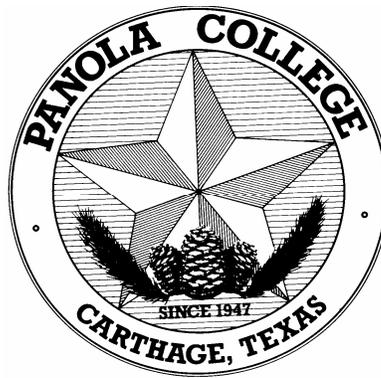


PANOLA COLLEGE
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
AUGUST 31, 2007



PREPARED BY:
FISCAL SERVICES DEPARTMENT
PANOLA COLLEGE

**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



INTRODUCTORY SECTION



December 6, 2007

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

The comprehensive annual financial report of Panola County Junior College District (Panola College) for the fiscal year ended August 31, 2007, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Panola College. To the best of our knowledge, the enclosed data 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 comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the College's organizational chart, and a list of principal officials. The financial section includes the Management's Discussion and Analysis, financial statements, notes to the financial statements, and the independent auditor's report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The College is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended in 1996 and U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in this report.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 compliment MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

ORGANIZATION OF COLLEGE

Panola County Junior College District was established as a public junior college in an election held in Panola County, Texas, in 1947. The District operates as a junior college district under the laws of the State of Texas. 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 record keeping 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.

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.

ECONOMIC CONDITION AND OUTLOOK

Panola College's four county service area borders Louisiana in Northeast Texas. The counties include Panola, Shelby, Marion, and Harrison. The largest cities in the service area are Carthage, Center, Jefferson and Marshall. These cities are also the county seats of their respective counties.

Panola County ranks as one of the leading natural gas producers in Texas and is located in the Cotton Valley Gas Field, which is the second largest natural gas field in the state. Continued lignite mining activities along with new natural gas wells contribute greatly to the area's wealth. Timber, poultry, and cattle production also continue to contribute to the local economy. All of these activities have a positive impact on employment and the county tax base. The rising price of crude oil and natural gas during the year was the primary reason property tax values increased 25% this year.

Community colleges in Texas receive state appropriations based upon a contact hour formula that was originally intended to cover the institutions instructional and administrative costs with the local taxpayers and tuition and fee revenues to pay for facilities. This year the state appropriation funded only 40% of the budgeted instructional and administrative costs. There has been a trend in recent years of increased enrollment coupled with reductions in appropriations. In recent years, it has been necessary to increase local taxes and tuition and fees to help meet the reductions in state funding.

MAJOR INITIATIVES

This year construction was completed on the renovation and conversion of one of our old residence halls to office and classroom space. It provides six new classrooms and one computer lab as well as areas for Cosmetology and Workforce/Continuing Education.

The College has committed to the renovation and expansion of the library. The architectural firm of Corgan Associates was hired to update the College's Master Plan which has been completed. Construction on the library should begin in January 2008 and completion prior to the spring 2009 semester.

The College purchased two houses adjacent to the College. The houses were moved and the property will be used for future parking lots or expansion.

FINANCIAL INFORMATION

The administration of the College is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the College are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by administration.

As part of the College's Long Term Financial Plan, the College maintains reserves sufficient to operate the college for between 3.6 and 6 months. The plan also calls for the acquisition of property contiguous to the campus as it becomes available, the management of college timber, and the financing of the library renovation and expansion.

SINGLE AUDIT

As a recipient of federal and state financial assistance, the College also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by administration and the independent auditors of the College.

As a part of the College's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including the portion related to federal financial assistance programs, as well as to determine that the College has complied with applicable laws and regulations. The results of the College's single audit for the fiscal year ended August 31, 2007, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

BUDGETING CONTROLS

In addition, the College maintains budgetary controls. The 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.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, repurchase agreements, certificates of deposit, and the Lone Star Investment Pool. The Lone Star Investment Pool is a public funds investment pool administered by the Texas Association of School Boards. Total cash, deposits and investments at August 31, 2007 was \$9,192,866. The average yield on investments at year end was 4.36%.

The College's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. A financial institution's trust department in the College's name held all collateral on deposits. The Lone Star Investment Pool invests solely in obligations issued or secured by the U. S. Government and its agencies and instrumentalities. All of the investments held by the College during the year and on August 31, 2007, are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

RISK MANAGEMENT

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

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Alexander, Lankford & Hiers, Inc. was selected by the College's Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act and related OMB Circular A-133.

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, 2006 to Panola College for its comprehensive annual financial reports. This was the thirteenth consecutive year that the college has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a college must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of the comprehensive annual financial report on a timely basis was made possible by the hard work and diligence of many College employees. Each employee who contributed to this report has our sincere appreciation. We would also like to thank the accounting firm of Alexander, Lankford & Hiers, Inc. for their assistance and timely completion of the audit.

Sincerely,

Stephen K. Williams

Stephen K. Williams
Vice President of Fiscal Services

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, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



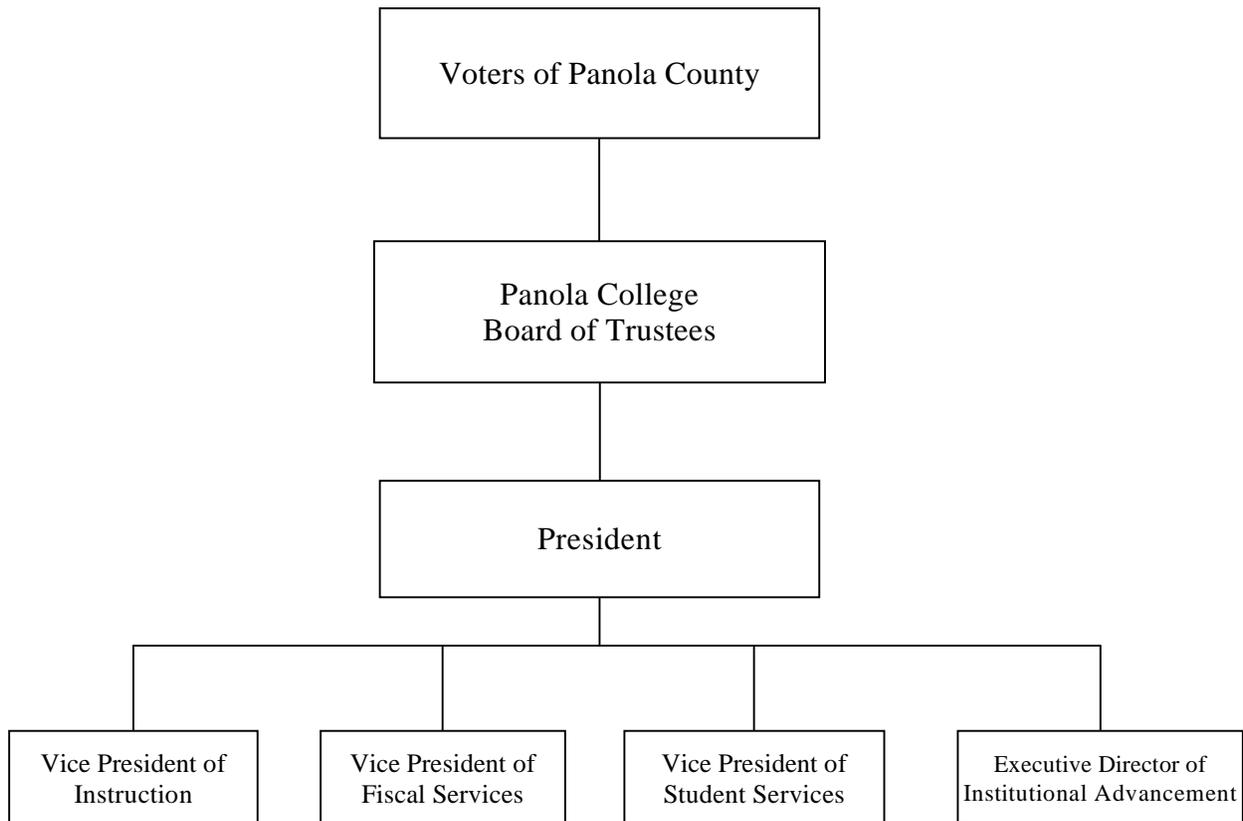
President

Executive Director

ORGANIZATIONAL CHART

PANOLA COLLEGE

Carthage, Texas



**PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 2007**

BOARD OF TRUSTEES

OFFICERS

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

**Chair
Vice-Chair
Secretary**

MEMBERS

**Mr. Hal Palmer
Mrs. Glendell Chadwick
Dr. Dennis Golden
Mr. William Goolsby
Mr. Bobby Phillips
Mrs. Evelyn Sharp
Mr. Richard Thomas**

**Term Expires
May 31**

**2008
2008
2010
2010
2010
2012
2012**

ADMINISTRATION

Dr. Gregory Powell

President

Dr. Lillian Cook

Vice President of Instruction

Mr. Stephen Williams, CPA

**Vice President of Fiscal
Services**

Mr. Don Clinton

**Vice President of Student
Services**

Mr. Van Patterson

**Executive Director of Institutional
Advancement**

**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



FINANCIAL SECTION

Wilbur E. Alexander, CPA
Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudel, CPA
Chris Wethington, CPA
Yvette Sidnell, CPA



Certified Public Accountants, A Professional Corporation

4000 S. Medford Dr.
Lufkin, Texas 75901-5500
(936) 632-7771
FAX (936) 637-2448
E-mail: alh@consolidated.net
Website: www.alhcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Panola College
Carthage, Texas

We have audited the accompanying basic financial statements of Panola College as of and for the years ended August 31, 2007, as listed in the table of contents. These financial statements are the responsibility of Panola College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements of Panola College as of August 31, 2006 were audited by other auditors whose report dated November 6, 2006 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Panola College as of August 31, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007 on our consideration of Panola College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and important for assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Panola College's basic financial statements. The supplemental schedules and statistical supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Texas Single Audit Circular*, and are not a required part of the basic financial statements. Such information, except for the statistical supplementary schedules, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.

Certified Public Accountants

Lufkin, Texas
December 6, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Panola County Junior College District (Panola 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, 2007. 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 District's financial statements and notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the College exceeded its liabilities at August 31, 2007 by \$13,032,979 (net assets). Of this amount, \$5,965,921 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- Revenue exceeded expenses by \$871,395, or 5.5%, for the current fiscal year end.
- The College completed the renovation of a residence hall and its conversion to office and classroom space. The project was partially funded by reserves and partially by a \$2.5 million dollar revenue bond secured in 2005 for the construction of three student apartments with a total of 96 beds, additional parking lots, and other improvements.

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 require 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 Assets*, 2) the *Statement of Revenues, Expenses, and Changes in Net Assets*, and 3) *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 Assets. The Statement of Net Assets presents all of the College's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 Assets. The Statement of Revenues, Expenses, and Changes in Net Assets 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 (GASB34, 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 district meets the principal criteria for BTA reporting (GASB34, Par. 67 & GASB35 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 Assets and The Statement of Revenues, Expenses, and Changes in Net Assets, 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.

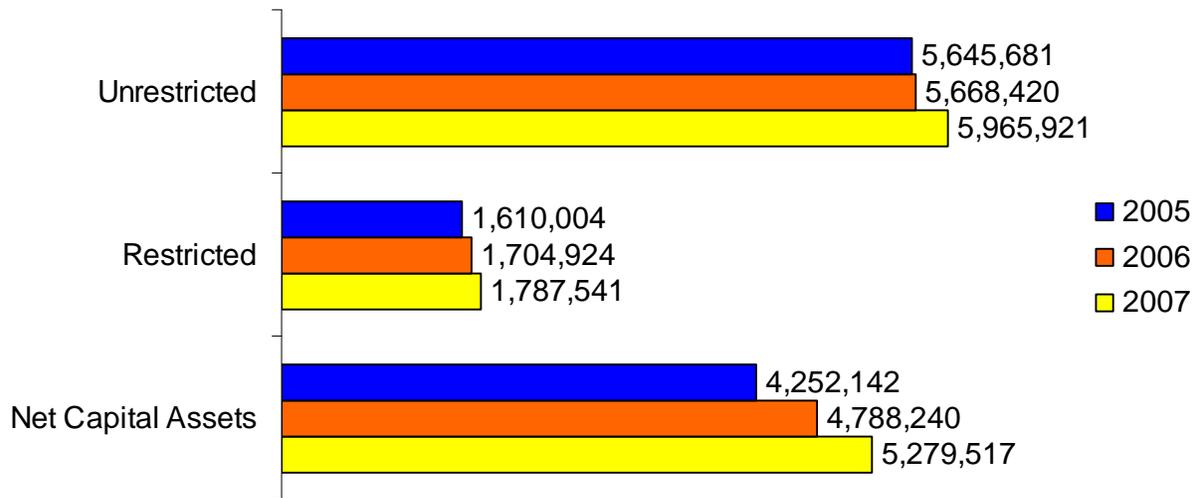
The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

ANALYSIS OF BASIC FINANCIAL STATEMENTS

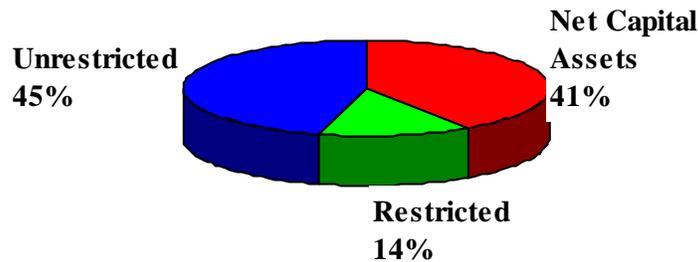
**Condensed Statement of Net Assets
as of August 31, 2007 2006 and 2005**

	2007	% of Total	Increase (Decrease)	% of Change	2006	2005
Current assets	\$9,053,768	45.0%	\$356,457	4.1%	\$8,697,311	\$8,875,093
Non-current assets:						
Capital assets, net	9,003,349	44.8%	196,651	2.2%	8,806,698	8,408,202
Other	<u>2,050,723</u>	<u>10.2%</u>	<u>15,708</u>	<u>0.8%</u>	<u>2,035,015</u>	<u>1,844,877</u>
Total Assets	<u>\$20,107,840</u>	<u>100.0%</u>	<u>\$568,816</u>	<u>2.9%</u>	<u>\$19,539,024</u>	<u>\$19,128,172</u>
Current liabilities	\$3,597,236	50.8%	(\$2,615)	-0.1%	\$3,599,851	\$3,675,870
Non-current liabilities	<u>3,477,625</u>	<u>49.2%</u>	<u>(299,964)</u>	<u>-7.9%</u>	<u>3,777,589</u>	<u>3,944,475</u>
Total Liabilities	<u>\$7,074,861</u>	<u>100.0%</u>	<u>(\$302,579)</u>	<u>-4.1%</u>	<u>\$7,377,440</u>	<u>\$7,620,345</u>
Net Assets:						
Invested in capital assets, net of related debt	\$5,279,517	40.5%	\$491,277	10.3%	\$4,788,240	\$4,252,142
Restricted	1,787,541	13.7%	82,617	4.8%	1,704,924	1,610,004
Unrestricted	<u>5,965,921</u>	<u>45.8%</u>	<u>297,501</u>	<u>5.2%</u>	<u>5,668,420</u>	<u>5,645,681</u>
Total Net Assets	<u>\$13,032,979</u>	<u>100.0%</u>	<u>\$871,395</u>	<u>7.2%</u>	<u>\$12,161,584</u>	<u>\$11,507,827</u>

Net Assets As of August 31, 2007, 2006, and 2005



Net Assets

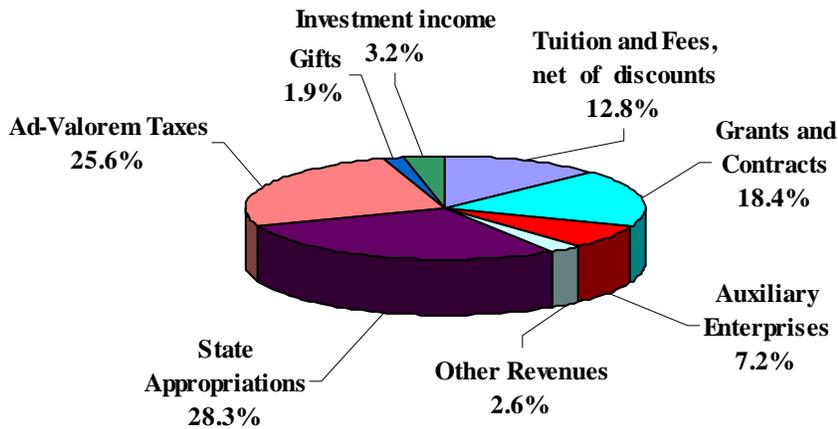


The College's assets exceeded liabilities by \$13,032,979 August 31, 2007. Assets amounted to \$20,107,840 with investment in capital assets comprising \$9,003,349 of that total. Capital assets include land, library books, buildings and improvements, construction in progress, vehicles, furniture, and equipment. The increase in capital assets is primarily due to the construction in progress on the renovation and conversion of a residence hall to classrooms and office space and the acquisition of property. The College uses these capital assets to provide services to students and, consequently, these assets are not available for future spending. The College's investment in capital assets, reported net of related debt, is 40.5% of total net assets. It should be noted that the capital assets themselves may not be used to liquidate these liabilities. Additionally \$1,787,541 or 13.7%, of total net assets is externally restricted. The remaining balance of \$5,965,921 represents unrestricted net assets that may be used to meet the College's ongoing obligations. Debt related to capital assets was \$3,723,832. Total liabilities amounted to \$7,074,861, of which \$3,597,236 is due next year.

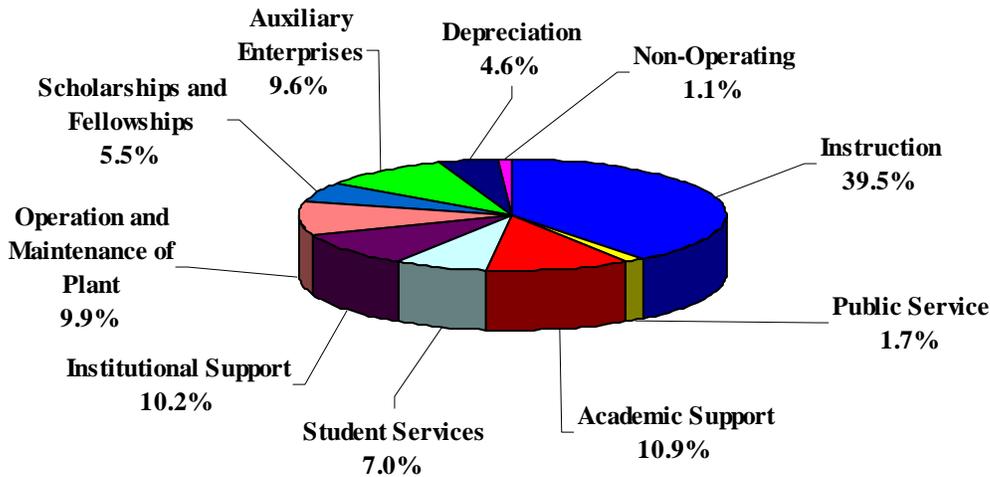
**Condensed Statement of Revenues,
Expenses, and Changes in Net Assets
For the Years Ended August 31, 2007, 2006 and 2005**

	2007	% of Total	Increase (Decrease)	% of Change	2006	2005
Operating Revenues						
Tuition and Fees, net of Discounts	\$2,065,117	12.8%	\$151,164	7.9%	\$1,913,953	\$1,634,788
Grants and Contracts	2,970,658	18.4%	190,024	6.8%	2,780,634	3,537,887
Auxiliary Enterprises	1,157,710	7.2%	69,575	6.4%	1,088,135	917,107
Other Revenues	<u>414,939</u>	<u>2.6%</u>	<u>(77,647)</u>	<u>-15.8%</u>	<u>492,586</u>	<u>475,602</u>
Total Operating Revenues	<u>\$6,608,424</u>	<u>41.0%</u>	<u>\$333,116</u>	<u>5.3%</u>	<u>\$6,275,308</u>	<u>\$6,565,384</u>
Non-Operating Revenues						
State Appropriations	\$4,555,017	28.3%	\$28,910	0.6%	\$4,526,107	\$4,265,653
Ad-Valorem Taxes	4,128,715	25.6%	490,167	13.5%	3,638,548	3,240,504
Gifts	303,924	1.9%	141,390	87.0%	162,534	127,965
Investment Income	<u>522,630</u>	<u>3.2%</u>	<u>96,337</u>	<u>22.6%</u>	<u>426,293</u>	<u>316,120</u>
Total Non-Operating Revenues	<u>\$9,510,286</u>	<u>59.0%</u>	<u>\$756,804</u>	<u>8.6%</u>	<u>\$8,753,482</u>	<u>\$7,950,242</u>
Total Revenues	<u>\$16,118,710</u>	<u>100.0%</u>	<u>\$1,089,920</u>	<u>7.3%</u>	<u>\$15,028,790</u>	<u>\$14,515,626</u>
Operating Expenses						
Instruction	\$6,015,188	39.5%	\$612,852	11.3%	\$5,402,336	\$5,302,643
Public Service	258,707	1.7%	(64,688)	-20.0%	323,395	368,519
Academic Support	1,658,450	10.9%	100,312	-6.4%	1,558,138	1,583,645
Student Services	1,067,540	7.0%	39,102	3.8%	1,028,438	940,144
Institutional Support	1,562,716	10.2%	62,522	4.2%	1,500,194	1,329,411
Operation and Maintenance of Plant	1,513,167	9.9%	320,850	26.9%	1,192,317	1,360,574
Scholarships and Fellowships	840,393	5.5%	(189,746)	-18.4%	1,030,139	1,196,502
Auxiliary Enterprises	1,468,121	9.6%	(719)	0.0%	1,468,840	1,436,825
Depreciation	<u>699,100</u>	<u>4.6%</u>	<u>10,978</u>	<u>1.6%</u>	<u>688,122</u>	<u>608,085</u>
Total Operating Expenses	<u>\$15,083,382</u>	<u>98.9%</u>	<u>\$891,463</u>	<u>6.3%</u>	<u>\$14,191,919</u>	<u>\$14,126,348</u>
Non-Operating Expenses	<u>163,933</u>	<u>1.1%</u>	<u>(19,181)</u>	<u>-10.5%</u>	<u>183,114</u>	<u>80,861</u>
Total Expenses	<u>\$15,247,315</u>	<u>100.0%</u>	<u>\$872,282</u>	<u>6.1%</u>	<u>\$14,375,033</u>	<u>\$14,207,209</u>
Changes in Net Assets	\$871,395	6.7%	\$217,638	33.3%	\$653,757	\$308,417
Beginning Net Assets	<u>12,161,584</u>	<u>93.3%</u>	<u>653,757</u>	<u>5.7%</u>	<u>11,507,827</u>	<u>11,199,410</u>
Ending Net Assets	<u>\$13,032,979</u>	<u>100.0%</u>	<u>\$871,395</u>	<u>7.2%</u>	<u>\$12,161,584</u>	<u>\$11,507,827</u>

**Revenue by Source
For Year Ending August 31, 2007**



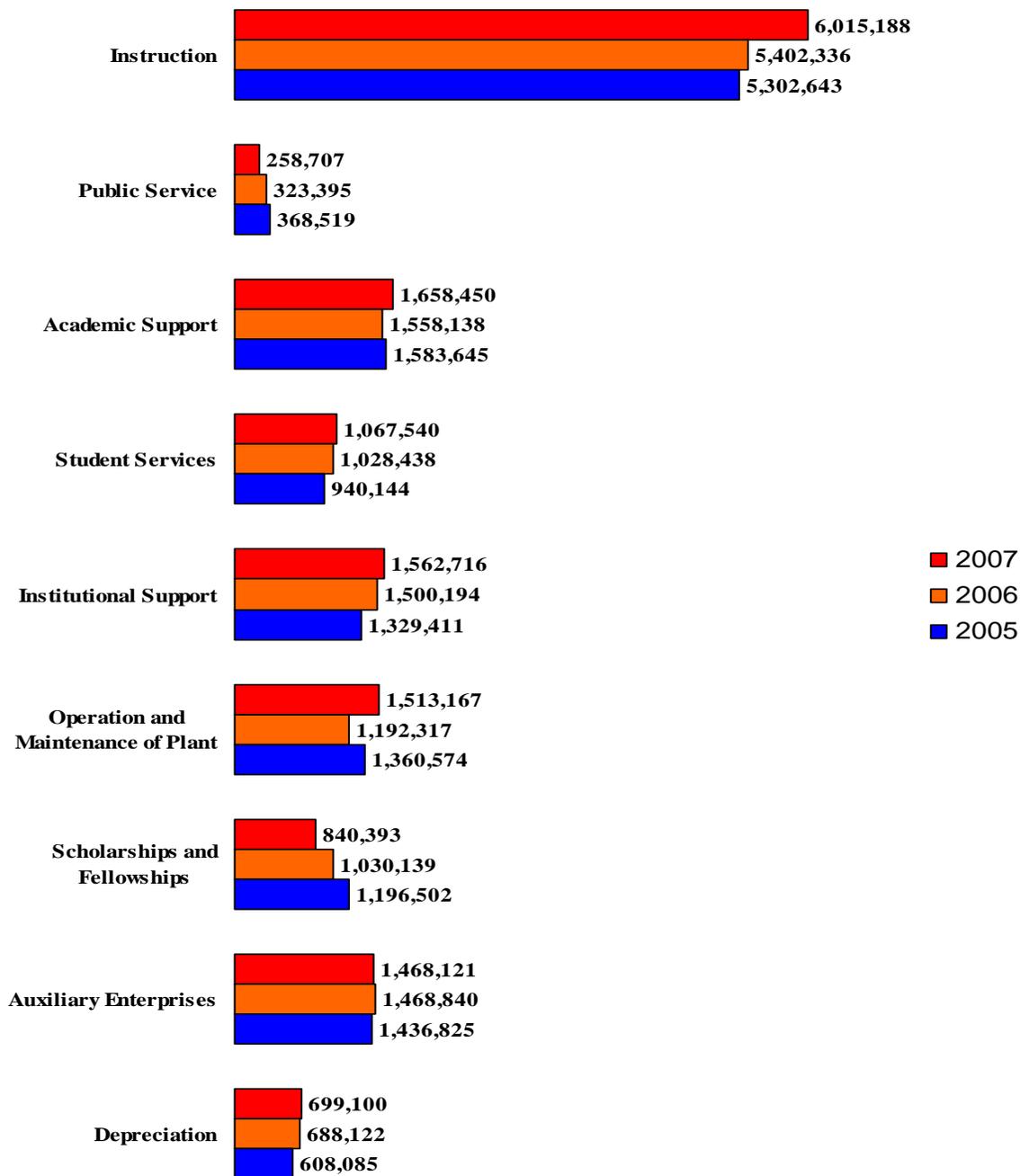
**Expenses by Function
For Year Ending August 31, 2007**



Operating revenues amounted to \$6,608,424 and non-operating revenues \$9,510,286 for a total of \$16,118,710. Major operating revenues include \$2,065,117 in tuition and fees, \$2,970,658 in grants and contracts, and \$1,157,710 in auxiliary enterprises. Tuition and fees are up 7.9% this year due to fee and enrollment increases. Auxiliary Enterprise income was up 6.4% due to an increase in residence hall room and board fees. Grants from the U.S. Department of Education are reported here and amounted to \$2,238,332. The Federal Pell Grant Program is the largest of these grants and amounts to \$1,593,738. More detail is provided on federal awards in Schedule E (page 45) and state awards in Schedule F (page 46).

Major non-operating revenues include \$4,555,017 in state appropriations, and \$4,128,715 in ad-valorem taxes. State appropriations include \$1,254,811 for employee benefits (\$328,940 for retirement benefits and \$925,871 for health and life insurance coverage). Additional information is available in footnotes 13, 16, and 17 found on pages 33-37.

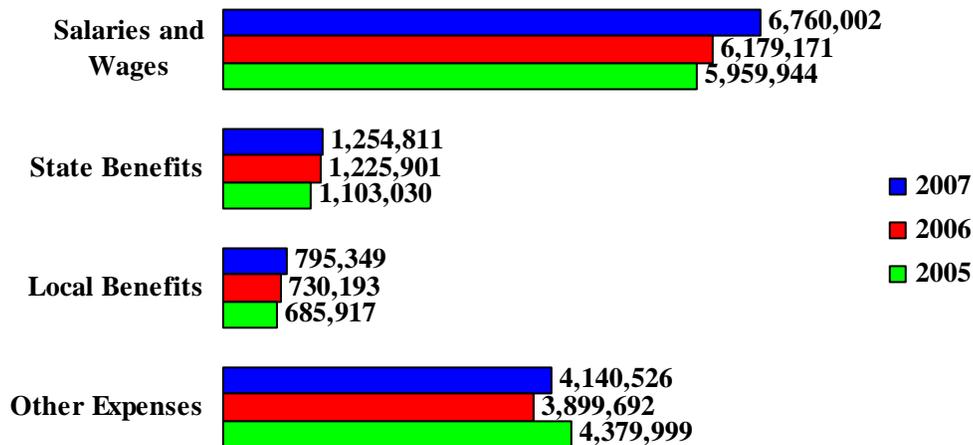
**Operating Expense Comparison
For Years Ended August 31, 2007, 2006, and 2005**



Operating Expenses totaled \$15,083,382 and non-operating expenses \$163,933 for total expenses of \$15,247,315. Instruction at \$6.0 million is the largest operating expense. It includes expenditures for all activities that are part of the institution's instruction program. These activities include credit and noncredit courses for academic, vocational, and developmental and tutorial instruction. Public Service expenses totaled \$258,707. Public Service includes funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the college. Academic support amounted to \$1.7 million. These expenses are used to provide support services for the College's primary missions of instruction, research, and public service. This includes library expenses, academic administration,

computer services, and distance learning support. Student services, \$1.1 million, include expenses for offices of records and admissions and student activities. Institutional support, \$1.6 million, includes expenses related to the college's executive management, fiscal operations, personnel management, college development, administrative computing, and general institutional expenses. Operation and maintenance of plant, \$1.5 million, are expenditures for the operation and maintenance of the physical plant. Scholarships and fellowships, \$840 thousand, includes scholarships and fellowships including tuition remissions and exemptions. Auxiliary enterprises, \$1.5 million, include expenditures for the college store, food service, residence halls, and athletic programs.

Educational Activities Operating Expenses
For Years Ended August 31, 2007, 2006, and 2005



Operating expenses for educational activities amounted to \$12.9 million; \$3.0 million (23.3%) were restricted. Employee related expenses amounted to \$9.2 million, or 69.7 %, of educational activities expenses.

Condensed Statement of Cash Flows
For the Years Ended August 31, 2007, 2006 and 2005

	2007	Increase (Decrease)	2006	2005
Cash provided by/(used) in:				
Operating Activities	(\$6,399,647)	(\$482,380)	(\$5,917,267)	(\$5,676,227)
Non-capital Financing Activities	7,637,916	460,222	7,177,694	6,895,423
Capital and Related Financing Activities	(1,394,616)	203,352	(1,597,968)	(126,692)
Investing Activities	<u>569,968</u>	<u>90,301</u>	<u>479,667</u>	<u>(868,475)</u>
Net Increase (decrease) in Cash and Cash Equivalents	\$413,621	\$271,495	\$142,126	\$224,029
Cash and cash equivalents – September 1	<u>1,560,316</u>	<u>142,126</u>	<u>1,418,190</u>	<u>1,194,161</u>
Cash and cash equivalents - August 31	<u>\$1,973,937</u>	<u>\$413,621</u>	<u>\$1,560,316</u>	<u>\$1,418,190</u>

Cash and cash equivalents at August 31, 2007 was \$1,973,937, which is an increase of \$413,621 or 26.5%.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

As mentioned earlier, revenues exceeded expenses by \$871,395 for the year ended August 31, 2007. The College's financial position remains strong, with unrestricted net assets representing approximately six months of operating reserves, which is well 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, 2007, amounts to \$9,003,349 (net of accumulated depreciation) and represents a 2.2% increase from last year as a result of construction in progress. This investment includes land, library books, buildings and improvements, and furniture and equipment.

	Capital Assets (net of depreciation)			2006	2005
	as of August 31, 2007, 2006 and 2005				
	2007	Increase (Decrease)	% of Change		
Land	\$1,238,342	\$90,686	7.9%	\$1,147,656	\$1,103,543
Library Books	306,476	(17,103)	-5.3%	323,579	339,161
Buildings and Improvements	5,720,745	(295,230)	-4.9%	6,015,975	6,215,944
Construction in Progress	1,167,706	654,965	127.7%	512,741	0
Furniture and Equipment	<u>570,080</u>	<u>(236,666)</u>	<u>-29.3%</u>	<u>806,746</u>	<u>749,554</u>
Total at historical cost	<u>\$9,003,349</u>	<u>\$196,652</u>	<u>2.2%</u>	<u>\$8,806,697</u>	<u>\$8,408,202</u>

Please refer to footnote number 7 on page 26 for additional information on capital assets.

Long-term Debt

The College issued a \$2.5 million, 15 year revenue bond in March 2005. The principal balance at August 31, 2007 was \$2,243,000. In December 2001 the College received a 15 year Maintenance Tax Note. The note is secured with proceeds from the College's maintenance and operations tax. The principal balance at August 31, 2007 was \$1,418,933.

The only other debt the College has is in the form of capital leases. The College entered into a \$142,735 five year lease of copying machines in 2006. The principal balance on the leases at August 31, 2007 was \$61,899.

	Long-term Liabilities as of August 31, 2007, 2006 and 2005				
	2007	Increase (Decrease)	% of Change	2006	2005
Lease Purchase Agreements	\$61,899	(\$46,888)	-43.1%	\$108,787	\$8,843
Maintenance Notes Payable	1,418,933	(116,737)	-7.6%	1,535,670	1,647,217
Revenue Bonds Payable	<u>2,243,000</u>	<u>(131,000)</u>	<u>-5.5%</u>	<u>2,374,000</u>	<u>2,500,000</u>
Total Long-term Liabilities	<u>\$3,723,832</u>	<u>(\$294,625)</u>	<u>-7.3%</u>	<u>\$4,018,457</u>	<u>\$4,156,060</u>

Additional information on the College's long-term debt can be found in footnote number 8 on page 27 of this report.

ECONOMIC FACTORS

The Texas Legislature convened in January 2007 and set appropriation amounts for the fifty state community colleges for the biennium that began September 1, 2007. They will convene again in 2009 to set the appropriations for the next biennium that begins on September 1, 2009.

This year's high natural gas prices have helped increase the appraised tax value of property in the taxing district by 24.9%. The increase has allowed the College to increase the effective tax rate by 7.9% while decreasing the actual tax rate by 13.1%.

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
STATEMENT OF NET ASSETS
August 31, 2007 and 2006

	<u>2007</u> <u>Primary</u> <u>Institution</u>	<u>2006</u> <u>Primary</u> <u>Institution</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,973,937	\$ 1,560,316
Short-term investments	5,168,206	5,235,930
Accounts receivable (net)	1,213,666	1,272,380
Inventories	161,179	165,343
Other assets	<u>536,780</u>	<u>463,342</u>
Total Current Assets	<u>9,053,768</u>	<u>8,697,311</u>
Noncurrent Assets		
Endowment and other short-term investments	2,050,723	2,035,015
Capital assets, (net) (See note)	<u>9,003,349</u>	<u>8,806,698</u>
Total Noncurrent Assets	<u>11,054,072</u>	<u>10,841,713</u>
Total Assets	<u>\$ 20,107,840</u>	<u>\$ 19,539,024</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 375,890	\$ 388,276
Accrued liabilities	299,233	332,789
Funds held for others	147,634	129,978
Payable to Affiliated Organization	323,241	441,615
Deferred revenues	2,143,936	2,012,425
Capital Leases Payable - current portion	49,133	47,031
Revenue Bonds Payable - current portion	136,000	131,000
Notes Payable - current portion	<u>122,169</u>	<u>116,737</u>
Total Current Liabilities	<u>3,597,236</u>	<u>3,599,851</u>
Noncurrent Liabilities		
Deposits	61,095	53,900
Capital Leases Payable	12,766	61,756
Revenue Bonds Payable	2,107,000	2,243,000
Notes Payable	<u>1,296,764</u>	<u>1,418,933</u>
Total Noncurrent Liabilities	<u>3,477,625</u>	<u>3,777,589</u>
Total Liabilities	<u>\$ 7,074,861</u>	<u>\$ 7,377,440</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 5,279,517	\$ 4,788,240
Restricted for		
Nonexpendable		
Student Aid	1,787,541	1,704,924
Unrestricted		
Total Net Assets	<u>\$ 5,965,921</u>	<u>\$ 5,668,420</u>
	<u>\$ 13,032,979</u>	<u>\$ 12,161,584</u>

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

PANOLA COLLEGE
EXHIBIT 1-A
AFFILIATED ORGANIZATION
STATEMENT OF FINANCIAL POSITION
August 31, 2007 and 2006

	<u>2007</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2006</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
Assets		
Cash and cash equivalents	\$ 72,059	\$ 55,329
Short Term Certificates of Deposit	90,566	58,498
Mutual Fund Investments	35,322	29,365
Annuity Contracts	528,308	484,558
Receivable from Panola College	325,906	441,615
Construction in progress	-	-
Total Assets	<u><u>\$ 1,052,161</u></u>	<u><u>\$ 1,069,365</u></u>
Liabilities		
Accounts payable	\$ -	\$ -
Accrued liabilities	-	-
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net Assets		
Unrestricted	\$ 35,327	\$ 19,078
Permanently Restricted	1,016,834	1,050,287
Total Net Assets	<u><u>\$ 1,052,161</u></u>	<u><u>\$ 1,069,365</u></u>

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

PANOLA COLLEGE
EXHIBIT 2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended August 31, 2007 and 2006

	2007 Primary Institution	2006 Primary Institution
Operating Revenues		
Tuition and Fees (Net of Discounts of \$1,376,582 for 2007 and \$1,168,473 for 2006)	\$ 2,065,117	\$ 1,913,953
Federal Grants and Contracts	2,392,872	2,528,736
State Grants and Contracts	572,886	231,552
Non-Governmental Grants and Contracts	4,920	20,346
Sales and Services of Educational Activities	164,132	181,842
Auxiliary Enterprises (Net of Discounts of \$635,885 for 2007 and \$649,298 for 2006)	1,157,710	1,088,135
Other Operating Revenues (Net of Discounts of \$-0-)	250,787	310,744
Total Operating Revenues (Schedule A)	6,608,424	6,275,308
Operating Expenses		
Instruction	6,015,188	5,402,336
Public Service	258,707	323,395
Academic Support	1,658,450	1,558,138
Student Services	1,067,540	1,028,438
Institutional Support	1,562,716	1,500,194
Operation and Maintenance of Plant	1,513,167	1,192,317
Scholarships and Fellowships	840,393	1,030,139
Auxiliary Enterprises	1,468,121	1,468,840
Depreciation	699,100	688,122
Total Operating Expenses (Schedule B)	15,083,382	14,191,919
Operating Loss	(8,474,958)	(7,916,611)
Non-Operating Revenues (Expenses)		
State Appropriations	4,555,017	4,526,107
Ad-Valorem Taxes for Maintenance & Operations	4,128,715	3,638,548
Gifts	303,924	162,534
Investment Income (Net of Investment Expenses)	466,402	355,636
Royalty income	56,228	70,657
Interest on Capital Related Debt	(163,933)	(168,675)
Loss on disposition of capital assets	-	(14,439)
Net Non-Operating Revenues (Schedule C)	9,346,353	8,570,368
Increase in Net Assets	871,395	653,757
NET ASSETS		
Net Assets - Beginning of Year	12,161,584	11,507,827
Net Assets - End of Year	\$ 13,032,979	\$ 12,161,584

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

PANOLA COLLEGE
EXHIBIT 2-A
AFFILIATED ORGANIZATION
STATEMENT OF ACTIVITIES
For the Years Ended August 31, 2007 and 2006

	<u>2007</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2006</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
Revenue		
Investment income	\$ 35,057	\$ 19,715
Unrealized Investment Income	65,102	38,387
Gifts	<u>111,266</u>	<u>142,792</u>
Total Revenue	<u>211,425</u>	<u>200,894</u>
Expenses		
Scholarships and support	<u>228,629</u>	<u>44,033</u>
Total Expenses	<u>228,629</u>	<u>44,033</u>
Change in net assets	(17,204)	156,861
Net Assets at beginning of year	<u>1,069,365</u>	<u>912,504</u>
Net Assets at end of year	<u>\$ 1,052,161</u>	<u>\$ 1,069,365</u>

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

PANOLA COLLEGE
EXHIBIT 3
STATEMENT OF CASH FLOWS
For the Years Ended August 31, 2007 and 2006

	2007	2006
	Primary Institution	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 3,708,586	\$ 3,411,260
Receipts from grants, and contracts	2,852,375	2,916,243
Payments to or on behalf of employees	(7,766,555)	(7,106,370)
Payments to suppliers for goods or services	(4,353,660)	(4,108,261)
Payments of scholarships	(840,393)	(1,030,139)
Net cash used for operating activities	<u>(6,399,647)</u>	<u>(5,917,267)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	3,300,206	3,300,206
Ad valorem tax revenues	4,130,190	3,633,387
Gifts and grants (other than capital)	303,924	121,521
Student organization and other agency transactions	(96,404)	122,580
Net cash provided by non-capital financing activities	<u>7,637,916</u>	<u>7,177,694</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital lease issue	-	142,735
Purchases of capital assets	(933,179)	(1,283,042)
Interest expense paid	(166,812)	(177,323)
Payments on capital debt and leases	(294,625)	(280,338)
Net cash used for capital and related financing activities	<u>(1,394,616)</u>	<u>(1,597,968)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	7,206,775	7,324,856
Investment earnings	506,408	366,357
Purchases of investments	(7,143,215)	(7,211,546)
Net cash provided by (used for) investing activities	<u>569,968</u>	<u>479,667</u>
Increase in cash and cash equivalents	413,621	142,126
Cash and cash equivalents - Beginning	<u>1,560,316</u>	<u>1,418,190</u>
Cash and cash equivalents - Ending	<u>\$ 1,973,937</u>	<u>\$ 1,560,316</u>
Noncash investing, capital, and financing activities:		
Capital assets purchased	\$ 895,751	\$ 1,101,056
Less assets donated	-	(41,013)
Less accounts payable	37,428	(134,918)
Payment of prior year accounts payable	-	357,917
Cash paid for capital assets	<u>\$ 933,179</u>	<u>\$ 1,283,042</u>
Increase in fair value of investments	<u>\$ 11,544</u>	<u>\$ 6,270</u>

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

PANOLA COLLEGE
EXHIBIT 3 (Continued)
STATEMENT OF CASH FLOWS
For the Years Ended August 31, 2007 and 2006

	<u>2007</u> <u>Primary</u> <u>Institution</u>	<u>2006</u> <u>Primary</u> <u>Institution</u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ <u>(8,474,958)</u>	\$ <u>(7,916,611)</u>
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	699,100	688,122
On-behalf state appropriations	1,254,811	1,225,901
Changes in assets and liabilities		
(Increase) Decrease in Receivables, net	59,066	158,848
(Increase) Decrease in Inventories	4,164	(28,558)
(Increase) Decrease in Prepaid expenses	16,498	6,385
(Increase) Decrease in Deferred expenses	(89,936)	(54,836)
Increase (Decrease) in Deferred credits student related	133,297	106,694
Increase (Decrease) in Deferred credits other	(1,785)	2,940
Increase (Decrease) in Accounts payable	30,773	(139,499)
Increase (Decrease) in Accrued liabilities-payroll related	4,367	10,317
Increase (Decrease) in Compensated absences	(35,044)	23,030
Total Adjustments	<u>2,075,311</u>	<u>1,999,344</u>
Net cash used by operating activities	<u>\$ (6,399,647)</u>	<u>\$ (5,917,267)</u>

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

PANOLA COLLEGE
EXHIBIT 3-A
AFFILIATED ORGANIZATION
STATEMENT OF CASH FLOWS
For the Years Ended August 31, 2007 and 2006

	<u>2007</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2006</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 226,975	\$ 40,670
Payments for scholarships and support	(228,629)	(44,033)
Investment receipts	<u>35,057</u>	<u>2,670</u>
Net cash provided by operating activities	<u>33,403</u>	<u>(693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities and liquidation of investments	29,459	29,900
Purchase of investments and annuities	<u>(46,132)</u>	<u>(4,121)</u>
Net cash provided by for investing activities	<u>(16,673)</u>	<u>25,779</u>
 Increase in cash and cash equivalents	 16,730	 25,086
Cash and cash equivalents-beginning	55,329	30,243
Cash and cash equivalents-ending	<u>\$ 72,059</u>	<u>\$ 55,329</u>
Reconciliation of change in net assets to net cash used for operating activities		
Change in net assets	\$ (17,204)	\$ 139,816
Adjustments to reconcile change in net assets to net cash used to net cash used for operating activities		
(Increase) Decrease in fair value of investments	(65,102)	(38,387)
 Changes in assets and liabilities		
(Increase) Decrease in gifts receivable	<u>115,709</u>	<u>(102,122)</u>
Total Adjustments	<u>50,607</u>	<u>(140,509)</u>
 Net cash provided by operating activities	 <u>\$ 33,403</u>	 <u>\$ (693)</u>

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

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 applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

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.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

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 subsequent year's budget are reported as unrestricted net assets 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 District'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.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds investment pools comprised of \$586,917 and \$59,707 at August 31, 2007 and 2006, respectively, to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

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

PANOLA COLLEGE
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Collections

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

Deferred Revenues

Tuition, fees, and other revenues received and related to the periods after August 31, 2007 and 2006 have been deferred.

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 assets 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). 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.

Net Assets

The College reports its net assets in three components. Net assets invested in capital assets are equal to amounts reported for capital assets net of accumulated depreciation and net of related debt. Restricted net assets are 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 assets are all other College net assets that do not meet the definitions of invested in capital assets or restricted.

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, 2007 and 2006 amounted to approximately \$228,629 and \$44,033, respectively. In addition, the Foundation is presently conducting a capital campaign for the purpose of raising funds to assist the College in the construction of a planned library project.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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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 2007 and 2006 fiscal years all 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 (Liquidity Plus) and Lincoln Financial Advisors. The Lonestar Investment Pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in short-term investments. The Liquidity Plus Fund is regulated by the Securities and Exchange Act and seeks to maintain a net asset value of 50 cents, and its dollar weighted average maturity is 120 days or fewer. Lonestar Investment Pool is administered by the Texas Association of School Boards, in Austin, Texas. Lonestar Investment Pool has a rating of AA+ by Standard & Poor's.

The fair value of the investment in Lonestar Investment Pool was the same as its carrying value of \$586,917 and \$59,707 for the years ending August 31, 2007 and 2006, 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 \$79,714 and \$64,170 for the years ending August 31, 2007 and 2006, respectively.

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

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Composition of Cash, Deposits and Investments

	<u>August 31, 2007</u>	<u>August 31, 2006</u>
Cash and Deposits		
Cash in Banks:		
Demand Deposits	\$ 1,383,220	\$ 1,497,009
Time Deposits	7,139,215	7,206,775
Petty Cash on Hand	3,800	3,600
Total Cash and Deposits	<u>8,526,235</u>	<u>8,707,384</u>
Investments		
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	586,917	59,707
Mutual Fund Investments	79,714	64,170
Total Investments	<u>666,631</u>	<u>123,877</u>
Total Deposits and Investments	<u>\$ 9,192,866</u>	<u>\$ 8,831,261</u>

Classification in Statement of Net Assets, Exhibit 1

	<u>August 31, 2007</u>	<u>August 31, 2006</u>
Cash and Cash Equivalents		
Cash in Banks:		
Demand Deposits	\$ 1,383,220	\$ 1,497,009
Time Deposits	-	-
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	586,917	59,707
Petty Cash on Hand	3,800	3,600
Total Cash and Cash Equivalents	<u>1,973,937</u>	<u>1,560,316</u>
Short-Term Investments		
Cash in Banks – Time Deposits	<u>5,168,206</u>	<u>5,235,930</u>
Endowment and Other Short-Term Investments		
Cash in Banks – Time Deposits	1,971,009	1,970,845
Mutual Fund Investments	79,714	64,170
Total Short-Term Investments	<u>2,050,723</u>	<u>2,035,015</u>
Total Cash, Deposits and Investments	<u>\$ 9,192,866</u>	<u>\$ 8,831,261</u>

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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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.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government'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, 2007 and 2006, the College's bank deposits (balance per financial institution) were approximately \$8,685,155 and \$8,991,787, respectively. Of these amounts, the deposits were insured by federal depository (FDIC) insurance in the amounts of \$198,244 and \$217,660 respectively. The remaining balances of \$8,486,911 (2007) and \$8,774,127 (2006) were covered by pledged collateral held by the agent of the financial institution in the name of the College. The College was therefore not exposed to custodial credit risk during the year as its deposits were covered as described above.

- a. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's investments in the investment pools and mutual funds (described above) are not included in this type of custodial credit risk. During the year, the College was not exposed to custodial credit risk for investments.
- b. **Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College has no specific policy regarding concentration of credit risk. During the year, the College was not exposed to concentration of credit risk.
- c. **Interest Rate Risk:** Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The College does not have a specific policy regarding interest rate risk, as it does not contemplate the investment of funds in such instruments. During the year, the College was not exposed to interest rate risk.

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.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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7. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2007 was as follows:

Description	Balance September 1, 2006	Increases	Decreases	Balance August 31, 2007
Capital assets not being Depreciated:				
Construction in progress	\$ 512,741	\$ 772,104	\$ 117,139	\$ 1,167,706
Land	1,147,656	90,686	-	1,238,342
Total capital assets not being Depreciated	1,660,397	862,790	117,139	2,406,048
Capital assets, being depreciated:				
Buildings and Improvements	14,423,674	117,139	-	14,540,813
Equipment under Capital Lease - Copy Machines	142,735	-	-	142,735
Furniture, Fixtures, Machinery & Equipment and Other Equipment	2,594,240	6,400	-	2,600,640
Library Books	628,405	26,562	30,172	624,795
Total capital assets, being depreciated	17,789,054	150,101	30,172	17,908,983
Less accumulated depreciation for:				
Building and Improvements	(8,407,699)	(412,369)	-	(8,820,068)
Equipment Under Capital Lease	(23,789)	(28,547)	-	(52,336)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(1,906,440)	(214,519)	-	(2,120,959)
Library Books	(304,826)	(43,665)	(30,172)	(318,319)
Total accumulated depreciation	(10,642,754)	(699,100)	(30,172)	(11,311,682)
Total capital assets, being depreciated, net	7,146,300	(548,999)	-	6,597,301
Net Capital Assets	\$ 8,806,697	\$ 313,791	\$ 117,139	\$ 9,003,349

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Capital assets activity for the year ended August 31, 2006 was as follows:

Description	Balance September 1, 2005	Increases	Decreases	Balance August 31, 2006
Capital assets not being Depreciated:				
Construction in progress	\$ -	\$ 512,741	\$ -	\$ 512,741
Land	1,103,543	44,113	-	1,147,656
Total capital assets not being Depreciated	1,103,543	556,854	-	1,660,397
Capital assets, being depreciated:				
Buildings and Improvements	14,222,199	201,475	-	14,423,674
Equipment under Capital Lease - Copy Machines	152,078	142,735	152,078	142,735
Furniture, Fixtures, Machinery & Equipment and Other Equipment	2,436,687	172,588	15,035	2,594,240
Library Books	617,385	27,404	16,384	628,405
Total capital assets, being depreciated	17,428,349	544,202	183,497	17,789,054
Less accumulated depreciation for:				
Building and Improvements	(8,006,255)	(401,444)	-	(8,407,699)
Equipment Under Capital Lease	(139,788)	(24,681)	(140,680)	(23,789)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(1,699,423)	(219,011)	(11,994)	(1,906,440)
Library Books	(278,224)	(42,986)	(16,384)	(304,826)
Total accumulated depreciation	(10,123,690)	(688,122)	(169,058)	(10,642,754)
Total capital assets, being depreciated, net	7,304,659	(143,920)	14,439	7,146,300
Net Capital Assets	\$ 8,408,202	\$ 412,934	\$ 14,439	\$ 8,806,697

8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2007 was as follows:

Description	Balance September 1, 2006	Additions	Reductions	Balance August 31, 2007	Current Portion
<u>Leases and Notes</u>					
Capital Leases	\$ 108,787	\$ -	\$ 46,888	\$ 61,899	\$ 49,133
Maintenance Notes Payable	1,535,670	-	116,737	1,418,933	122,169
Revenue Bonds Payable	2,374,000	-	131,000	2,243,000	136,000
Total Long-Term Liabilities	\$ 4,018,457	\$ -	\$ 294,625	\$ 3,723,832	\$ 307,302

PANOLA COLLEGE
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Compensated absences consist of accrued vacations. Such liabilities are considered to be current liabilities and are not included in long-term liabilities.

Long-term liability activity for the year ended August 31, 2006 was as follows:

	Balance September 1, 2005	Additions	Reductions	Balance August 31, 2006	Current Portion
<u>Leases and Notes</u>					
Capital Leases	\$ 8,843	\$ 142,735	\$ 42,791	\$ 108,787	\$ 47,031
Maintenance Notes Payable	1,647,217	-	111,547	1,535,670	116,737
Revenue Bonds Payable	2,500,000	-	126,000	2,374,000	131,000
Total Long-Term Liabilities	\$ 4,156,060	\$ 142,735	\$ 280,338	\$ 4,018,457	\$ 294,768

Lease Purchase Agreements Payable

In prior years, the College entered into capital lease commitments for copy equipment. The leases were for twenty-four copiers and related attachments. The arrangements required the College to make payments in monthly installments of \$3,756 ranging from 30 to 60 months. The capital leases expired in the current fiscal year and the College did not exercise its option for purchase of the copiers. Imputed interest assumed in the leases ranged from 5% to 8%. The interest portion of current year payments amounted to \$104 and \$104 for the years ended August 31, 2007 and 2006 respectively.

In the prior year, a capital lease was entered into for nineteen copiers and related attachments. The lease agreement is for a term of 36 months with monthly payments of \$4,238. The lease agreement assumes an interest rate of 4.38%. The interest portion of current year payments on the new lease amounted to approximately \$3,972.

Summarized below are annual lease requirements associated with the commitments:

Year Ending August 31,	2007			2006		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2007	\$ -	\$ -	\$ -	\$ 3,828	\$ 47,031	\$ 50,859
2008	1,726	49,133	50,589	1,726	49,133	50,589
2009	92	12,766	12,858	92	12,623	12,715
Total	\$ 1,818	\$ 61,899	\$ 63,717	\$ 5,646	\$ 108,787	\$ 114,433

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Maintenance Notes Payable

On December 15, 2001, the College issued Maintenance Tax Notes, Series 2001 in the amount of \$2,000,000. The maintenance notes carry an interest rate of 4.6% payable in thirty semi-annual installments of \$93,025 each.

The notes were issued to finance facility improvements related to an energy management project. In addition to the note proceeds being used for upgrades and replacements to lighting and HVAC equipment, the notes were also used for roofing projects and other maintenance projects to the physical plant.

In accordance with Section 45.108 of the Texas Education Code, all available funds of the College are pledged to the payment of principal and interest on the notes. In the event such available funds are insufficient to meet the obligations, the College has the authority to assess a separate maintenance tax levy in addition to the regular maintenance and operations tax levy to insure the funds are available to meet the scheduled obligations.

Assessment of a separate maintenance tax levy is not anticipated and payment of the obligations due in the fiscal year ending August 31, 2007 has been provided for in the budget.

The first of the thirty semi-annual installments was made on June 19, 2002. Interest expense on the note amounted to \$69,314 and \$74,504 for the years ended August 31, 2007 and 2006, respectively. Accrued interest on the note at August 31, 2007 and 2006 amounted to approximately \$13,381 and \$14,324 respectively, and is included in the financial statements.

Annual debt service requirements associated with the notes are summarized below.

Year Ending August 31,	2007			2006		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2007	\$ 0	\$ 0	\$ 0	\$69,313	\$ 116,737	\$ 186,050
2008	63,881	122,169	186,050	63,881	122,169	186,050
2009	58,198	127,852	186,050	58,198	127,852	186,050
2010	52,248	133,802	186,050	52,248	133,802	186,050
2011	46,023	140,028	186,051	46,023	140,028	186,051
2012	39,508	146,543	186,051	39,508	146,543	186,051
2013-2017	88,696	748,539	837,235	88,696	748,539	837,235
Total	\$348,554	\$1,418,933	\$ 1,767,487	\$417,867	\$1,535,670	\$ 1,953,537

Revenue Bond Payable

On March 28, 2005, the College issued Revenue Bonds, Series 2005 in the amount of \$2,500,000. The revenue bonds carry an interest rate of 3.94% payable in thirty semi-annual installments. Principal on the bonds is due in 15 annual installments beginning on April 18, 2006, and the final payment is due on April 18, 2020.

The bonds were issued to finance construction of student housing apartment complexes and additional improvements to the physical plant.

**PANOLA COLLEGE
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In accordance with Section 130.123 of the Texas Education Code, the revenue bonds are to be paid by the assessment of a building use (dorm) fee to all students occupying dorms at the College. Such fees assessed are pledged toward repayment of the bonds along with other pledged revenues of the College sufficient to the payment of principal and interest on the bonds.

Interest expense on the bonds amounted to \$93,536 and \$98,500 for the years ended August 31, 2007 and 2006, respectively.

Accrued interest on the bonds at August 31, 2007 and 2006 amounted to approximately \$ 33,140 and \$35,076 respectively, and is included in the financial statements.

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

Year Ending August 31,	2007			2006		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2007	\$ 0	\$ 0	\$ 0	\$ 93,536	\$ 131,000	\$ 224,536
2008	88,374	136,000	224,374	88,374	136,000	224,374
2009	83,016	141,000	224,016	83,016	141,000	224,016
2010	77,460	146,000	223,460	77,460	146,000	223,460
2011	71,708	152,000	223,708	71,708	152,000	223,708
2012	65,719	158,000	223,719	65,719	158,000	223,719
2013-2017	230,096	890,000	1,120,096	230,096	890,000	1,120,096
2018-2020	49,368	620,000	669,368	49,368	620,000	669,368
Total	\$665,741	\$2,242,000	\$ 2,908,741	\$759,277	\$2,374,000	\$ 3,133,277

9. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2007 and 2006 were as follows:

	2007			2006		
	Total Receivable	Less Allowance For Uncollectibles	Net Receivable	Total Receivable	Less Allowance For Uncollectibles	Net Receivable
Student Receivables	\$ 653,973	\$ 356,421	\$ 297,552	\$ 702,574	\$ 305,172	\$ 397,402
Taxes Receivable	173,135	111,821	61,314	180,341	117,551	62,790
Federal Receivables	549,664	-	549,664	573,805	-	573,805
State Receivables	108,371	-	108,371	42,691	-	42,691
Interest Receivable	189,756	-	189,756	173,719	-	173,719
Other Receivables	7,009	-	7,009	21,973	-	21,973
TOTAL	\$ 1,681,908	\$ 468,242	\$ 1,213,666	\$ 1,695,103	\$ 422,723	\$ 1,272,380

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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Payables

Payables at August 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Vendors Payable	\$ 375,890	\$ 388,276
Salaries and Benefits Payable	252,712	283,389
Students Payable	38,366	56,588
Accrued Interest	46,521	49,400
Payable to Affiliated Organization	323,241	441,615
Other Payables	109,268	73,389
TOTAL	<u>\$ 1,145,998</u>	<u>\$ 1,292,657</u>

10. CONTRACT AND GRANT AWARDS

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

11. 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 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.

Taxes levied for current year operations are summarized below:

	<u>2007</u>	<u>2006</u>
Original tax levy	\$ 4,070,777	\$ 3,752,828
Supplemental levy and adjustments	178,966	(4,671)
Adjusted levy	4,249,743	3,748,157
Penalty and interest assessments	15,954	12,976
Total Levy	<u>\$ 4,265,697</u>	<u>\$ 3,761,133</u>

Tax collections for the years ended August 31, 2007 and 2006, including delinquent collections, exceeded 99% of the levy for both years.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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A summary of tax data is presented as follows:

	<u>2007</u>	<u>2006</u>
Assessed valuation of the District	\$ 4,941,157,462	\$ 4,058,808,402
Less: Exemptions	(158,907,911)	(158,228,911)
Less: Abatements	(466,328,220)	(446,057,316)
Net Assessed Valuation of the District	<u>\$ 4,315,921,331</u>	<u>\$ 3,454,522,175</u>
Tax Rate Per \$100 authorized:		
Current Operations	\$ 0.35000	\$ 0.35000
Debt Service	0.50000	0.50000
Total	<u>\$ 0.85000</u>	<u>\$ 0.85000</u>
Tax Rate Per \$100 assessed		
Current Operations	\$ 0.09432	\$ 0.10850
Debt Service	-	-
Total	<u>\$ 0.09432</u>	<u>\$ 0.10850</u>
Gross Taxes Collected (Current Operations)	\$ 4,184,231	\$ 3,705,093
Discounts Allowed	(110,138)	(97,567)
Delinquent Taxes Collected	67,703	44,770
Penalties and Interest Collected	47,899	40,302
Collection Fees	(60,980)	(54,050)
Total Collections	<u>\$ 4,128,715</u>	<u>\$ 3,638,548</u>

12. DEFERRED 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 assets as deferred revenue in the current fiscal year.

A summary of deferred revenues follows:

	<u>2007</u>	<u>2006</u>
Tuition and Fees	\$ 1,558,072	\$ 1,427,356
Housing and Residential Life	387,481	393,225
Bookstore Profit Deferral	163,541	158,052
Other	<u>34,842</u>	<u>33,792</u>
Total	<u>\$ 2,143,936</u>	<u>\$ 2,012,425</u>

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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13. EMPLOYEE RETIREMENT PLANS

Teacher Retirement System

Plan Description:

The Teacher Retirement System of Texas (TRS) is a multiple-employer public employee retirement system (PERS). It is a cost-sharing PERS with one exception: all risks and costs are not shared by the employer (unless the employer is a senior college, medical school, or a state agency in which case the employer is considered the State of Texas) and are the liability of the State of Texas. By statute, the State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during that fiscal year.

Types of Employees Covered:

All employees of public, state-supported educational institutions in Texas who are employed for 1/2 or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Subtitle C Section 822.002 are covered under the plan.

Benefit Provisions:

The Teacher Retirement System of Texas administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C.

The system also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively.

Service Retirement:

1. Normal - age 65 with 5 years of service
 age 60 with 20 years of service
 age 50 with 30 years of service
 age plus years of service equals 80

2. Reduced- age 55 with at least 5 years of service, or
 any age below 50 with 30 years of service

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

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

Funding Status and Progress

State law provided for a state contribution rate for fiscal years 2003 - 2007 of 6.0% and a member contribution rate of 6.4%. These rates are set by state statutes. The actuarially determined contribution requirements for the fiscal year were 6.4% for the employee and 6.0% for the state. In certain instances, the reporting district is required to make all or a portion of the State's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during that fiscal year. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution requirements for Panola College for fiscal years ended August 31, 2003 through 2007 were as follows:

Fiscal Year Ended	On-Behalf State	Panola College	Employee	Total	Covered	Total
<u>August 31,</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Pavroll</u>	<u>Pavroll</u>
2003	\$ 203,972	\$ -	\$ 217,505	\$ 421,477	\$ 3,399,533	\$6,227,620
2004	206,474	-	219,565	426,039	3,441,474	6,049,648
2005	216,305	-	230,619	446,924	3,605,087	6,271,752
2006	206,740	18,918	240,702	447,442	3,760,970	6,559,895
2007	209,689	22,227	267,265	499,181	4,176,683	6,951,413

The contributions applicable to Panola College for the above years are less than 1/10 of 1 percent of total contributions into the Teacher Retirement System as a whole.

Actuarial values of assets and accrued liabilities of the Teacher Retirement System of Texas as of August 31, 2003 through 2007, the date of the latest available information, were as follows (in billions).

Fiscal Year	Actuarial Value Of Assets	Actuarial Accrued Liability	(Unfunded)/Overfunded Actuarial Accrued Liability
2003	\$ 89.0	\$ 94.2	\$ (5.2)
2004	88.8	96.7	(7.9)
2005	89.2	102.5	(13.3)
2006	94.2	107.9	(13.7)
2007	103.4	116.0	(12.6)

The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the Teacher Retirement System, 1000 Red River Street, Austin, Texas 78701.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

Optional Retirement Program

The State has also established an Optional Retirement Program for institutions of higher education. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The Optional Retirement Program provides for the purchase of annuity contracts or mutual funds. The percentages of participant salaries currently contributed by the state and each participant are 6.0% and 6.65% respectively. Since these are individual investments, the State has no additional or unfunded liability for this program. Currently, the District contributes an additional 2.5% of each participant's salary who was a member of the program at August 31, 1995, to the Optional Retirement Program as allowed under provisions of state law. A summary of on-behalf, District and participant contribution is as follows:

Year Ended August 31,	On Behalf State Contribution	Panola College Contribution	Participant Contributions	Total Contributions	Covered Payroll
2007	\$ 119,251	\$ 32,740	\$ 132,170	\$ 284,161	\$ 1,987,518
2006	128,583	36,124	142,512	307,219	2,143,035
2005	119,175	30,019	132,085	281,279	1,986,246
2004	120,183	32,839	133,203	286,225	2,003,051
2003	138,218	40,378	153,192	331,788	2,303,632

All on-behalf payments referenced above are included in the statement of revenues, expenses, and changes in net assets.

14. 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, 2007 and 2006, the College had forty-three and thirty-six respectively, employees participating in the tax sheltered annuity program. A total of \$226,147 and \$201,869 in payroll deductions was invested in approved plans during the years ending August 31, 2007 and 2006, respectively.

15. 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 \$135,880 at August 31, 2007 and \$164,711 at August 31, 2006, and are included in the statement of net assets as accrued liabilities.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006

16. 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 \$361 and \$341 per month per employee to the Plan for the years ending August 31, 2007 and 2006, 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 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
2007	130	7	\$ 618,348	\$ 67,003
2006	130	7	611,641	64,567

17. POST-RETIREMENT HEALTH BENEFITS

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
2007	58	\$ 20.00	3	\$ 361
2006	58	20.00	3	341

In addition to providing pension benefits, the State provides in accordance with state statutes, certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The cost to the State (on-behalf payments) of providing those benefits for these retirees is included in the financial statements as revenues and expenditures in the restricted fund. A summary of the coverage is summarized below.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

Post Retirement Health Benefits:

Year Ended August 31,	On Behalf State Contribution	Average Number Retirees Covered
2007	\$307,523	63
2006	278,937	61

18. RELATED PARTIES

Panola College Development Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The Foundation accepts donations and acts as coordinator of gifts made by other parties. Other details regarding activities of the foundation are presented in Note 3.

19. 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, 2007 and 2006, there were five such funds for the benefit of the College. The Lawrence R. and Debbie H. Sharp Endowment Scholarship Fund, the Q. M. Martin Trust No. 2, the Reeves Scholarship Fund, the Daniel Scholarship Fund, and the Jacke Daniel Davis Memorial Scholarship Fund are held in trust by First State Bank and Trust of Carthage, Texas. Funds held in trust on these amounted to approximately \$309,667 at August 31, 2007 and \$309,564 at August 31, 2006.

20. 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.

21. 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 \$227,000 and \$227,000 in non monetary transactions representing the value of the use of the facilities for the years ended August 31, 2007 and 2006, respectively. A corresponding amount is also included in operating expenses. Capital donations amounted to approximately \$-0- and \$40,013 for the years ended August 31, 2007 and 2006, respectively.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

22. PENDING CLAIMS

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

23. 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, 2007, or 2006.

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SUPPLEMENTARY SCHEDULES



PANOLA COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES
For the Year Ended August 31, 2007 (With Memorandum Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2007 Total	2006 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 230,616	\$ -	\$ 230,616	\$ -	\$ 230,616	\$ 235,331
Out-of-district resident tuition	552,591	-	552,591	-	552,591	617,668
TPEG (set aside)*	64,838	-	64,838	-	64,838	63,130
Non-resident tuition	83,346	-	83,346	-	83,346	62,269
State funded continuing education	218,657	-	218,657	-	218,657	115,480
Non-state funded continuing education	10,503	-	10,503	-	10,503	7,903
Total Tuition	1,160,551	-	1,160,551	-	1,160,551	1,101,781
Fees						
General fee	1,161,876	-	1,161,876	-	1,161,876	1,006,737
Out-of-district fees	708,599	-	708,599	-	708,599	688,773
Laboratory fee	147,851	-	147,851	-	147,851	148,883
Other fees	262,822	-	262,822	-	262,822	136,252
Total fees	2,281,148	-	2,281,148	-	2,281,148	1,980,645
Scholarship allowances and discounts						
Institutional scholarships	(464,587)	-	(464,587)	-	(464,587)	(345,016)
Remissions and exemptions-state	(21,255)	-	(21,255)	-	(21,255)	(32,560)
Remissions and exemptions-local	(71,645)	-	(71,645)	-	(71,645)	(50,280)
Title IV federal grants	(658,792)	-	(658,792)	-	(658,792)	(607,982)
TPEG allowances	(30,814)	-	(30,814)	-	(30,814)	(31,686)
Other federal grants	(5,559)	-	(5,559)	-	(5,559)	(6,048)
State grants to students	(123,930)	-	(123,930)	-	(123,930)	(94,901)
Total scholarship allowances	(1,376,582)	-	(1,376,582)	-	(1,376,582)	(1,168,473)
Total net tuition and fees	2,065,117	-	2,065,117	-	2,065,117	1,913,953
Additional operating revenues						
Federal grants and contracts	-	2,392,872	2,392,872	-	2,392,872	2,528,736
State grants and contracts	-	572,886	572,886	-	572,886	231,552
Nongovernmental grants and contracts	-	4,920	4,920	-	4,920	20,346
Sales and services of educational activities	164,132	-	164,132	-	164,132	181,842
General operating revenues	250,787	-	250,787	-	250,787	310,744
Total other operating revenues	414,919	2,970,678	3,385,597	-	3,385,597	3,273,220
Auxiliary enterprises						
Bookstore	-	-	-	1,073,417	1,073,417	1,051,138
Less allowances and discounts	-	-	-	(215,216)	(215,216)	(301,991)
Residential life	-	-	-	720,178	720,178	686,295
Less allowances and discounts	-	-	-	(420,669)	(420,669)	(347,307)
Total net auxiliary enterprises	-	-	-	1,157,710	1,157,710	1,088,135
Total Operating Revenues	\$ 2,480,036	\$ 2,970,678	\$ 5,450,714	\$ 1,157,710	\$ 6,608,424	\$ 6,275,308
				(Exhibit 2)		(Exhibit 2)

*In accordance with Education Code 56.033, \$64,838 and \$63,130 of tuition was set aside for Texas Public Education Grants (TPEG).

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
For the Year Ended August 31, 2007 (With Memorandum Totals for the Year Ended August 31, 2006)

	Salaries And Wages	Benefits		Other Expenses	2007 Total	2006 Total
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 3,781,076	\$ -	\$ 363,557	\$ 555,520	\$ 4,700,153	\$ 4,367,160
Public Service	-	-	-	-	-	-
Academic Support	955,105	-	99,229	418,971	1,473,305	1,371,715
Student Services	617,883	-	59,382	115,200	792,465	757,528
Institutional Support	702,821	-	113,149	610,506	1,426,476	1,365,404
Operation and Maintenance of Plant	286,830	-	60,642	1,165,695	1,513,167	1,192,317
Scholarship and Fellowships	-	-	-	-	-	2,769
Total Unrestricted Educational Activities	6,343,715	-	695,959	2,865,892	9,905,566	9,056,893
Restricted Educational Activities						
Instruction	198,284	771,391	24,661	320,699	1,315,035	1,035,176
Public Service	134,773	26,126	24,191	73,617	258,707	323,395
Academic Support	-	185,145	-	-	185,145	186,423
Student Services	83,230	135,909	16,011	39,925	275,075	270,910
Institutional Support	-	136,240	-	-	136,240	134,790
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarship and Fellowships	-	-	-	840,393	840,393	1,027,370
Total Restricted Educational Activities	416,287	1,254,811	64,863	1,274,634	3,010,595	2,978,064
Auxiliary Enterprises	191,411	-	34,527	1,242,183	1,468,121	1,468,840
Depreciation Expense-Buildings & other real estate improvements			-	412,369	412,369	401,444
Depreciation Expense-Equipment & fixtures		-	-	243,066	243,066	243,692
Depreciation Expense-Library books				43,665	43,665	42,986
Total	\$ 6,951,413	\$ 1,254,811	\$ 795,349	\$ 6,081,809	\$ 15,083,382	\$ 14,191,919

(Exhibit 2)

(Exhibit 2)

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
SCHEDULE C
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2007 (With Memorandum Totals for the Year Ended August 31, 2006)

	Unrestricted	Restricted	Auxiliary Enterprises	2007 Total	2006 Total
NON-OPERATING REVENUES					
State Appropriations					
Education and general state support	\$ 3,300,206	-	-	\$ 3,300,206	\$ 3,300,206
State group insurance	-	925,871	-	925,871	890,578
State retirement matching	-	328,940	-	328,940	335,323
Total State Appropriations	3,300,206	1,254,811	-	4,555,017	4,526,107
Ad-Valorem Taxes for Maintenance & Operation:	4,128,715	-	-	4,128,715	3,638,548
Gifts	200,000	103,924	-	303,924	162,534
Investment Income	334,190	119,429	12,783	466,402	355,636
Royalty Income	-	56,228	-	56,228	70,657
Total non-operating revenues	4,662,905	279,581	12,783	4,955,269	4,227,375
NON-OPERATING EXPENSES					
Interest on Capital Related Debt	163,933	-	-	163,933	168,675
Loss on disposition of capital assets	-	-	-	-	14,439
Total non-operating expenses	163,933	-	-	163,933	183,114
Net non-operating revenues	\$ 7,799,178	\$ 1,534,392	\$ 12,783	\$ 9,346,353	\$ 8,570,368
				Exhibit 2	Exhibit 2

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
SCHEDULE D
SCHEDULE OF NET ASSETS BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2007
With Memorandum Totals for the Year Ended August 31, 2006

	Detail By Source					Available for Current Operations	
	Unrestricted	Expendable	Non-Expendable	Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
Current							
Unrestricted	\$ 3,757,929	\$ -	\$ -	\$ -	3,757,929	\$ 3,757,929	\$ -
Restricted	259,978	-	-	-	259,978	259,978	-
Auxiliary enterprises	421,156	-	-	-	421,156	421,156	-
Endowment							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	1,787,541	-	1,787,541	-	1,787,541
Plant							
Unexpended	1,526,858	-	-	-	1,526,858	686,050	840,808
Investment in Plant	-	-	-	5,279,517	5,279,517	-	5,279,517
Total Net Assets, August 31, 2007	<u>5,965,921</u>	<u>-</u>	<u>1,787,541</u>	<u>5,279,517</u>	<u>13,032,979</u>	<u>5,125,113</u>	<u>7,907,866</u>
					(Exhibit 1)		
Total Net Assets, August 31, 2006	<u>5,668,420</u>	<u>\$ -</u>	<u>1,704,924</u>	<u>\$ 4,788,240</u>	<u>12,161,584</u>	<u>3,863,964</u>	<u>8,297,620</u>
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	<u>\$ 297,501</u>	<u>-</u>	<u>\$ 82,617</u>	<u>491,277</u>	<u>\$ 871,395</u>	<u>1,261,149</u>	<u>\$ (389,754)</u>
					(Exhibit 2)		

PANOLA COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2007

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U. S. Department of Education			
Direct:			
FSEOG	84.007	EP007A064092	* \$ 61,651
FSEOG	84.007	EP007A074092	* 20,238
Sub- total FSEOG			81,889
Federal Workstudy Program	84.033	EP033A064092	* 115,635
Federal Workstudy Program	84.033	EP033A074092	* 1,022
Sub- total Federal College Workstudy Program			116,657
Federal Pell Grant Program	84.063	EP063P062297	* 1,188,190
Federal Pell Grant Program	84.063	EP063P072297	* 405,548
Sub- total Federal Pell Grant Program			1,593,738
Academic Competitiveness Grant	84.375		* 75,425
Passed Through From:			
Texas Education Agency			
Adult Education - State Grant Program	84.002A	084100017110210	22,930
Adult Education - State Grant Program	84.002A	074100017110144	92,671
			115,601
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	74236	209,773
Del Mar College			
Carl Perkins Vocational Education	84.048	71102	2,348
North Harris Montgomery Comm College (Tomball College)			
Carl Perkins Vocational Education	84.048	61504	11,438
Texas Higher Education Coordinating Board			
Leveraging Educational Assistance Partnership	84.069A		2,889
Special Leveraging Educational Assistance Partnership	84.069B		5,253
Stephen F. Austin State University			
Fund for the Improvement of Postsecondary Education	84.116		1,700
East Texas Tech Prep Consortium			
Carl Perkins Tech-Prep Education	84.243		21,621
Total U. S. Department of Education			2,238,332
Department of Health and Human Services			
Direct:			
Scholarships For Health Professions Students From			
Disadvantaged Backgrounds	93.925		6,056
Passed Through From:			
Texas Education Agency			
Temporary Assistance for Needy Families	93.558	073625017110132	17,720
East Texas Council of Governments			
Temporary Assistance for Needy Families	93.558	PC-TANF-PY06-01	55,245
Texas Workforce Commission			
Temporary Assistance for Needy Families	93.558	0806SSF000	75,519
Total Department of Health and Human Services			154,540
Total Federal Financial Assistance			\$ 2,392,872
Federal Grants and Revenues -Per Schedule A			\$ 2,392,872

* Indicates clustered program under OMB Circular A-133
Compliance Supplement.

See accompanying notes to schedules of expenditures of federal and state awards.

PANOLA COLLEGE
SCHEDULE F
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2007

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
Passed Through From:		
Texas Education Agency		
Adult Education GR-Adult Education	070100017110144	\$ 19,025
Adult Education GR MOE TANF	070110017110132	9,444
Sub-total Texas Education Agency		<u>28,469</u>
Texas Workforce Commission		
Skills Development-Petroleum Technology	0807SDF001	183,385
Skills Development-Healthcare Consortium	0807SDF002	159,263
Sub-total Texas Workforce Commission		<u>342,648</u>
Kilgore College		
Virtual College of Texas		<u>20,112</u>
Texas Higher Education Coordinating Board		
Texas I Grant		136,710
Texas II Grant		30,870
Texas Guaranteed Student Loan		10,000
Professional Nursing		3,486
Vocational Nursing		591
Sub-total Texas Higher Education Coordinating Board		<u>181,657</u>
Total State Financial Assistance		<u>\$ 572,886</u>
State Grants and Revenues -Per Schedule A		<u>\$ 572,886</u>

See accompanying 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, 2007

Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on pages 45 and 46 represent funds which have been expended by the College for the purposes of the award. The expenditures reported in the schedule may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the general purpose 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 schedule.

Relationship to Federal and State Financial Reports

Differences between amounts reflected in the financial reports filed with grantor agencies for the programs and in the schedule 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.

**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



SINGLE AUDIT SECTION

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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 District
Carthage, Texas

We have audited the basic financial statements of Panola College as of and for the year ended August 31, 2007, and have issued our report thereon dated December 6, 2007. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panola College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Panola College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Panola College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2007, no instances of noncompliance were found.

We noted certain matters that we reported to management of Panola College in a separate letter dated December 6, 2007.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, others within the entity, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
December 6, 2007

Wilbur E. Alexander, CPA
Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudel, CPA
Chris Wethington, CPA
Yvette Sidnell, CPA

AL&H ALEXANDER LANKFORD & HIERS, INC.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees
Panola College District
Carthage, Texas

Compliance

We have audited the compliance of Panola College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *State of Texas Single Audit Circular*, that are applicable to each of its major federal and state programs for the year ended August 31, 2007. Panola College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Panola College's management. Our responsibility is to express an opinion on Panola College's compliance based on our audit.

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

In our opinion, Panola College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended August 31, 2007.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR - CONTINUED**

Internal Control Over Compliance

The management of Panola College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Panola College's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR - CONTINUED**

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, others within the entity, the Texas Higher Education Coordinating Board, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander, Lankford & Hiers, Inc

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
December 6, 2007

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2007**

A. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements
noted? Yes X No

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to
be reported in accordance with section 510(a)
of Circular A-133 or TSAC? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster*</u>
84.063	Federal Pell Grant*
84.007	Federal Supplemental Education Opportunity Grant*
84.033	Federal Work Study*
84.375	Academic Competitiveness Grant*
N/A	Skills Development Program

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

Auditee qualified as low-risk auditee? X Yes No

PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AUGUST 31, 2007

B. Financial Statements Findings

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

None

C. Federal and State Awards Findings and Questioned Costs

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

None

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**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**STATISTICAL SUPPLEMENTS
(UNAUDITED)**

Panola College
Statistical Supplement 1
Net Assets by Component
Fiscal Years 2002 to 2007
(unaudited)
(amounts expressed in thousands)

For the Fiscal Year Ended August 31,						
	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 5,280	\$ 4,788	\$ 4,252	\$ 4,447	\$ 5,009	\$ 4,540
Restricted - expendable	-	-	-	-	-	62
Restricted - nonexpendable	956	1,705	1,610	1,559	1,460	1,345
Unrestricted	6,797	5,668	5,646	5,194	4,566	4,820
Total primary government net assets	\$ 13,033	\$ 12,161	\$ 11,508	\$ 11,200	\$ 11,035	\$ 10,767

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

Panola College
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002 to 2007
(unaudited)

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

	2007	2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)	\$ 2,065	\$ 1,914	\$ 1,635	\$ 1,477	\$ 1,238	\$ 1,230
Governmental Grants and Contracts						
Federal Grants and Contracts	2,393	2,529	2,974	2,624	2,956	2,914
State Grants and Contracts	573	232	536	393	413	598
Local Grants and Contracts	-	-	-	-	-	-
Non-Governmental Grants and Contracts	5	20	28	20	86	14
Sales and services of educational activities	164	182	207	196	187	110
Auxiliary enterprises	1,158	1,088	917	850	1,141	762
Other Operating Revenues	251	310	268	309	331	274
Total Operating Revenues	6,609	6,275	6,565	5,869	6,352	5,902
State Appropriations	4,555	4,526	4,266	4,250	4,583	4,621
Ad Valorem Taxes	4,129	3,639	3,241	3,063	2,951	2,839
Gifts	304	162	128	104	109	103
Investment income	466	356	251	270	334	304
Other non-operating revenues	56	70	65	45	-	-
Total Non-Operating Revenues	9,510	8,753	7,951	7,732	7,977	7,867
Total Revenues	\$ 16,119	\$ 15,028	\$ 14,516	\$ 13,601	\$ 14,329	\$ 13,769

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

	2007	2006	2005	2004	2003	2002
Tuition and fees (net of discounts)	12.81%	12.74%	11.26%	10.86%	8.64%	8.93%
Governmental grants and contracts						
Federal grants and contracts	14.85%	16.83%	20.49%	19.29%	20.63%	21.16%
State grants and contracts	3.55%	1.54%	3.69%	2.89%	2.88%	4.34%
Local grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-governmental grants and contracts	0.03%	0.13%	0.19%	0.15%	0.60%	0.10%
Sales and services of educational activities	1.02%	1.21%	1.43%	1.44%	1.31%	0.80%
Auxiliary enterprises	7.18%	7.24%	6.32%	6.25%	7.96%	5.53%
Other operating revenues	1.56%	2.06%	1.85%	2.27%	2.31%	1.99%
Total Operating Revenues	41.00%	41.76%	45.23%	43.15%	44.33%	42.86%
State appropriations	28.26%	30.12%	29.39%	31.25%	31.98%	33.56%
Ad valorem taxes	25.62%	24.21%	22.33%	22.52%	20.59%	20.62%
Gifts	1.89%	1.08%	0.88%	0.76%	0.76%	0.75%
Investment income	2.89%	2.37%	1.73%	1.99%	2.33%	2.21%
Other non-operating revenues	0.35%	0.47%	0.45%	0.33%	0.00%	0.00%
Total Non-Operating Revenues	59.00%	58.24%	54.77%	56.85%	55.67%	57.14%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

Panola College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002 to 2007
(unaudited)

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

	2007	2006	2005	2004	2003	2002
Instruction	\$6,015	\$5,420	\$5,303	\$5,165	\$5,409	\$5,249
Research	-	-	-	-	-	-
Public service	259	323	369	317	431	483
Academic support	1,658	1,558	1,584	1,383	1,196	1,186
Student services	1,068	1,029	940	860	895	916
Institutional support	1,563	1,500	1,329	1,490	1,420	1,293
Operation and maintenance of plant	1,513	1,192	1,360	1,094	1,275	1,111
Scholarships and fellowships	840	1,030	1,196	882	1,503	1,065
Auxiliary enterprises	1,468	1,469	1,437	1,344	1,298	1,266
Depreciation	699	688	608	585	531	500
Total Operating Expenses	15,083	14,209	14,126	13,120	13,958	13,069
Interest on capital related debt	164	169	81	88	103	84
Loss on disposal of fixed assets	-	14	-	-	-	-
Total Non-Operating Expenses	164	183	81	88	103	84
Total Expenses	\$ 15,247	\$ 14,392	\$ 14,207	\$ 13,208	\$ 14,061	\$ 13,153

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

	2007	2006	2005	2004	2003	2002
Instruction	39.45%	37.66%	37.33%	39.11%	38.47%	39.91%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	1.70%	2.24%	2.60%	2.40%	3.07%	3.67%
Academic support	10.87%	10.83%	11.15%	10.47%	8.51%	9.02%
Student services	7.00%	7.15%	6.62%	6.51%	6.37%	6.96%
Institutional support	10.25%	10.42%	9.35%	11.28%	10.10%	9.83%
Operation and maintenance of plant	9.92%	8.28%	9.57%	8.28%	9.07%	8.45%
Scholarships and fellowships	5.51%	7.16%	8.42%	6.68%	10.69%	8.10%
Auxiliary enterprises	9.63%	10.21%	10.11%	10.18%	9.23%	9.63%
Depreciation	4.58%	4.78%	4.28%	4.43%	3.78%	3.80%
Total Operating Expenses	98.92%	98.73%	99.43%	99.33%	99.27%	99.36%
Interest on capital related debt	1.08%	1.17%	0.57%	0.67%	0.73%	0.64%
Loss on disposal of fixed assets	0.00%	0.10%	0.00%	0.00%	0.00%	0.00%
Total Non-Operating Expenses	1.08%	1.27%	0.57%	0.67%	0.73%	0.64%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2007 are available.

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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
2006	\$ 0	\$ 21	\$ 21	0
2005	0	21	21	0
2004	0	21	21	0
2003	0	21	21	0
2002	0	18	18	0
2001	0	18	18	0
2000	0	18	18	0
1999	0	18	18	0
1998	14	18	18	24
1997	14	18	18	24

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
2006	\$ 0	\$ 21	\$ 21	0
2005	0	21	21	0
2004	0	21	21	0
2003	0	21	21	0
2002	0	18	18	0
2001	0	18	18	0
2000	0	18	18	0
1999	0	18	18	0
1998	14	18	18	24
1997	14	18	18	24

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

	General Fees	Out-of-District Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
\$	28	\$ 25	588	888	8.89%	8.82%
	24	23	540	816	7.14%	4.62%
	21	23	504	780	7.69%	4.84%
	18	23	468	744	8.33%	8.77%
	18	21	432	684	9.09%	5.56%
	15	21	396	648	6.45%	5.88%
	13	20	372	612	19.23%	21.43%
	8	16	312	504	-4.29%	-2.70%
	6	16	326	518	7.95%	16.14%
	4	12	302	446	25.83%	32.74%

	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
\$	28	\$ 45	1,128	\$ 1,128	16.05%	16.05%
	24	36	972	972	3.85%	3.85%
	21	36	936	936	4.00%	4.00%
	18	36	900	900	7.14%	7.14%
	18	34	840	840	4.48%	4.48%
	15	34	804	804	9.84%	9.84%
	13	30	732	732	22.00%	22.00%
	8	24	600	600	-2.28%	-2.28%
	6	24	614	614	24.29%	24.29%
	4	16	494	494	47.02%	47.02%

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

Fiscal Year	(amounts expressed in thousands)			Ratio of Taxable Assessed Value to Assessed Value	Direct Rate		
	Assessed Valuation of Property	Less: Exemptions	Taxable Assessed Value (TAV)		Maintenance & Operations (a)	Debt Service (a)	Total (a)
2006-07	\$4,941,157	625,236	\$4,315,921	87.35%	0.094320	0.000000	0.094320
2005-06	4,058,808	604,286	3,454,522	85.11%	0.108500	0.000000	0.108500
2004-05	3,420,234	580,049	2,840,185	83.04%	0.117170	0.000000	0.117170
2003-04	2,874,025	531,209	2,342,817	81.52%	0.134830	0.000000	0.134830
2002-03	3,118,960	508,112	2,610,848	83.71%	0.116470	0.000000	0.116470
2001-02	3,194,124	510,259	2,683,865	84.03%	0.108280	0.000000	0.108280
2000-01	2,528,754	512,508	2,016,246	79.73%	0.139230	0.000000	0.139230
1999-00	2,508,632	544,236	1,964,396	78.31%	0.140410	0.000000	0.140410
1998-99	2,610,284	426,936	2,183,347	83.64%	0.125850	0.000000	0.125850
1997-98	2,750,498	563,517	2,186,981	79.51%	0.135350	0.000000	0.135350

Source: Local Appraisal District
Notes: Property is assessed at full market value.
(a) per \$100 Taxable Assessed Valuation

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
2006-07	\$ 3,300,206	1,383	2,386	546,016	408,684	954,700	\$ 3.46
2005-06	3,300,206	1,428	2,311	581,632	403,276	984,908	3.35
2004-05	3,208,094	1,426	2,250	558,368	383,456	971,824	3.30
2003-04	3,208,146	1,345	2,385	539,328	380,001	919,329	3.49
2002-03	3,480,296	1,384	2,515	582,016	353,969	935,985	3.72
2001-02	3,591,562	1,304	2,754	530,944	365,639	896,583	4.01
2000-01	3,684,907	1,274	2,892	506,640	365,433	872,073	4.23
1999-00	3,591,543	1,286	2,793	531,568	435,658	967,226	3.71
1998-99	3,488,315	1,270	2,747	488,176	441,712	929,888	3.75
1997-98	3,353,530	1,288	2,604	483,616	470,985	954,601	3.51

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 CMB001

(b) Source THECB Report CBM00A

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	2006	2005	2004	2003	2002	2001	2000
Devon Energy (Pennzenergy)	Petroleum	\$ 603,854	274,467	230,103	165,638	168,997	192,041	221,036
Anadarko E & P Company LP	Petroleum	503,112	410,144	318,662	266,243	266,325	-	-
Chevron USA Inc.	Petroleum	348,332	252,360	212,807	182,068	182,068	217,656	-
BP America Production	Petroleum	166,183	121,116	101,281	76,329	76,329	90,785	66,803
Lacy Operations Ltd.	Petroleum	145,098	99,634	84,436	67,431	69,057	72,423	76,874
Exxon Mobile Corp.	Petroleum	132,901	101,907	79,577	66,194	66,194	73,326	86,896
XTO Energy	Petroleum	121,322	-	-	-	-	-	-
EOG Resources Inc.	Petroleum	101,341	107,977	77,604	44,963	81,153	102,983	78,274
Samson Lone Star LP	Petroleum	86,306	69,874	60,200	-	-	48,119	-
MarkWest Eastern TX Gas Co LP	Petroleum	48,864	-	-	-	-	-	-
Devon Louisiana Corporation	Petroleum	-	141,956	83,181	-	-	-	-
TXU Mining Company	Coal Mining	-	59,904	56,168	-	41,649	-	-
Duke Energy Field Svcs	Petroleum	-	-	-	50,588	50,588	58,322	59,932
Louisiana Pacific	Timber	-	-	-	43,871	-	-	74,789
Ocean Energy	Petroleum	-	-	-	43,692	43,692	53,711	59,744
RME Petroleum Company	Petroleum	-	-	-	-	-	291,517	325,153
Texaco E & P Inc.	Petroleum	-	-	-	-	-	-	218,406
Union Pacific Resources	Petroleum	-	-	-	-	-	-	-
Vastar Resources Inc.	Petroleum	-	-	-	-	-	-	-
Pennzoil Company	Petroleum	-	-	-	-	-	-	-
Enron Company	Petroleum	-	-	-	-	-	-	-
UPR - East Plant	Petroleum	-	-	-	-	-	-	-
Amoco Production Company	Petroleum	-	-	-	-	-	-	-
Seagull Mid-South	Petroleum	-	-	-	-	-	-	-
Sonat Exploration	Petroleum	-	-	-	-	-	-	-
Totals		\$ 2,257,313	\$ 1,639,339	\$ 1,304,019	\$ 1,007,017	\$ 1,046,052	\$ 1,200,883	\$ 1,267,907
Total Taxable Assessed Value		\$ 4,315,921	\$ 3,454,522	\$ 2,840,185	\$ 2,342,817	\$ 2,610,848	\$ 2,683,865	\$ 2,016,246

% of Taxable Assessed Value (TAV) by Tax Year

Taxpayer	Type of Business	2006	2005	2004	2003	2002	2001	2000
Devon Energy (Pennzenergy)	Petroleum	13.99%	7.95%	8.10%	7.07%	6.47%	7.16%	10.96%
Anadarko E & P Company LP	Petroleum	11.66%	11.87%	11.22%	11.36%	10.20%	0.00%	0.00%
Chevron USA Inc.	Petroleum	8.07%	7.31%	7.49%	7.77%	6.97%	8.11%	0.00%
BP America Production	Petroleum	3.85%	3.51%	3.57%	3.26%	2.92%	3.38%	3.31%
Lacy Operations Ltd.	Petroleum	3.36%	2.88%	2.97%	2.88%	2.65%	2.70%	3.81%
Exxon Mobile Corp.	Petroleum	3.08%	2.95%	2.80%	2.83%	2.54%	2.73%	4.31%
XTO Energy	Petroleum	2.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EOG Resources Inc.	Petroleum	2.35%	3.13%	2.73%	1.92%	3.11%	3.84%	3.88%
Samson Lone Star LP	Petroleum	2.00%	2.02%	2.12%	0.00%	0.00%	1.79%	0.00%
MarkWest Eastern TX Gas Co LP	Petroleum	1.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Devon Louisiana Corporation	Petroleum	0.00%	4.11%	2.93%	0.00%	0.00%	0.00%	0.00%
TXU Mining Company	Coal Mining	0.00%	1.73%	1.98%	0.00%	1.60%	0.00%	0.00%
Duke Energy Field Svcs	Petroleum	0.00%	0.00%	0.00%	2.16%	1.94%	2.17%	2.97%
Louisiana Pacific	Timber	0.00%	0.00%	0.00%	1.87%	0.00%	0.00%	3.71%
Ocean Energy	Petroleum	0.00%	0.00%	0.00%	1.86%	1.67%	2.00%	2.96%
RME Petroleum Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	10.86%	16.13%
Texaco E & P Inc.	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.83%
Union Pacific Resources	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vastar Resources Inc.	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pennzoil Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Enron Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
UPR - East Plant	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Amoco Production Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Seagull Mid-South	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sonat Exploration	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Totals		52.30%	47.45%	45.91%	42.98%	40.07%	44.74%	62.88%

Source: Local County Appraisal District

	1999	1998	1997
	152,616	-	-
	-	-	-
	-	-	-
	46,097	-	-
	55,642	44,661	49,627
	70,689	75,483	115,301
	-	-	-
	88,673	-	-
	-	-	-
	-	-	-
	39,476	44,532	47,154
	57,988	-	-
	-	78,973	-
	-	-	-
	-	-	-
	140,078	131,259	174,894
	199,101	218,378	312,572
	37,935	-	41,480
	-	132,150	184,989
	-	59,470	69,303
	-	56,756	-
	-	46,211	50,282
	-	-	40,801
	-	-	-
	<u>\$ 888,295</u>	<u>\$ 887,873</u>	<u>\$ 1,086,403</u>
	<u>\$ 1,964,396</u>	<u>\$ 2,183,347</u>	<u>\$ 2,186,981</u>

	1999	1998	1997
	7.77%	0.00%	0.00%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
	2.35%	0.00%	0.00%
	2.83%	2.05%	2.27%
	3.60%	3.46%	5.27%
	0.00%	0.00%	0.00%
	4.51%	0.00%	0.00%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
	2.01%	2.04%	2.16%
	2.95%	0.00%	0.00%
	0.00%	3.62%	0.00%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
	7.13%	6.01%	8.00%
	10.14%	10.00%	14.29%
	1.93%	0.00%	1.90%
	0.00%	6.05%	8.46%
	0.00%	2.72%	3.17%
	0.00%	2.60%	0.00%
	0.00%	2.12%	2.30%
	0.00%	0.00%	1.87%
	0.00%	0.00%	0.00%
	<u>45.22%</u>	<u>40.67%</u>	<u>49.68%</u>

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
2007	\$ 4,071	\$ 179	4,250	\$ -	0.00%	\$ -	\$ -	-	0.00%
2006	3,753	(5)	3,748	3,705	98.85%	-	-	3,705	98.85%
2005	3,328	-	3,328	3,272	98.32%	10	20	3,302	99.22%
2004	3,159	-	3,159	3,108	98.39%	22	10	3,140	99.40%
2003	3,065	(24)	3,041	2,967	97.57%	59	4	3,030	99.64%
2002	2,912	(6)	2,906	2,867	98.66%	29	2	2,898	99.72%
2001	2,807	-	2,807	2,759	98.29%	38	2	2,799	99.71%
2000	2,758	-	2,758	2,694	97.68%	56	1	2,751	99.75%
1999	2,748	-	2,748	2,683	97.63%	59	1	2,743	99.82%
1998	2,750	-	2,750	2,701	98.22%	44	1	2,746	99.85%
1997	2,674	-	2,674	2,623	98.09%	47	-	2,670	99.85%

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)										
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Bonded Debt										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt										
(The amounts for Other Debt are not from Exhibit 1 of Sample CC. They are for illustration only)										
Revenue bonds	\$ 2,243	\$ 2,374	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 55	\$ 80
Notes	1,419	1,536	1,647	1,754	1,856	2,017	82	100	-	-
Capital lease obligations	62	109	8	52	99	133	199	197	286	356
Total Outstanding Debt	\$ 3,724	\$ 4,019	\$ 4,155	\$ 1,806	\$ 1,955	\$ 2,150	\$ 281	\$ 327	\$ 341	\$ 436

General Bonded Debt Ratios

Per Capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Per FTSE	-	-	-	-	-	-	-	-	-	-
As a percentage of Taxable Assessed Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Total Outstanding Debt Ratios

Per Capita	\$ 2.65	\$ 2.86	\$ 2.95	\$ 1.28	\$ 1.39	\$ 1.53	\$ 0.20	\$ 0.23	\$ 0.24	\$ 0.31
Per FTSE	3	3	3	1	1	2	0	0	0	0
As a percentage of Taxable Assessed Value	0.09%	0.12%	0.15%	0.08%	0.07%	0.08%	0.01%	0.02%	0.02%	0.02%

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)

	2007	2006	2005
Taxable Assessed Value	\$ 4,315,921	\$ 3,454,522	\$ 2,840,185
General Obligation Bonds			
Statutory Tax Levy Limit for Debt Service	-	-	-
Less: Funds Restricted for Repayment of General Obligation Bonds	-	-	-
Total Net General Obligation Debt	-	-	-
Current Year Debt Service Requirements	-	-	-
Excess of Statutory Limit for Debt Service over Current Requirements	\$ -	\$ -	\$ -
Net Current Requirements as a % of Statutory Limit	0.00%	0.00%	0.00%

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

2004	2003	2002	2001	2000	1999	1998
\$ 2,342,817	\$ 2,610,848	\$ 2,683,865	\$ 2,016,246	\$ 1,964,396	\$ 2,183,347	\$ 2,186,981
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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

Fiscal Year Ended August 31	Pledged Revenues (\$000 omitted)					
	General					Total
	Tuition	Fee	Operating Revenues	Auxilliary Revenues	Investment Income	
2007	\$ 1,160	\$ 2,281	\$ 251	\$ 1,794	\$ 347	\$ 5,833
2006	\$ 1,101	\$ 1,980	\$ 310	\$ 1,737	\$ 272	\$ 5,400
2005	-	-	-	-	-	\$ -
2004	-	-	-	-	-	\$ -
2003	-	-	-	-	-	\$ -
2002	-	-	-	-	-	\$ -
2001	-	-	-	1,200	-	\$ 1,200
2000	-	-	-	1,200	-	\$ 1,200
1999	-	-	-	1,100	-	\$ 1,100
1998	-	-	-	1,000	-	\$ 1,000

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

Debt Service Requirements (\$000
omitted)

Principal	Interest	Total	Coverage Ratio
\$ 131	\$ 94	225	25.92
\$ 126	\$ 99	225	24.00
-	-	-	
-	-	-	
-	-	-	
-	-	-	
30	1	31	38.71
25	3	28	42.86
25	5	30	36.67
25	7	32	31.25

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

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2006	23,206	\$ 654,853	\$ 26,904	4.4%
2005	22,997	593,450	25,806	4.9%
2004	22,734	581,814	25,592	6.1%
2003	22,855	535,363	23,424	8.1%
2002	22,606	505,997	22,383	6.6%
2001	22,689	502,986	22,169	6.9%
2000	22,756	487,230	21,411	5.7%
1999	22,949	454,492	19,804	9.5%
1998	23,200	430,873	18,572	10.6%
1997	23,100	402,330	17,417	9.8%

Sources:

Population from U.S. Bureau of the Census.
Personal income from U.S. bureau of Economic Analysis.
Unemployment rate from Texas Workforce Commission

Notes:

a. Personal income amounts from 2003-2005 are preliminary.

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

Employer	Number of Employees	Percentage of Total Employment (2)
Tyson Poultry Inc.	500	6.15%
Carthage Independent School District	445	5.47%
Panola College	261	3.20%
Sersi LP	236	2.90%
D Courtney Construction Inc.	230	2.83%
Pierce Construction	205	2.52%
East Texas Medical Center-Carthage	200	2.46%
Pinnergy, Inc.	200	2.46%
Panola County	176	2.16%
Louisiana Pacific Corp	160	1.97%
Total	<u>2,613</u>	<u>32.12%</u>

Source:

Texas Workforce Commission
Texas Metropolitan Statistical Area Data

Note:

Percentages are calculated using the midpoints of the ranges.

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Faculty										
Full-Time	61	61	61	60	60	62	62	64	60	60
Part-Time	54	46	48	42	43	40	40	41	45	45
Total	115	107	109	102	103	102	102	105	105	105
Percent										
Full-Time	53.0%	57.0%	56.0%	58.8%	58.3%	60.8%	60.8%	61.0%	57.1%	57.1%
Part-Time	47.0%	43.0%	44.0%	41.2%	41.7%	39.2%	39.2%	39.0%	42.9%	42.9%
Staff and Administrators										
Full-Time	68	67	66	66	65	65	65	66	65	65
Part-Time	56	70	68	61	58	60	62	62	61	61
Total	124	137	134	127	123	125	127	128	126	126
Percent										
Full-Time	54.8%	48.9%	49.3%	52.0%	52.8%	52.0%	51.2%	51.6%	51.6%	51.6%
Part-Time	45.2%	51.1%	50.7%	48.0%	47.2%	48.0%	48.8%	48.4%	48.4%	48.4%
FTSE per Full-time Faculty										
FTSE per Full-time Faculty	22.7	23.4	23.4	22.4	23.1	21.0	20.5	20.1	21.2	21.5
FTSE per Full-Time Staff Member										
FTSE per Full-Time Staff Member	20.3	21.3	21.6	20.4	21.3	20.1	19.6	19.5	19.5	19.8
Average Annual Faculty Salary										
Average Annual Faculty Salary	\$44,746	\$43,489	\$43,362	\$41,229	\$43,300	\$41,368	\$41,103	\$39,846	\$37,776	\$37,280

Panola College
Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent								
Gender										
Female	1,261	67.40%	1,270	66.08%	1,193	67.25%	1,128	67.06%	1,115	65.86%
Male	610	32.60%	652	33.92%	581	32.75%	554	32.94%	578	34.14%
Total	1,871	100.00%	1,922	100.00%	1,774	100.00%	1,682	100.00%	1,693	100.00%

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent								
Ethnic Origin										
White	1,444	77.18%	1,478	76.90%	1,358	76.55%	1,292	76.81%	1,282	75.72%
Hispanic	74	3.96%	81	4.21%	66	3.72%	51	3.03%	50	2.95%
African American	312	16.68%	327	17.01%	327	18.43%	315	18.73%	327	19.31%
Asian	15	0.80%	13	0.68%	4	0.23%	8	0.48%	14	0.83%
Foreign	14	0.75%	11	0.57%	7	0.39%	7	0.42%	7	0.41%
Native American	10	0.53%	12	0.64%	12	0.64%	9	0.48%	13	0.69%
Other	2	0.11%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total	1,871	100.00%	1,922	100.02%	1,774	99.96%	1,682	99.95%	1,693	99.93%

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent								
Age										
Under 18	331	17.69%	329	17.12%	212	11.95%	237	14.09%	190	11.22%
18 -21	846	45.22%	861	44.80%	841	47.41%	805	47.86%	840	49.62%
22 - 24	173	9.25%	203	10.56%	185	10.43%	163	9.69%	169	9.98%
25 - 35	324	17.32%	332	17.27%	331	18.66%	290	17.24%	265	15.65%
36 - 50	171	9.14%	170	8.84%	180	10.15%	166	9.87%	186	10.99%
51 & over	26	1.39%	27	1.40%	25	1.41%	21	1.25%	43	2.54%
Total	1,871	100.00%	1,922	100.00%	1,774	100.00%	1,682	100.00%	1,693	100.00%

Average Age	23.3	23.3	23.0	23.5	24.1
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Panola College
Statistical Supplement 17
Transfers to Senior Institutions
2004 Fall Students as of Fall 2005
(Includes only public senior colleges in Texas)

	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	0.00%
2 Lamar University	1			1	0.45%
3 Midwestern State University	0			0	0.00%
4 Prairie View A & M University	2			2	0.90%
5 Sam Houston State University	10	2		12	5.38%
6 Southwest Texas State University	0			0	0.00%
7 Stephen F Austin State University	93	6		99	44.39%
8 Sul Ross State University	1			1	0.45%
9 Tarleton State University	1			1	0.45%
10 Texas A & M International University	0			0	0.00%
11 Texas A & M University	25			25	11.21%
12 Texas A & M University at Commerce	1			1	0.45%
13 Texas A & M University at Galveston	2			2	0.90%
14 Texas A & M University at Kingsville	0			0	0.00%
15 Texas A & M University at Texarkana	1			1	0.45%
16 Texas Southern University	0			0	0.00%
17 Texas State University	1			1	0.45%
18 Texas Tech University	3			3	1.35%
19 Texas Women's University	1	2		3	1.35%
20 The University of Texas at Arlington	5			5	2.24%
21 The University of Texas at Austin	9			9	4.04%
22 The University of Texas at San Antonio	2			2	0.90%
23 The University of Texas at Tyler	31	4		35	15.70%
24 University of Houston	3			3	1.35%
25 University of Houston at Victoria	1			1	0.45%
26 University of North Texas	16			16	7.17%
27 West Texas A & M University	0			0	0.00%
28 The University of Texas Medical Branch at Galveston	0			0	0.00%
29 University of North Texas Health Science Center at Fort Worth	0			0	0.00%
Totals	209	14	0	223	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 2003 to 2007

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Academic buildings	9	8	8	8	8
Square footage (in thousands)	146	132	132	132	132
Libraries	1	1	1	1	1
Square footage (in thousands)	17	17	17	17	17
Number of Volumes (in thousands)	117	104	86	73	65
Administrative and support buildings	3	3	3	3	3
Square footage (in thousands)	25	25	25	25	25
Dormitories	2	2	2	2	2
Square footage (in thousands)	26	26	39	39	39
Number of Beds	120	120	189	189	189
Apartments	3	3	0	0	0
Square footage (in thousands)	18	18	-	-	-
Number of beds	96	96	0	0	0
Dining Facilities	1	1	1	1	1
Square footage (in thousands)	25	25	25	25	25
Average daily customers	105	105	102	86	96
Athletic Facilities	2	2	2	2	2
Square footage (in thousands)	37	37	37	37	37
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Plant facilities	1	1	1	1	1
Square footage (in thousands)	17	17	17	17	17
Transportation					
Cars	2	2	2	2	2
Light Trucks/Vans	10	9	8	8	8
Buses	2	2	2	1	1