

PANOLA COLLEGE
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
AUGUST 31, 2009



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



November 24, 2009

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, 2009, 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 21% 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 37% 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 the College continued with the renovation and expansion of the M. P. Baker library. Construction on the library began in January 2008 and was substantially complete in August 2009. The total cost of the project is expected to be \$7,000,000. A \$6,000,000 revenue bond was issued to fund the majority of the project. The remaining portion will be funded by donations and reserves of the College.

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 completion 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, 2009, 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, 2009 was \$12,522,144. The average yield on investments at year end was 2.2%.

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, 2008, 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, 2008 to Panola College for its comprehensive annual financial reports. This was the fourteenth 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, 2008

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.



A stylized handwritten signature in black ink.

President

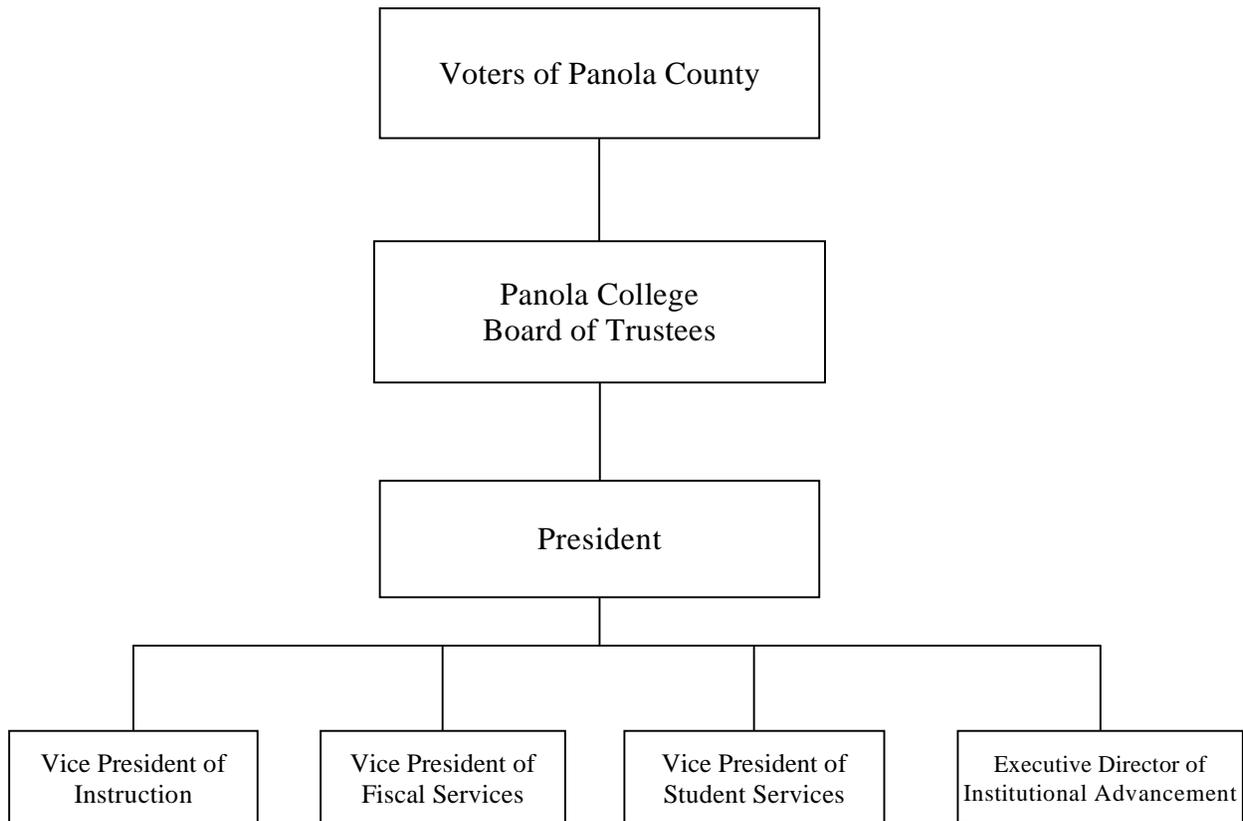
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

ORGANIZATIONAL CHART

PANOLA COLLEGE

Carthage, Texas



**PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 2009**

BOARD OF TRUSTEES

OFFICERS

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

**Chair
Vice-Chair
Secretary**

MEMBERS

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

**Term Expires
May 31**

**2010
2010
2010
2012
2012
2014
2014**

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

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

We have audited the accompanying statement of net assets, statement of financial position – affiliated organization and the related statement of revenues, expenses, and changes in net assets, and statement of activities – affiliated organization and statement of cash flows of Panola College and the affiliated organization as of and for the years ended August 31, 2009 and 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's administrators. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panola College as of August 31, 2009 and 2008, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2006 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional financial information presented as supplementary schedules A through D are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Panola College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Schedule E) and the Schedule of Expenditures of State Awards (Schedule F) as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Single Audit Circular*, respectively, are presented for purposes of additional analysis. These statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, the statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statistical section on pages 55 to 77 is presented for purposes of additional analysis and is not a required part of the financial statements. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

**Alexander, Lankford & Hiers, Inc.
Certified Public Accountants**

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, 2009. 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, 2009 by \$16,667,624 (net assets). Of this amount, \$8,096,271 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- Revenue exceeded expenses by \$1,802,501, or 11%, for the current fiscal year end.
- The College continued with the expansion and renovation of the M. P. Baker Library. The project is being partially funded by reserves and donations and partially by a \$6 million dollar revenue bond issued in 2008. The total cost is anticipated to be \$7,000,000.

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.

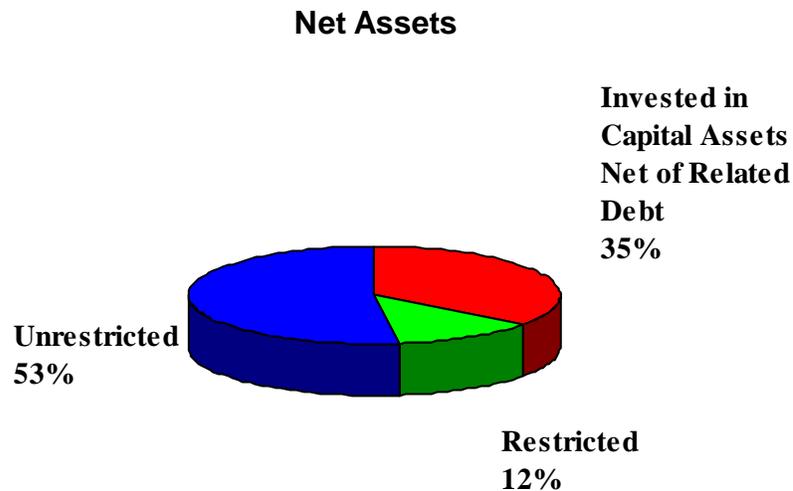
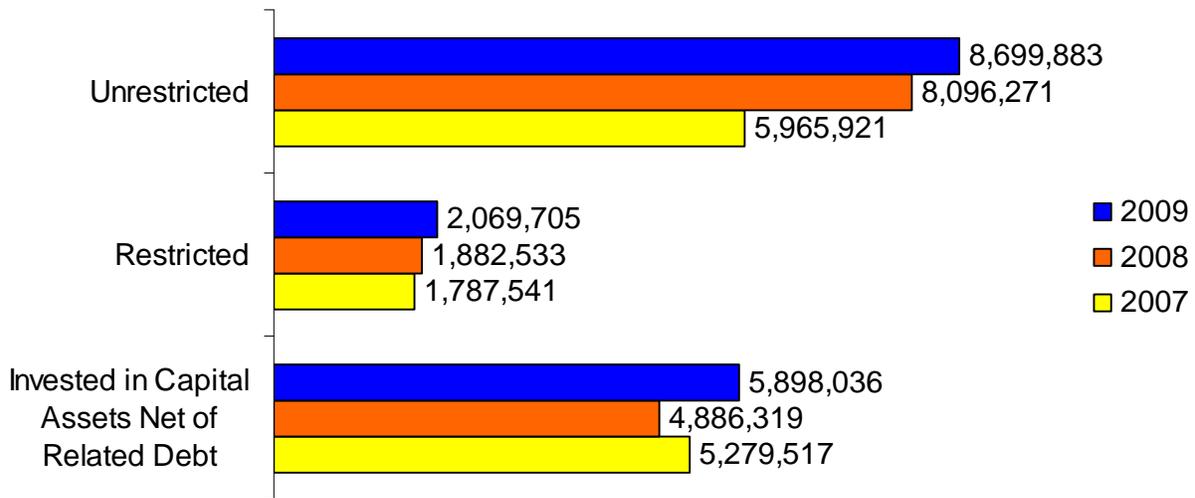
The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

ANALYSIS OF BASIC FINANCIAL STATEMENTS

**Condensed Statement of Net Assets
as of August 31, 2009 2008 and 2007**

	2009	% of Total	Increase (Decrease)	% of Change	2008	2007
Current assets	\$12,991,069	44.6%	\$(2,531,110)	(16.3)%	\$15,522,179	\$9,053,768
Non-current assets:						
Capital assets, net	14,182,923	48.7%	3,162,892	28.7%	11,020,031	9,003,349
Other	<u>1,972,047</u>	<u>6.7%</u>	<u>(230,592)</u>	<u>(10.5)%</u>	<u>2,202,639</u>	<u>2,050,723</u>
Total Assets	<u>\$29,146,039</u>	<u>100.0%</u>	<u>\$ 401,190</u>	<u>1.4%</u>	<u>\$28,744,849</u>	<u>\$20,107,840</u>
Current liabilities	\$4,644,049	37.2%	\$ (625,044)	(11.9)%	\$5,269,093	\$3,597,236
Non-current liabilities	<u>7,834,366</u>	<u>62.8%</u>	<u>(776,267)</u>	<u>(9.0)%</u>	<u>8,610,633</u>	<u>3,477,625</u>
Total Liabilities	<u>\$12,478,415</u>	<u>100.0%</u>	<u>\$(1,401,311)</u>	<u>(10.1)%</u>	<u>\$13,879,726</u>	<u>\$7,074,861</u>
Net Assets:						
Invested in capital as- sets, net of related debt	\$5,898,036	41.4%	\$2,011,717	41.2%	\$4,886,319	\$5,279,517
Restricted	2,069,705	12.4%	187,172	9.9%	1,882,533	1,787,541
Unrestricted	<u>8,699,883</u>	<u>52.2%</u>	<u>603,612</u>	<u>7.5%</u>	<u>8,096,271</u>	<u>5,965,921</u>
Total Net Assets	<u>\$16,667,624</u>	<u>100.0%</u>	<u>\$1,802,501</u>	<u>12.1%</u>	<u>\$14,865,123</u>	<u>\$13,032,979</u>

Net Assets As of August 31, 2009, 2008, and 2007

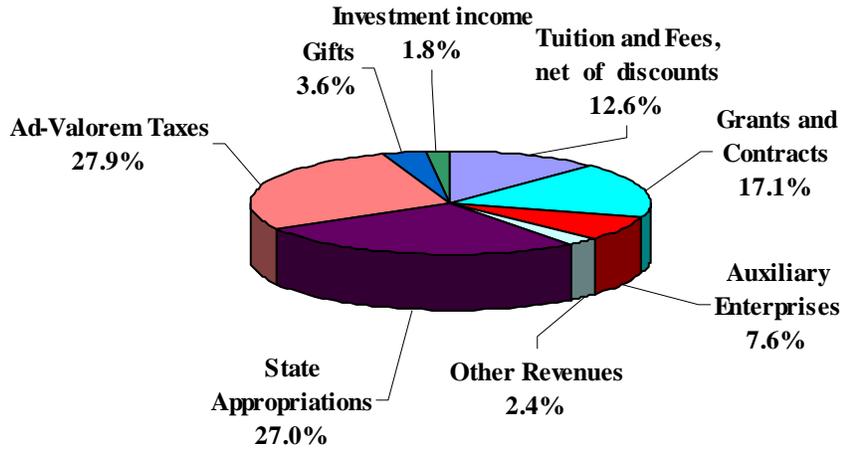


The College's assets exceeded liabilities by \$16,667,624 August 31, 2009. Assets amounted to \$29,146,039 with investment in capital assets comprising \$14,182,923 of that total. Capital assets include land, library books, buildings and improvements, construction in progress, vehicles, furniture, and equipment. The increase in capital assets is primarily due to the construction in progress on the renovation and expansion of the M. P. Baker Library. 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 48.7% of total net assets. It should be noted that the capital assets themselves may not be used to liquidate these liabilities. Additionally \$0,000,000 or 00.0%, of total net assets is externally restricted. The remaining balance of \$0,000,000 represents unrestricted net assets that may be used to meet the College's on-going obligations. Debt related to capital assets was \$0,000,000. Total liabilities amounted to \$12,478,415, of which \$4,644,049 is due next year.

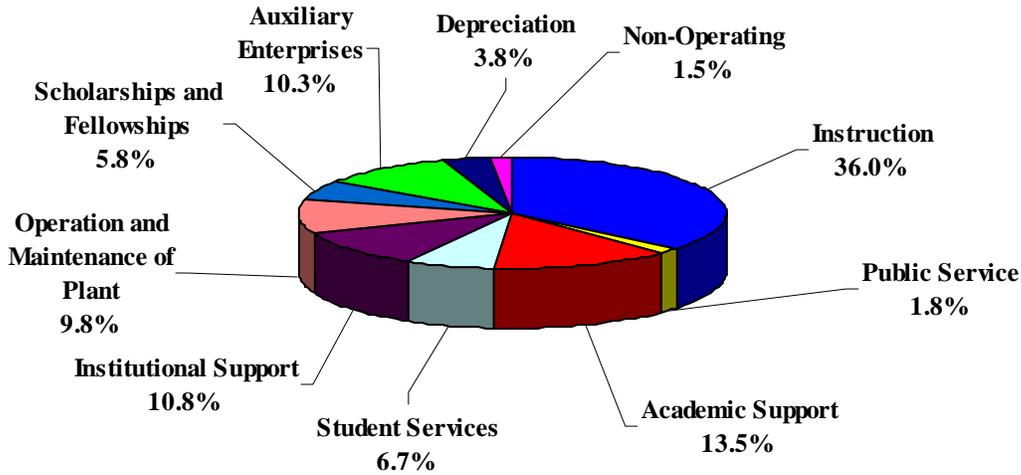
**Condensed Statement of Revenues,
Expenses, and Changes in Net Assets
For the Years Ended August 31, 2009, 2008 and 2007**

	2009	% of Total	Increase (Decrease)	% of Change	2008	2007
Operating Revenues						
Tuition and Fees, net of Discounts	\$2,247,922	13.0%	\$182,805	8.8%	\$2,247,922	\$2,065,117
Grants and Contracts	2,564,373	14.8%	(406,285)	-13.7%	2,564,373	2,970,658
Auxiliary Enterprises	1,161,246	6.7%	3,536	0.1%	1,161,246	1,157,710
Other Revenues	<u>529,056</u>	<u>3.1%</u>	<u>114,117</u>	<u>27.5%</u>	<u>529,056</u>	<u>414,939</u>
Total Operating Revenues	<u>\$6,502,597</u>	<u>37.5%</u>	<u>\$(105,827)</u>	<u>-1.6%</u>	<u>\$6,502,597</u>	<u>\$6,608,424</u>
Non-Operating Revenues						
State Appropriations	\$4,973,753	28.7%	\$418,736	9.2%	\$4,973,753	\$4,555,017
Ad-Valorem Taxes	4,624,730	26.7%	496,015	12.0%	4,624,730	4,128,715
Gifts	720,568	4.2%	416,644	137.1%	720,568	309,924
Investment Income	<u>502,141</u>	<u>2.9%</u>	<u>(20,489)</u>	<u>-3.9%</u>	<u>502,141</u>	<u>522,630</u>
Total Non-Operating Revenues	<u>\$10,821,192</u>	<u>62.5%</u>	<u>\$1,310,906</u>	<u>13.8%</u>	<u>\$10,821,192</u>	<u>\$9,510,286</u>
Total Revenues	<u>\$17,323,789</u>	<u>100.0%</u>	<u>\$1,205,079</u>	<u>7.5%</u>	<u>\$17,323,789</u>	<u>\$16,118,710</u>
Operating Expenses						
Instruction	\$5,652,081	36.5%	\$(363,107)	-6.0%	\$5,652,081	\$6,015,188
Public Service	407,763	2.6%	149,056	57.6%	407,763	258,707
Academic Support	1,775,535	11.5%	117,085	7.1%	1,775,535	1,658,450
Student Services	1,122,024	7.2%	54,484	5.1%	1,122,024	1,067,540
Institutional Support	1,747,027	11.3%	184,311	11.8%	1,747,027	1,562,716
Operation and Maintenance of Plant	1,486,461	9.6%	(26,706)	-1.8%	1,486,461	1,513,167
Scholarships and Fellowships	736,539	4.8%	(103,854)	-12.4%	736,539	840,393
Auxiliary Enterprises	1,652,661	10.7%	184,540	12.6%	1,652,661	1,468,121
Depreciation	<u>695,839</u>	<u>4.5%</u>	<u>(3,261)</u>	<u>-0.5%</u>	<u>695,839</u>	<u>699,100</u>
Total Operating Expenses	<u>\$15,275,930</u>	<u>98.6%</u>	<u>\$192,548</u>	<u>1.3%</u>	<u>\$15,275,930</u>	<u>\$15,083,382</u>
Non-Operating Expenses	<u>215,715</u>	<u>1.4%</u>	<u>51,782</u>	<u>31.6%</u>	<u>215,715</u>	<u>163,933</u>
Total Expenses	<u>\$15,491,645</u>	<u>100.0%</u>	<u>\$244,330</u>	<u>1.6%</u>	<u>\$15,491,645</u>	<u>\$15,247,315</u>
Changes in Net Assets	\$1,832,144	12.3%	\$960,749	110.3%	\$1,832,144	\$871,395
Beginning Net Assets	<u>13,032,979</u>	<u>87.7%</u>	<u>871,395</u>	<u>7.2%</u>	<u>13,032,979</u>	<u>12,161,584</u>
Ending Net Assets	<u>\$14,865,123</u>	<u>100.0%</u>	<u>\$1,832,144</u>	<u>14.1%</u>	<u>\$14,865,123</u>	<u>\$13,032,979</u>

**Revenue by Source
For Year Ending August 31, 2009**



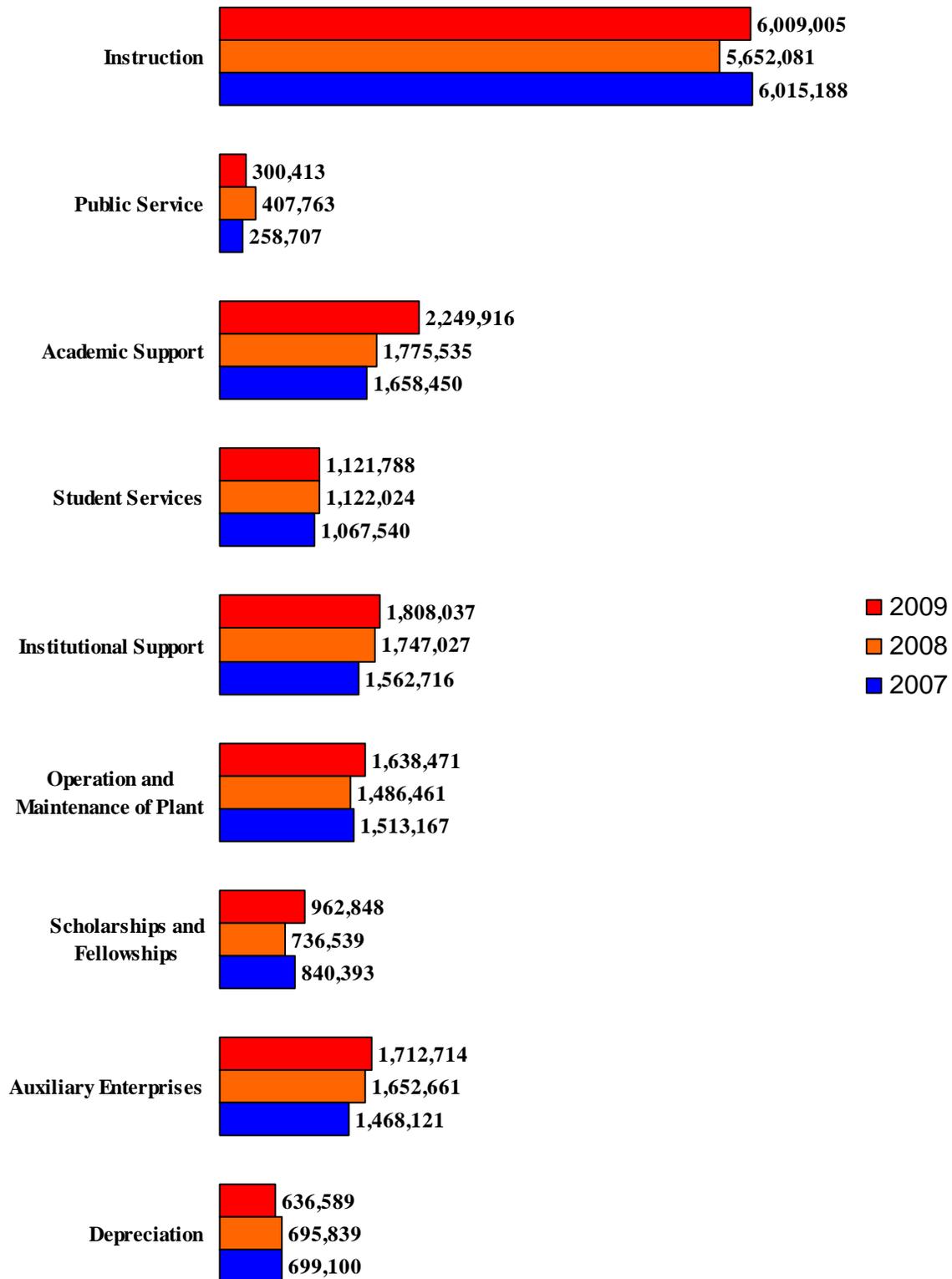
**Expenses by Function
For Year Ending August 31, 2009**



Operating revenues amounted to \$4,873,041 and non-operating revenues \$13,369,241 for a total of \$18,242,282. Major operating revenues include \$2,335,955 in tuition and fees, \$690,352 in grants and contracts, and \$1,400,158 in auxiliary enterprises. Tuition and fees are up 3.9% this year due to fee and enrollment increases. Grants from the U.S. Department of Education amounted to \$2,773,345 and were reported here in prior years but is now required to be reported as non-operating revenue. The Federal Pell Grant Program is the largest of these grants and amounts to \$2,344,909. More detail is provided on federal awards in Schedule E (page 45) and state awards in Schedule F (page 46).

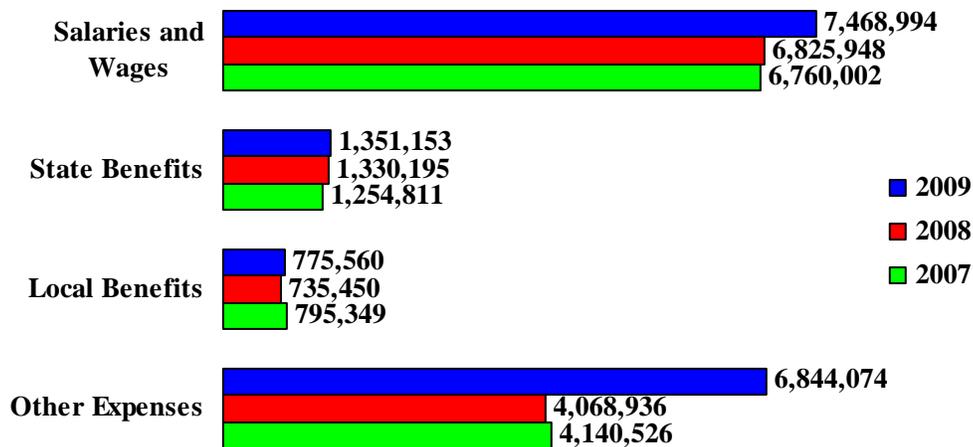
Major non-operating revenues include \$4,994,716 in state appropriations, and \$5,157,869 in ad-valorem taxes. State appropriations include \$1,351,153 for employee benefits (\$405,654 for retirement benefits and \$945,499 for health and life insurance coverage). Additional information is available in footnotes 13, 16, and 17 found on pages 33-37.

**Operating Expense Comparison
For Years Ended August 31, 2009, 2008, and 2007**



Operating Expenses totaled \$16,439,781 and non-operating expenses \$256,390 for total expenses of \$16,696,171. 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 \$300,413. Public Service includes funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the college. Academic support amounted to \$2.2million. 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, \$1.8 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, \$1.6 million, are expenditures for the operation and maintenance of the physical plant. Scholarships and fellowships, \$962 thousand, includes scholarships and fellowships including tuition remissions and exemptions. Auxiliary enterprises, \$1.7 million, include expenditures for the college store, food service, residence halls, and athletic programs.

**Educational Activities Operating Expenses
For Years Ended August 31, 2009, 2008, and 2007**



Operating expenses for educational activities amounted to \$14.1 million; \$2.9 million (20.7%) were restricted. Employee related expenses amounted to \$9.3 million, or 66.4 %, of educational activities expenses.

Condensed Statement of Cash Flows
For the Years Ended August 31, 2008, 2007 and 2006

	2009	Increase (De- crease)	2008	2007
Cash provided by/(used) in:				
Operating Activities	(\$7,599,816)	(\$1,103,496)	(\$6,496,320)	(\$6,399,647)
Non-capital Financing Activities	9,141,280	40,973	9,100,307	7,637,916
Capital and Related Financing Activities	(5,034,285)	(8,331,534)	3,297,249	(1,394,616)
Investing Activities	<u>(417,919)</u>	<u>842,869</u>	<u>(1,260,788)</u>	<u>569,968</u>
Net Increase (decrease) in Cash and Cash Equivalents	\$(3,910,740)	\$(8,551,188)	\$4,640,448	\$413,621
Cash and cash equivalents – September 1	<u>6,614,385</u>	<u>4,640,448</u>	<u>1,973,937</u>	<u>1,560,316</u>
Cash and cash equivalents - August 31	<u>\$2,703,645</u>	<u>\$(3,910,740)</u>	<u>\$6,614,385</u>	<u>\$1,973,937</u>

Cash and cash equivalents at August 31, 2009 was \$2,703,645, which is an decrease of \$3,910,740 or 59.1%.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

As mentioned earlier, revenues exceeded expenses by \$1,802,501 for the year ended August 31, 2009. The College's financial position remains strong, with unrestricted net assets representing approximately four months of operating reserves, which is above the 3.6 months minimum recommended by the State Auditor's Office.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The College's investment in capital assets as of August 31, 2009, amounts to \$14,182,923 (net of accumulated depreciation) and represents a 28.7% 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)			2008	2007
	as of August 31, 2009, 2008 and 2007				
	2009	Increase (Decrease)	% of Change		
Land	\$1,314,172	\$ 75,830	6.1%	\$1,238,342	\$1,238,342
Library Books	282,469	(14,517)	-4.9%	296,986	306,476
Buildings and Improvements	5,970,921	(378,795)	-6.0%	6,349,716	5,720,745
Construction in Progress	6,022,536	3,305,534	121.7%	2,717,002	1,167,706
Furniture and Equipment	<u>592,828</u>	<u>174,843</u>	<u>41.8%</u>	<u>417,985</u>	<u>570,080</u>
Total at historical cost	<u>\$14,182,926</u>	<u>\$3,162,895</u>	<u>28.7%</u>	<u>\$11,020,031</u>	<u>\$9,003,349</u>

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

Long-term Debt

The College issued a \$6 million 10 year revenue bond in April 2008. The principal balance at August 31, 2009 was \$5,400,000. The College issued a \$2.5 million, 15 year revenue bond in March 2005. The principal balance at August 31, 2009 was \$1,966,000. 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, 2009 was \$1,168,913.

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, 2009 was \$0.

	Long-term Liabilities as of August 31, 2009, 2008 and 2007				
	2009	Increase (Decrease)	% of Change	2008	2007
Lease Purchase Agreements	\$ 0	(\$12,945)	-100.0%	\$ 12,945	\$ 61,899
Maintenance Notes Payable	1,168,913	(127,852)	-9.9%	1,296,765	1,418,933
Revenue Bonds Payable	<u>7,366,000</u>	<u>(741,000)</u>	<u>-9.1%</u>	<u>8,107,000</u>	<u>2,243,000</u>
Total Long-term Liabilities	<u>\$9,416,710</u>	<u>\$5,692,878</u>	<u>152.9%</u>	<u>\$9,416,710</u>	<u>\$3,723,832</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 2009 and set appropriation amounts for the fifty state community colleges for the biennium that began September 1, 2009. The State increased our appropriation by \$182,541 or 5%. They will convene again in 2011 to set the appropriations for the next biennium that begins on September 1, 2011.

This year's high natural gas prices have helped increase the appraised tax value of property in the taxing district by 21%. The increase has allowed the College to increase the effective tax rate by 7.9% while decreasing the actual tax rate by 8.4%.

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, 2009 and 2008

	<u>2009</u> <u>Primary</u> <u>Institution</u>	<u>2008</u> <u>Primary</u> <u>Institution</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,703,645	\$ 6,614,385
Short-term investments	7,846,452	6,777,748
Accounts receivable (net)	1,812,974	1,451,665
Inventories	143,361	157,750
Other assets	<u>484,637</u>	<u>520,631</u>
Total Current Assets	<u>12,991,069</u>	<u>15,522,179</u>
Noncurrent Assets		
Endowment and other short-term investments	1,972,047	2,202,639
Capital assets, (net) (See note)	<u>14,182,923</u>	<u>11,020,031</u>
Total Noncurrent Assets	<u>16,154,970</u>	<u>13,222,670</u>
Total Assets	<u>\$ 29,146,039</u>	<u>\$ 28,744,849</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 824,731	\$ 856,479
Accrued liabilities	139,870	387,357
Accrued compensable absences - current portion	188,480	-
Funds held for others	242,369	201,141
Payable to Affiliated Organization	-	376,235
Deferred revenues	2,368,797	2,566,083
Capital Leases Payable - current portion	-	12,945
Revenue Bonds Payable - current portion	746,000	741,000
Notes Payable - current portion	<u>133,802</u>	<u>127,853</u>
Total Current Liabilities	<u>4,644,049</u>	<u>5,269,093</u>
Noncurrent Liabilities		
Deposits	82,145	75,721
Accrued Compensable Absences	97,111	-
Revenue Bonds Payable	6,620,000	7,366,000
Notes Payable	<u>1,035,110</u>	<u>1,168,912</u>
Total Noncurrent Liabilities	<u>7,834,366</u>	<u>8,610,633</u>
Total Liabilities	<u>\$ 12,478,415</u>	<u>\$ 13,879,726</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 5,898,036	\$ 4,886,319
Restricted for		
Nonexpendable		
Student Aid	2,069,705	1,882,533
Unrestricted		
	<u>8,699,883</u>	<u>8,096,271</u>
Total Net Assets	<u>\$ 16,667,624</u>	<u>\$ 14,865,123</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, 2009 and 2008

	2009 Panola College Foundation	2008 Panola College Foundation
Assets		
Cash and cash equivalents	\$ 103,017	\$ 83,942
Short Term Certificates of Deposit	314,972	266,433
Mutual Fund Investments	27,798	33,485
Annuity Contracts	249,843	333,457
Receivable from Panola College		376,235
Construction in progress	-	-
Total Assets	\$ 695,630	\$ 1,093,552
Liabilities		
Accounts payable	\$ 9,093	\$ 7,728
Accrued liabilities	-	-
Total Liabilities	\$ 9,093	\$ 7,728
Net Assets		
Unrestricted	\$ 120,362	\$ 61,456
Permanently Restricted	566,175	1,024,668
Total Net Assets	\$ 686,537	\$ 1,086,124

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, 2009 and 2008

	<u>2009</u> <u>Primary</u> <u>Institution</u>	<u>2008</u> <u>Primary</u> <u>Institution</u>
Operating Revenues		
Tuition and Fees (Net of Discounts of \$1,767,054 for 2009 and 1,439,752 for 2008)	\$ 2,335,955	\$ 2,247,922
Federal Grants and Contracts	427,660	2,289,410
State Grants and Contracts	261,246	274,038
Non-Governmental Grants and Contracts	1,446	925
Sales and Services of Educational Activities	142,692	157,976
Auxiliary Enterprises (Net of Discounts of \$878,003 for 2009 and \$707,200 for 2008)	1,400,158	1,161,246
Other Operating Revenues (Net of Discounts of \$-0-)	303,884	371,080
Total Operating Revenues (Schedule A)	<u>4,873,041</u>	<u>6,502,597</u>
Operating Expenses		
Instruction	6,009,005	5,652,081
Public Service	300,413	407,763
Academic Support	2,249,916	1,775,535
Student Services	1,121,788	1,122,024
Institutional Support	1,808,037	1,747,027
Operation and Maintenance of Plant	1,638,471	1,486,461
Scholarships and Fellowships	962,848	736,539
Auxiliary Enterprises	1,712,714	1,652,661
Depreciation	636,589	695,839
Total Operating Expenses (Schedule B)	<u>16,439,781</u>	<u>15,275,930</u>
Operating Loss	<u>(11,566,740)</u>	<u>(8,773,333)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	4,994,716	4,973,753
Ad-Valorem Taxes for Maintenance & Operations	5,157,869	4,624,730
Federal Revenue, Non Operating	2,468,133	
Gifts	665,907	720,568
Investment Income (Net of Investment Expenses)	291,714	443,378
Royalty income	47,292	58,763
Interest on Capital Related Debt	(256,390)	(215,715)
Loss on disposition of capital assets	-	-
Net Non-Operating Revenues (Schedule C)	<u>13,369,241</u>	<u>10,605,477</u>
Increase in Net Assets	<u>1,802,501</u>	<u>1,832,144</u>
NET ASSETS		
Net Assets - Beginning of Year	14,865,123	13,032,979
Net Assets - End of Year	<u>\$ 16,667,624</u>	<u>\$ 14,865,123</u>

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, 2009 and 2008

	<u>2009</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2008</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
Revenue		
Investment income	\$ 6,730	\$ 18,162
Unrealized Investment Income	(79,551)	(41,180)
Gifts	<u>106,243</u>	<u>76,922</u>
Total Revenue	<u>33,422</u>	<u>53,904</u>
Expenses		
Scholarships and support	<u>433,008</u>	<u>19,941</u>
Total Expenses	<u>433,008</u>	<u>19,941</u>
Change in net assets	(399,586)	33,963
Net Assets at beginning of year	<u>1,086,124</u>	<u>1,052,161</u>
Net Assets at end of year	<u>\$ 686,538</u>	<u>\$ 1,086,124</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, 2009 and 2008

	2009	2008
	Primary Institution	Primary Institution
	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 3,660,705	\$ 3,899,282
Receipts from grants, and contracts	2,767,548	2,534,209
Payments to or on behalf of employees	(8,196,682)	(7,712,817)
Payments to suppliers for goods or services	(4,868,539)	(4,480,455)
Payments of scholarships	(962,848)	(736,539)
Net cash used for operating activities	<hr/> <u>(7,599,816)</u>	<hr/> <u>(6,496,320)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	3,643,558	3,643,558
Ad valorem tax revenues	5,150,736	4,624,984
Gifts and grants (other than capital)	665,907	720,568
Student organization and other agency transactions	(318,921)	111,197
Net cash provided by non-capital financing activities	<hr/> <u>9,141,280</u>	<hr/> <u>9,100,307</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from revenue bond	-	6,000,000
Purchases of capital assets	(3,886,329)	(2,268,554)
Interest expense paid	(266,158)	(137,075)
Payments on capital debt and leases	(881,798)	(297,122)
Net cash provided by (used for) capital and related financing activities	<hr/> <u>(5,034,285)</u>	<hr/> <u>3,297,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	18,940,839	11,764,366
Investment earnings	430,194	517,579
Purchases of investments	(19,788,952)	(13,542,733)
Net cash provided by (used for) investing activities	<hr/> <u>(417,919)</u>	<hr/> <u>(1,260,788)</u>
Increase in cash and cash equivalents	(3,910,740)	4,640,448
Cash and cash equivalents - Beginning	<hr/> <u>6,614,385</u>	<hr/> <u>1,973,937</u>
Cash and cash equivalents - Ending	<hr/> <u>\$ 2,703,645</u>	<hr/> <u>\$ 6,614,385</u>
Noncash investing, capital, and financing activities:		
Capital assets purchased	\$ 3,799,484	\$ 2,712,520
Less accounts payable	(411,928)	(481,394)
Payment of prior year accounts payable	498,773	37,428
Cash paid for capital assets	<hr/> <u>\$ 3,886,329</u>	<hr/> <u>\$ 2,268,554</u>
Increase (Decrease) in fair value of investments	<hr/> <u>\$ (10,000)</u>	<hr/> <u>\$ (7,910)</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, 2009 and 2008

	2009	2008
	Primary Institution	Primary Institution
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (9,098,607)	\$ (8,773,333)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	636,589	695,839
On-behalf state appropriations	1,351,153	1,330,195
Changes in assets and liabilities		
(Increase) Decrease in Receivables, net	(488,478)	(254,016)
(Increase) Decrease in Inventories	14,389	3,429
(Increase) Decrease in Prepaid expenses	-	9,858
(Increase) Decrease in Deferred expenses	35,994	6,291
Increase (Decrease) in Deferred credits student related	(197,286)	427,748
Increase (Decrease) in Deferred credits other	-	(5,601)
Increase (Decrease) in Accounts payable	98,558	36,784
Increase (Decrease) in Accrued liabilities-payroll related	2,443	(3,410)
Increase (Decrease) in Compensated absences	45,429	29,896
Total Adjustments	<u>1,498,791</u>	<u>2,277,013</u>
Net cash used for operating activities	<u>\$ (7,599,816)</u>	<u>\$ (6,496,320)</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, 2009 and 2008

	<u>2009</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2008</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 482,478	\$ 26,593
Payments for scholarships and support	(431,643)	(12,513)
Investment receipts	<u>6,730</u>	<u>18,162</u>
Net cash provided by operating activities	<u>57,565</u>	<u>32,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities and liquidation of investments	10,049	155,508
Purchase of investments and annuities	<u>(48,539)</u>	<u>(175,867)</u>
Net cash used for investing activities	<u>(38,490)</u>	<u>(20,359)</u>
Increase in cash and cash equivalents	19,075	11,883
Cash and cash equivalents-beginning	83,942	72,059
Cash and cash equivalents-ending	<u>\$ 103,017</u>	<u>\$ 83,942</u>
Reconciliation of change in net assets to net cash used for operating activities		
Change in net assets	<u>\$ (399,586)</u>	<u>\$ 33,963</u>
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	79,551	41,180
Changes in assets and liabilities		
(Increase) Decrease in gifts receivable	376,235	(50,329)
Increase (Decrease) in accounts payable	<u>1,365</u>	<u>7,428</u>
Total Adjustments	<u>457,151</u>	<u>(1,721)</u>
Net cash provided by operating activities	<u>\$ 57,565</u>	<u>\$ 32,242</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, 2009 AND 2008

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, 2009 AND 2008**

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 \$34,487 and \$368,413 at August 31, 2009 and 2008, 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

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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, 2009 and 2008 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, 2009 and 2008 amounted to approximately \$433,008 and \$19,941 respectively. In addition, the Foundation is presently conducting a capital campaign for the purpose of raising funds to assist the College in the renovation and expansion of the M. P. Baker Library.

**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 2009 and 2008 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.

During the 2007 fiscal year, deposits on account with financial institutions were insured by federal depository insurance and collateralized by pledged securities. During the 2008 fiscal year, deposits on account with financial institutions were not entirely insured by federal depository insurance or 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 AAf by Standard & Poor's.

The fair value of the investment in Lonestar Investment Pool was the same as its carrying value of \$34,487 and \$368,413 for the years ending August 31, 2009 and 2008, 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 \$78,804 and \$80,804 for the years ending August 31, 2009 and 2008, 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:

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Composition of Cash, Deposits and Investments

	<u>August 31, 2009</u>	<u>August 31, 2008</u>
Cash and Deposits		
Cash in Banks:		
Demand Deposits	\$ 2,666,858	\$ 6,244,072
Time Deposits	9,739,695	8,899,583
Petty Cash on Hand	2,300	1,900
Total Cash and Deposits	<u>12,408,853</u>	<u>15,145,555</u>
Investments		
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	34,487	368,413
Mutual Fund Investments	78,804	80,804
Total Investments	<u>113,291</u>	<u>449,217</u>
Total Deposits and Investments	<u>\$ 12,522,144</u>	<u>\$ 15,594,772</u>

Classification in Statement of Net Assets, Exhibit 1

	<u>August 31, 2009</u>	<u>August 31, 2008</u>
Cash and Cash Equivalents		
Cash in Banks:		
Demand Deposits	\$ 2,666,858	\$ 6,244,072
Time Deposits	-	-
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	34,487	368,413
Petty Cash on Hand	2,300	1,900
Total Cash and Cash Equivalents	<u>2,703,645</u>	<u>6,614,385</u>
Short-Term Investments		
Cash in Banks – Time Deposits	<u>7,846,452</u>	<u>6,777,748</u>
Endowment and Other Short-Term Investments		
Cash in Banks – Time Deposits	1,893,243	2,121,835
Mutual Fund Investments	78,804	80,804
Total Short-Term Investments	<u>1,972,047</u>	<u>2,202,639</u>
Total Cash, Deposits and Investments	<u>\$ 12,522,144</u>	<u>\$ 15,594,772</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, 2009 and 2008, the College's bank deposits (balance per financial institution) were approximately \$6,490,230 and \$8,685,155, respectively. Of these amounts, the deposits were insured by federal depository (FDIC) insurance in the amounts of \$415,733 and \$198,244 respectively. The remaining balances of \$1,829,736 (2009) and \$8,486,911 (2008) were covered by pledged collateral held by the agent of the financial institution in the name of the College. At August 31, 2008, the College was exposed to custodial credit risk in the amount of \$4,244,761 as its deposits were uncollateralized. At August 31, 2007, the College was therefore not exposed to custodial credit risk during the year as its deposits were covered as described.

- 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.

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7. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2009 was as follows:

Description	Balance September 1, 2008	Increases	Decreases	Balance August 31, 2009
Capital assets not being Depreciated:				
Construction in progress	\$ 2,717,002	\$ 3,305,534	\$ 0	\$ 6,022,536
Land	1,238,342	75,830	-	1,314,172
Total capital assets not being Depreciated	3,955,344	3,381,364	0	7,336,708
Capital assets, being depreciated:				
Buildings and Improvements	15,611,413	62,669	-	15,674,082
Equipment under Capital Lease - Copy Machines	142,735	-	142,735	-
Furniture, Fixtures, Machinery & Equipment and Other Equipment	2,658,805	469,507	-	3,128,312
Library Books	619,258	28,679	37,772	610,165
Total capital assets, being depreciated	19,032,211	560,855	180,507	19,412,559
Less accumulated depreciation for:				
Building and Improvements	(9,261,697)	(441,464)	-	(9,703,161)
Equipment Under Capital Lease	(80,883)	0	(80,883)	0
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(2,302,672)	(232,812)	-	(2,535,484)
Library Books	(322,272)	(43,196)	(37,772)	(327,696)
Total accumulated depreciation	(11,967,524)	(717,472)	(118,655)	(12,566,341)
Total capital assets, being depreciated, net	7,064,687	(156,617)	61,552	6,846,218
Net Capital Assets	\$ 11,020,031	\$ 3,224,747	\$ 61,852	\$ 14,182,926

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Capital assets activity for the year ended August 31, 2008 was as follows:

Description	Balance September 1, 2007	Increases	Decreases	Balance August 31, 2008
Capital assets not being Depreciated:				
Construction in progress	\$ 1,167,706	\$ 2,544,920	\$ 995,624	\$ 2,717,002
Land	1,238,342	-	-	1,238,342
Total capital assets not being Depreciated	2,406,048	2,544,920	995,624	3,955,344
Capital assets, being depreciated:				
Buildings and Improvements	14,540,813	1,070,600	-	15,611,413
Equipment under Capital Lease - Copy Machines	142,735	-	-	142,735
Furniture, Fixtures, Machinery & Equipment and Other Equipment	2,600,640	58,165	-	2,658,805
Library Books	624,795	34,459	39,996	619,258
Total capital assets, being depreciated	17,908,983	1,163,224	39,996	19,032,211
Less accumulated depreciation for:				
Building and Improvements	(8,820,068)	(411,629)	-	(9,261,697)
Equipment Under Capital Lease	(52,336)	(28,547)	-	(80,883)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(2,120,959)	(181,713)	-	(2,302,672)
Library Books	(318,319)	(43,950)	(39,996)	(322,272)
Total accumulated depreciation	(11,311,682)	(695,839)	(39,996)	(11,967,524)
Total capital assets, being depreciated, net	6,597,301	(467,385)	-	7,064,686
Net Capital Assets	\$ 9,003,349	\$ 3,012,305	\$ 995,623	\$ 11,020,031

8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Additions	Reductions	Balance August 31, 2009	Current Portion
<u>Leases and Notes</u>					
Capital Leases	\$ 12,945	\$ -	\$ 12,945	\$ -	\$ -
Maintenance Notes Payable	1,296,765	-	127,853	1,168,912	133,802
Revenue Bonds Payable	8,107,000	-	741,000	7,366,000	746,000
Total Long-Term Liabilities	\$ 9,416,710	\$ -	\$ 881,798	\$ 8,534,912	\$ 879,802

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NOTES TO THE FINANCIAL STATEMENTS
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Long-term liability activity for the year ended August 31, 2008 was as follows:

	Balance September 1, 2007	Additions	Reductions	Balance August 31, 2008	Current Portion
<u>Leases and Notes</u>					
Capital Leases	\$ 61,899	\$ -	\$ 48,954	\$ 12,945	\$ 12,945
Maintenance Notes Payable	1,418,933	-	122,168	1,296,765	127,853
Revenue Bonds Payable	2,243,000	6,000,000	136,000	8,107,000	741,000
Total Long-Term Liabilities	\$ 3,723,832	\$ 6,000,000	\$ 307,122	\$ 9,416,710	\$ 881,798

Lease Purchase Agreements Payable

In the prior years, a capital lease was entered into for nineteen copiers and related attachments. The lease agreement is for a term of 60 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 lease amounted to approximately \$230.

Summarized below are annual lease requirements associated with the commitments:

Year Ending August 31, 2009	2009			2008		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
	\$ -	\$ -	\$ -	\$ 92	\$ 12,945	\$ 13,037
	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ 92	\$ 12,945	\$ 13,037

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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, 2009 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 \$58,173 and \$63,799 for the years ended August 31, 2009 and 2008, respectively. Accrued interest on the note at August 31, 2009 and 2008 amounted to approximately \$11,023 and \$12,228 respectively, and is included in the financial statements.

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

Year Ending August 31,	2009			2008		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2009	\$ -	\$ -	\$ -	\$ 58,198	\$ 127,852	\$ 186,050
2010	52,248	133,803	186,051	52,248	133,803	186,051
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	32,689	153,362	186,051	32,689	153,362	186,051
2014	29,554	160,497	186,051	25,554	160,497	186,051
2015-2017	30,453	434,680	465,133	30,453	434,680	465,133
Total	\$ 226,475	\$ 1,168,913	\$ 1,395,388	\$ 284,673	\$ 1,296,765	\$ 1,581,438

Revenue Bonds Payable

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

The revenue bonds issued by the College in prior years were to finance construction of student housing apartment complexes and additional improvements to the physical plant. In accordance with Section 130.123 of the Texas Education Code, the 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. The original amount issued in prior years was \$2,500,000.

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During the year \$6,000,000 of revenue bonds were issued to finance the expansion and renovation of the existing library. In accordance with Section 130.123 of the Texas Education Code, the revenue bonds are to be paid by collection of a general use fee. Such fees assessed are pledged toward repayment of the bonds along with other pledged revenues of the College sufficient to the payment of principal and interest on the bonds.

Revenue bonds currently outstanding are as follows:

<u>Issue</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2005	Student housing	3.94%	\$ 1,966,000
Series 2008	Library expansion	2.88%	<u>5,400,000</u>

Total outstanding revenue bonds \$ 7,366,000

Interest expense on the bonds amounted to \$255,816 and \$88,374 for the years ended August 31, 2009 and 2008, respectively.

Accrued interest on the bonds at August 31, 2009 and 2008 amounted to approximately \$106,808 and \$95,931 respectively, and is included in the financial statements.

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

Year Ending August 31,	2009			2008		
	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>
2009	\$ 0	\$ 0	\$ 0	\$ 255,816	\$ 741,000	\$ 996,816
2010	232,980	746,000	978,980	232,980	746,000	978,980
2011	209,948	752,000	961,948	209,948	752,000	961,948
2012	186,679	758,000	944,679	186,679	758,000	994,679
2013	163,174	764,000	927,174	163,174	764,000	927,174
2014	139,432	771,000	910,432	139,432	771,000	910,432
2015-2019	331,346	3,362,000	3,693,346	331,346	3,362,000	3,693,346
2020	8,392	213,000	221,392	8,392	213,000	221,392
Total	<u>\$ 1,271,951</u>	<u>\$ 7,366,000</u>	<u>\$ 8,637,951</u>	<u>\$ 1,527,767</u>	<u>\$ 8,107,000</u>	<u>\$ 9,634,767</u>

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9. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2009 and 2008 were as follows:

	<u>2009</u>			<u>2008</u>		
	Total Receivable	Less Allowance For Uncollectibles	Net Receivable	Total Receivable	Less Allowance For Uncollectibles	Net Receivable
Student Receivables	\$ 947,882	\$ 381,513	\$ 566,369	\$ 850,670	\$ 381,249	\$ 469,421
Taxes Receivable	189,713	121,520	68,193	178,770	117,710	61,060
Federal Receivables	1,107,701	-	1,107,701	721,425	-	721,425
State Receivables	19,849	-	19,849	15,188	-	15,188
Interest Receivable	396,911	-	396,911	173,993	-	173,993
Other Receivables	11,171	-	11,171	10,578	-	10,578
TOTAL	\$ 2,316,007	\$ 503,033	\$ 1,812,974	\$ 1,950,624	\$ 498,959	\$ 1,451,665

Payables

Payables at August 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Vendors Payable	\$ 824,731	\$ 856,479
Salaries and Benefits Payable	327,070	279,198
Students Payable	83,632	61,242
Accrued Interest	98,391	108,159
Payable to Affiliated Organization	-	376,235
Other Payables	158,737	139,899
TOTAL	\$ 1,492,561	\$ 1,821,212

10. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in the following manner. 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

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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>2009</u>	<u>2008</u>
Original tax levy	\$ 5,147,720	\$ 4,617,918
Supplemental levy and adjustments	185,874	192,361
Adjusted levy	<u>5,333,594</u>	<u>4,810,279</u>
Penalty and interest assessments	<u>19,061</u>	<u>10,913</u>
Total Levy	<u>\$ 5,352,655</u>	<u>\$ 4,821,192</u>

Tax collections for the years ended August 31, 2009 and 2008, including delinquent collections, exceeded 98% of the levy for both years.

A summary of tax data is presented as follows:

	<u>2009</u>	<u>2008</u>
Assessed valuation of the District	\$ 6,189,062,924	\$ 5,096,193,600
Less: Exemptions	(176,805,163)	(166,765,513)
Less: Abatements	(646,136,631)	(521,755,625)
Net Assessed Valuation of the District	<u>\$ 5,366,121,130</u>	<u>\$ 4,407,672,463</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	\$ 0.09593	\$ 0.10477
Debt Service	-	-
Total	<u>\$ 0.09593</u>	<u>\$ 0.10477</u>
Gross Taxes Collected (Current Operations)	\$ 5,204,772	\$ 4,682,890
Discounts Allowed	(127,308)	(112,963)
Delinquent Taxes Collected	95,544	63,213
Penalties and Interest Collected	62,483	55,596
Collection Fees	(77,622)	(64,006)
Total Collections	<u>\$ 5,157,869</u>	<u>\$ 4,624,730</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.

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A summary of deferred revenues follows:

	2009	2008
Tuition and Fees	\$ 1,894,891	\$ 1,746,775
Housing and Residential Life	455,663	464,445
Bookstore Profit Deferral	-0-	167,193
Other	18,243	187,670
Total	\$ 2,368,797	\$ 2,566,083

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, 2009 AND 2008**

Funding Status and Progress

State law provides for fiscal years 2008-2009 a state contribution rate of 6.58% and 6% for fiscal years 2003 - 2007 of 6.0%. State law further provides a member contribution rate of 6.4% for fiscal years 2003-2008. In certain instances, the reporting district is required to make all or a portion of the State's 6.58% contribution for fiscal year 2008-2009 and 6.0% for fiscal years 2003-2007. 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 2009 were as follows:

Fiscal Year Ended	On-Behalf State Contribution	Panola College Contribution	Employee Contribution	Total Contribution	Covered Payroll	Total College Payroll
<u>August 31,</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
2008	236,967	25,576	255,221	517,764	3,987,827	7,013,933
2009	260,695	25,828	278,685	565,208	4,354,446	7,468,944

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)
2008	110.2	121.8	(11.6)

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, 2009 AND 2008**

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 6.58% and 6.65% respectively. Since these are individual investments, the State has no additional or unfunded liability for this program. Currently, the District contributes an additional 1.92% 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
2009	\$ 144,959	\$ 24,995	\$ 146,501	\$ 316,455	\$ 2,203,029
2008	147,730	25,028	149,301	322,059	2,245,131
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
A 2003	138,218	40,378	153,192	331,788	2,303,632

ll 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, 2009 and 2008, the College had forty-four and forty-three respectively, employees participating in the tax sheltered annuity program. A total of \$193,292 and \$238,637 in payroll deductions was invested in approved plans during the years ending August 31, 2009 and 2008, 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 \$192,378 at August 31, 2009 and \$158,879 at August 31, 2008, 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, 2009 AND 2008

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 \$361 per month per employee to the Plan for the years ending August 31, 2009 and 2008, 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
2009	134	7	\$ 646,006	\$ 44,851
2008	130	7	628,720	44,459
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
2009	54	\$ 20.00	2	\$ 361
2008	55	20.00	3	361
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, 2009 AND 2008**

Post Retirement Health Benefits:

Year Ended August 31,	On Behalf State Contribution	Average Number Retirees Covered
2009	\$ 299,493	67
2008	316,738	68
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, 2009 and 2008, 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 \$314,386 at August 31, 2009 and \$307,831 at August 31, 2008.

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, 2009 and 2008, respectively. A corresponding amount is also included in operating expenses. Capital donations amounted to approximately \$-0- and \$-0- for the years ended August 31, 2009 and 2008, respectively.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

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, 2009, or 2008.

SUPPLEMENTARY SCHEDULES



PANOLA COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES

For the Year Ended August 31, 2009 (With Memorandum Totals for the Year Ended August 31, 2008)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2009 Total	2008 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 243,700	\$ -	\$ 243,700	\$ -	\$ 243,700	\$ 214,080
Out-of-district resident tuition	657,358	-	657,358	-	657,358	580,433
TPEG (set aside)*	74,348	-	74,348	-	74,348	62,796
Non-resident tuition	133,600	-	133,600	-	133,600	95,863
State funded continuing education	248,605	-	248,605	-	248,605	176,498
Non-state funded continuing education	28,336	-	28,336	-	28,336	13,999
Total Tuition	1,385,947	-	1,385,947	-	1,385,947	1,143,669
Fees						
General fee	1,359,482	-	1,359,482	-	1,359,482	1,297,124
Out-of-district fees	894,179	-	894,179	-	894,179	803,817
Laboratory fee	177,593	-	177,593	-	177,593	131,936
Other fees	285,808	-	285,808	-	285,808	311,128
Total fees	2,717,062	-	2,717,062	-	2,717,062	2,544,005
Scholarship allowances and discounts						
Institutional scholarships	(548,286)	-	(548,286)	-	(548,286)	(490,918)
Remissions and exemptions-state	(20,956)	-	(20,956)	-	(20,956)	(22,231)
Remissions and exemptions-local	(119,683)	-	(119,683)	-	(119,683)	(85,111)
Title IV federal grants	(1,010,833)	-	(1,010,833)	-	(1,010,833)	(686,647)
TPEG allowances	(20,917)	-	(20,917)	-	(20,917)	(23,729)
Other federal grants	(1,495)	-	(1,495)	-	(1,495)	(4,579)
State grants to students	(44,884)	-	(44,884)	-	(44,884)	(126,537)
Total scholarship allowances	(1,767,054)	-	(1,767,054)	-	(1,767,054)	(1,439,752)
Total net tuition and fees	2,335,955	-	2,335,955	-	2,335,955	2,247,922
Additional operating revenues						
Federal grants and contracts	-	427,660	427,660	-	427,660	2,289,410
State grants and contracts	-	261,246	261,246	-	261,246	274,038
Nongovernmental grants and contracts	-	1,446	1,446	-	1,446	925
Sales and services of educational activities	142,692	-	142,692	-	142,692	157,976
General operating revenues	303,884	-	303,884	-	303,884	371,020
Total other operating revenues	446,576	690,352	1,136,928	-	1,136,928	3,093,369
Auxiliary enterprises						
Bookstore	-	-	-	1,423,306	1,423,306	1,124,866
Less allowances and discounts	-	-	-	(357,819)	(357,819)	(251,557)
Residential life	-	-	-	854,855	854,855	743,580
Less allowances and discounts	-	-	-	(520,184)	(520,184)	(455,643)
Total net auxiliary enterprises	-	-	-	1,400,158	1,400,158	1,161,246
Total Operating Revenues	\$ 2,782,531	\$ 690,352	\$ 3,472,883	\$ 1,400,158	\$ 4,873,041	\$ 7,341,174
				(Exhibit 2)		(Exhibit 2)

*In accordance with Education Code 56.033, \$74,348 and \$62,796 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, 2009 (With Memorandum Totals for the Year Ended August 31, 2008)

	Salaries And Wages	Benefits		Other Expenses	2009 Total	2008 Total
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 4,052,156	\$ -	\$ 338,850	\$ 591,777	\$ 4,982,783	\$ 4,774,899
Public Service	-	-	-	-	-	-
Academic Support	1,143,097	-	102,526	782,895	2,028,518	1,560,923
Student Services	659,574	-	58,456	138,830	856,860	835,885
Institutional Support	752,508	-	139,260	770,521	1,662,289	1,603,119
Operation and Maintenance of Plant	281,302	-	56,227	1,300,942	1,638,471	1,486,461
Scholarship and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	6,888,637	-	695,319	3,584,965	11,168,921	10,261,287
Restricted Educational Activities						
Instruction	142,657	799,817	5,782	77,966	1,026,222	877,182
Public Service	146,917	41,102	28,781	83,613	300,413	407,763
Academic Support	-	221,398	-	-	221,398	214,612
Student Services	79,201	143,088	10,653	31,986	264,928	286,139
Institutional Support	-	145,748	-	-	145,748	143,908
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarship and Fellowships	-	-	-	962,848	962,848	736,539
Total Restricted Educational Activities	368,775	1,351,153	45,216	1,156,413	2,921,557	2,666,143
Auxiliary Enterprises	211,582	-	35,025	1,466,107	1,712,714	1,652,661
Depreciation Expense-Buildings & other real estate improvements				441,464	441,464	441,629
Depreciation Expense-Equipment & fixtures				151,929	151,929	210,260
Depreciation Expense-Library books				43,196	43,196	43,950
Total	\$ 7,468,994	\$ 1,351,153	\$ 775,560	\$ 6,844,074	\$ 16,439,781	\$ 15,275,930

(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, 2009 (With Memorandum Totals for the Year Ended August 31, 2008)

	Unrestricted	Restricted	Auxiliary Enterprises	2009 Total	2008 Total
NON-OPERATING REVENUES					
State Appropriations					
Education and general state support	\$ 3,643,562	\$ -	\$ -	\$ 3,643,562	\$ 3,643,558
State group insurance	-	945,499	-	945,499	945,498
State retirement matching	-	405,655	-	405,655	384,697
Total State Appropriations	3,643,562	1,351,154	-	4,994,716	4,973,753
Ad-Valorem Taxes for Maintenance & Operation:	5,157,869	-	-	5,157,869	4,624,730
Federal Revenue, Non Operating	-	2,468,133	-	2,468,133	-
Gifts	9,093	656,814	-	665,907	720,568
Investment Income	205,960	70,498	15,256	291,714	443,378
Royalty Income	-	47,292	-	47,292	58,763
Total non-operating revenues	5,372,922	3,242,737	15,256	8,630,915	5,847,439
NON-OPERATING EXPENSES					
Interest on Capital Related Debt	256,390	-	-	256,390	215,715
Loss on disposition of capital assets	-	-	-	-	-
Total non-operating expenses	256,390	-	-	256,390	215,715
Net non-operating revenues	\$ 8,760,094	\$ 4,593,891	\$ 15,256	\$ 13,369,241	\$ 10,605,477
				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, 2009
With Memorandum Totals for the Year Ended August 31, 2008

	Detail By Source				Available for Current Operations		
	Unrestricted	Expendable	Non-Expendable	Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
Current							
Unrestricted	\$ 5,736,637	\$ -	\$ -	\$ -	5,736,637	\$ 5,736,637	\$ -
Restricted	891,886	-	-	-	891,886	-	891,886
Auxiliary enterprises	813,871	-	-	-	813,871	813,871	-
Endowment							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	2,069,705	-	2,069,705	-	2,069,705
Plant							
Unexpended	1,257,489	-	-	-	1,257,489	-	1,257,489
Investment in Plant	-	-	-	5,898,036	5,898,036	-	5,898,036
Total Net Assets, August 31, 2009	<u>8,699,883</u>	<u>-</u>	<u>2,069,705</u>	<u>5,898,036</u>	<u>16,667,624</u>	<u>6,550,508</u>	<u>10,117,116</u>
					(Exhibit 1)		
Total Net Assets, August 31, 2008	<u>8,096,271</u>	<u>-</u>	<u>1,882,533</u>	<u>4,886,319</u>	<u>14,865,123</u>	<u>5,627,759</u>	<u>9,237,364</u>
					(Exhibit 1)		
Net Increase (Decrease) in Net Assets	<u>\$ 603,612</u>	<u>-</u>	<u>\$ 187,172</u>	<u>1,011,717</u>	<u>\$ 1,802,501</u>	<u>922,749</u>	<u>\$ 879,752</u>
					(Exhibit 2)		

PANOLA COLLEGE
SCHEDULE E
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2009

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	EP007A074092	* \$ 4,654
FSEOG	84.007	EP007A084092	* 34,686
Sub- total FSEOG			<u>39,340</u>
Federal Workstudy Program	84.033	EP033A084092	* 39,459
Sub- total Federal College Workstudy Program			<u>39,459</u>
Federal Pell Grant Program	84.063	EP063P072297	* 6,855
Federal Pell Grant Program	84.063	EP063P082297	* 1,444,903
Federal Pell Grant Program	84.063	EP063P092297	893,151
Sub- total Federal Pell Grant Program			<u>2,344,909</u>
Academic Competitiveness Grant	84.375		* <u>44,425</u>
Passed Through From:			
Texas Education Agency			
Adult Education - State Grant Program	84.002A	104100017110297	27,963
Adult Education - State Grant Program	84.002A	094100017110261	75,371
			<u>103,334</u>
Texas Higher Education Coordinating Board			
Carl Perkins Vocational Education	84.048	94236	166,999
Texas Higher Education Coordinating Board			
Leveraging Educational Assistance Partnership	84.069A		2,622
Special Leveraging Educational Assistance Partnership	84.069B		3,373
Stephen F. Austin State University			
Fund for the Improvement of Postsecondary Education	84.116		1,791
East Texas Tech Prep Consortium			
Carl Perkins Tech-Prep Education	84.243		<u>27,093</u>
Total U. S. Department of Education			<u>2,773,345</u>
Department of Health and Human Services			
Passed Through From:			
Texas Education Agency			
Temporary Assistance for Needy Families	93.558	093625017110226	19,035
East Texas Council of Governments			
Temporary Assistance for Needy Families	93.558	PC-TANF-PY08-01	39,641
Deep East Texas Council of Governments			
SSBG Emergency Disaster Relief	93.667	SSBG-08-011	<u>63,772</u>
Total Department of Health and Human Services			<u>122,448</u>
Total Federal Financial Assistance			<u>\$ 2,895,793</u>
Federal Grants and Revenues -Per Schedule A			<u>\$ 2,895,793</u>

* 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, 2009

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
Passed Through From:		
Texas Education Agency		
Adult Education GR-Adult Education	090100017110261	\$ 18,158
Adult Education GR MOE TANF	093625017110226	10,429
Sub-total Texas Education Agency		<u>28,587</u>
Texas Higher Education Coordinating Board		
Texas I Grant		67,470
Texas II Grant		6,920
Professional Nursing		2,866
P-16 College Readiness Special Advisor's Program		28,399
Professional Nursing Shortage Reduction Program		127,004
Sub-total Texas Higher Education Coordinating Board		<u>232,659</u>
Total State Financial Assistance		<u>\$ 261,246</u>
State Grants and Revenues -Per Schedule A		<u>\$ 261,246</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, 2009

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
Carthage, Texas

We have audited the basic financial statements of Panola College as of and for the year ended August 31, 2009, and have issued our report thereon dated November 24, 2009. 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.

**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**

Internal Control Over Financial Reporting - Continued

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panola College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Public Funds Investment Act

We have performed tests designed to verify Panola College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2009, no instances of noncompliance were found.

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 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
November 24, 2009

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

Board of Trustees
Panola College
Carthage, Texas

Compliance

We have audited the compliance of Panola College with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. Panola College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Panola College's 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Panola College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Panola College's compliance with those requirements.

In our opinion, Panola College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

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

Internal Control Over Compliance

The management of Panola College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Panola College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 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 program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal 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 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 ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 - 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 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
November 24, 2009

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2009**

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*

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, 2009**

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 2009
(unaudited)
(amounts expressed in thousands)

	For the Fiscal Year Ended August 31,							
	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	5,624	\$ 4,886	\$ 5,280	\$ 4,788	\$ 4,252	\$ 4,447	\$ 5,009	\$ 4,540
Restricted - expendable	-	-	-	-	-	-	-	62
Restricted - nonexpendable	2,070	1,883	956	1,705	1,610	1,559	1,460	1,345
Unrestricted	8,974	8,096	6,797	5,668	5,646	5,194	4,566	4,820
Total primary government net assets	\$ 16,668	\$ 14,865	\$ 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 2002-2009 are available.

Panola College
Statistical Supplement 2
Revenues by Source
Fiscal Years 2002 to 2009
(unaudited)

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

	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and Fees (Net of Discounts)	\$ 2,336	\$ 2,248	\$ 2,065	\$ 1,914	\$ 1,635	\$ 1,477	\$ 1,238	\$ 1,230
Governmental Grants and Contracts								
Federal Grants and Contracts	428	2,289	2,393	2,529	2,974	2,624	2,956	2,914
State Grants and Contracts	261	274	573	232	536	393	413	598
Local Grants and Contracts	-	-	-	-	-	-	-	-
Non-Governmental Grants and Contracts	1	1	5	20	28	20	86	14
Sales and services of educational activities	143	158	164	182	207	196	187	110
Auxiliary enterprises	1,400	1,161	1,158	1,088	917	850	1,141	762
Other Operating Revenues	304	371	251	310	268	309	331	274
Total Operating Revenues	4,873	6,502	6,609	6,275	6,565	5,869	6,352	5,902
State Appropriations	4,995	4,973	4,555	4,526	4,266	4,250	4,583	4,621
Ad Valorem Taxes	5,158	4,625	4,129	3,639	3,241	3,063	2,951	2,839
Federal Revenue, Non Operating	2,468	-	-	-	-	-	-	-
Gifts	666	721	304	162	128	104	109	103
Investment income	292	443	466	356	251	270	334	304
Other non-operating revenues	47	59	56	70	65	45	-	-
Total Non-Operating Revenues	13,626	10,821	9,510	8,753	7,951	7,732	7,977	7,867
Total Revenues	\$ 18,499	\$ 17,323	\$ 16,119	\$ 15,028	\$ 14,516	\$ 13,601	\$ 14,329	\$ 13,769

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

	2009	2008	2007	2006	2005	2004	2003	2002
Tuition and fees (net of discounts)	12.63%	12.98%	12.81%	12.74%	11.26%	10.86%	8.64%	8.93%
Governmental grants and contracts								
Federal grants and contracts	2.31%	13.21%	14.85%	16.83%	20.49%	19.29%	20.63%	21.16%
State grants and contracts	1.41%	1.58%	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%	0.00%	0.00%
Non-governmental grants and contracts	0.01%	0.01%	0.03%	0.13%	0.19%	0.15%	0.60%	0.10%
Sales and services of educational activities	0.77%	0.91%	1.02%	1.21%	1.43%	1.44%	1.31%	0.80%
Auxiliary enterprises	7.57%	6.70%	7.18%	7.24%	6.32%	6.25%	7.96%	5.53%
Other operating revenues	1.64%	2.14%	1.56%	2.06%	1.85%	2.27%	2.31%	1.99%
Total Operating Revenues	26.34%	37.53%	41.00%	41.76%	45.23%	43.15%	44.33%	42.86%
State appropriations	27.00%	28.71%	28.26%	30.12%	29.39%	31.25%	31.98%	33.56%
Ad valorem taxes	27.88%	26.70%	25.62%	24.21%	22.33%	22.52%	20.59%	20.62%
Non-Governmental Grants and Contracts	13.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gifts	3.60%	4.16%	1.89%	1.08%	0.88%	0.76%	0.76%	0.75%
Investment income	1.58%	2.56%	2.89%	2.37%	1.73%	1.99%	2.33%	2.21%
Other non-operating revenues	0.25%	0.34%	0.35%	0.47%	0.45%	0.33%	-	-
Total Non-Operating Revenues	73.66%	62.47%	59.00%	58.24%	54.77%	56.85%	55.67%	57.14%
Total Revenues	100.00%							

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available.

Panola College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2002 to 2009
(unaudited)

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

	2009	2008	2007	2006	2005	2004	2003	2002
Instruction	\$6,009	\$5,652	\$6,015	\$5,420	\$5,303	\$5,165	\$5,409	\$5,249
Research	-	-	-	-	-	-	-	-
Public service	300	408	259	323	369	317	431	483
Academic support	2,250	1,775	1,658	1,558	1,584	1,383	1,196	1,186
Student services	1,122	1,122	1,068	1,029	940	860	895	916
Institutional support	1,808	1,747	1,563	1,500	1,329	1,490	1,420	1,293
Operation and maintenance of plant	1,638	1,486	1,513	1,192	1,360	1,094	1,275	1,111
Scholarships and fellowships	963	736	840	1,030	1,196	882	1,503	1,065
Auxiliary enterprises	1,713	1,653	1,468	1,469	1,437	1,344	1,298	1,266
Depreciation	637	696	699	688	608	585	531	500
Total Operating Expenses	16,440	15,275	15,083	14,209	14,126	13,120	13,958	13,069
Interest on capital related debt	256	216	164	169	81	88	103	84
Loss on disposal of fixed assets	-	-	-	14	-	-	-	-
Total Non-Operating Expenses	256	216	164	183	81	88	103	84
Total Expenses	\$ 16,696	\$ 15,491	\$ 15,247	\$ 14,392	\$ 14,207	\$ 13,208	\$ 14,061	\$ 13,153

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

	2009	2008	2007	2006	2005	2004	2004	2004
Instruction	35.99%	36.49%	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%	0.00%	0.00%
Public service	1.80%	2.63%	1.70%	2.24%	2.60%	2.40%	3.07%	3.67%
Academic support	13.48%	11.46%	10.87%	10.83%	11.15%	10.47%	8.51%	9.02%
Student services	6.72%	7.24%	7.00%	7.15%	6.62%	6.51%	6.37%	6.96%
Institutional support	10.83%	11.28%	10.25%	10.42%	9.35%	11.28%	10.10%	9.83%
Operation and maintenance of plant	9.81%	9.59%	9.92%	8.28%	9.57%	8.28%	9.07%	8.45%
Scholarships and fellowships	5.77%	4.75%	5.51%	7.16%	8.42%	6.68%	10.69%	8.10%
Auxiliary enterprises	10.26%	10.67%	9.63%	10.21%	10.11%	10.18%	9.23%	9.63%
Depreciation	3.82%	4.49%	4.58%	4.78%	4.28%	4.43%	3.78%	3.80%
Total Operating Expenses	98.47%	98.61%	98.92%	98.73%	99.43%	99.33%	99.27%	99.36%
Interest on capital related debt	1.53%	1.39%	1.08%	1.17%	0.57%	0.67%	0.73%	0.64%
Loss on disposal of fixed assets	0.00%	0.00%	0.00%	0.10%	0.00%	0.00%	0.00%	0.00%
Total Non-Operating Expenses	1.53%	1.39%	1.08%	1.27%	0.57%	0.67%	0.73%	0.64%
Total Expenses	100.00%							

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2009 are available.

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
2008	\$ 0	\$ 23	\$ 23	0
2007	0	21	21	0
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

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
2008	\$ 0	\$ 23	\$ 23	0
2007	0	21	21	0
2006	0	21	21	0
2005	0	21	21	0
2004	0	21	21	0
2003	0	21	18	0
2002	0	18	18	0
2001	0	18	18	0
2000	0	18	18	0
1999	0	18	18	0

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

	General Fees	Out-of-District Fees	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
\$	31	\$ 29	648	996	3.85%	5.06%
	31	27	624	948	6.12%	6.76%
	28	25	588	888	8.89%	8.82%
	24	23	540	816	7.14%	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%

	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
\$	31	\$ 53	\$ 1,284	\$ 1,284	5.94%	5.94%
	31	49	1,212	1,212	7.45%	7.45%
	28	45	1,128	1,128	16.05%	16.05%
	24	36	972	972	3.85%	3.85%
	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%

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)
2008-09	\$ 6,189,063	\$ 822,942	\$ 5,366,121	86.70%	0.095930	0.000000	0.095930
2007-08	5,096,193	688,521	4,407,672	86.49%	0.104770	0.000000	0.104770
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

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
2008-09	\$3,643,562	1,475	2,470	551,088	461,097	1,012,185	\$3.60
2007-08	\$3,643,558	1,388	2,625	538,528	422,646	961,174	\$3.79
2006-07	\$3,300,206	1,383	2,386	546,016	408,684	954,700	\$3.46
2005-06	\$3,300,206	1,428	2,311	581,632	403,276	984,908	\$3.35
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

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	2008	2007	2006	2005	2004	2003	2002
Devon Energy (Pennzenergy)	Petroleum	\$ 798,440	\$ 663,209	\$ 603,854	\$ 274,467	\$ 230,103	\$ 165,638	\$ 168,997
Anadarko E & P Company LP	Petroleum	450,657	412,415	503,112	410,144	318,662	266,243	266,325
Chevron USA Inc.	Petroleum	310,145	298,058	348,332	252,360	212,807	182,068	182,068
Exxon Mobile Corp.	Petroleum	161,489	135,141	132,901	101,907	79,577	66,194	66,194
Lacy Operations Ltd.	Petroleum	159,545	133,447	145,098	99,634	84,436	67,431	69,057
XTO Energy	Petroleum	158,149	120,610	121,322	-	-	-	-
BP America Production	Petroleum	154,171	134,626	166,183	121,116	101,281	76,329	76,329
EOG Resources Inc.	Petroleum	140,599	94,050	101,341	107,977	77,604	44,963	81,153
MarkWest Eastern TX Gas Co LP	Petroleum	83,134	61,576	48,864	-	-	-	-
Conoco Phillips Co	Petroleum	81,182	-	-	-	-	-	-
Samson Lone Star LP	Petroleum	-	80,265	86,306	69,874	60,200	-	-
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
Louisiana Pacific	Timber	-	-	-	-	-	43,871	-
Ocean Energy	Petroleum	-	-	-	-	-	43,692	43,692
RME Petroleum Company	Petroleum	-	-	-	-	-	-	-
Texaco E & P Inc.	Petroleum	-	-	-	-	-	-	-
Union Pacific Resources	Petroleum	-	-	-	-	-	-	-
Vastar Resources Inc.	Petroleum	-	-	-	-	-	-	-
Enron Company	Petroleum	-	-	-	-	-	-	-
UPR - East Plant	Petroleum	-	-	-	-	-	-	-
Amoco Production Company	Petroleum	-	-	-	-	-	-	-
Seagull Mid-South	Petroleum	-	-	-	-	-	-	-
Sonat Exploration	Petroleum	-	-	-	-	-	-	-
Totals		\$ 1,699,071	\$ 1,470,188	\$ 1,653,459	\$ 1,364,872	\$ 1,073,916	\$ 841,379	\$ 877,055
Total Taxable Assessed Value		\$4,315,921	\$4,315,921	\$ 3,454,522	\$ 2,840,185	\$ 2,342,817	\$ 2,610,848	\$ 2,683,865

% of Taxable Assessed Value (TAV) by Tax Year

Taxpayer	Type of Business	2008	2007	2006	2005	2004	2003	2002
Devon Energy (Pennzenergy)	Petroleum	10.44%	9.56%	14.56%	14.44%	13.60%	10.20%	9.92%
Anadarko E & P Company LP	Petroleum	7.19%	6.91%	10.08%	8.89%	9.08%	6.97%	6.78%
Chevron USA Inc.	Petroleum	3.74%	3.13%	3.85%	3.59%	3.40%	2.54%	2.47%
Exxon Mobile Corp.	Petroleum	3.70%	3.09%	4.20%	3.51%	3.60%	2.58%	2.57%
BP America Production	Petroleum	3.66%	2.79%	3.51%	0.00%	0.00%	0.00%	0.00%
Lacy Operations Ltd.	Petroleum	3.57%	3.12%	4.81%	4.26%	4.32%	2.92%	2.84%
XTO Energy	Petroleum	3.26%	2.18%	2.93%	3.80%	3.31%	1.72%	3.02%
EOG Resources Inc.	Petroleum	1.93%	1.43%	1.41%	0.00%	0.00%	0.00%	0.00%
Samson Lone Star LP	Petroleum	1.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
MarkWest Eastern TX Gas Co LP	Petroleum	0.00%	1.86%	2.50%	2.46%	2.57%	0.00%	0.00%
Devon Louisiana Corporation	Petroleum	0.00%	0.00%	0.00%	5.00%	3.55%	0.00%	0.00%
TXU Mining Company	Coal Mining	0.00%	0.00%	0.00%	2.11%	2.40%	0.00%	1.55%
Duke Energy Field Svcs	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	1.94%	1.88%
Louisiana Pacific	Timber	0.00%	0.00%	0.00%	0.00%	0.00%	1.68%	0.00%
Ocean Energy	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	1.67%	1.63%
RME Petroleum Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Texaco E & P Inc.	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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		39.37%	34.06%	47.86%	48.06%	45.84%	32.23%	32.68%

Source: Local County Appraisal District

Panola College
Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years

(unaudited)

(amounts expressed in thousands)

Fiscal Year Ended August 31	Levy (a)	Cumulative Levy Adjustments	Adjusted Tax Levy (b)	Collections - Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (C+D+E)	Cumulative Collections of Adjusted Levy
2009	\$ 5,147	\$ 167	\$ 5,314	\$ 5,250	98.80%	\$ -	\$ -	5250	98.80%
2008	4,618	158	4,776	4,702	98.45%	-	51	4753	99.52%
2007	4,071	181	4,252	4,184	98.40%	44	11	4239	99.69%
2006	3,753	(4)	3,749	3,705	98.83%	30	5	3740	99.76%
2005	3,328	-	3,328	3,272	98.32%	46	3	3321	99.79%
2004	3,159	-	3,159	3,108	98.39%	41	3	3152	99.78%
2003	3,065	(24)	3,041	2,967	97.57%	67	1	3035	99.80%
2002	2,912	(6)	2,906	2,867	98.66%	34	1	2902	99.86%
2001	2,807	(1)	2,806	2,759	98.33%	42	0	2801	99.82%
2000	2,758	-	2,758	2,694	97.68%	59	0	2753	99.82%

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)										
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
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	\$ 7,366	\$ 8,107	\$ 2,374	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 55
Notes	1,169	1,297	1,536	1,647	1,754	1,856	2,017	82	100	-
Capital lease obligations		13	100	8	52	99	133	199	197	286
Total Outstanding Debt	\$ 8,535	\$ 9,417	\$ 4,010	\$ 4,155	\$ 1,806	\$ 1,955	\$ 2,150	\$ 281	\$ 327	\$ 341

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	\$ 0.37	\$ 0.41	\$ 0.17	\$ 0.18	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.01	\$ 0.01	\$ 0.01
Per FTSE	6	7	3	3	1	1	2	0	0	0
As a percentage of Taxable Assessed Value	0.19%	0.27%	0.14%	0.18%	0.07%	0.07%	0.11%	0.01%	0.01%	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)

	2009	2008	2007
Taxable Assessed Value	\$ 5,147,720	\$ 4,407,672	\$ 4,315,921
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.

2006	2005	2004	2003	2002	2001	2000
\$ 3,454,522	\$ 2,840,185	\$ 2,342,817	\$ 2,610,848	\$ 2,683,865	\$ 2,016,246	\$ 1,964,396
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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			Auxilliary Revenues	Investment Income	Total
	Tuition	Fee	Operating Revenues			
2009	\$ 1,386	\$ 2,717	\$ 304	\$ 2,278	\$ 221	\$ 6,906
2008	\$ 1,144	\$ 2,544	\$ 371	\$ 1,868	\$ 332	\$ 6,259
2007	\$ 1,160	\$ 2,281	\$ 251	\$ 1,794	\$ 347	\$ 5,833
2006	\$ 1,101	\$ 1,980	\$ 310	\$ 1,737	\$ 272	\$ 5,400
2005	-	-	-	-	-	-
2004	-	-	-	-	-	-
2003	-	-	-	-	-	-
2002	-	-	-	-	-	-
2001	-	-	-	\$ 1,200	-	\$ 1,200
2000	-	-	-	\$ 1,200	-	\$ 1,200

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
\$ 741	\$ 259	\$ 1000	6.91
\$ 136	\$ 88	\$ 224	27.94
\$ 131	\$ 94	\$ 225	25.92
\$ 126	\$ 99	\$ 225	24.00
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 30	\$ 1	\$ 31	38.71
\$ 25	\$ 3	\$ 28	42.86

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

Calendar Year	District Population	District Personal Income (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2008	23,084	\$ 731,314	\$ 31,882	4.60%
2007	23,002	682,930	29,572	3.9%
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%

Sources:

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

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

Employer	Number of Employees	Percentage of Total Employment (2)
Tyson Poultry Inc.	800	9.47%
Carthage Independent School District	508	6.01%
Smith Equipment Rental and Services	396	4.69%
D Courtney Construction Inc.	255	3.02%
Pinnergy, Inc.	250	2.96%
East Texas Medical Center-Carthage	220	2.60%
WNA	160	1.89%
Pierce Construction, Inc.	148	1.75%
Louisiana Pacific	130	1.54%
Union Pacific Resources	115	1.36%
Total	<u>2,982</u>	<u>35.29%</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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Faculty										
Full-Time	64	61	61	61	61	60	60	62	62	64
Part-Time	54	56	54	46	48	42	43	40	40	41
Total	118	117	115	107	109	102	103	102	102	105
Percent										
Full-Time	54.2%	52.1%	53.0%	57.0%	56.0%	58.8%	58.3%	60.8%	60.8%	61.0%
Part-Time	45.8%	47.9%	47.0%	43.0%	44.0%	41.2%	41.7%	39.2%	39.2%	39.0%
Staff and Administrators										
Full-Time	72	69	68	67	66	66	65	65	65	66
Part-Time	67	62	56	70	68	61	58	60	62	62
Total	139	131	124	137	134	127	123	125	127	128
Percent										
Full-Time	51.8%	52.7%	54.8%	48.9%	49.3%	52.0%	52.8%	52.0%	51.2%	51.6%
Part-Time	48.2%	47.3%	45.2%	51.1%	50.7%	48.0%	47.2%	48.0%	48.8%	48.4%
FTSE per Full-time Faculty										
FTSE per Full-time Faculty	23.0	22.6	22.7	23.4	23.4	22.4	23.1	21.0	20.5	20.1
FTSE per Full-Time Staff Member										
FTSE per Full-Time Staff Member	22.0	20.1	20.3	21.3	21.6	20.4	21.3	20.1	19.6	19.5
Average Annual Faculty Salary										
Average Annual Faculty Salary	\$46,602	\$45,801	\$44,746	\$43,489	\$43,362	\$41,229	\$43,300	\$41,368	\$41,103	\$39,846

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

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
Gender										
Female	1,306	65.93%	1,257	66.65%	1,261	67.40%	1,270	66.08%	1,193	67.25%
Male	675	34.07%	629	33.35%	610	32.60%	652	33.92%	581	32.75%
Total	1,981	100.00%	1,886	100.00%	1,871	100.00%	1,922	100.00%	1,774	100.00%

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
Ethnic Origin										
White	1,481	74.76%	1,448	76.78%	1,444	77.18%	1,478	76.90%	1,358	76.55%
Hispanic	121	6.11%	99	5.25%	74	3.96%	81	4.21%	66	3.72%
African American	343	17.31%	297	15.75%	312	16.68%	327	17.01%	327	18.43%
Asian	13	0.66%	14	0.74%	15	0.80%	13	0.68%	4	0.23%
Foreign	17	0.86%	17	0.90%	14	0.75%	11	0.57%	7	0.39%
Native American	6	0.30%	11	0.56%	10	0.50%	12	0.61%	12	0.61%
Other	-	0.00%	-	0.00%	2	0.10%	-	0.00%	-	0.00%
Total	1,981	100.00%	1,886	99.97%	1,871	99.96%	1,922	99.98%	1,774	99.93%

	Fall 2008		Fall 2007		Fall 2006		Fall 2005		Fall 2004	
	Number	Percent								
Age										
Under 18	349	17.62%	352	18.66%	331	17.69%	329	17.12%	212	11.95%
18 -21	902	45.53%	865	45.86%	846	45.22%	861	44.80%	841	47.41%
22 - 24	208	10.50%	164	8.70%	173	9.25%	203	10.56%	185	10.43%
25 - 35	322	16.25%	313	16.60%	324	17.32%	332	17.27%	331	18.66%
36 - 50	167	8.43%	175	9.28%	171	9.14%	170	8.84%	180	10.15%
51 & over	33	1.67%	17	0.90%	26	1.39%	27	1.40%	25	1.41%
Total	1,981	100.00%	1,886	100.00%	1,871	100.00%	1,922	100.00%	1,774	100.00%

Average Age	23.3	23.3	23.3	23.0	23.5
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Panola College
Statistical Supplement 17
Transfers to Senior Institutions
2007 Fall Students as of Fall 2008
(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	3			3	1.07%
2 Lamar University	3	1		4	1.43%
3 Midwestern State University	1			1	0.36%
4 Prairie View A & M University	2	1		3	1.07%
5 Sam Houston State University	6	1		7	2.50%
6 Southwest Texas State University				0	0.00%
7 Stephen F Austin State University	123	11		134	47.86%
8 Sul Ross State University				0	0.00%
9 Tarleton State University	2	2		4	1.43%
10 Texas A & M International University	1			1	0.36%
11 Texas A & M University	30			30	10.71%
12 Texas A & M University at Commerce	5			5	1.79%
13 Texas A & M University at Corpus Christi		2		2	0.71%
14 Texas A & M University at Galveston	1			1	0.36%
15 Texas A & M University at Kingsville				0	0.00%
16 Texas A & M University at Texarkana				0	0.00%
17 Texas Southern University				0	0.00%
18 Texas State University	6			6	2.14%
19 Texas Tech University	4			4	1.43%
20 Texas Women's University	2			2	0.71%
21 The University of Texas at Arlington	3			3	1.07%
22 The University of Texas at Austin	11	1	1	13	4.64%
23 The University of Texas at El Paso	2			2	0.71%
24 The University of Texas at Dallas				0	0.00%
25 The University of Texas at San Antonio				0	0.00%
26 The University of Texas at Tyler	32	6		38	13.57%
27 University of Houston	2	1		3	1.07%
28 University of Houston - Downtown	1			1	0.36%
29 University of Houston at Victoria	1			1	0.36%
30 University of North Texas	11			11	3.93%
31 West Texas A & M University	1			1	0.36%
32 The University of Texas Medical Branch at Galveston				0	0.00%
33 University of North Texas Health Science Center at Fort Worth				0	0.00%
Totals	253	26	1	280	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 2002 to 2009

	Fiscal Year							
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Academic buildings	9	9	9	8	8	8	8	8
Square footage (in thousands)	146	146	146	132	132	132	132	132
Libraries	1	1	1	1	1	1	1	1
Square footage (in thousands)	17	17	17	17	17	17	17	17
Number of Volumes (in thousands)	83	81	117	104	86	73	73	56
Administrative and support buildings	3	3	3	3	3	3	3	3
Square footage (in thousands)	25	25	25	25	25	25	25	25
Dormitories	2	2	2	2	2	2	2	2
Square footage (in thousands)	26	26	26	26	39	39	39	39
Number of Beds	120	120	120	120	189	189	189	189
Apartments	3	3	3	3	0	0	0	0
Square footage (in thousands)	18	18	18	18	0	0	0	0
Number of beds	96	96	96	96	0	0	0	0
Dining Facilities	1	1	1	1	1	1	1	1
Square footage (in thousands)	25	25	25	25	25	25	25	25
Average daily customers	105	105	105	105	102	86	86	89
Athletic Facilities	2	2	2	2	2	2	2	2
Square footage (in thousands)	37	37	37	37	37	37	37	37
Gymnasiums	1	1	1	1	1	1	1	1
Fitness Centers	1	1	1	1	1	1	1	1
Plant facilities	1	1	1	1	1	1	1	1
Square footage (in thousands)	17	17	17	17	17	17	17	17
Transportation								
Cars	1	2	2	2	2	2	2	2
Light Trucks/Vans	9	11	10	9	8	8	8	8
Buses	2	2	2	2	2	1	1	0