranges.
This institution previously did not present this schedule and chose to implement prospectively.

Panola College
Statistical Supplement 14
Faculty, Staff, and Administrators Statistics
Last Ten Fiscal Years
(unaudited)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Faculty										
Full-Time	69	69	65	63	61	63	64	61	61	61
Part-Time	78	76	74	78	71	60	54	56	54	46
Total	147	145	139	141	132	123	118	117	115	107
Percent										
Full-Time	46.9%	47.6%	46.8%	44.7%	46.2%	51.2%	54.2%	52.1%	53.0%	57.0%
Part-Time	53.1%	52.4%	53.2%	55.3%	53.8%	48.8%	45.8%	47.9%	47.0%	43.0%
Staff and Administrators										
Full-Time	80	77	75	74	72	73	72	69	68	67
Part-Time	63	62	62	68	68	65	67	62	56	70
Total	143	139	137	142	140	138	139	131	124	137
Percent										
Full-Time	55.9%	55.4%	54.7%	52.1%	51.4%	52.9%	51.8%	52.7%	54.8%	48.9%
Part-Time	44.1%	44.6%	45.3%	47.9%	48.6%	47.1%	48.2%	47.3%	45.2%	51.1%
FTSE per Full-time Faculty	27.7	28.0	28.6	28.6	26.5	24.6	23.0	22.6	22.7	23.4
FTSE per Full-Time Staff Member	23.9	25.1	24.8	23.1	22.5	21.3	22.0	20.1	20.3	21.3
Average Annual Faculty Salary	\$51,965	\$54,794	\$50,215	\$49,218	\$48,558	\$50,562	\$46,602	\$45,801	\$44,746	\$43,489

Panola College
Statistical Supplement 17
Transfers to Senior Institutions
2013 Fall Students as of Fall 2014
(Includes only public senior colleges in Texas)
(unaudited)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
	Academic	Technical	Tech-Prep		
1 Angelo State University				0	0.00%
2 Lamar University	7			7	2.75%
3 Midwestern State University	1			1	0.39%
4 Prairie View A & M University	2			2	0.78%
5 Sam Houston State University	13	1	1	15	5.88%
6 Southwest Texas State University				0	0.00%
7 Stephen F Austin State University	86	20	2	108	42.35%
8 Sul Ross State University	1			1	0.39%
9 Tarleton State University	5	1		6	2.35%
10 Texas A & M International University				0	0.00%
11 Texas A & M University	25	3		28	10.98%
12 Texas A & M University at Commerce	3			3	1.18%
13 Texas A & M University at Corpus Christi	2			2	0.78%
14 Texas A & M University at Galveston				0	0.00%
15 Texas A & M University at Kingsville				0	0.00%
16 Texas A & M University at Texarkana	3			3	1.18%
16 Texas A & M University HSC	1			1	0.39%
17 Texas Southern University	2			2	0.78%
18 Texas State University - San Marcos	4	2		6	2.35%
19 Texas Tech University	3	1		4	1.57%
20 Texas Tech University Health Sciences Center	1			1	0.39%
21 Texas Women's University				0	0.00%
22 The University of Texas at Arlington	4	1		5	1.96%
23 The University of Texas at Austin	8			8	3.14%
24 The University of Texas at El Paso				0	0.00%
25 The University of Texas at Dallas				0	0.00%
26 The University of Texas Medical Branch at Galveston		2		2	0.78%
27 The University of Texas HSC Houston	1			1	0.39%
27 The University of Texas HSC San Antonio	2			2	0.78%
28 The University of Texas at Tyler	19	12	1	32	12.55%
29 The University of Texas at Pan American				0	0.00%
30 The University of Texas at Brownsville				0	0.00%
31 University of Houston	2			2	0.78%
32 University of Houston - Downtown				0	0.00%
33 University of Houston at Victoria	1			1	0.39%
34 University of North Texas	11			11	4.31%
35 West Texas A & M University	1			1	0.39%
Totals	208	43	4	255	100.00%

Source: THECB Automated Student and Adult Learner Follow-Up System. Most current information available is listed.

Panola College
Statistical Supplement 18
Capital Asset Information
Fiscal Years 2005 to 2014
(unaudited)

	Fiscal Year									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Academic buildings	9	9	9	9	9	9	9	9	9	8
Square footage (in thousands)	146	146	146	146	146	146	146	146	146	132
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	32	32	32	32	32	32	17	17	17	17
Number of Volumes (in thousands)	120	120	120	120	104	87	83	81	117	104
Administrative and support buildings	3	3	3	3	3	3	3	3	3	3
Square footage (in thousands)	25	25	25	25	25	25	25	25	25	25
Dormitories	1	1	2	2	2	2	2	2	2	2
Square footage (in thousands)	20	20	26	26	26	26	26	26	26	26
Number of Beds	94	94	120	120	120	120	120	120	120	120
Apartments	4	4	3	3	3	3	3	3	3	3
Square footage (in thousands)	29	29	29	18	18	18	18	18	18	18
Number of beds	160	160	160	96	96	96	96	96	96	96
Dining Facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	25	25	25	25	25	25	25	25	25	25
Average daily customers	105	105	105	105	105	105	105	105	105	105
Athletic Facilities	2	2	2	2	2	2	2	2	2	2
Square footage (in thousands)	37	37	37	37	37	37	37	37	37	37
Gymnasiums	1	1	1	1	1	1	1	1	1	1
Fitness Centers	1	1	1	1	1	1	1	1	1	1
Plant facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	17	17	17	17	17	17	17	17	17	17
Transportation										
Cars	-	-	-	1	1	1	1	2	2	2
Light Trucks/Vans	9	9	9	9	10	10	9	11	10	9
Buses	2	2	2	2	2	2	2	2	2	2