

PANOLA COLLEGE
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
AUGUST 31, 2016 AND 2015



PREPARED BY:
FISCAL SERVICES DEPARTMENT
PANOLA COLLEGE

**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**PANOLA COLLEGE
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INTRODUCTORY SECTION



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

November 29, 2016

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, 2016. 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 if expenditures of federal or state awards exceed \$750,000. This is in conformity with the provisions of the Single Audit Act as amended in 1996 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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. Additional funds (from reserves) were approved by the Panola College Board of Trustees to complete the various projects; by the end of fiscal year 2016 all projects were completed or in the final stages of completion.

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. 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 2,700 credit students and 400 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, state appropriations and federal revenue. Although the state appropriations have significantly decreased as a percentage of the College's total funding, the overall outlook for the future remains strong due to student growth, strategic leadership and fiscal management. As part of Panola College's long-term financial plan, sufficient reserves are maintained 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

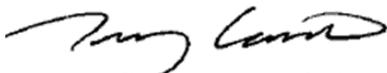
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) for the fiscal year ended August 31, 2015 to Panola College for its comprehensive annual financial report. This was the twenty-first consecutive 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,



Troy Caserta, MAcc, 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

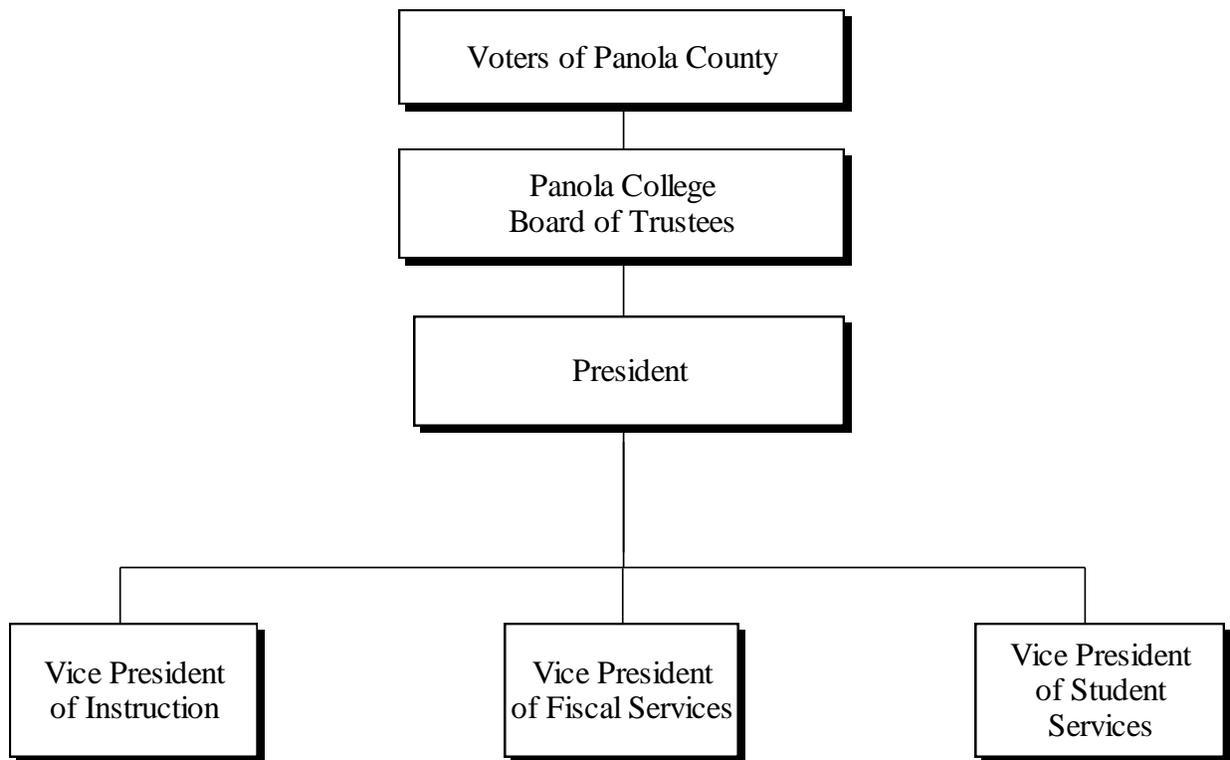
August 31, 2015

Executive Director/CEO

ORGANIZATIONAL CHART

PANOLA COLLEGE

Carthage, Texas



**PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 2016**

BOARD OF TRUSTEES

OFFICERS

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

**Chair
Vice-Chair
Secretary**

MEMBERS

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

**Term Expires
May 31**

**2018
2018
2020
2020
2022
2022
2022**

ADMINISTRATION

Dr. Gregory S. Powell

President

Dr. Joe Shannon

Vice President of Instruction

Mr. Troy Caserta, MAcc, 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

Wilbur E. Alexander, CPA
(1940 – 2009)

Certified Public Accountants, A Professional Corporation
4000 S. Medford Drive, Lufkin, Texas 75901
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E-mail: admin@alhcpa.com Website: www.alhcpa.com

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, 2016 and 2015, which collectively comprise the 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 from 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, 2016 and 2015 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.

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 contributions on pages 12 through 17 and 53 through 55 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.

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and statistical supplements are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Other Matters - Continued

Other Information - Continued

The supplementary schedules, including the schedule of expenditures of federal 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 29, 2016 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.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 29, 2016

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, 2016. 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, 2016 by \$38,240,610 (net position). Of this amount, \$14,707,242 (unrestricted net position) may be used to meet the College's ongoing obligations.
- Revenue exceeded expenses by \$4,018,423, or 11.7%, 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, 2016, 2015 and 2014

	2016	% of Total	Increase (Decrease)	% Change	2015	2014
Assets:						
Current assets	\$ 23,628,238	29.3%	\$ (6,216,487)	(20.8%)	\$ 29,844,725	\$ 27,143,589
Noncurrent assets:						
Capital assets, net	53,740,919	66.7%	6,245,708	13.2%	47,495,211	19,031,850
Other	3,186,800	4.0%	24,261	0.8%	3,162,539	3,071,979
Total assets	80,555,957	100.0%	53,482	0.1%	80,502,475	49,247,418
Deferred outflows	598,650	100.0%	163,440	37.6%	435,210	-
Liabilities:						
Current liabilities	8,197,427	19.3%	(2,147,702)	(20.8%)	10,345,129	7,410,681
Non-current liabilities	34,383,830	80.7%	(1,266,917)	(3.6%)	35,650,747	10,448,717
Total liabilities	42,581,257	100.0%	(3,414,619)	(7.4%)	45,995,876	17,859,398
Deferred Inflows	332,740	100.0%	(386,880)	(53.8%)	719,620	-
Net position:						
Net investment in						
capital assets	20,679,735	54.0%	7,036,619	51.6%	13,643,116	12,311,505
Restricted	3,729,754	9.8%	(1,601,787)	(30.0%)	5,331,541	8,243,531
Unrestricted	13,831,121	36.2%	(1,416,409)	(9.3%)	15,247,530	10,832,984
Total net position	\$ 38,240,610	100.0%	\$ 4,018,423	11.7%	\$ 34,222,187	\$ 31,388,020

Funds used for construction purposes transitioned cash reserves from current assets (dropping \$6.2M) and restricted net investment (\$2.5M) into investments in the College's infrastructure and capital assets (increasing by \$6.2M and \$7.0M respectfully). Overall the 2015-16 year's activity increases Panola College's net position by \$4,018,423, an increase of 11.7%. The College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,240,610 at August 31, 2016. Assets amounted to \$80,555,957 with investment in capital assets comprising \$53.7M of that total. Capital assets include land, library books, buildings and improvements, 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 54.0% of total net position. It should be noted that the capital assets themselves may not be used to liquidate liabilities. Additionally, \$3,729,754 (9.8%) of total net position is externally restricted. The remaining balance of \$13,831,121 represents unrestricted net position that may be used to meet the College's ongoing obligations. Total liabilities amounted to \$42.6M, down 7.4% from the previous year. With the implementation of GASB Statement 68 the College has 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; decisions regarding these recorded allocations are made by the administrators of the pension plan, not by the College.

Major projects completed in 2015-16 include: Charles C Mathews Foundation Student Center; Arthur Johnson Gymnasium; Monk Science Building – renovation; Clock Tower delivery and install; administration and ballroom parking area; Smith Building renovation; demolition of fitness center and gym; demolition of Phoebe Sue Pearlman student center.

**Condensed Statements of Revenues,
Expenses, and Changes in Net Position
For the Years Ended August 31, 2016, 2015 and 2014**

	2016	% of Total	Increase (Decrease)	% Change	2015	2014
Operating revenues						
Tuition & fees, net	\$ 3,179,548	10.6%	\$ 205,481	6.9%	\$ 2,974,067	\$ 3,409,716
Grants and contracts	715,754	2.4%	(523,593)	(42.2%)	1,239,347	710,748
Auxiliary enterprises	1,085,143	3.6%	(104,119)	(8.8%)	1,189,262	1,118,502
Other operating revenues	375,450	1.3%	16,928	4.7%	358,522	355,084
Total operating revenues	5,355,895	17.9%	(405,303)	(7.0%)	5,761,198	5,594,050
Non-operating revenues						
State appropriations	5,967,663	20.0%	612,035	11.4%	5,355,628	5,305,479
Ad-valorem taxes	8,938,870	29.9%	(684,060)	(7.1%)	9,622,930	9,010,677
Federal revenue	8,892,877	29.8%	17,061	0.2%	8,875,816	9,100,492
Gifts	607,333	2.0%	61,721	11.3%	545,612	165,382
Gain (loss) on assets	(176,567)	(0.6%)	(187,441)	(1723.8%)	10,874	(50,505)
Investment income	280,166	0.9%	42,545	17.9%	237,621	218,850
Total non-operating revenues	24,510,342	82.1%	(138,139)	(0.6%)	24,648,481	23,750,375
Total revenues	29,866,237	100.0%	(543,442)	(1.8%)	30,409,679	29,344,425
Operating expenses						
Instruction	8,364,897	32.4%	228,284	2.8%	8,136,613	7,959,060
Public service	206,081	0.8%	(99,368)	(32.5%)	305,449	291,095
Academic support	2,603,904	10.1%	286,924	12.4%	2,316,980	2,223,237
Student services	1,560,998	6.0%	120,057	8.3%	1,440,941	1,301,687
Institutional support	2,532,086	9.8%	169,848	7.2%	2,362,238	2,161,827
O & M of plant	1,710,730	6.6%	203,630	13.5%	1,507,100	1,724,697
Scholarships & fellowships	3,770,966	14.6%	(277,926)	(6.9%)	4,048,892	4,293,425
Auxiliary enterprises	2,902,697	11.2%	97,132	3.5%	2,805,565	2,712,348
Depreciation	2,025,348	7.8%	1,099,560	118.8%	925,788	867,811
Total operating expenses	25,677,707	99.3%	1,828,141	7.7%	23,849,566	23,535,187
Non-operating expenses	170,107	0.7%	(890,507)	(84.0%)	1,060,614	504,087
Total expenses	25,847,814	100.0%	937,634	3.8%	24,910,180	24,039,274
Changes in net position	4,018,423	10.5%	(1,481,076)	(26.9%)	5,499,499	5,305,151
Beginning net position	34,222,187	89.5%	2,834,167	9.0%	31,388,020	26,082,869
Prior period adjustment	-	0.0%	2,665,332	(100.0%)	(2,665,332)	-
Ending net position	\$ 38,240,610	100.0%	\$ 4,018,423	11.7%	\$ 34,222,187	\$ 31,388,020

Operating revenues amounted to \$5,355,895 and non-operating revenues \$24,510,342 for a total of \$29,866,237. Major operating revenues include (net of discounts) \$3,179,548 in tuition and fees, \$715,754 in grants and contracts, and \$1,085,143 in auxiliary enterprises. Major non-operating revenues include \$5,967,663 in state appropriations, \$8,938,870 in ad-valorem taxes, and \$8,892,877 in federal revenues.

Operating expenses totaled \$25,677,707 and non-operating expenses were \$170,107 for total expenses of \$25,847,814. Instruction operating expense 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 includes funds expended for activities that are es-

established primarily to provide non-instructional services beneficial to individuals and groups external to the College. Academic support 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 include expenses for offices of records and admissions and student activities. Institutional support 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 are expenditures for the operation and maintenance of the physical plant. Scholarships and fellowships includes scholarships and fellowships including tuition remissions and exemptions. Auxiliary enterprises include expenditures for the college store, food service, residence halls, and athletic programs.

Condensed Statements of Cash Flows
For the Years Ended August 31, 2016, 2015 and 2014

	2016	Increase (Decrease)	2015	2014
Cash provided by/(used) for:				
Operating activities	\$(18,858,027)	\$ (4,417,011)	\$(14,441,016)	\$(14,988,611)
Noncapital financing activities	22,550,775	(776,909)	23,327,684	22,696,268
Capital and related financing activities	(10,285,616)	(3,607,979)	(6,677,637)	865,917
Investing activities	3,633,145	2,317,862	1,315,283	(4,624,935)
Net increase (decrease) in cash and cash equivalents	(2,959,723)	(6,484,037)	3,524,314	3,948,639
Cash and cash equivalents – beginning of year	9,482,682	3,524,314	5,958,368	2,009,729
Cash and cash equivalents – end of year	\$ 6,522,959	\$ (2,959,723)	\$ 9,482,682	\$ 5,958,368

Cash and cash equivalents at August 31, 2016 were \$6,522,959, which is decrease of \$2,959,723 or 31.2%.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

Given the positive net position and the positive trend of continued productivity, the College's financial position remains strong, with unrestricted net position representing almost 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, 2016 amounts to \$53,740,919 (net of accumulated depreciation) and represents a 13.2% 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, 2016, 2015 and 2014

	2016	Increase (Decrease)	% Change	2015	2014
Land	\$ 1,882,273	\$ -	0.0%	\$ 1,882,273	\$ 1,822,519
Library Books	169,373	(9,856)	(5.5%)	179,229	195,091
Buildings and Improvements	50,427,918	40,126,293	389.5%	10,301,625	10,818,383
Construction in Progress	-	(33,626,178)	(100.0%)	33,626,178	5,120,955
Furniture and Equipment	1,261,355	(244,551)	(16.2%)	1,505,906	1,074,902
Total	\$ 53,740,919	\$ 6,245,708	13.2%	\$ 47,495,211	\$ 19,031,850

Please refer to footnote “8—Capital Assets” for additional information.

Long-term Debt

The College issued \$6 million, 10-year revenue bonds in April 2008. The principal balance at August 31, 2016 was \$1,200,000. The College issued \$2.5 million, 15-year revenue bonds in March 2005. The principal balance at August 31, 2016 was \$812,000. In September 2013, the College issued 25-year general obligation bonds of \$9,325,000. The principal balance at August 31, 2016 was \$6,965,000. In September 2014, the College issued 25-year general obligation bonds of \$25,155,000. The principal balance at August 31, 2016 was \$23,270,000.

Long-term Liabilities
as of August 31, 2016, 2015 and 2014

	2016	Increase (Decrease)	% Change	2015	2014
General obligation bonds	\$ 30,235,000	\$ (855,000)	(2.8%)	\$ 31,090,000	\$ 7,360,000
General obligation bonds premium	814,183	(212,493)	(20.7%)	1,026,676	315,941
Revenue bonds payable	2,012,000	(785,000)	(28.1%)	2,797,000	3,575,000
Total	\$ 33,061,183	\$ (1,852,493)	(5.3%)	\$ 34,913,676	\$ 11,250,941

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 9 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. 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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
	<u>Primary</u>	<u>Primary</u>
	<u>Institution</u>	<u>Institution</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,522,959	\$ 9,482,682
Short-term investments	12,158,504	15,537,636
Accounts receivable (net)	3,731,973	3,389,514
Inventories	393,060	502,095
Other assets	821,742	932,798
Total Current Assets	<u>23,628,238</u>	<u>29,844,725</u>
Noncurrent Assets		
Endowment and other short-term investments	3,186,800	3,162,539
Capital assets, net (See note)	53,740,919	47,495,211
Total Noncurrent Assets	<u>56,927,719</u>	<u>50,657,750</u>
Total Assets	<u>80,555,957</u>	<u>80,502,475</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	598,650	435,210
Total Deferred Outflows of Resources	<u>598,650</u>	<u>435,210</u>
LIABILITIES		
Current Liabilities		
Accounts payable	675,837	3,380,661
Accrued liabilities	238,160	227,762
Accrued compensable absences - current portion	120,340	119,878
Funds held for others	498,477	503,858
Unearned revenues	4,799,017	4,260,477
Bonds payable - current portion	1,865,596	1,852,493
Total Current Liabilities	<u>8,197,427</u>	<u>10,345,129</u>
Noncurrent Liabilities		
Deposits	77,495	73,295
Accrued compensable absences	174,722	163,824
Bonds payable	31,195,587	33,061,183
Net pension liability	2,936,026	2,352,445
Total Noncurrent Liabilities	<u>34,383,830</u>	<u>35,650,747</u>
Total Liabilities	<u>42,581,257</u>	<u>45,995,876</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	332,740	719,620
Total Deferred Inflows of Resources	<u>332,740</u>	<u>719,620</u>
NET POSITION		
Net investment in capital assets	20,679,735	13,643,116
Restricted for		
Nonexpendable		
Student Aid	3,152,841	3,131,018
Expendable		
Construction	81,504	1,061,583
Debt Service	453,714	451,718
Student Aid	41,695	687,222
Unrestricted	13,831,121	15,247,530
Total Net Position	<u>\$ 38,240,610</u>	<u>\$ 34,222,187</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, 2016 and 2015

	2016 Panola College Foundation	2015 Panola College Foundation
Assets		
Cash and cash equivalents	\$ 350,286	\$ 295,015
Short-term certificates of deposit	120,387	120,310
Mutual fund investments	1,777,754	1,654,763
Annuity contracts	83,555	79,068
Total Assets	<u>2,331,982</u>	<u>2,149,156</u>
Liabilities		
Accounts payable	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Unrestricted	888,323	851,357
Permanently restricted	1,443,659	1,297,799
Total Net Position	<u>\$ 2,331,982</u>	<u>\$ 2,149,156</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
	<u>Primary</u>	<u>Primary</u>
	<u>Institution</u>	<u>Institution</u>
Operating Revenues		
Tuition and fees (net of discounts of \$4,959,298 for 2016 and \$4,626,937 for 2015)	\$ 3,179,548	\$ 2,974,067
Federal grants and contracts	522,957	485,699
State grants and contracts	188,336	737,228
Non-governmental grants and contracts	4,461	16,420
Sales and services of educational activities	83,562	98,817
Auxiliary enterprises (net of discounts of \$2,041,126 for 2016 and \$1,923,924 for 2015)	1,085,143	1,189,262
Other operating revenues (net of discounts of \$-0-)	291,888	259,705
Total Operating Revenues (Schedule A)	<u>5,355,895</u>	<u>5,761,198</u>
Operating Expenses		
Instruction	8,364,897	8,136,613
Public service	206,081	305,449
Academic support	2,603,904	2,316,980
Student services	1,560,998	1,440,941
Institutional support	2,532,086	2,362,238
Operation and maintenance of plant	1,710,730	1,507,100
Scholarships and fellowships	3,770,966	4,048,892
Auxiliary enterprises	2,902,697	2,805,565
Depreciation	2,025,348	925,788
Total Operating Expenses (Schedule B)	<u>25,677,707</u>	<u>23,849,566</u>
Operating Loss	<u>(20,321,812)</u>	<u>(18,088,368)</u>
Non-Operating Revenues (Expenses)		
State appropriations	5,967,663	5,355,628
Ad-valorem taxes - maintenance & operations	6,934,903	6,936,082
Ad-valorem taxes - debt service	2,003,967	2,686,848
Federal revenue, non-operating	8,892,877	8,875,816
Gifts	609,048	545,612
Transfer to Panola College Foundation	(56,796)	-
Investment income (net of investment expenses)	187,700	153,106
Gain (loss) on disposal of capital assets	(176,567)	10,874
Royalty income	92,466	84,515
Interest on capital related debt	(170,107)	(461,443)
Bond issuance costs	-	(599,171)
Net Non-Operating Revenues (Schedule C)	<u>24,285,154</u>	<u>23,587,867</u>
Income Before Other Revenues	3,963,342	5,499,499
Other Revenues		
Additions to Permanent Endowments	55,081	-
Total Other Revenues	<u>55,081</u>	<u>-</u>
Increase in Net Position	4,018,423	5,499,499
Net Position		
Net position - beginning of year	34,222,187	31,388,020
Cumulative effect of change in accounting principle	-	(2,665,332)
Net position - beginning of year as restated	-	28,722,688
Net position - end of year	<u>\$ 38,240,610</u>	<u>\$ 34,222,187</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, 2016 and 2015

	2016 Panola College Foundation Unrestricted	2016 Panola College Foundation Restricted	2016 Panola College Foundation Total
Revenue			
Investment income	\$ 182	\$ 63,401	\$ 63,583
Unrealized investment income(loss)	-	43,631	43,631
Realized investment income(loss)	-	-	-
Gifts	167,154	10,000	177,154
Transfer from Panola College		56,796	56,796
Other	159	-	159
Total Revenue	<u>167,495</u>	<u>173,828</u>	<u>341,323</u>
Expenses			
Scholarships and support	130,529	27,968	158,497
Total Expenses	<u>130,529</u>	<u>27,968</u>	<u>158,497</u>
Increase in Net Position	36,966	145,860	182,826
Net position - beginning of year	851,357	1,297,799	2,149,156
Net position - end of year	<u>\$ 888,323</u>	<u>\$ 1,443,659</u>	<u>\$ 2,331,982</u>

	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	-	(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>

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, 2016 and 2015

	2016	2015
	Primary Institution	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 4,902,472	\$ 4,515,180
Receipts from grants and contracts	790,048	1,190,809
Payments to or on behalf of employees	(11,591,878)	(11,252,367)
Payments to suppliers for goods or services	(9,187,703)	(4,845,746)
Payments of scholarships	(3,770,966)	(4,048,892)
Net cash used for operating activities	<u>(18,858,027)</u>	<u>(14,441,016)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	4,675,980	4,315,726
Ad valorem tax revenues	8,903,456	9,615,623
Receipts from non-operating federal revenue	8,560,366	8,818,403
Proceeds from disposal of assets	2,400	16,237
Gifts and grants (other than capital)	409,754	460,697
Student organization and other agency transactions	(1,181)	100,998
Net cash provided by noncapital financing activities	<u>22,550,775</u>	<u>23,327,684</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(8,252,444)	(29,309,597)
Proceeds from issuance of bonds (net of bond issuance costs)	-	25,500,000
Interest expense paid	(393,172)	(665,040)
Payments on capital debt and leases	(1,640,000)	(2,203,000)
Net cash provided by (used for) capital and related financing activities	<u>(10,285,616)</u>	<u>(6,677,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	30,783,514	34,591,126
Investment earnings	254,793	232,726
Purchases of investments	(27,405,162)	(33,508,569)
Net cash provided by (used for) investing activities	<u>3,633,145</u>	<u>1,315,283</u>
Increase (decrease) in cash and cash equivalents	(2,959,723)	3,524,314
Cash and cash equivalents - beginning of year	<u>9,482,682</u>	<u>5,958,368</u>
Cash and cash equivalents - end of year	<u>\$ 6,522,959</u>	<u>\$ 9,482,682</u>
Noncash investing, capital, and financing activities:		
Increase (decrease) in fair value of investments	<u>\$ 23,480</u>	<u>\$ (2,504)</u>
Amortization of bond premium	<u>\$ 212,493</u>	<u>\$ 233,436</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, 2016 and 2015

	2016	2015
	Primary	Primary
	Institution	Institution
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (20,321,812)	\$ (18,088,368)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	2,025,348	925,788
On-behalf state benefits (excluding pension expense)	969,030	862,056
Pension expense	613,309	395,285
College's contributions to TRS made subsequent to the measurement date	(257,395)	(245,917)
Changes in assets and liabilities		
(Increase) decrease in Receivables, net	27,356	(73,260)
(Increase) decrease in Inventories	109,035	(27,663)
(Increase) decrease in Other assets	111,056	(179,401)
Increase in Unearned revenue	538,540	247,319
Increase (decrease) in Accounts payable	(2,704,825)	1,762,583
Increase (decrease) in Accrued liabilities-payroll related	20,971	(44,343)
Increase in Compensated absences	11,360	24,905
Total Adjustments	<u>1,463,785</u>	<u>3,647,352</u>
Net cash used for operating activities	<u>\$ (18,858,027)</u>	<u>\$ (14,441,016)</u>

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, 2016 AND 2015

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 Discounting

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.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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, 2016, 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

Investments are reported at fair value on a recurring basis. Fair values are based on quoted prices (level 1 inputs). Short-term investments have an original maturity greater than three months but less than one year at time of purchase. For the year ended August 31, 2016, investments in LoneStar Investment Pool are reported at the net asset value per share using the amortized cost method (which approximates fair value). (The governing board has designated public funds investment pools comprised of \$925 and \$4,809,573 at August 31, 2016 and 2015, respectively, to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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, 2016 and 2015 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.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

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 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 resources 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. 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, 2016 and 2015 amounted to approximately \$158,497 and \$163,187 respectively.

Deposits were fully covered by FDIC insurance at August 31, 2016 and 2015, 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 2016 and 2015 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 60 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 \$925 and \$4,809,573 for the years ending August 31, 2016 and 2015, 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 \$271,536 and \$216,806 for the years ending August 31, 2016 and 2015, 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, 2016</u>	<u>August 31, 2015</u>
Cash and Deposits		
Cash in Banks:		
Demand Deposits	\$ 6,519,644	\$ 4,670,719
Time Deposits	15,073,768	18,483,369
Petty Cash on Hand	2,390	2,390
Total Cash and Deposits	<u>21,595,802</u>	<u>23,156,478</u>
Investments		
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	925	4,809,573
Mutual Fund Investments	271,536	216,806
Total Investments	<u>272,461</u>	<u>5,026,379</u>
Total Deposits and Investments	<u>\$ 21,868,263</u>	<u>\$ 28,182,857</u>

Classification in Statement of Net Position, Exhibit 1

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Cash and Cash Equivalents		
Cash in Banks:		
Demand Deposits	\$ 6,519,644	\$ 4,670,719
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	925	4,809,573
Petty Cash on Hand	2,390	2,390
Total Cash and Cash Equivalents	<u>6,522,959</u>	<u>9,482,682</u>
Short-Term Investments		
Cash in Banks – Time Deposits	<u>12,158,504</u>	<u>15,537,636</u>
Endowment and Other Short-Term Investments		
Cash in Banks – Time Deposits	2,915,264	2,945,733
Mutual Fund Investments	271,536	216,806
Total Short-Term Investments	<u>3,186,800</u>	<u>3,162,539</u>
Total Cash, Deposits and Investments	<u>\$ 21,868,263</u>	<u>\$ 28,182,857</u>

PANOLA COLLEGE
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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, 2016 and 2015, the bank balances of the College's deposits were \$22,001,142 and \$23,741,801, respectively. Of these balances, the amounts covered by FDIC insurance were \$814,655 and \$672,122 at August 31, 2016 and 2015, respectively. The remaining balance at August 31, 2016 and 2015 of \$21,186,487 and \$23,069,679, respectively, were entirely covered by pledged collateral held by the pledging financial institution's agent bank in the College's name. Therefore, the College was not exposed to custodial credit risk at August 31, 2016 and 2015.
- 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, 2016 and 2015, 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>8/31/16</u>	<u>8/31/15</u>
The Growth Fund of America	16.96%	-
New Perspective Fund	12.17%	-
Capital Income Builder	20.72%	-
Washington Mutual Investors Fund	16.32%	-
American Balanced Fund	33.50%	-
<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

**PANOLA COLLEGE
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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, 2016 and 2015, endowment interest, dividend earnings, and capital gains totaled \$18,850 and \$17,066 respectively. Gifts to endowments totaled \$55,081 and \$29,319 for the fiscal years ended August 31, 2016 and 2015, respectively. Unrealized gains and losses for the years ended August 31, 2016 and 2015 totaled \$23,480 gain and \$2,504 loss, 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, 2016 was as follows:

<u>Description</u>	<u>Balance September 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance August 31, 2016</u>
Capital assets not being depreciated:				
Construction in progress	\$ 33,626,178	\$ -	\$ 33,626,178	\$ -
Land	1,882,273	-	-	1,882,273
Total capital assets not being depreciated	35,508,451	-	33,626,178	1,882,273
Capital assets being depreciated:				
Buildings and Improvements	23,170,188	41,896,293	1,789,667	63,276,814
Furniture, Fixtures, Machinery & Equipment and Other Equipment	5,161,860	155,564	11,500	5,305,924
Library Books	434,038	24,345	52,337	406,046
Total capital assets being depreciated	28,766,086	42,076,202	1,853,504	68,988,784
Less accumulated depreciation for:				
Building and Improvements	(12,868,563)	(1,591,032)	(1,610,699)	(12,848,896)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(3,655,954)	(400,115)	(11,500)	(4,044,569)
Library Books	(254,809)	(34,201)	(52,337)	(236,673)
Total accumulated depreciation	(16,779,326)	(2,025,348)	(1,674,536)	(17,130,138)
Total capital assets being depreciated, net	11,986,760	40,050,854	178,968	51,858,646
Net Capital Assets	\$ 47,495,211	\$ 40,050,854	\$ 33,805,146	\$ 53,740,919

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NOTES TO THE FINANCIAL STATEMENTS
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Capital assets activity for the year ended August 31, 2015 was as follows:

Description	Balance September 1, 2014	Increases	Decreases	Balance August 31, 2015
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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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9. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2016 was as follows:

	Balance September 1, 2015	Additions	Reductions	Balance August 31, 2016	Current Portion
<u>Notes and Bonds</u>					
Revenue Bonds Payable	\$ 2,797,000	\$ -	\$ 785,000	\$ 2,012,000	\$ 792,000
General Obligation Bonds Payable	31,090,000	-	855,000	30,235,000	885,000
General Obligation Bond Premium	1,026,676	-	212,493	814,183	188,596
<u>Other Long-Term Liabilities</u>					
Accrued Compensable Absences	283,702	117,508	106,148	295,062	120,340
Net Pension Liability	2,352,445	829,522	245,941	2,936,026	-
Total Long-Term Liabilities	\$ 37,549,823	\$ 947,030	\$ 2,204,582	\$ 36,292,271	\$ 1,985,936

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

	Balance September 1, 2014	Additions	Reductions	Balance August 31, 2015	Current Portion
<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

PANOLA COLLEGE
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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 \$893,361 and \$1,117,643 at August 31, 2016 and 2015, respectively. Principal and interest paid during the years ended August 31, 2016 and 2015 was \$224,282 and \$224,295 respectively. Total dorm fee revenue for August 31, 2016 and 2015 was \$1,204,345 and \$1,173,696, 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 \$1,251,840 and \$1,903,680 at August 31, 2016 and 2015, respectively. Principal and interest paid during the years ended August 31, 2016 and 2015 was \$651,840 and \$669,120 respectively. Total general use fee revenue for August 31, 2016 and 2015 was \$2,845,928 and \$2,616,563 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%	\$ 812,000
Series 2008	Library expansion	2.88%	<u>1,200,000</u>

Total outstanding revenue bonds \$ 2,012,000

Interest expense on the bonds amounted to \$81,909 and \$106,305 for the years ended August 31, 2016 and 2015, respectively. Accrued interest on the bonds at August 31, 2016 and 2015 amounted to approximately \$24,957 and \$34,171 respectively, and is included in the financial statements.

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

Year Ending August 31,	2016			2015		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2016	\$ -	\$ -	\$ -	\$ 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	\$ 133,201	\$ 2,012,000	\$ 2,145,201	\$ 224,323	\$ 2,797,000	\$ 3,021,323

PANOLA COLLEGE
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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 \$44,367,826 and \$46,384,713 at August 31, 2016 and 2015, respectively. Principal and interest paid during the years ended August 31, 2016 and 2015 was \$2,016,888 and \$2,576,314, 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%	\$ 6,965,000
Series 2014	Construction, renovation	2.00-5.00%	<u>23,270,000</u>

Total outstanding general obligation bonds \$30,235,000

Interest expense on the bonds amounted to \$1,161,029 and \$1,130,568 for the year ended August 31, 2016 and 2015, respectively. Accrued interest on the bonds at August 31, 2016 and 2015 amounted to approximately \$51,605 and \$52,964 respectively, and is included in the financial statements. Interest capitalized into construction in progress amounted to \$860,838 and \$542,554 for the years ended August 31, 2016 and 2015.

The original premiums associated with the bonds were \$944,171 and \$367,808 for the Series 2014 and Series 2013, respectively. Amortization amounted to \$212,493 and \$233,436 for the years ended August 31, 2016 and 2015.

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

Year Ending August 31,	2016			2015		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2016	\$ -	\$ -	\$ -	\$ 1,161,888	\$ 855,000	\$ 2,016,888
2017	1,130,112	885,000	2,015,112	1,130,112	885,000	2,015,112
2018	1,096,088	920,000	2,016,088	1,096,088	920,000	2,016,088
2019	1,060,638	960,000	2,020,638	1,060,638	960,000	2,020,638
2020	1,019,788	1,000,000	2,019,788	1,019,788	1,000,000	2,019,788
2021	972,088	1,045,000	2,017,088	972,088	1,045,000	2,017,088
2022-2026	4,106,837	5,975,000	10,081,837	4,106,837	5,975,000	10,081,837
2027-2031	2,987,825	7,095,000	10,082,825	2,987,825	7,095,000	10,082,825
2032-2036	1,604,047	8,475,000	10,079,047	1,604,047	8,475,000	10,079,047
2037-2038	155,403	3,880,000	4,035,403	155,403	3,880,000	4,035,403
Total	\$ <u>14,132,826</u>	\$ <u>30,235,000</u>	\$ <u>44,367,826</u>	\$ <u>15,294,713</u>	\$ <u>31,090,000</u>	\$ <u>46,384,713</u>

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

Receivables

Receivables at August 31, 2016 and 2015 were as follows:

	<u>2016</u>			<u>2015</u>		
	Total Receivable	Less Allowance For Uncollectibles	Net Receivable	Total Receivable	Less Allowance For Uncollectibles	Net Receivable
Student Receivables	\$ 836,563	\$ 187,529	\$ 649,034	\$ 1,665,515	\$ 1,063,529	\$ 601,986
Taxes Receivable	486,490	268,425	218,065	399,322	216,671	182,651
Federal Receivables	2,807,936	-	2,807,936	2,475,425	-	2,475,425
State Receivables	4,161	-	4,161	78,455	-	78,455
Interest Receivable	49,531	-	49,531	47,641	-	47,641
Other Receivables	3,246	-	3,246	3,356	-	3,356
TOTAL	\$ 4,187,927	\$ 455,954	\$ 3,731,973	\$ 4,669,714	\$ 1,280,200	\$ 3,389,514

Payables

Payables at August 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Vendors Payable	\$ 675,837	\$ 3,380,661
Salaries and Benefits Payable	456,659	424,329
Students Payable	147,117	147,115
Accrued Interest	76,563	87,135
Other Payables	351,360	356,743
TOTAL	\$ 1,707,536	\$ 4,395,983

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 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.

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Taxes levied for current year operations are summarized below:

	2016	2015
Original tax levy	\$ 9,229,735	\$ 9,618,399
Supplemental levy and adjustments	146,288	315,803
Adjusted levy	9,376,023	9,934,202
Penalty and interest assessments	125,585	25,366
Total Levy	\$ 9,250,438	\$ 9,908,836

Tax collections for the years ended August 31, 2016 and 2015, including delinquent collections, exceeded 96% of the levy for both years.

A summary of tax data is presented as follows:

	2016	2015
Assessed valuation of the District	\$ 7,025,982,077	\$ 5,613,560,147
Less: Exemptions	(277,031,841)	(213,195,180)
Less: Abatements	(1,163,513,455)	(923,150,858)
Net Assessed Valuation of the District	\$ 5,585,436,781	\$ 4,477,214,109
Tax Rate Per \$100 authorized:		
Current Operations	\$ 0.35000	\$ 0.35000
Debt Service	0.50000	0.50000
Total	\$ 0.85000	\$ 0.85000
Tax Rate Per \$100 assessed		
Current Operations	\$ 0.16105	\$ 0.15483
Debt Service	0.04682	0.06000
Total	\$ 0.20787	\$ 0.21483
Gross Taxes Collected (Current Operations)	\$ 9,009,830	\$ 9,668,270
Discounts Allowed	(191,095)	(215,001)
Delinquent Taxes Collected	148,631	199,844
Penalties and Interest Collected	100,225	116,181
Collection Fees	(128,721)	(146,365)
Total Collections	\$ 8,938,870	\$ 9,622,929

PANOLA COLLEGE
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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:

	2016	2015
Tuition and Fees	\$ 3,826,217	\$ 3,570,754
Housing and Residential Life	679,040	686,350
Other	293,760	3,373
Total	\$ 4,799,017	\$ 4,260,477

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' 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 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 credited 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

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
College's Employer Contributions	\$245,917	\$257,395
College's Member Contributions	\$428,133	\$484,281
NECE On-behalf Contributions	\$189,745	\$200,303

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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, there are two additional surcharges an employer is subject to:

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Actuarial Assumptions. The total pension liability in the August 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

• Valuation Date	August 31, 2015
• Actuarial Cost Method	Individual Entry Age Normal
• Asset Valuation Method	Market Value
• Single Discount Rate	8.00%
• Long-term expected Investment Rate of Return	8.00%
• Inflation	2.50%
• Salary Increases including Inflation	3.50% to 9.50%
• Payroll Growth Rate	2.50%
• Benefit Changes during the Year	None
• Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014, and adopted on September 24, 2015.

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 System's target asset allocation as of August 31, 2015, are summarized below:

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2015

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution To Long-Term Portfolio Returns*
Global Equity			
U.S	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy & Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			
Alpha			1.0%
Total	100.0%		8.7%

*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 2015 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:	\$4,600,198	\$2,936,025	\$1,549,873

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, Panola College reported a liability of \$2,936,025 for its proportionate share of the TRS' 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

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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	\$2,936,025
State's proportionate share that is associated with Panola College	<u>2,264,490</u>
Total	<u>\$5,200,515</u>

The net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014, through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.0083059%, which was an increase (decrease) of (0.000501)% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation. The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2016, Panola College recognized pension expense of \$322,653 and revenue of \$322,653 for support provided by the State. The College also recognized their proportionate share of pension expense of \$438,671.

At August 31, 2016, Panola College reported its proportionate share of the TRS' 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	\$	30,257	\$	112,834
Change in actuarial assumptions	\$	127,172	\$	104,745
Difference between projected and actual investment earnings	\$	183,826	\$	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$	-	\$	115,161
Contributions paid to TRS subsequent to the measurement date (calculated by employer)	\$	257,395	\$	-
Total	\$	598,650	\$	332,740

The net amounts of the College'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
2016 (2017)	\$ (23,504)
2017 (2018)	\$ (23,504)
2018 (2019)	\$ (23,503)
2019 (2020)	\$ 156,249
2020 (2021)	\$ (26,406)
Thereafter	\$ (50,816)

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

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 2016, 2015 and 2014. The College contributed 5.20 percent for fiscal years 2016, 2015 and 2014 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>
2016	\$59,945	\$80,402	\$120,798	\$261,145	\$1,816,506
2015	59,355	78,838	119,609	257,802	1,798,628
2014	61,550	82,744	124,033	268,327	1,865,160

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, 2016 and 2015, the College had twenty-six and twenty-eight respectively, employees participating in the tax sheltered annuity program. A total of \$158,638 and \$124,300 in payroll deductions was invested in approved plans during the years ending August 31, 2016 and 2015, 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 \$295,062 at August 31, 2016 and \$283,702 at August 31, 2015. The liability is shown in the statement of net position split between current and noncurrent in the amounts of \$120,340 and \$174,722 respectively for August 31, 2016 and \$119,878 and \$163,824 respectively for August 31, 2015.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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 \$577 and \$538 per month per employee to the Plan for the years ending August 31, 2016 and 2015, 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
2016	152	6	\$ 626,705	\$ 861,655
2015	144	6	558,921	713,744
2014	142	6	527,052	690,419

18. HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance 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 \$577 per month for the year ended August 31, 2016 and \$538 per month for the year ended August 31, 2015 and totaled \$909,806 for the year ended August 31, 2016 and \$802,702 for the year ended August 31, 2015. The cost of providing those benefits for 69 retirees in the year ended August 31, 2016 was \$282,381 and benefits for 69 retirees cost \$243,781 in the year ended August 31, 2015. For 152 active employees, the cost was \$626,705 for the year ended August 31, 2016 and active employee benefits for 144 employees cost \$558,921 for the year ended August 31, 2015. SB 1812, effective September 1, 2013, limits the amount of the state's contribution to 50 percent of eligible employees in the reporting district.

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
2016	50	\$ 20.00	2	\$ 577
2015	52	20.00	2	538
2014	52	20.00	2	503

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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. 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.

Beginning September 1, 2013, SB 1812 limited the state's contribution to 50 percent of eligible employees for community colleges.

The College's contributions to SRHP for the years ended August 31, 2016, 2015, and 2014 were \$861,655, \$713,744, \$690,419, 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, 2016 and 2015 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 \$277,752 at August 31, 2016 and \$279,216 at August 31, 2015.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

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 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, 2016 and 2015, 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, 2016 or 2015.

26. **COMMITMENTS**

At August 31, 2016, the College has a commitment of \$348,175 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 \$110,872. Both of these relate to the 2013 and 2014 Bond Program projects.

27. **AUTHORITATIVE PRONOUNCEMENTS NOT YET EFFECTIVE**

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits 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.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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.

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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, 2016**

Fiscal year ending August 31,	2016	2015
College's proportion of the net pension liability (asset)	0.0083059%	0.0088069%
College's proportionate share of the net pension (asset)	\$ 2,936,025	\$ 2,352,445
State's proportionate share of the net pension liability (asset) associated with the College	2,264,490	1,923,725
Total	\$ 5,200,515	\$ 4,276,170
College's covered-employee payroll	\$ 6,390,034	\$ 5,935,288
College's proportionate share of the net pension liability (asset) as a percentage of its payroll	45.95%	39.63%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	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 two years 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, 2016**

Fiscal year ending August 31,	2016	2015
Contractually required contribution	\$ 257,395	\$ 245,917
Contributions in relation to the contractually required contribution	(257,395)	(245,917)
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 6,730,871	\$ 6,390,034
Contributions as a percentage of covered-employee payroll	3.82%	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, 2014 - August 31, 2015.

Note: Only two years 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

Notes to Required Supplementary Information For the Year Ended August 31, 2016

Defined Benefit Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

Economic Assumptions

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- a. The inflation assumption was decreased from 3.00% to 2.50%.
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-204 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

See independent auditor's report on required supplementary information.

SUPPLEMENTARY SCHEDULES



PANOLA COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2016 (With Memorandum Totals for the Year Ended August 31, 2015)

	Total				2016 Total	2015 Total
	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises		
Tuition						
State funded courses						
In-district resident tuition	\$ 352,017	\$ -	\$ 352,017	\$ -	\$ 352,017	\$ 340,265
Out-of-district resident tuition	955,761	-	955,761	-	955,761	937,009
TPEG (set aside)*	103,630	-	103,630	-	103,630	100,925
Non-resident tuition	146,488	-	146,488	-	146,488	136,938
State funded continuing education	287,796	-	287,796	-	287,796	275,218
Non-state funded continuing education	18,800	-	18,800	-	18,800	17,718
Total tuition	1,864,492	-	1,864,492	-	1,864,492	1,808,073
Fees						
General fee	2,845,928	-	2,845,928	-	2,845,928	2,616,563
Out-of-district fees	1,978,442	-	1,978,442	-	1,978,442	1,938,926
Laboratory fee	561,869	-	561,869	-	561,869	452,621
Other fees	888,115	-	888,115	-	888,115	784,821
Total fees	6,274,354	-	6,274,354	-	6,274,354	5,792,931
Scholarship allowances and discounts						
Institutional scholarships	(815,900)	-	(815,900)	-	(815,900)	(784,615)
Remissions and exemptions-state	(172,463)	-	(172,463)	-	(172,463)	(156,483)
Remissions and exemptions-local	(272,232)	-	(272,232)	-	(272,232)	(218,850)
Title IV federal grants	(3,615,110)	-	(3,615,110)	-	(3,615,110)	(3,327,426)
TPEG allowances	(48,065)	-	(48,065)	-	(48,065)	(33,233)
State grants to students	(35,528)	-	(35,528)	-	(35,528)	(106,330)
Total scholarship allowances	(4,959,298)	-	(4,959,298)	-	(4,959,298)	(4,626,937)
Total net tuition and fees	3,179,548	-	3,179,548	-	3,179,548	2,974,067
Additional operating revenues						
Federal grants and contracts	-	522,957	522,957	-	522,957	485,699
State grants and contracts	-	188,336	188,336	-	188,336	737,228
Nongovernmental grants and contracts	-	4,461	4,461	-	4,461	16,420
Sales and services of educational activities	83,562	-	83,562	-	83,562	98,817
General operating revenues	291,888	-	291,888	-	291,888	259,705
Total other operating revenues	375,450	715,754	1,091,204	-	1,091,204	1,597,869
Auxiliary enterprises						
Bookstore	-	-	-	1,921,924	1,921,924	1,939,490
Less allowances and discounts	-	-	-	(1,197,231)	(1,197,231)	(1,117,900)
Residential life	-	-	-	1,204,345	1,204,345	1,173,696
Less allowances and discounts	-	-	-	(843,895)	(843,895)	(806,024)
Total net auxiliary enterprises	-	-	-	1,085,143	1,085,143	1,189,262
Total Operating Revenues	\$ 3,554,998	\$ 715,754	\$ 4,270,752	\$ 1,085,143	\$ 5,355,895	\$ 5,761,198
					(Exhibit 2)	(Exhibit 2)

*In accordance with Education Code 56.033, \$103,630 and \$100,925 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, 2016 (With Memorandum Totals for the Year Ended August 31, 2015)

	Salaries And Wages	Benefits		Other Expenses	2016 Total	2015 Total
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 5,436,125	\$ -	\$ 1,043,774	\$ 900,806	\$ 7,380,705	\$ 7,375,505
Public Service	-	-	-	-	-	-
Academic Support	1,405,601	-	362,811	628,762	2,397,174	2,184,033
Student Services	845,004	-	230,873	204,930	1,280,807	1,214,924
Institutional Support	952,574	-	366,433	1,061,277	2,380,284	2,266,130
Operation and Maintenance of Plant	286,838	-	86,598	1,337,294	1,710,730	1,507,100
Scholarship and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	8,926,142	-	2,090,489	4,133,069	15,149,700	14,547,692
Restricted Educational Activities						
Instruction	98,774	781,318	15,261	88,839	984,192	761,108
Public Service	83,807	20,377	25,893	76,004	206,081	305,449
Academic Support	-	206,730	-	-	206,730	132,947
Student Services	214	131,456	110	148,411	280,191	226,017
Institutional Support	-	151,802	-	-	151,802	96,108
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarship and Fellowships	-	-	-	3,770,966	3,770,966	4,048,892
Total Restricted Educational Activities	182,795	1,291,683	41,264	4,084,220	5,599,962	5,570,521
Auxiliary Enterprises	313,465	-	103,314	2,485,918	2,902,697	2,805,565
Depreciation Expense-Buildings & other real estate improvements			-	1,591,032	1,591,032	516,758
Depreciation Expense-Equipment & fixtures		-	-	400,115	400,115	371,860
Depreciation Expense-Library books				34,201	34,201	37,170
Total	\$ 9,422,402	\$ 1,291,683	\$ 2,235,067	\$ 12,728,555	\$ 25,677,707	\$ 23,849,566

(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, 2016 (With Memorandum Totals for the Year Ended August 31, 2015)

	Unrestricted	Restricted	Auxiliary Enterprises	2016 Total	2015 Total
NON-OPERATING REVENUES					
State Appropriations					
Education and General State Support	\$ 4,675,980	\$ -	\$ -	\$ 4,675,980	\$ 4,315,726
State Group Insurance	-	909,086	-	909,086	802,702
State Retirement Matching	-	382,597	-	382,597	237,200
Total State Appropriations	4,675,980	1,291,683	-	5,967,663	5,355,628
Ad-Valorem Taxes - Maintenance & Operations	6,934,903	-	-	6,934,903	6,936,082
Ad-Valorem Taxes - Debt Service	2,003,967	-	-	2,003,967	2,686,848
Federal Revenue, Non Operating	-	8,892,877	-	8,892,877	8,875,816
Gifts	608,864	184	-	609,048	545,612
Transfer to Panola College Foundation	-	(56,796)	-	(56,796)	-
Investment Income	131,230	55,306	1,164	187,700	153,106
Gain (Loss) on Disposal of Asset	(176,567)	-	-	(176,567)	10,874
Royalty Income	-	92,466	-	92,466	84,515
Total Non-Operating Revenues	9,502,397	8,984,037	1,164	18,487,598	19,292,853
NON-OPERATING EXPENSES					
Interest on Capital Related Debt	170,107	-	-	170,107	461,443
Bond Issuance Costs	-	-	-	-	599,171
Total Non-Operating Expenses	170,107	-	-	170,107	1,060,614
Net Non-Operating Revenues	\$ 14,008,270	\$ 10,275,720	\$ 1,164	\$ 24,285,154	\$ 23,587,867
				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, 2016
With Memorandum Totals for the Year Ended August 31, 2015

	Detail By Source				Available for Current Operations		
	Restricted			Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
	Unrestricted	Expendable	Non- Expendable				
Current							
Unrestricted	\$ 10,110,400	\$ -	\$ -	\$ -	\$ 10,110,400	\$ 10,110,400	\$ -
Restricted	-	41,695	-	-	41,695		41,695
Auxiliary enterprises	1,239,616	-	-	-	1,239,616	1,239,616	-
Endowment							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	3,152,841	-	3,152,841		3,152,841
Plant							
Unexpended	2,481,105	81,504	-	-	2,562,609	-	2,562,609
Debt Service		453,714			453,714		453,714
Investment in Plant	-	-	-	20,679,735	20,679,735	-	20,679,735
Total Net Position, August 31, 2016	<u>13,831,121</u>	<u>576,913</u>	<u>3,152,841</u>	<u>20,679,735</u>	<u>38,240,610</u>	<u>11,350,016</u>	<u>26,890,594</u>
					(Exhibit 1)		
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)		
Net Increase (Decrease) in Net Position	<u>\$ (1,416,409)</u>	<u>\$ (1,623,610)</u>	<u>\$ 21,823</u>	<u>\$ 7,036,619</u>	<u>\$ 4,018,423</u>	<u>\$ (1,004,617)</u>	<u>\$ 5,023,040</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, 2016 and 2015**

	2016 Panola College Foundation	2015 Panola College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	233,950	315,540
Payments for scholarships and support	(158,497)	(163,517)
Other income	159	82
Investment receipts	<u>63,583</u>	<u>53,028</u>
Net cash provided by operating activities	<u>139,195</u>	<u>205,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities and liquidation of investments	950	167,508
Purchase of investments and annuities	<u>(84,874)</u>	<u>(230,834)</u>
Net cash (used in) investing activities	<u>(83,924)</u>	<u>(63,326)</u>
 Increase in cash and cash equivalents	 55,271	 141,807
Cash and cash equivalents-beginning	<u>295,015</u>	<u>153,208</u>
Cash and cash equivalents-ending	<u>\$ 350,286</u>	<u>\$ 295,015</u>
 Reconciliation of change in net position to net cash provided by operating activities		
Change in net position	<u>\$ 182,826</u>	<u>\$ 111,097</u>
Adjustments to reconcile change in net position to net cash provided by for operating activities		
(Increase) decrease in fair value of investments	(43,631)	94,366
 Changes in assets and liabilities		
Increase (decrease) in accounts payable	<u>-</u>	<u>(330)</u>
Total Adjustments	<u>(43,631)</u>	<u>94,036</u>
 Net cash provided by operating activities	 <u>\$ 139,195</u>	 <u>\$ 205,133</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, 2016

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Amounts Passed-Through to Subrecipients	Expenditures and Pass-Through Disbursements
U. S. Department of Education				
Direct:				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Grant	84.007			32,126
Federal Workstudy Program	84.033			35,984
Federal Pell Grant Program	84.063			5,282,724
Federal Direct Student Loans	84.268			3,542,043
Total Student Financial Aid Cluster				<u>8,892,877</u>
Passed Through From:				
Literacy Council of Tyler				
Adult Education - Basic Grants to States	84.002	0814AEL000-3		79,182
Adult Education - Basic Grants to States	84.002	0816AEL0001		1,758
Angelina College				
Adult Education - Basic Grants to States	84.002	PAN201617		19,711
Adult Education - Basic Grants to States	84.002	PAN201516		845
Adult Education - Basic Grants to States	84.002	PAN201415		50,803
Subtotal Adult Education - Basic Grants to States				<u>152,299</u>
Texas Higher Education Coordinating Board				
Career and Technical Education - Basic Grants to States	84.048	1642020601		320,540
Career and Technical Education - Leadership	84.048	1542020701		(23)
Subtotal Career and Technical Education				<u>320,517</u>
Total U. S. Department of Education				<u>9,365,693</u>
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-PY15-01		16,488
Literacy Council of Tyler				
Adult Education - Temporary Assistance for Needy Families	93.558	0816AEL002		26,102
Adult Education - Temporary Assistance for Needy Families	93.558	0814AEL000-3		5,051
Angelina College				
Adult Education - Temporary Assistance for Needy Families	93.558	PAN201415		2,500
Subtotal Temporary Assistance for Needy Families				<u>50,141</u>
Total U.S. Department of Health and Human Services				<u>50,141</u>
Total Federal Awards			<u>\$ - \$</u>	<u>9,415,834</u>

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, 2016

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	\$ 75,103
Angelina College		
Adult Education - Basic Grants to States	PAN201415	<u>11,250</u>
Subtotal Texas Workforce Commission		<u><u>86,353</u></u>
Texas Higher Education Coordinating Board		
Texas Grant		77,511
Texas College Work-Study		15,134
Hazelwood		<u>4,818</u>
Subtotal Texas Higher Education Coordinating Board		<u><u>97,463</u></u>
Texas Comptroller		
NSRP < 70 Grant		4,031
NIG Common Application Grant	14131	<u>489</u>
Subtotal Texas Comptroller		<u><u>4,520</u></u>
Total State Awards		<u><u>\$ 188,336</u></u>
State Grants and Revenues -Per Schedule A		<u><u>\$ 188,336</u></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, 2016

Note 1: Federal Awards Reconciliation:

Federal Grants and Contracts – Schedule A	\$ 522,957
Add: Federal Revenue, Non-Operating – Schedule C	<u>8,892,877</u>
Total Federal Awards – Schedule F	<u>\$ 9,415,834</u>

Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include the federal and state award activity of the College. The information in these schedules are presented in accordance with Title 2 U.S. *Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance)* and the *State of Texas Single Audit Circular (TSAC)*.

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 accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the TSAC. The expenditures reported on Schedule F and Schedule G 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.

Indirect Cost Rate

Panola College has elected to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

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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.

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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, 2016, and the related notes to the financial statements, which collectively comprise Panola College's basic financial statements and have issued our report thereon dated November 29, 2016.

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, 2016, 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 29, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Panola College
Carthage, Texas

Report on Compliance for Each Major Federal Program

We have audited Panola College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Panola College's major federal programs for the year ended August 31, 2016. Panola College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Panola College's major federal 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Panola College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal 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 THE UNIFORM GUIDANCE - CONTINUED**

Report on Compliance for Each Major Federal Program - Continued

Opinion on Each Major Federal 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 programs for the year ended August 31, 2016.

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 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 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 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 THE UNIFORM GUIDANCE - 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 29, 2016

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2016**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>UNMODIFIED</u>		
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> Reported	None
Noncompliance material to financial statements noted?	___ Yes	___ <u>X</u> No	

Federal 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> Reported	None
Type of auditor's report issued on compliance for major programs:	<u>UNMODIFIED</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	___ Yes	___ <u>X</u> No	

Identification of major programs:

___ CFDA Number(s)	___ Name of Federal Program
--------------------	-----------------------------

Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B federal programs:	<u>\$750,000</u>
--	------------------

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

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AUGUST 31, 2016**

B. Financial Statements Findings

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

None

C. Federal Awards Findings and Questioned Costs

Required to be reported in accordance with 2 CFR section 200.516(a).

None

**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**STATISTICAL SUPPLEMENTS
(UNAUDITED)**

Panola College
Statistical Supplement 1
Net Position by Component
Fiscal Years 2007 to 2016
(unaudited)
(amounts expressed in thousands)

	For the Fiscal Year Ended August 31,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net Investment in capital assets	\$ 20,680	\$ 13,643	\$ 12,311	\$ 10,086	\$ 7,818	\$ 6,553	\$ 6,039	\$ 5,898	\$ 4,886	\$ 5,280
Restricted - expendable	577	2,201	5,140	-	-	-	-	-	-	-
Restricted - nonexpendable	3,153	3,131	3,104	2,956	2,848	2,615	2,262	2,070	1,883	956
Unrestricted	13,831	15,247	10,833	13,041	13,104	12,068	10,082	8,700	8,096	6,797
Total	38,241	34,222	31,388	26,083	23,770	21,236	18,383	16,668	14,865	13,033
Net position, beginning of year*	34,222	31,388	26,083	23,770	21,236	18,383	16,668	14,865	13,033	12,161
Cumulative effect of change in accounting principle (Note 2)	N/A	(2,665)	N/A	N/A						
Net position, beginning of year, as restated (Note 2)	N/A	28,723	N/A	N/A						
(Increase) decrease in net position	<u>\$ (4,019)</u>	<u>\$ (5,499)</u>	<u>\$ (5,305)</u>	<u>\$ (2,313)</u>	<u>\$ (2,534)</u>	<u>\$ (2,853)</u>	<u>\$ (1,715)</u>	<u>\$ (1,803)</u>	<u>\$ (1,832)</u>	<u>\$ (872)</u>

*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 2007 to 2016
(unaudited)

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tuition and Fees (Net of Discounts)	\$3,180	\$2,974	\$3,410	\$2,764	\$2,879	\$2,196	\$2,088	\$ 2,336	\$ 2,248	\$ 2,065
Governmental Grants and Contracts										
Federal Grants and Contracts	523	486	402	401	422	450	388	428	2,289	2,393
State Grants and Contracts	188	737	307	231	117	407	583	261	274	573
Local Grants and Contracts	-	-	-	-	-	-	-	-	-	-
Non-Governmental Grants and Contracts	4	16	2	2	1	4	4	1	1	5
Sales and services of educational activities	84	99	98	140	140	163	161	143	158	164
Auxiliary enterprises	1,085	1,189	1,118	886	981	1,006	1,168	1,400	1,161	1,158
Other Operating Revenues	292	260	257	250	256	240	322	304	371	251
Total Operating Revenues	5,356	5,761	5,594	4,674	4,796	4,466	4,714	4,873	6,502	6,609
State Appropriations	5,968	5,355	5,305	4,456	4,087	4,739	5,017	4,995	4,973	4,555
Ad Valorem Taxes	8,939	9,623	9,011	5,962	5,750	5,661	5,308	5,158	4,625	4,129
Federal Revenue, Non Operating	8,893	8,876	9,100	8,959	8,296	6,193	3,913	2,468	-	-
Gifts	609	545	165	241	266	416	207	666	721	304
Transfer to Panola College Foundation	(57)	-	-	-	-	-	-	-	-	-
Investment income	188	153	187	213	208	139	389	292	443	466
Gain(Loss) on Disposal of Capital Assets	(177)	11	(50)	1	2	32	-	-	-	-
Other non-operating revenues	92	85	32	31	51	74	31	47	59	56
Total Non-Operating Revenues	24,455	24,648	23,750	19,863	18,660	17,254	14,865	13,626	10,821	9,510
Additions to Permanent Endowments	55	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 29,866	\$ 30,409	\$ 29,344	\$ 24,537	\$ 23,456	\$ 21,720	\$ 19,579	\$ 18,499	\$ 17,323	\$ 16,119

For the Year Ended August 31,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tuition and fees (net of discounts)	10.65%	9.78%	11.62%	11.26%	12.27%	10.11%	10.66%	12.63%	12.98%	12.81%
Governmental grants and contracts										
Federal grants and contracts	1.75%	1.60%	1.37%	1.63%	1.80%	2.07%	1.98%	2.31%	13.21%	14.85%
State grants and contracts	0.63%	2.42%	1.05%	0.94%	0.50%	1.87%	2.98%	1.41%	1.58%	3.55%
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	0.01%	0.05%	0.01%	0.01%	0.00%	0.02%	0.02%	0.01%	0.01%	0.03%
Sales and services of educational activities	0.28%	0.33%	0.33%	0.57%	0.60%	0.75%	0.82%	0.77%	0.91%	1.02%
Auxiliary enterprises	3.63%	3.91%	3.81%	3.61%	4.18%	4.63%	5.97%	7.57%	6.70%	7.18%
Other operating revenues	0.98%	0.86%	0.88%	1.02%	1.09%	1.10%	1.64%	1.64%	2.14%	1.56%
Total Operating Revenues	17.93%	18.95%	19.06%	19.05%	20.45%	20.56%	24.08%	26.34%	37.53%	41.00%
State appropriations	19.98%	17.61%	18.08%	18.16%	17.42%	21.82%	25.62%	27.00%	28.71%	28.26%
Ad valorem taxes	29.93%	31.65%	30.71%	24.30%	24.51%	26.06%	27.11%	27.88%	26.70%	25.62%
Non-Governmental Grants and Contracts	29.78%	29.19%	31.01%	36.51%	35.37%	28.51%	19.99%	13.34%	0.00%	0.00%
Gifts	2.04%	1.79%	0.56%	0.98%	1.13%	1.92%	1.06%	3.60%	4.16%	1.89%
Transfer to Panola College Foundation	-0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment income	0.63%	0.50%	0.64%	0.87%	0.89%	0.64%	1.99%	1.58%	2.56%	2.89%
Gain on Disposal of Capital Assets	-0.59%	0.04%	-0.17%	0.00%	0.01%	0.15%	0.00%	0.00%	0.00%	0.00%
Other non-operating revenues	0.31%	0.28%	0.11%	0.13%	0.22%	0.34%	0.16%	0.25%	0.34%	0.35%
Total Non-Operating Revenues	81.89%	81.05%	80.94%	80.95%	79.55%	79.44%	75.92%	73.66%	62.47%	59.00%
Additions to Permanent Endowments	0.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Revenues	100.00%									

Panola College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2007 to 2016
(unaudited)

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction	\$8,365	\$8,137	\$7,959	\$7,119	\$6,661	\$6,289	\$6,417	\$6,009	\$5,652	\$6,015
Research	-	-	-	-	-	-	-	-	-	-
Public service	206	305	291	369	339	355	356	300	408	259
Academic support	2,604	2,317	2,223	2,012	2,032	2,047	2,099	2,250	1,775	1,658
Student services	1,561	1,441	1,302	1,286	1,226	1,261	1,185	1,122	1,122	1,068
Institutional support	2,532	2,362	2,162	2,498	2,036	1,845	1,878	1,808	1,747	1,563
Operation and maintenance of plant	1,711	1,507	1,725	1,385	1,372	1,384	1,508	1,638	1,486	1,513
Scholarships and fellowships	3,771	4,049	4,293	4,277	4,026	2,601	1,359	963	736	840
Auxiliary enterprises	2,903	2,806	2,712	2,347	2,217	1,996	1,966	1,713	1,653	1,468
Depreciation	2,025	926	868	777	824	843	819	637	696	699
Total Operating Expenses	25,678	23,850	23,535	22,070	20,733	18,621	17,587	16,440	15,275	15,083
Interest on capital related debt	170	461	341	154	190	246	275	256	216	164
Bond issuance costs	-	599	163	-	-	-	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Expenses	170	1,060	504	154	190	246	275	256	216	164
Total Expenses	\$ 25,848	\$ 24,910	\$ 24,039	\$ 22,224	\$ 20,923	\$ 18,867	\$ 17,862	\$ 16,696	\$ 15,491	\$ 15,247

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction	32.36%	32.67%	33.11%	32.03%	31.84%	33.33%	35.93%	35.99%	36.49%	39.45%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	0.80%	1.22%	1.21%	1.66%	1.62%	1.88%	1.99%	1.80%	2.63%	1.70%
Academic support	10.07%	9.30%	9.25%	9.05%	9.71%	10.85%	11.75%	13.48%	11.46%	10.87%
Student services	6.04%	5.78%	5.42%	5.79%	5.86%	6.68%	6.63%	6.72%	7.24%	7.00%
Institutional support	9.80%	9.48%	8.99%	11.24%	9.73%	9.78%	10.51%	10.83%	11.28%	10.25%
Operation and maintenance of plant	6.62%	6.05%	7.18%	6.23%	6.56%	7.34%	8.44%	9.81%	9.59%	9.92%
Scholarships and fellowships	14.59%	16.25%	17.86%	19.24%	19.24%	13.79%	7.61%	5.77%	4.75%	5.51%
Auxiliary enterprises	11.23%	11.26%	11.28%	10.56%	10.60%	10.58%	11.01%	10.26%	10.67%	9.63%
Depreciation	7.83%	3.72%	3.61%	3.50%	3.94%	4.47%	4.59%	3.82%	4.49%	4.58%
Total Operating Expenses	99.34%	95.74%	97.90%	99.31%	99.09%	98.70%	98.46%	98.47%	98.61%	98.92%
Interest on capital related debt	0.66%	1.85%	1.42%	0.69%	0.91%	1.30%	1.54%	1.53%	1.39%	1.08%
Bond issuance costs	0.00%	2.40%	0.68%	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%	0.00%
Total Non-Operating Expenses	0.66%	4.26%	2.10%	0.69%	0.91%	1.30%	1.54%	1.53%	1.39%	1.08%
Total Expenses	100.00%	100.00%								
Change in Net Position	\$ 4,018	\$ 5,499	\$ 5,305	\$ 2,313	\$ 2,533	\$ 2,853	\$ 1,717	\$ 1,803	\$ 1,832	\$ 872

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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
2015	\$ 0	\$ 25	\$ 25	0
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

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
2015	\$ 0	\$ 25	\$ 25	0
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

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees 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
\$	48	\$ 48	\$ 876	1,452	4.29%	2.54%
	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%

	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
\$	48	\$ 79	\$ 1,824	1,824	2.01%	2.01%
	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%

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
2015-16	\$ 2,061,333	\$ 390,896	\$ 106,850	\$ 4,466,903	\$ 1,440,545	\$ 5,585,437	79.50%
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%

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)
0.161050	0.046820	0.207870
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

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
2015-16	\$4,675,980	1,954	\$2,393	766,160	574,892	1,341,052	\$3.49
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

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	2015	2014	2013	2012	2011	2010
Anadarko E&P Company LP (MIN)	Petroleum	\$ 459,711	\$ 504,403	\$ 256,522	\$ 253,302	\$ 334,472	\$ 400,768
Devon Energy (Pennzenergy)	Petroleum	238,005	315,366	328,213	379,823	460,033	669,158
DCP East Tx Gathering LP-Plant	Petroleum	206,667	-	-	-	-	-
Anadarko E&P Company LP (MI)	Petroleum	182,003	-	-	-	-	-
MarkWest Eastern TX Gas Co LP	Petroleum	171,043	158,252	153,956	146,575	137,866	134,438
MarkWest Carthage Plant & East	Petroleum	121,464	81,656	78,246	-	70,132	-
Samson Lone Star LP	Petroleum	107,198	97,163	-	-	-	-
XTO Energy (Min)	Petroleum	98,537	101,024	112,289	110,701	114,211	150,928
Luminant	Coal Mining	75,064	76,199	-	61,504	-	-
Memorial Production	Petroleum	65,480	77,401	-	-	-	-
ETC Tiger Pipeline	Petroleum	-	-	77,288	82,904	71,791	-
Chevron USA Inc.	Petroleum	-	-	69,830	84,022	135,824	193,937
Lacy Operations Ltd.	Petroleum	-	-	66,241	71,399	94,102	124,911
Exxon Mobile Corp.	Petroleum	-	-	62,964	72,677	87,985	127,263
EOG Resources Inc.	Petroleum	-	-	-	-	-	99,708
BP America Production	Petroleum	-	-	-	-	-	86,788
Conoco Phillips Co	Petroleum	-	-	-	-	-	-
Duke Energy Field Svcs	Petroleum	-	-	-	-	-	-
Louisiana Pacific	Timber	-	-	-	-	-	-
XTO Energy (Hunt Pet)	Petroleum	-	78,896	-	-	-	-
RME Petroleum Company	Petroleum	-	-	-	-	-	-
Texaco E & P Inc.	Petroleum	-	-	-	-	-	-
Union Pacific Resources	Petroleum	-	-	-	-	-	-
DCP Midstream LP	Petroleum	-	194,905	136,948	144,307	128,525	117,969
Totals		\$ 1,725,172	\$ 1,685,265	\$ 1,342,497	\$ 1,407,214	\$ 1,634,941	\$ 2,105,868
Total Taxable Assessed Value		\$ 9,229,735	\$ 9,618,399	\$ 5,971,045	\$ 5,864,343	\$ 5,734,799	\$ 5,343,192

% of Taxable Assessed Value (TAV) by Tax Year

Taxpayer	Type of Business	2015	2014	2013	2012	2011	2010
Devon Energy (Pennzenergy)	Petroleum	4.98%	5.46%	2.67%	4.24%	5.70%	6.99%
Anadarko E&P Company LP (MIN)	Petroleum	2.58%	3.42%	3.41%	6.36%	7.84%	11.67%
MarkWest Eastern TX Gas Co LP	Petroleum	2.24%	0.00%	0.00%	0.00%	0.00%	0.00%
DCP Midstream LP	Petroleum	1.97%	0.00%	0.00%	0.00%	0.00%	0.00%
XTO Energy	Petroleum	1.85%	1.71%	1.60%	2.45%	2.35%	2.34%
MarkWest Carthage Plant & East	Petroleum	1.32%	0.88%	0.81%	0.00%	1.20%	0.00%
ETC Tiger Pipeline	Petroleum	1.16%	1.05%	0.00%	0.00%	0.00%	0.00%
Chevron USA Inc.	Petroleum	1.07%	1.09%	1.17%	1.85%	1.95%	2.63%
Lacy Operations Ltd.	Petroleum	0.81%	0.83%	0.00%	1.03%	0.00%	0.00%
Exxon Mobile Corp.	Petroleum	0.71%	0.84%	0.00%	0.00%	0.00%	0.00%
Luminant	Coal Mining	0.00%	0.00%	0.80%	1.39%	1.22%	0.00%
EOG Resources Inc.	Petroleum	0.00%	0.00%	0.73%	1.41%	2.32%	3.38%
BP America Production	Petroleum	0.00%	0.00%	0.69%	1.20%	1.60%	2.18%
Conoco Phillips Co	Petroleum	0.00%	0.00%	0.65%	1.22%	1.50%	2.22%
Samson Lone Star LP	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	1.74%
Devon Louisiana Corporation	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	1.51%
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%	0.85%	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%
DCP East Tx Gathering LP-Plant	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Anadarko E&P Company LP (MI)	Petroleum	0.00%	2.11%	1.42%	2.42%	2.19%	2.06%
Totals		18.69%	17.52%	22.48%	24.00%	28.51%	39.41%

Source: Local County Appraisal District

	2009	2008	2007	2006
\$	422,063	\$ 450,657	\$ 412,415	\$ 503,112
	705,899	798,440	663,209	603,854
	-	-	-	-
	-	-	-	-
	117,310	83,134	61,576	48,864
	-	-	-	-
	-	-	80,265	86,306
	123,161	158,149	120,610	121,322
	-	-	-	-
	-	-	-	-
	-	-	-	-
	225,486	310,145	298,058	348,332
	129,763	159,545	133,447	145,098
	129,656	161,489	135,141	132,901
	115,854	140,599	94,050	101,341
	115,563	154,171	134,626	166,183
	-	81,182	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	97,956	-	-	-
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\$	2,182,711	\$ 2,497,511	\$ 2,133,397	\$ 2,257,313
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\$	5,147,720	\$ 4,407,672	\$ 4,315,921	\$ 3,454,522
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	2009	2008	2007	2006
	7.90%	8.75%	9.36%	11.66%
	13.21%	15.51%	15.05%	13.99%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	2.20%	1.61%	1.40%	1.13%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	1.82%	2.00%
	2.31%	3.07%	2.74%	2.81%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	4.22%	6.02%	6.76%	8.07%
	2.43%	3.10%	3.03%	3.36%
	2.43%	3.14%	3.07%	3.08%
	2.17%	2.73%	2.13%	2.35%
	2.16%	2.99%	3.05%	3.85%
	0.00%	1.58%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%
	1.83%	0.00%	0.00%	0.00%
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	42.40%	56.66%	49.43%	65.34%
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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
2016	\$ 9,230	\$ 20	\$ 9,250	\$ 9,078	98.14%	\$ -	\$ -	\$ 9,078	98.14%
2015	9,618	290	9,908	9,753	98.44%	-	71	9,824	99.15%
2014	8,483	886	9,369	9,136	97.51%	160	16	9,312	99.39%
2013	5,971	75	6,046	5,881	97.27%	123	4	6,008	99.37%
2012	5,864	103	5,967	5,833	97.75%	116	3	5,952	99.75%
2011	5,735	158	5,893	5,765	97.83%	116	1	5,882	99.81%
2010	5,343	135	5,478	5,308	96.90%	156	1	5,465	99.76%
2009	5,147	223	5,370	5,250	97.77%	113	0	5,363	99.87%
2008	4,618	166	4,784	4,702	98.29%	76	1	4,779	99.90%
2007	4,071	184	4,255	4,184	98.33%	66	0	4,250	99.88%

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Bonded Debt										
General obligation bonds	\$ 30,235	\$ 31,090	\$ 7,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General obligation bonds premium	814	1,027	316							
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ 31,049	\$ 32,117	\$ 7,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt										
Revenue bonds	\$ 2,012	\$ 2,979	\$ 3,575	\$ 4,346	\$ 5,110	\$ 5,868	\$ 6,620	\$ 7,366	\$ 8,107	\$ 2,374
Notes	-	-	-	-	-	895	1,035	1,169	1,297	1,536
Capital lease obligations	-	-	-	-	-	-	-	-	13	100
Total Outstanding Debt	\$ 2,012	\$ 2,979	\$ 3,575	\$ 4,346	\$ 5,110	\$ 6,763	\$ 7,655	\$ 8,535	\$ 9,417	\$ 4,010
General Bonded Debt Ratios										
Per Capita	\$ 1.31	\$ 1.35	\$ 0.32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Per FTSE	\$ 15.89	\$ 17	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
As a percentage of Taxable Assessed Value	0.56%	0.72%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Outstanding Debt Ratios										
Per Capita	\$ 0.08	\$ 0.13	\$ 0.15	\$ 0.18	\$ 0.21	\$ 0.29	\$ 0.34	\$ 0.37	\$ 0.41	\$ 0.17
Per FTSE	\$ 1.03	\$ 2	\$ 2	\$ 2	\$ 3	\$ 4	\$ 5	\$ 6	\$ 7	\$ 3
As a percentage of Taxable Assessed Value	0.04%	0.07%	0.09%	0.11%	0.12%	0.14%	0.15%	0.16%	0.21%	0.09%

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)

	2016	2015	2014
Taxable Assessed Value	\$ 5,585,437	\$ 4,477,214	\$ 3,950,208
General Obligation Bonds			
Statutory Tax Levy Limit for Debt Service	2,792,719	2,238,607	1,975,104
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-
Total Net General Obligation Debt	2,792,719	2,238,607	1,975,104
Current Year Debt Service Requirements	855,000	1,425,000	1,965,000
Excess of Statutory Limit for Debt Service over Current Requirements	\$ 1,937,719	\$ 813,607	\$ 10,104
Net Current Requirements as a % of Statutory Limit	30.62%	63.66%	99.49%

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.

	2013	2012	2011	2010	2009	2008	2007
\$	4,112,573	\$ 4,374,091	\$ 4,854,651	\$ 5,050,753	\$ 5,366,121	\$ 4,407,672	\$ 4,315,921
	2,056,287	2,187,046	2,427,326	2,525,377	2,683,061	2,203,836	2,157,961
	-	-	-	-	-	-	-
	2,056,287	2,187,046	2,427,326	2,525,377	2,683,061	2,203,836	2,157,961
	-	-	-	-	-	-	-
\$	2,056,287	\$ 2,187,046	\$ 2,427,326	\$ 2,525,377	\$ 2,683,061	\$ 2,203,836	\$ 2,157,961
	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	Tuition	Fee	General			Total
			Operating Revenues	Auxilliary Revenues	Investment Income	
2016	\$ 1,864	\$ 6,274	\$ 292	\$ 3,126	\$ 188	\$ 11,744
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

The Series 2005 and Series 2008 Revenue Bonds require 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
\$ 785	\$ 91	\$ 876	13.41
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

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
2015	23,766	\$ 1,049,942	\$ 44,173	5.2%
2014	23,769	1,091,774	45,738	4.9%
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%

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	999	11.12%
Construction	1,795	19.99%
Manufacturing	910	10.13%
Trade, Transportation, Utilities	1,543	17.18%
Information	51	0.57%
Financial Activities	255	2.84%
Professional Business Services	562	6.26%
Education Health Services	897	9.99%
Leisure Hospitality	362	4.03%
Other Services	181	2.02%
Federal	70	0.78%
State	58	0.65%
Local	1,298	14.45%
Total	8,981	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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Faculty										
Full-Time	69	69	69	65	63	61	63	64	61	61
Part-Time	78	78	76	74	78	71	60	54	56	54
Total	147	147	145	139	141	132	123	118	117	115
Percent										
Full-Time	46.9%	46.9%	47.6%	46.8%	44.7%	46.2%	51.2%	54.2%	52.1%	53.0%
Part-Time	53.1%	53.1%	52.4%	53.2%	55.3%	53.8%	48.8%	45.8%	47.9%	47.0%
Staff and Administrators										
Full-Time	83	80	77	75	74	72	73	72	69	68
Part-Time	63	63	62	62	68	68	65	67	62	56
Total	146	143	139	137	142	140	138	139	131	124
Percent										
Full-Time	56.8%	55.9%	55.4%	54.7%	52.1%	51.4%	52.9%	51.8%	52.7%	54.8%
Part-Time	43.2%	44.1%	44.6%	45.3%	47.9%	48.6%	47.1%	48.2%	47.3%	45.2%
FTSE per Full-time Faculty	28.3	27.7	28.0	28.6	28.6	26.5	24.6	23.0	22.6	22.7
FTSE per Full-Time Staff Member	23.5	23.9	25.1	24.8	23.1	22.5	21.3	22.0	20.1	20.3
Average Annual Faculty Salary	\$51,541	\$51,965	\$54,794	\$50,215	\$49,218	\$48,558	\$50,562	\$46,602	\$45,801	\$44,746

Panola College
Statistical Supplement 17
Transfers to Senior Institutions
2014 Fall Students as of Fall 2015
(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	6	1		7	2.61%
3 Midwestern State University				0	0.00%
4 Prairie View A & M University	1			1	0.37%
5 Sam Houston State University	6			6	2.24%
6 Southwest Texas State University				0	0.00%
7 Stephen F Austin State University	104	18	1	123	45.90%
8 Sul Ross State University				0	0.00%
9 Tarleton State University	1			1	0.37%
10 Texas A & M International University				0	0.00%
11 Texas A & M University	26	1		27	10.08%
12 Texas A & M University at Commerce	7	2		9	3.36%
13 Texas A & M University at Corpus Christi		1		1	0.37%
14 Texas A & M University at Galveston	1	1		2	0.75%
15 Texas A & M University at Kingsville	2			2	0.75%
16 Texas A & M University at Texarkana	4	1		5	1.87%
16 Texas A & M University HSC				0	0.00%
17 Texas Southern University	1			1	0.37%
18 Texas State University - San Marcos	7			7	2.61%
19 Texas Tech University		1		1	0.37%
20 Texas Tech University Health Sciences Center	1			1	0.37%
21 Texas Women's University		1		1	0.37%
22 The University of Texas at Arlington	5	2	1	8	2.99%
23 The University of Texas at Austin	9	1		10	3.73%
24 The University of Texas at El Paso				0	0.00%
25 The University of Texas at Dallas	1			1	0.37%
26 The University of Texas Medical Branch at Galveston				0	0.00%
27 The University of Texas HSC Houston				0	0.00%
27 The University of Texas HSC San Antonio				0	0.00%
28 The University of Texas at Tyler	27	10	2	39	14.55%
29 The University of Texas at Permian Basin	2			2	0.75%
30 The University of Texas at Brownsville				0	0.00%
31 University of Houston	1	1		2	0.75%
32 University of Houston - Downtown				0	0.00%
33 University of Houston - Clear Lake	1			1	0.37%
34 University of North Texas	8	1	1	10	3.73%
35 West Texas A & M University				0	0.00%
Totals	221	42	5	268	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 2007 to 2016
(unaudited)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Academic buildings	7	9	9	9	9	9	9	9	9	9
Square footage (in thousands)	161	146	146	146	146	146	146	146	146	146
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	32	32	32	32	32	32	32	17	17	17
Number of Volumes (in thousands)	120	120	120	120	120	104	87	83	81	117
Administrative and support buildings	2	3	3	3	3	3	3	3	3	3
Square footage (in thousands)	30	25	25	25	25	25	25	25	25	25
Dormitories	1	1	1	2	2	2	2	2	2	2
Square footage (in thousands)	20	20	20	26	26	26	26	26	26	26
Number of Beds	94	94	94	120	120	120	120	120	120	120
Apartments	4	4	4	3	3	3	3	3	3	3
Square footage (in thousands)	29	29	29	29	18	18	18	18	18	18
Number of beds	160	160	160	160	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	270	105	105	105	105	105	105	105	105	105
Athletic Facilities	1	2	2	2	2	2	2	2	2	2
Square footage (in thousands)	28	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
Light Trucks/Vans	9	9	9	9	9	10	10	9	11	10
Buses	2	2	2	2	2	2	2	2	2	2