

PANOLA COLLEGE
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
AUGUST 31, 2013 AND 2012



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



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

November 20, 2013

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

We are pleased to present the following comprehensive annual financial report (CAFR) for the Panola County Junior College District (Panola College) for the fiscal year ended August 31, 2013. The CAFR has been prepared in conformance with the financial reporting standards applicable to government entities set forth by the Governmental Accounting Standards Board (GASB) in its authoritative pronouncements, as well as the financial reporting requirements of the Government Finance Officers Association (GFOA). The report complies with the requirements of Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges as set forth by the Texas Higher Education Coordinating Board (THECB).

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

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation of this report, including all disclosures, rests with the management of Panola College. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

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

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

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

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

COLLEGE PROFILE

Panola County Junior College District was established as a public junior college in an election held in Panola County, Texas, in 1947. The District operates as a junior college district under the laws of the State of Texas. An elected, seven-member Board of Trustees governs the District.

The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

Panola College's campus is located in the city of Carthage, Panola County, Texas. Classes are offered at alternate sites in Shelby County and Harrison County. Panola College is committed to offering quality educational programs and services for the people of the College's service area at a reasonable cost. The College provides a wide range of programs, including general academic, technical-vocational, student development services, continuing education, and community service.

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

BOND ELECTION

On May 11, 2013 the College conducted a successful bond election in which the voters authorized the issuance of \$35 million of general obligation bonds for the construction of a new science/health science building, a new student life center and the renovation of several existing buildings.

ECONOMIC CONDITION AND OUTLOOK

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

Panola County ranks as one of the leading natural gas producers in Texas and is located in the Cotton Valley Gas Field, which is the second largest natural gas field in the state. Continued lignite mining activities along with new natural gas wells contribute greatly to the area's wealth. Timber, poultry, and cattle production also continue to contribute to the local economy. All of these activities have a positive impact on employment and the county tax base.

Panola College continues to have strong enrollment growth. Since 2000 enrollment has increased by 81% and has seen record enrollment for the past 9 semesters. Today approximately 2,700 credit students and 800 continuing education students are enrolled in one of 56 programs of study offered through Panola College. This growth has created a need for additional facilities to handle the increased student loads. In addition to the aforementioned bond election, the College constructed a new 64 bed residence hall in fiscal year 2013. The College can now house up to 250 resident students.

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

BUDGETING PROCESS

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenses for the fiscal year beginning September 1. The annual budget process allocates resources based on the College's strategic, institutional, and long term financial plans. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees. Activities of the unrestricted current fund, auxiliary enterprises fund, and retirement of indebtedness fund are included in the annual appropriated budget. The College also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are appropriated as part of the next year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the College continues to meet its responsibility for sound financial management.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) for the fiscal year ended August 31, 2012 to Panola College for its comprehensive annual financial report. This was the nineteenth consecutive year that the college has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a College must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Sincerely,

Stephen K. Williams

Stephen K. Williams, CPA
Vice President of Fiscal Services



Government Finance Officers Association

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

Presented to

**Panola College
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

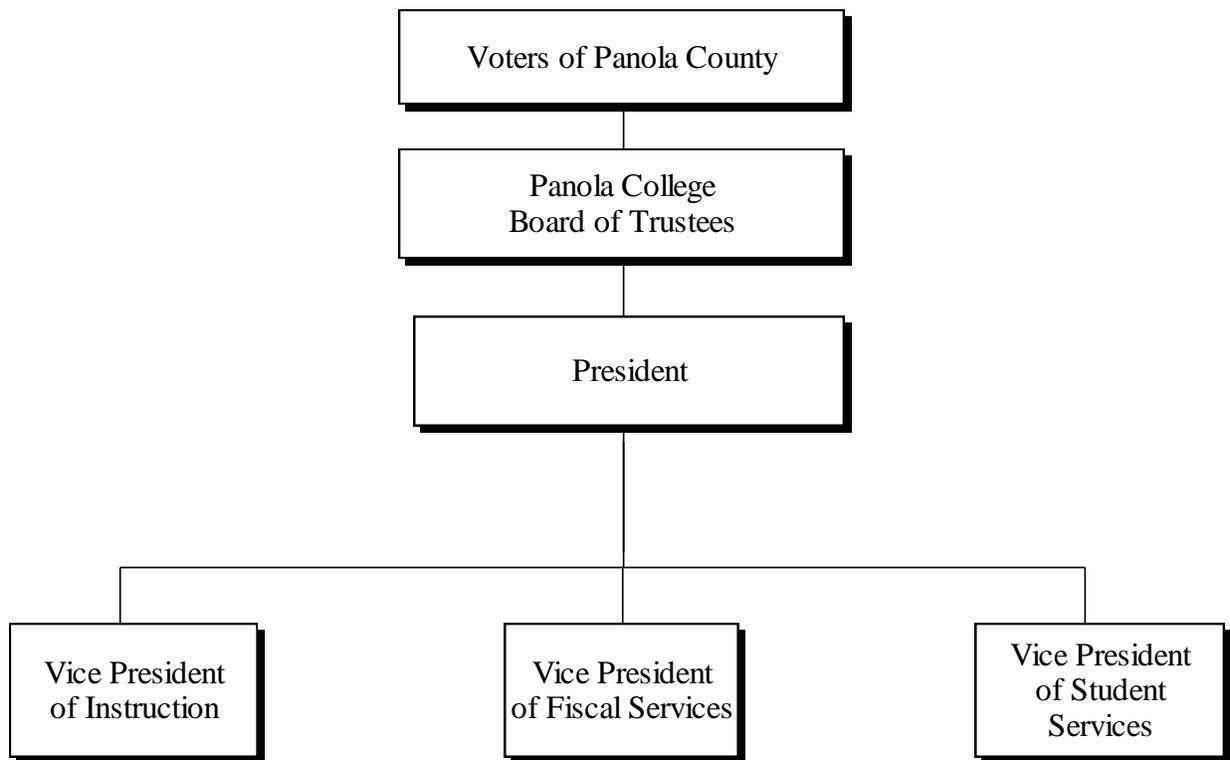
August 31, 2012

Executive Director/CEO

ORGANIZATIONAL CHART

PANOLA COLLEGE

Carthage, Texas



**PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 2013**

BOARD OF TRUSTEES

OFFICERS

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

**Chair
Vice-Chair
Secretary**

MEMBERS

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

**Term Expires
May 31**

**2014
2014
2016
2016
2016
2018
2018**

ADMINISTRATION

Dr. Gregory Powell

President

Dr. Joe Shannon

Vice President of Instruction

Mr. Stephen Williams, CPA

**Vice President of Fiscal
Services**

Mr. Don Clinton

**Vice President of Student
Services**

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PANOLA COLLEGE COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION

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Glenda J. Hiers, CPA
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Chris F. Wethington, CPA

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Wilbur E. Alexander, CPA
(1940 - 2009)

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Panola College
Carthage, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Panola College (the College) as of and for the years ended August 31, 2013 and 2012, which collectively comprise Panola College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Auditor's Responsibility - Continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Panola College as of August 31, 2013 and 2012 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements – Continued

Other Matters - Continued

Other Information - Continued

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of Panola College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Panola College's internal control over financial reporting and compliance.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Panola County Junior College District (College), we offer readers of the College's financial statement this narrative overview and analysis of the financial activities of the College for the year ended August 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report, and the College's financial statements and notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the College exceeded its liabilities at August 31, 2013 by \$26,082,869 (net position). Of this amount, \$13,040,845 (unrestricted net position) may be used to meet the College's ongoing obligations.
- Revenue exceeded expenses by \$2,313,202, or 9.43%, for the current fiscal year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Notes to the financial statements.

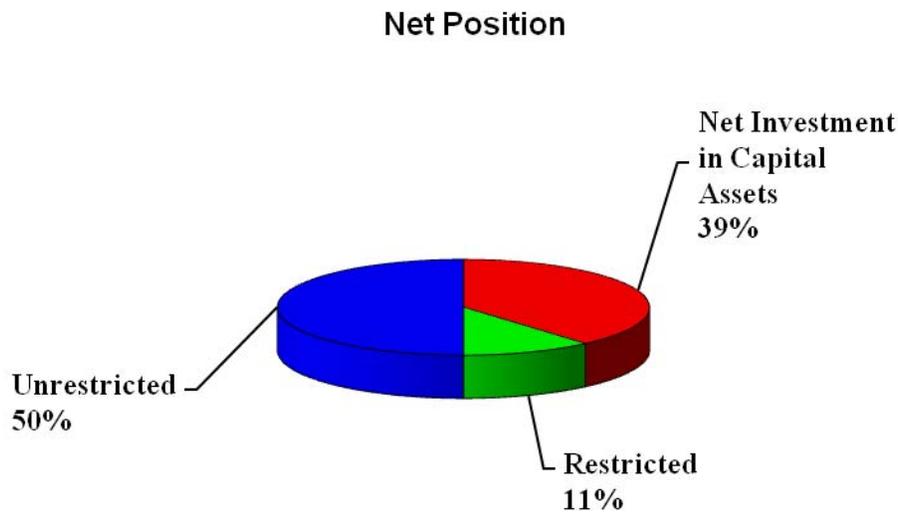
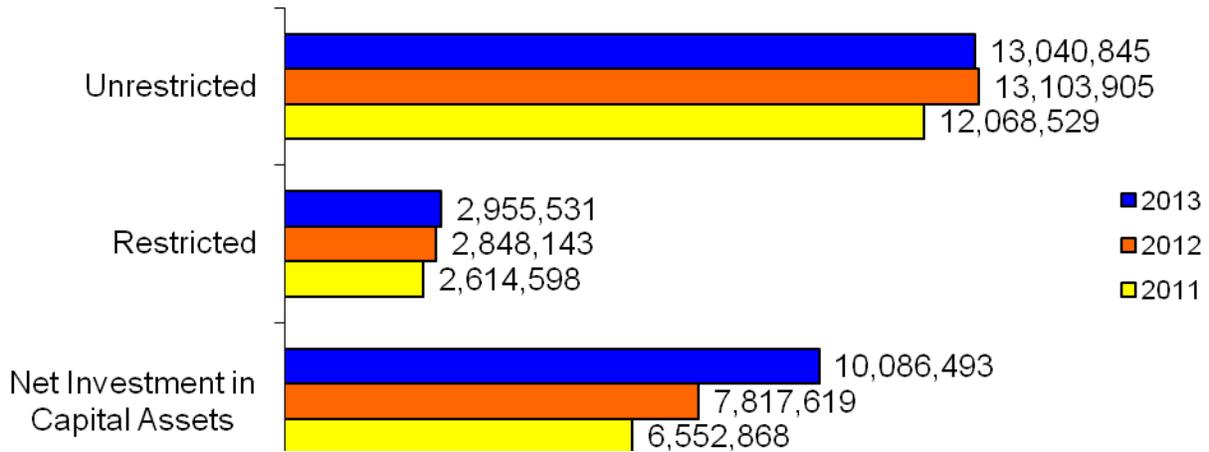
The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

ANALYSIS OF BASIC FINANCIAL STATEMENTS

**Condensed Statements of Net Position
as of August 31, 2013, 2012 and 2011**

	2013	% of Total	Increase (Decrease)	%Change	2012	2011
Current assets	\$18,206,818	51.1%	\$ 171,656	0.1%	\$18,035,162	\$16,763,582
Noncurrent assets:						
Capital assets, net	14,410,782	40.5%	1,495,971	11.6%	12,914,811	13,320,397
Other	<u>2,984,236</u>	<u>8.4%</u>	<u>156,801</u>	<u>5.6%</u>	<u>2,827,435</u>	<u>2,579,899</u>
Total Assets	<u>35,601,836</u>	<u>100.0%</u>	<u>1,824,428</u>	<u>5.4%</u>	<u>33,777,408</u>	<u>32,663,878</u>
Current liabilities	5,761,800	60.5%	256,336	0.5%	5,505,464	5,417,286
Non-current liabilities	<u>3,757,167</u>	<u>39.5%</u>	<u>(745,110)</u>	<u>(16.6)%</u>	<u>4,502,277</u>	<u>6,010,597</u>
Total Liabilities	<u>9,518,967</u>	<u>100.0%</u>	<u>(488,774)</u>	<u>(4.9)%</u>	<u>10,007,741</u>	<u>11,427,883</u>
Net Position:						
Net Investment in capital assets	10,086,493	38.7%	2,268,874	29.0%	7,817,619	6,552,868
Restricted	2,955,531	11.3%	107,388	3.8%	2,848,143	2,614,598
Unrestricted	<u>13,040,845</u>	<u>50.0%</u>	<u>(63,060)</u>	<u>(0.1)%</u>	<u>13,103,905</u>	<u>12,068,529</u>
Total Net Position	<u>\$26,082,869</u>	<u>100.0%</u>	<u>\$2,313,202</u>	<u>9.7%</u>	<u>\$23,769,667</u>	<u>\$21,235,995</u>

Net Position As of August 31, 2013, 2012, and 2011

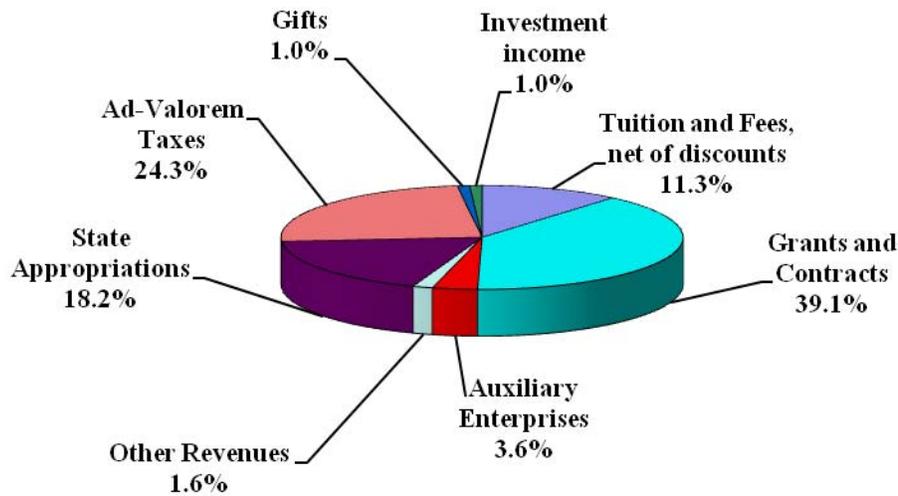


The College's assets exceeded liabilities by \$26,082,869 at August 31, 2013. Assets amounted to \$35,601,835 with investment in capital assets comprising \$14,410,782 of that total. Capital assets include land, library books, buildings and improvements, construction in progress, vehicles, furniture, and equipment. The College uses these capital assets to provide services to students and, consequently, these assets are not available for future spending. The College's net investment in capital assets is 38.7% of total net position. It should be noted that the capital assets themselves may not be used to liquidate liabilities. Additionally \$2,955,531 or 11.3%, of total net position is externally restricted. The remaining balance of \$13,040,845 represents unrestricted net position that may be used to meet the College's ongoing obligations. Debt related to capital assets was \$4,346,000. Total liabilities amounted to \$9,518,967, of which \$5,761,800 is due next year.

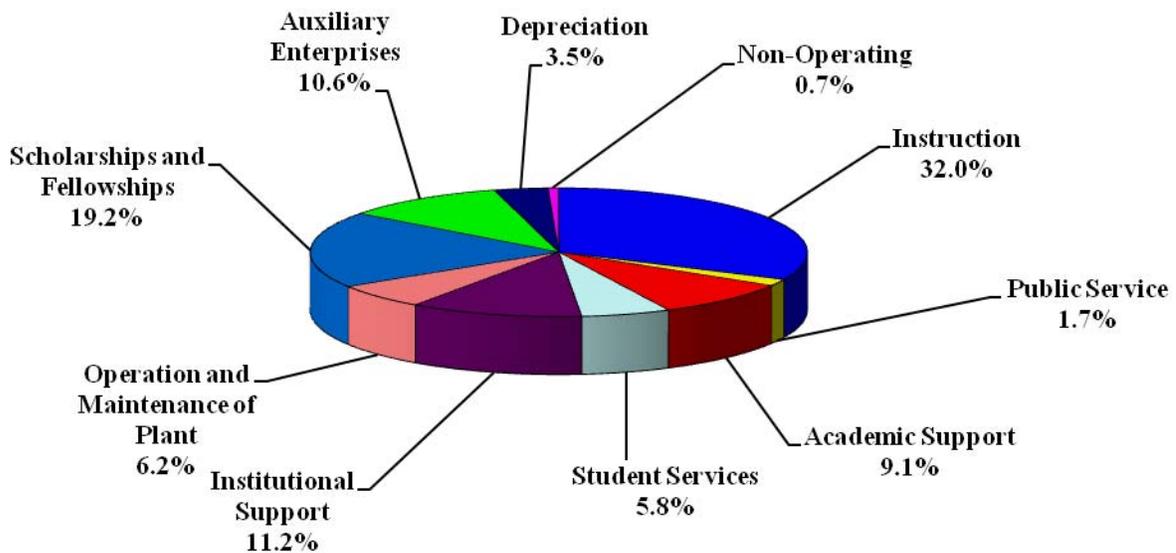
**Condensed Statements of Revenues,
Expenses, and Changes in Net Position
For the Years Ended August 31, 2013, 2012 and 2011**

	2013	% of Total	Increase (Decrease)	% Change	2012	2011
Operating Revenues						
Tuition and Fees, Net of Discounts	\$ 2,764,154	11.3%	(115,207)	(4.0)%	\$ 2,879,361	\$ 2,195,515
Grants and Contracts	634,539	2.6%	94,992	17.6%	539,547	860,816
Auxiliary Enterprises	886,096	3.6%	(94,826)	(9.7)%	980,922	1,006,194
Other Operating Revenues	<u>389,499</u>	<u>1.6%</u>	<u>(6,464)</u>	<u>(1.6)%</u>	<u>395,963</u>	<u>403,164</u>
Total Operating Revenues	<u>4,674,288</u>	<u>19.1%</u>	<u>(121,505)</u>	<u>(2.5)%</u>	<u>4,795,793</u>	<u>4,465,689</u>
Non-Operating Revenues						
State Appropriations	4,455,597	18.2%	368,327	9.0%	4,087,270	4,738,697
Ad-Valorem Taxes	5,962,541	24.3%	212,221	3.7%	5,750,320	5,661,200
Federal Revenue – Non-Operating	8,958,767	36.5%	662,288	8.0%	8,296,479	6,193,126
Gifts	240,519	0.9%	(25,738)	(9.7)%	266,257	415,608
Investment Income	<u>245,574</u>	<u>1.0%</u>	<u>(14,715)</u>	<u>(5.7)%</u>	<u>260,289</u>	<u>245,873</u>
Total Non-Operating Revenues	<u>19,862,998</u>	<u>80.9%</u>	<u>1,202,383</u>	<u>6.4%</u>	<u>18,660,615</u>	<u>17,254,504</u>
Total Revenues	<u>24,537,286</u>	<u>100.0%</u>	<u>1,080,878</u>	<u>4.6%</u>	<u>23,456,408</u>	<u>21,720,193</u>
Operating Expenses						
Instruction	7,119,015	32.0%	458,320	6.9%	6,660,695	6,289,343
Public Service	368,612	1.7%	29,815	8.8%	338,797	355,441
Academic Support	2,011,614	9.1%	(20,853)	(1.0)%	2,032,467	2,047,198
Student Services	1,285,526	5.8%	59,677	(4.9)%	1,225,849	1,261,048
Institutional Support	2,497,736	11.2%	461,718	22.7%	2,036,018	1,845,391
Operation and Maintenance of Plant	1,385,327	6.2%	13,688	1.0%	1,371,639	1,383,643
Scholarships and Fellowships	4,277,521	19.2%	251,358	6.2%	4,026,163	2,600,877
Auxiliary Enterprises	2,347,291	10.6%	130,517	5.9%	2,216,774	1,995,698
Depreciation	<u>777,171</u>	<u>3.5%</u>	<u>(47,231)</u>	<u>(5.7)%</u>	<u>824,402</u>	<u>842,777</u>
Total Operating Expenses	<u>22,069,813</u>	<u>99.3%</u>	<u>1,337,009</u>	<u>6.4%</u>	<u>20,732,804</u>	<u>18,621,416</u>
Non-Operating Expenses	<u>154,271</u>	<u>0.7%</u>	<u>(35,661)</u>	<u>(18.8)%</u>	<u>189,932</u>	<u>245,810</u>
Total Expenses	<u>22,224,084</u>	<u>100.0%</u>	<u>1,301,348</u>	<u>6.2%</u>	<u>20,922,736</u>	<u>18,867,226</u>
Changes in Net Position	2,313,202	8.9%	(220,470)	(8.7)%	2,533,672	2,852,967
Beginning Net Position	<u>23,769,667</u>	<u>91.1%</u>	<u>2,533,672</u>	<u>11.9%</u>	<u>21,235,995</u>	<u>18,383,028</u>
Ending Net Position	<u>\$26,082,869</u>	<u>100.0%</u>	<u>\$2,313,202</u>	<u>9.7%</u>	<u>\$23,769,667</u>	<u>\$21,235,995</u>

**Revenue by Source
For Year Ending August 31, 2013**



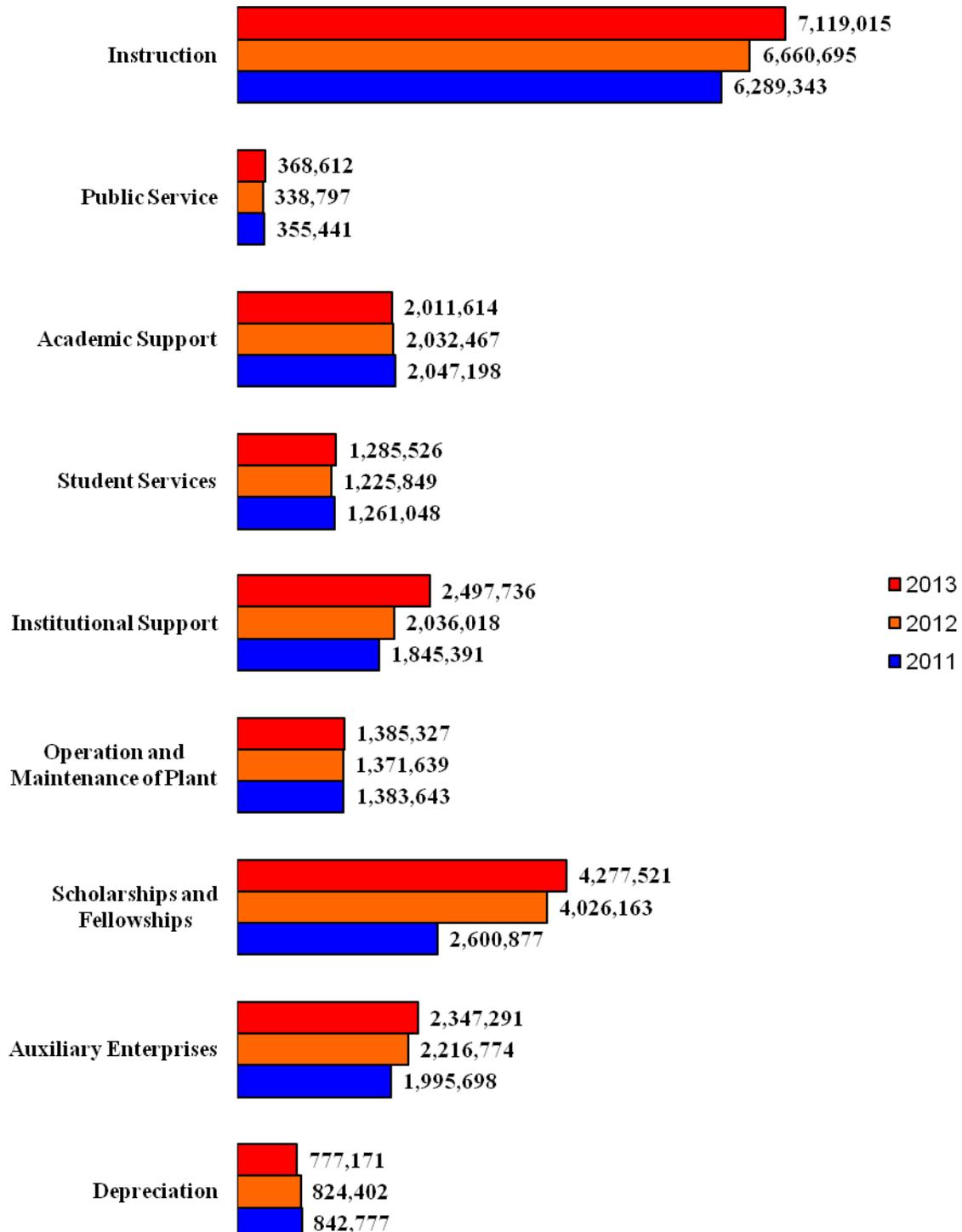
**Expenses by Function
For Year Ending August 31, 2013**



Operating revenues amounted to \$4,674,288 and non-operating revenues \$19,862,998 for a total of \$24,537,286. Major operating revenues include \$2,764,154 in tuition and fees, \$634,539 in grants and contracts, and \$886,096 in auxiliary enterprises. Gross tuition and fees are up 4.1% this year due to tuition, fee and enrollment increases.

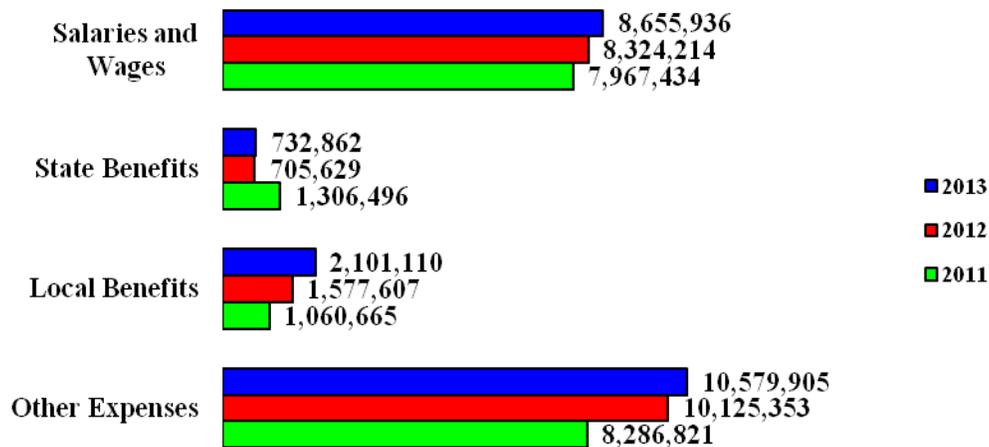
Major non-operating revenues include \$4,455,597 in state appropriations, \$5,962,541 in ad-valorem taxes, and \$8,958,767 in federal revenues. State appropriations include \$732,862 for employee benefits (\$203,037 for retirement benefits and \$529,825 for health and life insurance coverage). Additional information is available in footnotes 14, 15, and 17-19 found on pages 44-47. The Federal Pell Grant Program is the largest of the federal revenues and amounts to \$5,014,116. More detail is provided on federal awards in Schedule F (page 56) and state awards in Schedule G (page 57).

**Operating Expense Comparison
For Years Ended August 31, 2013, 2012, and 2011**



Operating expenses totaled \$22,069,813 and non-operating expenses were \$154,271 for total expenses of \$22,224,084. Instruction at \$7.1 million is the largest operating expense. It includes expenditures for all activities that are part of the College's instruction program. These activities include credit and noncredit courses for academic, vocational, and developmental and tutorial instruction. Public Service expenses totaled \$368,612. 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 \$2.0 million. These expenses are used to provide support services for the College's primary missions of instruction, research, and public service. This includes library expenses, academic administration, computer services, and distance learning support. Student services, \$1.3 million, include expenses for offices of records and admissions and student activities. Institutional support, \$2.5 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, \$1.4 million, are expenditures for the operation and maintenance of the physical plant. Scholarships and fellowships, \$4.3 million, includes scholarships and fellowships including tuition remissions and exemptions. Auxiliary enterprises, \$2.3 million, include expenditures for the college store, food service, residence halls, and athletic programs.

**Operating Expenses By Object
For Years Ended August 31, 2013, 2012, and 2011**



Operating expenses for educational activities amounted to \$18.9 million; \$5.6 million (29.4%) were restricted. Employee related expenses amounted to \$11.2 million, or 59.0 %, of educational activities expenses.

Condensed Statements of Cash Flows
For the Years Ended August 31, 2013, 2012 and 2011

	2013	Increase (Decrease)	2012	2011
Cash provided by/(used) for:				
Operating Activities	\$(15,385,679)	\$ (765,295)	\$(14,620,383)	\$(11,321,949)
Noncapital Financing Activities	18,539,703	933,219	17,606,484	15,285,338
Capital and Related Financing Activities	(3,200,316)	(921,230)	(2,279,086)	(1,570,284)
Investing Activities	<u>(700,849)</u>	<u>569,465</u>	<u>(1,270,315)</u>	<u>(9,221,651)</u>
Net increase (decrease) in Cash and Cash Equivalents	(747,141)	(183,841)	(563,300)	(6,828,546)
Cash and cash equivalents – beginning of year	<u>2,756,870</u>	<u>(563,300)</u>	<u>3,320,170</u>	<u>10,148,716</u>
Cash and cash equivalents – end of year	<u>\$2,009,729</u>	<u>\$(747,141)</u>	<u>\$2,756,870</u>	<u>\$3,320,170</u>

Cash and cash equivalents at August 31, 2013 were \$2,009,729, which is a decrease of \$747,141 or 27.1%.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

As mentioned earlier, revenues exceeded expenses by \$2,313,202 for the year ended August 31, 2013. The College's financial position remains strong, with unrestricted net position representing approximately seven months of operating reserves, which is above the 3.6 months minimum recommended by the State Auditor's Office.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The College's investment in capital assets as of August 31, 2013 amounts to \$14,410,782 (net of accumulated depreciation) and represents a 11.6% increase from last year. This investment includes land, library books, buildings and improvements, and furniture and equipment.

	Capital Assets (net of depreciation)			as of August 31, 2013, 2012 and 2011	
	2013	Increase (Decrease)	% Change	2012	2011
Land	\$1,822,519	\$ 438,062	31.6%	\$1,384,457	\$1,314,172
Library Books	216,133	(17,203)	(7.4)%	233,336	250,455
Buildings and Improvements	11,270,502	911,433	8.8%	10,359,069	10,915,397
Construction in Progress	82,617	33,320	67.6%	49,297	0
Furniture and Equipment	<u>1,019,011</u>	<u>130,359</u>	<u>14.7%</u>	<u>888,652</u>	<u>840,373</u>
Total	<u>\$14,410,782</u>	<u>\$1,495,971</u>	<u>11.6%</u>	<u>\$12,914,811</u>	<u>\$13,320,397</u>

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

Long-term Debt

The College issued \$6 million, 10 year revenue bonds in April 2008. The principal balance at August 31, 2013 was \$3,000,000. The College issued \$2.5 million, 15 year revenue bonds in March 2005. The principal balance at August 31, 2013 was \$1,346,000. In December 2001, the College received a 15 year Maintenance Tax Note. The note was secured with proceeds from the College's maintenance and operations tax. The principal balance at August 31, 2013 was \$0.

Long-term Liabilities as of August 31, 2013, 2012 and 2011

	2013	Increase (Decrease)	% Change	2012	2011
Maintenance Notes Payable	\$ 0	\$ 0	0.0%	\$ 0	\$ 895,082
Revenue Bonds Payable	<u>4,346,000</u>	<u>(764,000)</u>	<u>(15.0)%</u>	<u>5,110,000</u>	<u>5,868,000</u>
Total Long-term Liabilities	<u>\$4,346,000</u>	<u>\$ (764,000)</u>	<u>(15.0)%</u>	<u>\$5,110,000</u>	<u>\$6,763,082</u>

On May 11, 2013 the College passed a \$35 million bond program to fund the construction of a new science/health science building, a new student life center and to renovate several existing buildings. In September 2013, in order to provide funds for architectural design, site work and other construction activities the College issued initial \$9,325,000 par value General Obligation Bonds, Series 2013.

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

ECONOMIC FACTORS

Panola College is committed to excellence in instructional programs, student services, service to the community, and leadership in economic development and cultural enrichment of the area. Our ability to meet this commitment is highly dependent on enrollment and state appropriations. The College has seen record student enrollment for each of the last 10 semesters, but state appropriations have not kept up with this increase. Through strong leadership and fiscal management Panola College continues to remain financially strong.

The Board of Trustees and the citizens of the College district are committed to meeting the needs of our students today and in the future. A new 64 bed residence hall was constructed this year to meet current demands for more housing and a \$35 million bond program was passed by the voters to fund additional building needs. The College will continue to strive to meet its mission while providing an affordable education for its students.

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.

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BASIC FINANCIAL STATEMENTS



PANOLA COLLEGE
EXHIBIT 1
STATEMENTS OF NET POSITION
August 31, 2013 and 2012

	<u>2013</u> <u>Primary</u> <u>Institution</u>	<u>2012</u> <u>Primary</u> <u>Institution</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,009,729	\$ 2,756,870
Short-term investments	11,951,189	11,154,795
Accounts receivable (net)	3,349,712	2,951,196
Inventories	277,077	439,424
Other assets	<u>619,110</u>	<u>732,877</u>
Total Current Assets	<u>18,206,817</u>	<u>18,035,162</u>
Noncurrent Assets		
Endowment and other short-term investments	2,984,236	2,827,435
Capital assets, net (See note)	<u>14,410,782</u>	<u>12,914,811</u>
Total Noncurrent Assets	<u>17,395,018</u>	<u>15,742,246</u>
Total Assets	<u>35,601,835</u>	<u>33,777,408</u>
LIABILITIES		
Current Liabilities		
Accounts payable	377,869	595,459
Accrued liabilities	181,580	177,263
Accrued compensable absences - current portion	104,016	101,365
Funds held for others	364,546	272,100
Deferred revenues	3,962,789	3,595,277
Revenue bonds payable - current portion	<u>771,000</u>	<u>764,000</u>
Total Current Liabilities	<u>5,761,800</u>	<u>5,505,464</u>
Noncurrent Liabilities		
Deposits	61,539	49,105
Accrued compensable absences	120,628	107,172
Revenue bonds payable	<u>3,575,000</u>	<u>4,346,000</u>
Total Noncurrent Liabilities	<u>3,757,167</u>	<u>4,502,277</u>
Total Liabilities	<u>9,518,967</u>	<u>10,007,741</u>
NET POSITION		
Net investment in capital assets	10,086,493	7,817,619
Restricted for		
Nonexpendable		
Student Aid	2,955,531	2,848,143
Unrestricted	<u>13,040,845</u>	<u>13,103,905</u>
Total Net Position	<u>\$ 26,082,869</u>	<u>\$ 23,769,667</u>

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

PANOLA COLLEGE
EXHIBIT 1-A
AFFILIATED ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
August 31, 2013 and 2012

	<u>2013</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2012</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
Assets		
Cash and cash equivalents	\$ 80,594	\$ 140,976
Short-term certificates of deposit	120,197	130,280
Mutual fund investments	1,284,539	849,420
Annuity contracts	208,490	185,360
Miscellaneous receivables	<u>2,373</u>	<u>-</u>
Total Assets	<u><u>1,696,193</u></u>	<u><u>1,306,036</u></u>
Liabilities		
Accounts payable	<u>210</u>	<u>4,477</u>
Total Liabilities	<u><u>210</u></u>	<u><u>4,477</u></u>
Net Assets		
Unrestricted	559,904	440,303
Permanently restricted	<u>1,136,079</u>	<u>861,256</u>
Total Net Assets	<u><u>\$ 1,695,983</u></u>	<u><u>\$ 1,301,559</u></u>

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

PANOLA COLLEGE
EXHIBIT 2
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended August 31, 2013 and 2012

	<u>2013</u> <u>Primary</u> <u>Institution</u>	<u>2012</u> <u>Primary</u> <u>Institution</u>
Operating Revenues		
Tuition and fees (net of discounts of \$4,273,774 for 2013 and \$3,878,502 for 2012)	\$ 2,764,154	\$ 2,879,361
Federal grants and contracts	426,456	421,438
State grants and contracts	206,271	117,062
Non-governmental grants and contracts	1,812	1,047
Sales and services of educational activities	139,997	140,208
Auxiliary enterprises (net of discounts of \$1,804,246 for 2013 and \$1,639,124 for 2012)	886,096	980,922
Other operating revenues (net of discounts of \$-0-)	249,502	255,755
Total Operating Revenues (Schedule A)	<u>4,674,288</u>	<u>4,795,793</u>
Operating Expenses		
Instruction	7,119,015	6,660,695
Public service	368,612	338,797
Academic support	2,011,614	2,032,467
Student services	1,285,526	1,225,849
Institutional support	2,497,736	2,036,018
Operation and maintenance of plant	1,385,327	1,371,639
Scholarships and fellowships	4,277,521	4,026,163
Auxiliary enterprises	2,347,291	2,216,774
Depreciation	777,171	824,402
Total Operating Expenses (Schedule B)	<u>22,069,813</u>	<u>20,732,804</u>
Operating Loss	<u>(17,395,525)</u>	<u>(15,937,011)</u>
Non-Operating Revenues (Expenses)		
State appropriations	4,455,597	4,087,270
Ad-valorem taxes for maintenance & operations	5,962,541	5,750,320
Federal revenue, non-operating	8,958,767	8,296,479
Gifts	240,519	266,257
Investment income (net of investment expenses)	213,288	208,212
Gain on disposal of capital assets	800	1,500
Royalty income	31,486	50,577
Interest on capital related debt	(154,271)	(189,932)
Net Non-Operating Revenues (Schedule C)	<u>19,708,727</u>	<u>18,470,683</u>
Increase in Net Position	2,313,202	2,533,672
Net Position		
Net position - beginning of year	23,769,667	21,235,995
Net position - end of year	<u>\$ 26,082,869</u>	<u>\$ 23,769,667</u>

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

PANOLA COLLEGE
EXHIBIT 2-A
AFFILIATED ORGANIZATION
STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2013 and 2012

	2013 Panola College Foundation Unrestricted	2013 Panola College Foundation Restricted	2013 Panola College Foundation Total
Revenue			
Investment income	\$ 40	\$ 36,459	\$ 36,499
Unrealized investment income	-	104,288	104,288
Gifts	200,940	212,396	413,336
Other	32	1,536	1,568
Total Revenue	<u>201,012</u>	<u>354,679</u>	<u>555,691</u>
Expenses			
Scholarships and support	81,411	79,856	161,267
Total Expenses	<u>81,411</u>	<u>79,856</u>	<u>161,267</u>
Increase in Net Assets	119,601	274,823	394,424
Net assets - beginning of year	440,303	861,256	1,301,559
Net assets - end of year	<u>\$ 559,904</u>	<u>\$ 1,136,079</u>	<u>\$ 1,695,983</u>

	2012 Panola College Foundation Unrestricted	2012 Panola College Foundation Restricted	2012 Panola College Foundation Total
Revenue			
Investment income	\$ 33	\$ 27,816	\$ 27,849
Unrealized investment income	-	61,816	61,816
Gifts	196,999	112,500	309,499
Total Revenue	<u>197,032</u>	<u>202,132</u>	<u>399,164</u>
Expenses			
Scholarships and support	26,014	12,970	38,984
Total Expenses	<u>26,014</u>	<u>12,970</u>	<u>38,984</u>
Increase in Net Assets	171,018	189,162	360,180
Net assets - beginning of year	269,285	672,094	941,379
Net assets - end of year	<u>\$ 440,303</u>	<u>\$ 861,256</u>	<u>\$ 1,301,559</u>

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

PANOLA COLLEGE
EXHIBIT 3
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2013 and 2012

	2013	2012
	Primary Institution	Primary Institution
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from students and other customers	\$ 4,211,318	\$ 3,889,041
Receipts from grants and contracts	645,662	544,482
Payments to or on behalf of employees	(10,727,718)	(9,919,423)
Payments to suppliers for goods or services	(5,237,420)	(5,108,320)
Payments of scholarships	(4,277,521)	(4,026,163)
Net cash used for operating activities	<u>(15,385,679)</u>	<u>(14,620,383)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from state appropriations	3,722,735	3,381,641
Ad valorem tax revenues	5,924,833	5,743,583
Receipts from non-operating federal revenue	8,546,736	8,246,501
Gifts and grants (other than capital)	240,519	266,257
Student organization and other agency transactions	104,880	(31,498)
Net cash provided by noncapital financing activities	<u>18,539,703</u>	<u>17,606,484</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(2,273,142)	(418,817)
Proceeds from disposal of capital assets	-	-
Interest expense paid	(163,174)	(207,187)
Payments on capital debt and leases	(764,000)	(1,653,082)
Net cash used for capital and related financing activities	<u>(3,200,316)</u>	<u>(2,279,086)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	25,365,534	23,275,621
Investment earnings	231,127	221,138
Purchases of investments	(26,297,510)	(24,767,074)
Net cash used for investing activities	<u>(700,849)</u>	<u>(1,270,315)</u>
Decrease in cash and cash equivalents	(747,141)	(563,300)
Cash and cash equivalents - beginning of year	<u>2,756,870</u>	<u>3,320,170</u>
Cash and cash equivalents - end of year	<u>\$ 2,009,729</u>	<u>\$ 2,756,870</u>
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	<u>\$ 21,219</u>	<u>\$ 14,536</u>

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

PANOLA COLLEGE
EXHIBIT 3 (Continued)
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2013 and 2012

	2013	2012
	Primary	Primary
	Institution	Institution
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (17,395,525)	\$ (15,937,011)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	777,171	824,402
On-behalf state appropriations	732,862	705,629
Changes in assets and liabilities		
(Increase) decrease in Receivables, net	44,451	(186,981)
(Increase) decrease in Inventories	162,345	(256,196)
(Increase) decrease in Deferred expenses	113,767	(51,917)
Increase in Deferred credits student related	367,512	53,982
Increase (decrease) in Accounts payable	(217,590)	245,311
Increase (decrease) in Accrued liabilities-payroll related	13,221	(36,006)
Increase in Compensated absences	16,107	18,404
Total Adjustments	<u>2,009,846</u>	<u>1,316,628</u>
Net cash used for operating activities	<u>\$ (15,385,679)</u>	<u>\$ (14,620,383)</u>

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

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PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

1. REPORTING ENTITY

Panola College was established in 1947 in accordance with the laws of the State of Texas to serve the educational needs of the Panola College service area. The College is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state and federal sources, and must comply with the spending, reporting and recordkeeping requirements of these entities, it is not a component unit of any other governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

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

Tuition Discounting

Texas Public Education Grants

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

Title IV, Higher Education Act (HEA) Program Funds

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

Other Tuition Discounts

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

Basis of Accounting

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

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

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

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

Budgetary Data

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

Cash and Cash Equivalents

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

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 \$795 and \$795 at August 31, 2013 and 2012, respectively, to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

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

Capital Assets

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

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

Collections

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

Deferred Revenues

Tuition, fees, and other revenues received and related to the periods after August 31, 2013 and 2012 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 position distinguishes between operating revenues and expenses and non-operating revenues and expenses. For this purpose, operating revenues, such as tuition and fees, result from exchange transactions associated with the principal ongoing operations of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the College's principal activities (such as investment income and state allocations) and from all non-exchange transactions (such as property taxes and Title IV grants). Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Non-operating expenses are comprised of interest on long-term debt.

Net Position

The College reports its net position in three components. Net investment in capital assets is equal to amounts reported for capital assets net of accumulated depreciation and net of related debt. Restricted net position is reported when assets (net of related debt) can only be used for a specified purpose that is established by grantors, contributors, or laws or regulations governing the College. Unrestricted net position is comprised of all other College assets net of related depreciation and debt that do not meet the definitions of invested in capital assets or restricted.

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.

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Financial transactions in the form of support from the Foundation to the College for the years ended August 31, 2013 and 2012 amounted to approximately \$161,267 and \$38,984 respectively.

Deposits were fully covered by FDIC insurance at August 31, 2013 and 2012, and consisted of deposits in bank, certificates of deposit and money market funds. Investments in mutual funds and annuities are valued at fair value based on quoted market values obtained from the various investment brokers. The Foundation's investments in mutual funds are all rated "****" or better by Morningstar Rating Services, except for the investment in TPF Balanced Fund which is unrated.

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 2013 and 2012 fiscal years, deposits and investments were comprised of cash on hand, bank demand deposits, bank time deposits, investments with the Lonestar Investment Pool, and mutual funds administered by American Funds Distributors.

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

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

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

The fair value of the investment in Lonestar Investment Pool was the same as its carrying value of \$795 and \$795 for the years ending August 31, 2013 and 2012, 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 \$171,829 and \$140,610 for the years ending August 31, 2013 and 2012, respectively.**

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

Composition of Cash, Deposits and Investments

	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Cash and Deposits		
Cash in Banks:		
Demand Deposits	\$ 2,006,444	\$ 2,753,585
Time Deposits	14,763,596	13,841,620
Petty Cash on Hand	<u>2,490</u>	<u>2,490</u>
Total Cash and Deposits	<u>16,772,530</u>	<u>16,597,695</u>
Investments		
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	795	795
Mutual Fund Investments	<u>171,829</u>	<u>140,610</u>
Total Investments	<u>172,624</u>	<u>141,405</u>
Total Deposits and Investments	<u>\$ 16,945,154</u>	<u>\$ 16,739,100</u>

PANOLA COLLEGE
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Classification in Statement of Net Position, Exhibit 1

	August 31, 2013	August 31, 2012
Cash and Cash Equivalents		
Cash in Banks:		
Demand Deposits	\$ 2,006,444	\$ 2,753,585
Short-Term Investments		
Lonestar Investment Pool		
Liquidity Plus Fund	795	795
Petty Cash on Hand	2,490	2,490
Total Cash and Cash Equivalents	2,009,729	2,756,870
Short-Term Investments		
Cash in Banks – Time Deposits	11,951,189	11,154,795
Endowment and Other Short-Term Investments		
Cash in Banks – Time Deposits	2,812,407	2,686,825
Mutual Fund Investments	171,829	140,610
Total Short-Term Investments	2,984,236	2,827,435
Total Cash, Deposits and Investments	\$ 16,945,154	\$ 16,739,100

Policies Governing Deposits and Investments

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

- a. **Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy does not limit investments based on credit ratings. The credit ratings for the College's investments are indicated in the preceding paragraphs.
- b. **Custodial Credit Risk – Deposits:** This is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College's policy with respect to custodial credit risk complies with State law. At August 31, 2013 and 2012, the bank balance of the College's deposits were \$17,169,354 and \$16,750,685, respectively. Of these balances, the amounts covered by FDIC insurance were \$633,568 and \$656,240 at August 31, 2013 and 2012, respectively. The remaining balance at August 31, 2013 and 2012 of \$16,535,786 and \$16,094,445, respectively, were entirely covered by pledged collateral held by the pledging financial institution in the College's name.

**PANOLA COLLEGE
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- c. **Concentration of Credit Risk:** This is the risk of loss that occurs due to a lack of diversification. The College's investment policy does not limit the amount that may be invested in any one issuer. At August 31, 2013 and 2012, more than five percent of the College's investments, excluding certificates of deposit, were in the following:

<u>Issuer</u>	<u>% of</u>	<u>Investments</u>
<u>Mutual Funds</u>	<u>8/31/13</u>	<u>8/31/12</u>
The Growth Fund of America	18.71%	17.41%
New Perspective Fund	14.42%	13.81%
Capital Income Builder	26.47%	28.52%
Washington Mutual Investors Fund	18.52%	17.82%
American Balanced Fund	21.44%	21.88%

6. **DERIVATIVES**

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

7. **ENDOWMENTS**

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

Distributions from endowment investments are required to be spent for the purposes for which the endowment was established. Scholarship distributions are made pursuant to the investment policy. For the years ended August 31, 2013 and 2012, endowment interest, dividend earnings, and capital gains totaled \$32,384 and \$28,280 respectively. Unrealized gains and losses for the years ended August 31, 2013 and 2012 totaled \$21,219 gain and \$14,536 gain, respectively.

PANOLA COLLEGE
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8. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2013 was as follows:

Description	Balance September 1, 2012	Increases	Decreases	Balance August 31, 2013
Capital assets not being depreciated:				
Construction in progress	\$ 49,297	\$ 82,617	\$ 49,297	\$ 82,617
Land	1,384,457	438,062	-	1,822,519
Total capital assets not being depreciated	1,433,754	520,679	49,297	1,905,136
Capital assets being depreciated:				
Buildings and Improvements	21,848,323	1,412,254	-	23,260,577
Furniture, Fixtures, Machinery & Equipment and Other Equipment	3,643,294	366,669	6,300	4,003,663
Library Books	554,574	22,837	52,305	525,106
Total capital assets being depreciated	26,046,191	1,801,760	58,605	27,789,346
Less accumulated depreciation for:				
Building and Improvements	(11,489,254)	(500,821)	-	(11,990,075)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(2,754,642)	(236,310)	(6,300)	(2,984,652)
Library Books	(321,238)	(40,040)	(52,305)	(308,973)
Total accumulated depreciation	(14,565,134)	(777,171)	(58,605)	(15,283,700)
Total capital assets being depreciated, net	11,481,057	1,024,589	-	12,505,646
Net Capital Assets	\$ 12,914,811	\$ 1,545,268	\$ 49,297	\$ 14,410,782

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Capital assets activity for the year ended August 31, 2012 was as follows:

Description	Balance September 1, 2011	Increases	Decreases	Balance August 31, 2012
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 49,297	\$ -	\$ 49,297
Land	1,314,172	70,285	-	1,384,457
Total capital assets not being depreciated	1,314,172	119,582	-	1,433,754
Capital assets being depreciated:				
Buildings and Improvements	21,820,707	27,616	-	21,848,323
Furniture, Fixtures, Machinery & Equipment and Other Equipment	3,554,975	248,071	159,752	3,643,294
Library Books	574,675	23,547	43,648	554,574
Total capital assets being depreciated	25,950,357	299,234	203,400	26,046,191
Less accumulated depreciation for:				
Building and Improvements	(10,905,310)	(583,944)	-	(11,489,254)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(2,714,602)	(199,792)	(159,752)	(2,754,642)
Library Books	(324,220)	(40,666)	(43,648)	(321,238)
Total accumulated depreciation	(13,944,132)	(824,402)	(203,400)	(14,565,134)
Total capital assets being depreciated, net	12,006,225	(525,168)	-	11,481,057
Net Capital Assets	\$ 13,320,397	\$ 405,586	\$ -	\$ 12,914,811

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

Long-term liability activity for the year ended August 31, 2013 was as follows:

	Balance September 1, 2012	Additions	Reductions	Balance August 31, 2013	Current Portion
<u>Notes and Bonds</u>					
Revenue Bonds Payable	\$ 5,110,000	\$ -	\$ 764,000	\$ 4,346,000	\$ 771,000
<u>Other Long-Term Liabilities</u>					
Accrued Compensable Absences	208,537	121,116	105,009	224,644	104,016
Total Long-Term Liabilities	\$ 5,318,537	\$ 121,116	\$ 869,009	\$ 4,570,644	\$ 875,016

Long-term liability activity for the year ended August 31, 2012 was as follows:

	Balance September 1, 2011	Additions	Reductions	Balance August 31, 2012	Current Portion
<u>Notes and Bonds</u>					
Maintenance Notes Payable	\$ 895,082	\$ -	\$ 895,082	\$ -	\$ -
Revenue Bonds Payable	5,868,000	-	758,000	5,110,000	764,000
<u>Other Long-Term Liabilities</u>					
Accrued Compensable Absences	199,133	126,259	107,855	208,537	101,365
Total Long-Term Liabilities	\$ 6,953,215	\$ 126,259	\$ 1,760,937	\$ 5,318,537	\$ 865,365

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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 had 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 proceeds 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 were pledged to the payment of principal and interest on the notes. In the event such available funds were 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.

The notes were paid off during the year ended August 31, 2012 with total principal and interest amounts totaling \$915,590. The first of the thirty semi-annual installments was made on June 19, 2002. Interest expense on the note amounted to \$12,067 for the year ended August 31, 2012.

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 College issued \$2,500,000 in revenue bonds in fiscal year 2005 to finance construction of student housing apartment complexes and additional improvements to the physical plant. In accordance with Section 130.123 of the Texas Education Code, the Series 2005 revenue bonds are to be paid by the assessment of a dorm fee to all students occupying residence halls at the College. Such fees assessed are pledged toward repayment of the bonds along with other pledged revenues of the College sufficient for payment of principal and interest on the bonds. The Series 2005 bonds mature in the year ending August 31, 2020. The remaining principal and interest to be paid was \$1,565,970 and \$1,789,464 at August 31, 2013 and 2012, respectively. Principal and interest paid during the years ended August 31, 2013 and 2012 was \$223,494 and \$223,708 respectively. Total dorm fee revenue for August 31, 2013 and 2012 was \$938,701 and \$981,087, respectively.

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In fiscal year 2008, the College issued \$6,000,000 in revenue bonds to finance the expansion and renovation of the existing library. In accordance with Section 130.123 of the Texas Education Code, the Series 2008 revenue bonds are to be paid by the collection of a general use fee. Such fees assessed are pledged toward repayment of the bonds along with other pledged revenues of the College sufficient for payment of principal and interest on the bonds. The final maturity of the bonds is in the year ending August 31, 2018. The remaining principal and interest to be paid was \$3,259,200 and \$3,962,880 at August 31, 2013 and 2012, respectively. Principal and interest paid during the years ended August 31, 2013 and 2012 was \$703,680 and \$720,960 respectively. Total general use fee revenue for August 31, 2013 and 2012 was \$2,357,083 and \$2,304,945 respectively.

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%	\$ 1,346,000
Series 2008	Library expansion	2.88%	<u>3,000,000</u>

Total outstanding revenue bonds \$ 4,346,000

Interest expense on the bonds amounted to \$154,271 and \$177,865 for the years ended August 31, 2013 and 2012, respectively.

Accrued interest on the bonds at August 31, 2013 and 2012 amounted to approximately \$52,287 and \$61,190 respectively, and is included in the financial statements.

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

Year Ending August 31,	2013			2012		
	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>
2013	\$ -	\$ -	\$ -	\$ 163,174	\$ 764,000	\$ 927,174
2014	139,432	771,000	910,432	139,432	771,000	910,432
2015	115,415	778,000	893,415	115,415	778,000	893,415
2016	91,122	785,000	876,122	91,122	785,000	876,122
2017	66,553	792,000	858,553	66,553	792,000	858,553
2018	41,708	800,000	841,708	41,708	800,000	841,708
2019-2020	24,940	420,000	444,940	24,940	420,000	444,940
Total	<u>\$ 479,170</u>	<u>\$ 4,346,000</u>	<u>\$ 4,825,170</u>	<u>\$ 642,344</u>	<u>\$ 5,110,000</u>	<u>\$ 5,752,344</u>

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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10. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2013 and 2012 were as follows:

	<u>2013</u>			<u>2012</u>		
	Total Receivable	Less Allowance For Uncollectibles	Net Receivable	Total Receivable	Less Allowance For Uncollectibles	Net Receivable
Student Receivables	\$ 1,467,544	\$ 830,529	\$ 637,015	\$ 1,391,169	\$ 740,529	\$ 650,640
Taxes Receivable	304,674	170,829	133,845	263,982	167,845	96,137
Federal Receivables	2,512,867	-	2,512,867	2,100,836	-	2,100,836
State Receivables	13,878	-	13,878	26,813	-	26,813
Interest Receivable	46,270	-	46,270	53,042	-	53,042
Other Receivables	5,837	-	5,837	23,728	-	23,728
TOTAL	\$ 4,351,070	\$ 1,001,358	\$ 3,349,712	\$ 3,859,570	\$ 908,374	\$ 2,951,196

Payables

Payables at August 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Vendors Payable	\$ 377,869	\$ 595,459
Salaries and Benefits Payable	353,937	324,610
Students Payable	132,794	115,578
Accrued Interest	52,287	61,190
Other Payables	231,752	156,522
TOTAL	\$ 1,148,639	\$ 1,253,359

11. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Revenues are recognized on Exhibit 2 and Schedule A. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements.

12. PROPERTY TAXES

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

**PANOLA COLLEGE
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for taxes paid between October 1 and December 31. Taxes become past due February 1 and become delinquent on June 30. A tax lien attaches to property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes receivable as reflected on the balance sheet are net of an allowance for doubtful accounts. The allowance is based upon historical experience in collecting property taxes.

Taxes levied for current year operations are summarized below:

	2013	2012
Original tax levy	\$ 5,971,045	\$ 5,864,343
Supplemental levy and adjustments	184,207	87,763
Adjusted levy	6,155,252	5,952,106
Penalty and interest assessments	25,605	24,785
Total Levy	\$ 6,129,647	\$ 5,927,321

Tax collections for the years ended August 31, 2013 and 2012, including delinquent collections, exceeded 96% of the levy for both years.

A summary of tax data is presented as follows:

	2013	2012
Assessed valuation of the District	\$ 5,185,944,504	\$ 5,481,370,679
Less: Exemptions	(193,466,087)	(193,905,244)
Less: Abatements	(879,905,402)	(913,374,892)
Net Assessed Valuation of the District	\$ 4,112,573,015	\$ 4,374,090,543
Tax Rate Per \$100 authorized:		
Current Operations	\$ 0.35000	\$ 0.35000
Debt Service	0.50000	0.50000
Total	\$ 0.85000	\$ 0.85000
Tax Rate Per \$100 assessed		
Current Operations	\$ 0.14519	\$ 0.13407
Debt Service	-	-
Total	\$ 0.14519	\$ 0.13407
Gross Taxes Collected (Current Operations)	\$ 5,961,324	\$ 5,795,765
Discounts Allowed	(101,602)	(133,570)
Delinquent Taxes Collected	117,393	104,373
Penalties and Interest Collected	76,760	71,040
Collection Fees	(91,334)	(87,288)
Total Collections	\$ 5,962,541	\$ 5,750,320

PANOLA COLLEGE
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13. **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 position as deferred revenues in the current fiscal year.

A summary of deferred revenues follows:

	2013	2012
Tuition and Fees	\$ 3,347,669	\$ 3,026,872
Housing and Residential Life	609,800	522,670
Other	5,320	45,735
Total	\$ 3,962,789	\$ 3,595,277

14. **EMPLOYEE RETIREMENT PLANS**

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

Teacher Retirement System of Texas (TRS)

Plan Description. Panola County Junior College District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec 67, and Texas Government Code, Title 8, Subtitle C. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan. TRS issues a publicly available financial report with required supplementary information which can be obtained from www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4 percent for fiscal years 2013, 2012 and 2011. The state contribution rate was 6.0 percent for fiscal years 2013 and 2012. The state contribution rate was 6.644 for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contributions.

For the years ended August 31, 2013 and 2012, the State of Texas did not provide \$216,161 and \$193,972, respectively, of the On Behalf State Contribution. The total of \$410,133 was paid by the College in fiscal year 2013. Actual contributions by the College equaled the required contributions for 2013 and 2012. Actual contributions to TRS for both the State and the College were equal to the required contributions for 2011. The on behalf amounts have been reflected in the financial statements as revenue and expense. Contributions made for 2011-2013 are shown below:

Fiscal Year Ended	On Behalf State	Panola College	Employee Contribution	Total Contribution	Covered Payroll	Total College Payroll
<u>August 31,</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Contribution</u>	<u>Payroll</u>	<u>Payroll</u>
2013	\$ 75,930	\$442,665	\$340,925	\$859,520	\$ 5,328,117	\$8,655,936
2012	79,059	29,834	323,057	431,950	5,073,032	8,324,214
2011	285,478	32,899	306,685	625,062	4,791,957	7,967,434

**PANOLA COLLEGE
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Optional Retirement Program

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries contributed by the state and each participant are 6.00 and 6.65 respectively for fiscal years 2013 and 2012 and 6.40 for fiscal years 2011. The College contributed 2.5 percent for fiscal years 2013 and 2012 and 2.10 percent for fiscal year 2011 for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual contracts, the state has no additional or unfunded liability for the program.

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

Year Ended <u>August 31,</u>	On Behalf State <u>Contribution</u>	Panola College <u>Contribution</u>	Participant <u>Contributions</u>	Total <u>Contributions</u>	Covered <u>Payroll</u>
2013	\$127,107	\$30,046	\$140,877	\$298,030	\$2,118,450
2012	123,978	28,333	137,409	289,720	2,066,300
2011	140,966	23,946	146,472	311,384	2,202,588

15. DEFERRED COMPENSATION PROGRAM

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001. As of August 31, 2013 and 2012, the College had twenty-six and twenty-six respectively, employees participating in the tax sheltered annuity program. A total of \$89,100 and \$92,750 in payroll deductions was invested in approved plans during the years ending August 31, 2013 and 2012, respectively.

16. COMPENSATED ABSENCES

Upon retirement, termination, or death of full time employees, the College pays employees for unused vacation leave. The College recognized the accrued liability for the unpaid annual leave in the financial statements. Sick leave is not paid to an employee upon death, termination, or retirement; therefore, there is no liability shown in the financial statements.

Vacation is earned at the rate of one day per month up to a maximum of ten days per year for 12 month employees only. Employees accrue vacation during the first six months of employment but are not eligible to take vacation until after six months of continuous employment. Sick leave is also earned at the rate of one day per month up to ten days per year. In addition, two personal days are earned each year.

Total accrued compensated absences representing unused vacation leave amounted to approximately \$224,644 at August 31, 2013 and \$208,537 at August 31, 2012. The liability is shown in the statement of net position split between current and noncurrent in the amounts of \$104,016 and \$120,628 respectively for August 31, 2013 and \$101,365 and \$107,172 respectively for August 31, 2012.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

17. HEALTH CARE AND LIFE INSURANCE COVERAGE

Employees of Panola College were covered by a health and life insurance plan (the Plan). The Plan is funded by the State. The State paid premiums of \$470 and \$438 per month per employee to the Plan for the years ending August 31, 2013 and 2012, respectively. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51.2, Texas Insurance Code.

The College supplements the cost of the plan from local sources for active employees and board members due to the state not fully funding this benefit plan. Cost and employees covered under the plan are summarized below.

Fiscal Year Ended August 31,	Average Number Employees Covered	Board Members Covered	On Behalf State Contributions	College Contributions
2013	138	6	\$ 120,497	\$ 760,071
2012	135	6	112,682	673,816
2011	135	6	565,386	213,107

18. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$470 per month for the year ended August 31, 2013 and \$438 per month for the year ended August 31, 2012 and totaled \$529,825 for the year ended August 31, 2013 and \$502,592 for the year ended August 31, 2012. The cost of providing those benefits for 64 retirees in the year ended August 31, 2013 was \$409,328 and benefits for 65 retirees cost \$389,910 in the year ended August 31, 2012. For 138 active employees, the cost was \$120,497 for the year ended August 31, 2013 and active employee benefits for 135 employees cost \$112,682 for the year ended August 31, 2012.

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
2013	51	\$ 20.00	2	\$ 470
2012	52	20.00	2	438
2011	56	20.00	2	413

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

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

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

The College's contributions to SRHP for the years ended August 31, 2013, 2012, and 2011 were \$760,071, \$673,816, \$213,107, respectively, which equaled the required contributions each year.

20. RELATED PARTIES

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

21. FUNDS HELD IN TRUST BY OTHERS

The balances and transactions of funds held in trust by others on behalf of Panola College are not reflected in the financial statements. At August 31, 2013 there were four and in 2012, 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. In 2013 the Reeves Scholarship Fund was turned over to the College. Funds held in trust on these amounted to approximately \$282,217 at August 31, 2013 and \$283,307 at August 31, 2012.

22. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

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

23. **NON-MONETARY TRANSACTIONS**

The College receives the benefit from the use of certain facilities at its off campus sites at no cost or costs below prevailing market rates that the College would have to pay in an exchange transaction. Included in operating revenues is approximately \$229,271 and \$229,000 in non-monetary transactions representing the value of the use of the facilities for the years ended August 31, 2013 and 2012 respectively. A corresponding amount is also included in operating expenses.

24. **PENDING CLAIMS**

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

25. **OTHER DISCLOSURES**

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

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the year ended August 31, 2013 or 2012.

26. **COMMITMENTS**

Panola College entered into a contractual agreement for architectural services as of June 26, 2013 in the amount of \$1,729,505 for design work for the construction of two new buildings and the renovation of several others. Total expenditures processed for the year ended August 31, 2013 totaled \$82,617 leaving an unpaid balance of \$1,646,888.

27. **SUBSEQUENT EVENTS**

In May 2013 the College passed a \$35,000,000 bond election to fund the construction of a new science/health science building, a new student life center and the renovation of several other buildings. In September 2013, the College issued General Obligation Bonds, Series 2013, in the par amount of \$9,325,000 with a premium of \$367,808. The bonds bear interest rates from 2% to 5% and will be redeemed over the next 25 years with property tax proceeds. The bonds are callable on August 15, 2023 or any date thereafter.

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SUPPLEMENTARY SCHEDULES



**PANOLA COLLEGE
SCHEDULE A
SCHEDULE OF OPERATING REVENUES**

For the Year Ended August 31, 2013 (With Memorandum Totals for the Year Ended August 31, 2012)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2013 Total	2012 Total
Tuition						
State funded courses						
In-district resident tuition	\$ 322,976	\$ -	\$ 322,976	\$ -	\$ 322,976	\$ 332,640
Out-of-district resident tuition	910,770	-	910,770	-	910,770	869,158
TPEG (set aside)*	107,436	-	107,436	-	107,436	103,598
Non-resident tuition	163,849	-	163,849	-	163,849	167,407
State funded continuing education	408,125	-	408,125	-	408,125	393,691
Non-state funded continuing education	38,672	-	38,672	-	38,672	38,317
Total tuition	1,951,828	-	1,951,828	-	1,951,828	1,904,811
Fees						
General fee	2,357,083	-	2,357,083	-	2,357,083	2,304,945
Out-of-district fees	1,580,564	-	1,580,564	-	1,580,564	1,507,016
Laboratory fee	433,548	-	433,548	-	433,548	361,489
Other fees	714,905	-	714,905	-	714,905	679,602
Total fees	5,086,100	-	5,086,100	-	5,086,100	4,853,052
Scholarship allowances and discounts						
Institutional scholarships	(619,013)	-	(619,013)	-	(619,013)	(509,169)
Remissions and exemptions-state	(125,066)	-	(125,066)	-	(125,066)	(92,546)
Remissions and exemptions-local	(241,730)	-	(241,730)	-	(241,730)	(227,720)
Title IV federal grants	(3,249,453)	-	(3,249,453)	-	(3,249,453)	(2,980,737)
TPEG allowances	(24,211)	-	(24,211)	-	(24,211)	(31,865)
Other federal grants	-	-	-	-	-	-
State grants to students	(14,301)	-	(14,301)	-	(14,301)	(36,465)
Total scholarship allowances	(4,273,774)	-	(4,273,774)	-	(4,273,774)	(3,878,502)
Total net tuition and fees	2,764,154	-	2,764,154	-	2,764,154	2,879,361
Additional operating revenues						
Federal grants and contracts	-	426,456	426,456	-	426,456	421,438
State grants and contracts	-	206,271	206,271	-	206,271	117,062
Nongovernmental grants and contracts	-	1,812	1,812	-	1,812	1,047
Sales and services of educational activities	139,997	-	139,997	-	139,997	140,208
General operating revenues	249,502	-	249,502	-	249,502	255,755
Total other operating revenues	389,499	634,539	1,024,038	-	1,024,038	935,510
Auxiliary enterprises						
Bookstore	-	-	-	1,751,641	1,751,641	1,638,959
Less allowances and discounts	-	-	-	(1,080,284)	(1,080,284)	(936,902)
Residential life	-	-	-	938,701	938,701	981,087
Less allowances and discounts	-	-	-	(723,962)	(723,962)	(702,222)
Total net auxiliary enterprises	-	-	-	886,096	886,096	980,922
Total Operating Revenues	\$ 3,153,653	\$ 634,539	\$ 3,788,192	\$ 886,096	\$ 4,674,288	\$ 4,795,793
				(Exhibit 2)		(Exhibit 2)

*In accordance with Education Code 56.033, \$107,436 and \$103,598 of tuition was set aside for Texas Public Education Grants (TPEG).

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE B
SCHEDULE OF OPERATING EXPENSES BY OBJECT
For the Year Ended August 31, 2013 (With Memorandum Totals for the Year Ended August 31, 2012)

	Salaries And Wages	Benefits		Other Expenses	2013 Total	2012 Total
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 5,051,215	\$ -	\$ 787,451	\$ 754,496	\$ 6,593,162	\$ 6,122,557
Public Service	-	-	-	-	-	-
Academic Support	1,243,659	-	265,195	393,022	1,901,876	1,919,523
Student Services	780,816	-	172,511	119,043	1,072,370	1,029,080
Institutional Support	840,106	-	683,008	900,087	2,423,201	1,963,826
Operation and Maintenance of Plant	249,410	-	74,308	1,061,609	1,385,327	1,371,639
Scholarship and Fellowships	-	-	-	-	-	-
Total Unrestricted Educational Activities	8,165,206	-	1,982,473	3,228,257	13,375,936	12,406,625
Restricted Educational Activities						
Instruction	24,323	458,475	2,177	40,878	525,853	538,138
Public Service	183,595	16,842	39,113	129,062	368,612	338,797
Academic Support	-	109,738	-	-	109,738	112,944
Student Services	48,900	73,272	1,544	89,440	213,156	196,769
Institutional Support	-	74,535	-	-	74,535	72,192
Operation and Maintenance of Plant	-	-	-	-	-	-
Scholarship and Fellowships	-	-	-	4,277,521	4,277,521	4,026,163
Total Restricted Educational Activities	256,818	732,862	42,834	4,536,901	5,569,415	5,285,003
Auxiliary Enterprises	233,912	-	75,803	2,037,576	2,347,291	2,216,774
Depreciation Expense-Buildings & other real estate improvements			-	500,821	500,821	583,944
Depreciation Expense-Equipment & fixtures		-	-	236,310	236,310	199,792
Depreciation Expense-Library books				40,040	40,040	40,666
Total	\$ 8,655,936	\$ 732,862	\$ 2,101,110	\$ 10,579,905	\$ 22,069,813	\$ 20,732,804
					(Exhibit 2)	(Exhibit 2)

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE C
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
For the Year Ended August 31, 2013 (With Memorandum Totals for the Year Ended August 31, 2012)

	Unrestricted	Restricted	Auxiliary Enterprises	2013 Total	2012 Total
NON-OPERATING REVENUES					
State Appropriations					
Education and General State Support	\$ 3,722,735	\$ -	\$ -	\$ 3,722,735	\$ 3,381,641
CTC Enrollment Growth	-	-	-	-	-
State Group Insurance	-	529,825	-	529,825	502,592
State Retirement Matching	-	203,037	-	203,037	203,037
Total State Appropriations	3,722,735	732,862	-	4,455,597	4,087,270
Ad-Valorem Taxes for Maintenance & Operations	5,962,541	-	-	5,962,541	5,750,320
Federal Revenue, Non Operating	-	8,958,767	-	8,958,767	8,296,479
Gifts	139,060	101,459	-	240,519	266,257
Investment Income	148,307	61,523	3,458	213,288	208,212
Gain on Disposal of Capital Asset	800	-	-	800	1,500
Royalty Income	-	31,486	-	31,486	50,577
Total Non-Operating Revenues	6,250,708	9,153,235	3,458	15,407,401	14,573,345
NON-OPERATING EXPENSES					
Interest on Capital Related Debt	154,271	-	-	154,271	189,932
Total Non-Operating Expenses	154,271	-	-	154,271	189,932
 Net Non-Operating Revenues	 \$ 9,819,172	 \$ 9,886,097	 \$ 3,458	 \$ 19,708,727	 \$ 18,470,683
				Exhibit 2	Exhibit 2

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE D
SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY
For the Year Ended August 31, 2013
With Memorandum Totals for the Year Ended August 31, 2012

	Detail By Source					Available for Current Operations	
	Unrestricted	Expendable	Non-Expendable	Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
Current							
Unrestricted	\$ 8,947,041	\$ -	\$ -	\$ -	8,947,041	\$ 8,947,041	\$ -
Restricted	318,146	-	-	-	318,146		318,146
Auxiliary enterprises	1,289,732	-	-	-	1,289,732	1,289,732	-
Endowment							
Quasi:							
Unrestricted	-	-	-	-	-	-	-
Restricted	-	-	2,955,531	-	2,955,531		2,955,531
Plant							
Unexpended	2,485,926	-	-	-	2,485,926	-	2,485,926
Investment in Plant	-	-	-	10,086,493	10,086,493	-	10,086,493
Total Net Position, August 31, 2013	<u>13,040,845</u>	<u>-</u>	<u>2,955,531</u>	<u>10,086,493</u>	<u>26,082,869</u>	<u>10,236,773</u>	<u>15,846,096</u>
					(Exhibit 1)		
Total Net Position, August 31, 2012	<u>13,103,905</u>	<u>-</u>	<u>2,848,143</u>	<u>7,817,619</u>	<u>23,769,667</u>	<u>10,152,945</u>	<u>13,616,722</u>
					(Exhibit 1)		
Net Increase (Decrease) in Net Position	<u>\$ (63,060)</u>	<u>\$ -</u>	<u>\$ 107,388</u>	<u>\$ 2,268,874</u>	<u>\$ 2,313,202</u>	<u>\$ 83,828</u>	<u>\$ 2,229,374</u>
					(Exhibit 2)		

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE E
AFFILIATED ORGANIZATION
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2013 and 2012

	<u>2013</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2012</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 413,336	\$ 309,499
Payments for scholarships and support	(165,534)	(40,215)
Other income	1,568	
Investment receipts	<u>34,126</u>	<u>27,849</u>
Net cash provided by operating activities	<u>283,496</u>	<u>297,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities and liquidation of investments	42,595	8,749
Purchase of investments and annuities	<u>(386,473)</u>	<u>(376,648)</u>
Net cash used for investing activities	<u>(343,878)</u>	<u>(367,899)</u>
 (Decrease) in cash and cash equivalents	 (60,382)	 (70,766)
Cash and cash equivalents-beginning	<u>140,976</u>	<u>211,742</u>
Cash and cash equivalents-ending	<u>\$ 80,594</u>	<u>\$ 140,976</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 394,424</u>	<u>\$ 360,180</u>
Adjustments to reconcile change in net assets to net cash provided by for operating activities		
(Increase) in fair value of investments	(104,288)	(61,816)
 Changes in assets and liabilities		
Increase in miscellaneous receivables	(2,373)	
(Decrease) in accounts payable	<u>(4,267)</u>	<u>(1,231)</u>
Total Adjustments	<u>(110,928)</u>	<u>(63,047)</u>
 Net cash provided by operating activities	 <u>\$ 283,496</u>	 <u>\$ 297,133</u>

See Accompanying Independent Auditor's Report on Supplementary Information.

PANOLA COLLEGE
SCHEDULE F
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2013

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:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant	84.007	P007A124092	\$ 20,132
Federal Supplemental Educational Opportunity Grant	84.007	P033A124092	11,994
Subtotal Federal Supplemental Educational Opportunity Grant			<u>32,126</u>
Federal Workstudy Program	84.033	P033A124092	35,984
Federal Pell Grant Program	84.063	P063P132297	1,835,411
Federal Pell Grant Program	84.063	P063P122297	3,180,786
Federal Pell Grant Program	84.063	P063P112297	(2,081)
Subtotal Federal Pell Grant Program			<u>5,014,116</u>
Federal Direct Student Loans	84.268	P268K142297	472,905
Federal Direct Student Loans	84.268	P268K132297	3,410,416
Federal Direct Student Loans	84.268	P268K122297	(6,780)
Subtotal Federal Direct Student Loans			<u>3,876,541</u>
Passed Through From:			
Texas Education Agency			
Adult Education - Basic Grants to States	84.002	134100017110420	174,567
Texas Higher Education Coordinating Board			
Career and Technical Education - Basic Grants to States	84.048	134250	190,354
Total U. S. Department of Education			<u>9,323,688</u>
U.S. Department of Labor			
Passed Through From:			
Harris County Department of Education			
Adult Education Workforce Investment Act Incentive Project	17.267	124101017110001	5,700
Total U.S. Department of Labor			<u>5,700</u>
U.S. Department of Health and Human Services			
Passed Through From:			
East Texas Council of Governments			
Temporary Assistance for Needy Families	93.558	PC-TANF-PY12-01	36,300
Texas Education Agency			
Temporary Assistance for Needy Families	93.558	133625017110416	19,535
Total U.S. Department of Health and Human Services			<u>55,835</u>
Total Federal Awards			<u>\$ 9,385,223</u>

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

PANOLA COLLEGE
SCHEDULE G
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2013

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
Passed Through From:		
Texas Education Agency		
Adult Education GR-Adult Education	130100017110442	35,572
Texas Higher Education Coordinating Board		
Texas Grant		45,420
Texas College Work-Study		8,772
SATIN Nursing Grant		40,757
Subtotal Texas Higher Education Coordinating Board		<u>94,949</u>
Texas Comptroller		
Jet Grant		68,369
Trinity Valley Community College		
CABNET Grant		3,000
Texas Workforce Commission		
Skills Development Grant		<u>4,381</u>
Total State Awards		<u><u>\$ 206,271</u></u>
State Grants and Revenues -Per Schedule A		<u><u>\$ 206,271</u></u>

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

PANOLA COLLEGE
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2013

Note 1: Federal Awards Reconciliation:

Federal Grants and Contracts – Schedule A	\$ 426,456
Add: Federal Revenue, Non-Operating – Schedule C	<u>8,958,767</u>
Total Federal Awards	<u>\$ 9,385,223</u>

Significant Accounting Policies Used in Preparing the Schedules

The expenditures included in the schedules are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported on pages 56 and 57 represent funds which have been expended by the College for the purposes of the award. The expenditures reported in the schedules may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedules may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedules.

Relationship to Federal and State Financial Reports

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

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PANOLA COLLEGE COMPREHENSIVE ANNUAL FINANCIAL REPORT



SINGLE AUDIT SECTION

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

Board of Trustees
Panola College
Carthage, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Panola College as of and for the year ended August 31, 2013, which collectively comprise Panola College's basic financial statements and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Public Funds Investment Act

We have performed tests designed to verify Panola College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2013, no instances of noncompliance were found.

Purpose of this Report

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

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 20, 2013

Ted A. Lankford, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Panola College
Carthage, Texas

Report on Compliance for Each Major Federal Program

We have audited Panola College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Panola College's major federal programs for the year ended August 31, 2013. Panola College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Panola College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 - CONTINUED**

Report on Compliance for Each Major Federal Program - Continued

Auditor's Responsibility - Continued

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Panola College's compliance.

Opinion on Each Major Federal Program

In our opinion, Panola College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 - CONTINUED**

Report on Internal Control Over Compliance - Continued

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

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

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
November 20, 2013

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2013**

A. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes 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: **UNMODIFIED**

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</u>
	Student Financial Aid Cluster:
84.007	Federal Supplemental Education Opportunity Grant
84.033	Federal Work Study
84.063	Federal Pell Grant
84.268	Federal Direct Student Loans

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, 2013

B. Financial Statements Findings

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

None

C. Federal and State Awards Findings and Questioned Costs

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

None

**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**STATISTICAL SUPPLEMENTS
(UNAUDITED)**

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Panola College
Statistical Supplement 1
Net Assets by Component
Fiscal Years 2004 to 2013
(unaudited)
(amounts expressed in thousands)

	For the Fiscal Year Ended August 31,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Invested in capital assets, net of related debt	\$ 10,086	\$ 7,818	\$ 6,553	\$ 6,039	\$ 5,898	\$ 4,886	\$ 5,280	\$ 4,788	\$ 4,252	\$ 4,447
Restricted - expendable	-	-	-	-	-	-	-	-	-	-
Restricted - nonexpendable	2,956	2,848	2,615	2,262	2,070	1,883	956	1,705	1,610	1,559
Unrestricted	13,041	13,104	12,068	10,082	8,700	8,096	6,797	5,668	5,646	5,194
Total primary government net assets	\$ 26,083	\$ 23,770	\$ 21,236	\$ 18,383	\$ 16,668	\$ 14,865	\$ 13,033	\$ 12,161	\$ 11,508	\$ 11,200

Panola College
Statistical Supplement 2
Revenues by Source
Fiscal years 2004 to 2013
(unaudited)

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and Fees (Net of Discounts)	\$2,764	\$2,879	\$2,196	\$2,088	\$ 2,336	\$ 2,248	\$ 2,065	\$ 1,914	\$ 1,635	\$ 1,477
Governmental Grants and Contracts										
Federal Grants and Contracts	401	422	450	388	428	2,289	2,393	2,529	2,974	2,624
State Grants and Contracts	231	117	407	583	261	274	573	232	536	393
Local Grants and Contracts	-	-	-	-	-	-	-	-	-	-
Non-Governmental Grants and Contracts	2	1	4	4	1	1	5	20	28	20
Sales and services of educational activities	140	140	163	161	143	158	164	182	207	196
Auxiliary enterprises	886	981	1,006	1,168	1,400	1,161	1,158	1,088	917	850
Other Operating Revenues	250	256	240	322	304	371	251	310	268	309
Total Operating Revenues	4,674	4,796	4,466	4,714	4,873	6,502	6,609	6,275	6,565	5,869
State Appropriations	4,456	4,087	4,739	5,017	4,995	4,973	4,555	4,526	4,266	4,250
Ad Valorem Taxes	5,962	5,750	5,661	5,308	5,158	4,625	4,129	3,639	3,241	3,063
Federal Revenue, Non Operating	8,959	8,296	6,193	3,913	2,468	-	-	-	-	-
Gifts	241	266	416	207	666	721	304	162	128	104
Investment income	213	208	139	389	292	443	466	356	251	270
Gain on Disposal of Capital Assets	1	2	32	-	-	-	-	-	-	-
Other non-operating revenues	31	51	74	31	47	59	56	70	65	45
Total Non-Operating Revenues	19,863	18,660	17,254	14,865	13,626	10,821	9,510	8,753	7,951	7,732
Total Revenues	\$ 24,537	\$ 23,456	\$ 21,720	\$ 19,579	\$ 18,499	\$ 17,323	\$ 16,119	\$ 15,028	\$ 14,516	\$ 13,601

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tuition and fees (net of discounts)	11.27%	12.27%	10.11%	10.66%	12.63%	12.98%	12.81%	12.74%	11.26%	10.86%
Governmental grants and contracts										
Federal grants and contracts	1.63%	1.80%	2.07%	1.98%	2.31%	13.21%	14.85%	16.83%	20.49%	19.29%
State grants and contracts	0.94%	0.50%	1.87%	2.98%	1.41%	1.58%	3.55%	1.54%	3.69%	2.89%
Local grants and contracts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-governmental grants and contracts	0.01%	0.00%	0.02%	0.02%	0.01%	0.01%	0.03%	0.13%	0.19%	0.15%
Sales and services of educational activities	0.57%	0.60%	0.75%	0.82%	0.77%	0.91%	1.02%	1.21%	1.43%	1.44%
Auxiliary enterprises	3.61%	4.18%	4.63%	5.97%	7.57%	6.70%	7.18%	7.24%	6.32%	6.25%
Other operating revenues	1.02%	1.09%	1.10%	1.64%	1.64%	2.14%	1.56%	2.06%	1.85%	2.27%
Total Operating Revenues	19.05%	20.45%	20.56%	24.08%	26.34%	37.53%	41.00%	41.76%	45.23%	43.15%
State appropriations	18.16%	17.42%	21.82%	25.62%	27.00%	28.71%	28.26%	30.12%	29.39%	31.25%
Ad valorem taxes	24.30%	24.51%	26.06%	27.11%	27.88%	26.70%	25.62%	24.21%	22.33%	22.52%
Non-Governmental Grants and Contracts	36.51%	35.37%	28.51%	19.99%	13.34%	0.00%	0.00%	0.00%	0.00%	0.00%
Gifts	0.98%	1.13%	1.92%	1.06%	3.60%	4.16%	1.89%	1.08%	0.88%	0.76%
Investment income	0.87%	0.89%	0.64%	1.99%	1.58%	2.56%	2.89%	2.37%	1.73%	1.99%
Gain on Disposal of Capital Assets	0.00%	0.01%	0.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-operating revenues	0.13%	0.22%	0.34%	0.16%	0.25%	0.34%	0.35%	0.47%	0.45%	0.33%
Total Non-Operating Revenues	80.95%	79.55%	79.44%	75.92%	73.66%	62.47%	59.00%	58.24%	54.77%	56.85%
Total Revenues	100.00%									

Panola College
Statistical Supplement 3
Program Expenses by Function
Fiscal Years 2004 to 2013
(unaudited)

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	\$7,119	\$6,661	\$6,289	\$6,417	\$6,009	\$5,652	\$6,015	\$5,420	\$5,303	\$5,165
Research	-	-	-	-	-	-	-	-	-	-
Public service	369	339	355	356	300	408	259	323	369	317
Academic support	2,012	2,032	2,047	2,099	2,250	1,775	1,658	1,558	1,584	1,383
Student services	1,286	1,226	1,261	1,185	1,122	1,122	1,068	1,029	940	860
Institutional support	2,498	2,036	1,845	1,878	1,808	1,747	1,563	1,500	1,329	1,490
Operation and maintenance of plant	1,385	1,372	1,384	1,508	1,638	1,486	1,513	1,192	1,360	1,094
Scholarships and fellowships	4,277	4,026	2,601	1,359	963	736	840	1,030	1,196	882
Auxiliary enterprises	2,347	2,217	1,996	1,966	1,713	1,653	1,468	1,469	1,437	1,344
Depreciation	777	824	843	819	637	696	699	688	608	585
Total Operating Expenses	22,070	20,733	18,621	17,587	16,440	15,275	15,083	14,209	14,126	13,120
Interest on capital related debt	154	190	246	275	256	216	164	169	81	88
Loss on disposal of fixed assets	-	-	-	-	-	-	-	14	-	-
Total Non-Operating Expenses	154	190	246	275	256	216	164	183	81	88
Total Expenses	\$ 22,224	\$ 20,923	\$ 18,867	\$ 17,862	\$ 16,696	\$ 15,491	\$ 15,247	\$ 14,392	\$ 14,207	\$ 13,208

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	32.03%	31.84%	33.33%	35.93%	35.99%	36.49%	39.45%	37.66%	37.33%	39.11%
Research	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Public service	1.66%	1.62%	1.88%	1.99%	1.80%	2.63%	1.70%	2.24%	2.60%	2.40%
Academic support	9.05%	9.71%	10.85%	11.75%	13.48%	11.46%	10.87%	10.83%	11.15%	10.47%
Student services	5.79%	5.86%	6.68%	6.63%	6.72%	7.24%	7.00%	7.15%	6.62%	6.51%
Institutional support	11.24%	9.73%	9.78%	10.51%	10.83%	11.28%	10.25%	10.42%	9.35%	11.28%
Operation and maintenance of plant	6.23%	6.56%	7.34%	8.44%	9.81%	9.59%	9.92%	8.28%	9.57%	8.28%
Scholarships and fellowships	19.24%	19.24%	13.79%	7.61%	5.77%	4.75%	5.51%	7.16%	8.42%	6.68%
Auxiliary enterprises	10.56%	10.60%	10.58%	11.01%	10.26%	10.67%	9.63%	10.21%	10.11%	10.18%
Depreciation	3.50%	3.94%	4.47%	4.59%	3.82%	4.49%	4.58%	4.78%	4.28%	4.43%
Total Operating Expenses	99.31%	99.09%	98.70%	98.46%	98.47%	98.61%	98.92%	98.73%	99.43%	99.33%
Interest on capital related debt	0.69%	0.91%	1.30%	1.54%	1.53%	1.39%	1.08%	1.17%	0.57%	0.67%
Loss on disposal of fixed assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%	0.00%	0.00%
Total Non-Operating Expenses	0.69%	0.91%	1.30%	1.54%	1.53%	1.39%	1.08%	1.27%	0.57%	0.67%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Change in Net Assets	\$ 2,313	\$ 2,533	\$ 2,853	\$ 1,717	\$ 1,803	\$ 1,832	\$ 872	\$ 636	\$ 309	\$ 393

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
2012	\$ 0	\$ 25	\$ 25	0
2011	0	25	25	0
2010	0	25	25	0
2009	0	25	25	0
2008	0	23	23	0
2007	0	21	21	0
2006	0	21	21	0
2005	0	21	21	0
2004	0	21	21	0
2003	0	21	21	0

Non-Resident Fees per Semester Credit Hour (SCH)

Academic Year (Fall)	Registration Fee (per student)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Technology Fees
2012	\$ 0	\$ 25	\$ 25	0
2011	0	25	25	0
2010	0	25	25	0
2009	0	25	25	0
2008	0	23	23	0
2007	0	21	21	0
2006	0	21	21	0
2005	0	21	21	0
2004	0	21	21	0
2003	0	21	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
\$	42	\$ 40	\$ 804	1,284	0.00%	0.00%
	42	40	804	1,284	9.84%	10.31%
	36	36	732	1,164	8.93%	11.49%
	31	31	672	1,044	3.70%	4.82%
	31	29	648	996	3.85%	5.06%
	31	27	624	948	6.12%	6.76%
	28	25	588	888	8.89%	8.82%
	24	23	540	816	7.69%	4.62%
	21	23	504	780	7.69%	4.84%
	18	23	468	744	9.09%	5.56%

	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
\$	42	\$ 68	\$ 1,620	1,620	0.00%	0.00%
	42	68	1,620	1,620	9.76%	9.76%
	36	62	1,476	1,476	8.85%	8.85%
	31	57	1,356	1,356	5.61%	5.61%
	31	53	1,284	1,284	5.94%	5.94%
	31	49	1,212	1,212	7.45%	7.45%
	28	45	1,128	1,128	16.05%	16.05%
	24	36	972	972	3.85%	3.85%
	21	36	936	936	4.00%	4.00%
	18	36	900	900	4.48%	4.48%

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

(amounts expressed in thousands)

Fiscal Year	Residential Property	Commercial Property	Personal Property	Mineral	Less: Exemptions	Taxable Assessed Value (TAV)	Ratio of Taxable Assessed Value to Assessed Value
2012-13	\$ 1,589,713	\$ 303,647	\$ 68,638	\$ 3,223,946	\$ 1,073,371	\$ 4,112,573	79.30%
2011-12	1,532,863	291,863	63,206	3,593,438	1,107,280	4,374,090	79.80%
2010-11	1,519,420	257,371	62,771	4,082,132	1,067,043	4,854,651	81.98%
2009-10	1,304,979	236,802	70,538	4,306,204	867,770	5,050,753	85.34%
2008-09	1,241,281	201,772	66,118	4,679,892	822,942	5,366,121	86.70%
2007-08	1,073,341	190,800	61,946	3,770,106	688,521	4,407,672	86.49%
2006-07	964,014	175,663	60,713	3,740,767	625,236	4,315,921	87.35%
2005-06	791,870	144,294	49,871	3,072,773	604,286	3,454,522	85.11%
2004-05	906,194	174,761	48,629	2,290,650	580,049	2,840,185	83.04%
2003-04	862,172	165,249	45,254	1,801,349	531,209	2,342,815	81.52%

Source: Local Appraisal District

Notes: Property is assessed at full market value.

(a) per \$100 Taxable Assessed Valuation

Direct Rate		
Maintenance & Operations (a)	Debt Service (a)	Total (a)
0.145190	0.000000	0.145190
0.134070	0.000000	0.134070
0.118130	0.000000	0.118130
0.105790	0.000000	0.105790
0.095930	0.000000	0.095930
0.104770	0.000000	0.104770
0.094320	0.000000	0.094320
0.108500	0.000000	0.108500
0.117170	0.000000	0.117170
0.134830	0.000000	0.134830

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
2011-12	\$3,381,641	1,804	1,874	729,184	491,800	1,220,984	\$2.76
2010-11	\$3,428,604	1,617	2,120	667,008	478,359	1,145,367	\$2.99
2009-10	\$3,686,559	1,552	2,375	607,664	481,322	1,088,986	\$3.39
2008-09	\$3,643,562	1,475	2,470	551,088	461,097	1,012,185	\$3.60
2007-08	\$3,643,558	1,388	2,625	538,528	422,646	961,174	\$3.79
2006-07	\$3,300,206	1,383	2,386	546,016	408,684	954,700	\$3.46
2005-06	\$3,300,206	1,428	2,311	581,632	403,276	984,908	\$3.35
2004-05	\$3,208,094	1,426	2,250	558,368	383,456	941,824	\$3.41
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

Notes:

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

(a) Source THECB Report CBM001

(b) Source THECB Report CBM00A

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

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

Taxpayer	Type of Business	2012	2011	2010	2009	2008	2007
Devon Energy (Pennzenergy)	Petroleum	\$ 379,823	\$ 460,033	\$ 669,158	\$ 705,899	\$ 798,440	\$ 663,209
Anadarko E & P Company LP	Petroleum	253,302	334,472	400,768	422,063	450,657	412,415
MarkWest Eastern TX Gas Co LP	Petroleum	146,575	137,866	134,438	117,310	83,134	61,576
DCP Midstream LP	Petroleum	144,307	128,525	117,969	97,956	-	-
XTO Energy	Petroleum	110,701	114,211	150,928	123,161	158,149	120,610
Chevron USA Inc.	Petroleum	84,022	135,824	193,937	225,486	310,145	298,058
ETC Tiger Pipeline	Petroleum	82,904	71,791	-	-	-	-
Exxon Mobile Corp.	Petroleum	72,677	87,985	127,263	129,656	161,489	135,141
Lacy Operations Ltd.	Petroleum	71,399	94,102	124,911	129,763	159,545	133,447
Luminant	Coal Mining	61,504	-	-	-	-	-
Wildhorse Resources LLC	Petroleum	-	70,132	-	-	-	-
EOG Resources Inc.	Petroleum	-	-	99,708	115,854	140,599	94,050
BP America Production	Petroleum	-	-	86,788	115,563	154,171	134,626
Conoco Phillips Co	Petroleum	-	-	-	-	81,182	-
Samson Lone Star LP	Petroleum	-	-	-	-	-	80,265
Devon Louisiana Corporation	Petroleum	-	-	-	-	-	-
Duke Energy Field Svcs	Petroleum	-	-	-	-	-	-
Louisiana Pacific	Timber	-	-	-	-	-	-
Ocean Energy	Petroleum	-	-	-	-	-	-
RME Petroleum Company	Petroleum	-	-	-	-	-	-
Texaco E & P Inc.	Petroleum	-	-	-	-	-	-
Union Pacific Resources	Petroleum	-	-	-	-	-	-
Vastar Resources Inc.	Petroleum	-	-	-	-	-	-
Amoco Production Company	Petroleum	-	-	-	-	-	-
Totals		\$ 1,407,214	\$ 1,634,941	\$ 2,105,868	\$ 2,182,711	\$ 2,497,511	\$ 2,133,397
Total Taxable Assessed Value		\$ 5,864,343	\$ 5,734,799	\$ 5,343,192	\$ 5,147,720	\$ 4,407,672	\$ 4,315,921

% of Taxable Assessed Value (TAV) by Tax Year

Taxpayer	Type of Business	2012	2011	2010	2009	2008	2007
Devon Energy (Pennzenergy)	Petroleum	7.11%	8.61%	11.67%	13.21%	15.51%	15.05%
Anadarko E & P Company LP	Petroleum	4.74%	6.26%	6.99%	7.90%	8.75%	9.36%
Chevron USA Inc.	Petroleum	2.74%	2.58%	2.34%	2.20%	1.61%	1.40%
XTO Energy	Petroleum	2.70%	2.41%	2.06%	1.83%	0.00%	0.00%
MarkWest Eastern TX Gas Co LP	Petroleum	2.07%	2.14%	2.63%	2.31%	3.07%	2.74%
Exxon Mobile Corp.	Petroleum	1.57%	2.54%	3.38%	4.22%	6.02%	6.76%
Lacy Operations Ltd.	Petroleum	1.55%	1.34%	0.00%	0.00%	0.00%	0.00%
DCP Midstream LP	Petroleum	1.36%	1.65%	2.22%	2.43%	3.14%	3.07%
EOG Resources Inc.	Petroleum	1.34%	1.76%	2.18%	2.43%	3.10%	3.03%
BP America Production	Petroleum	1.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Conoco Phillips Co	Petroleum	0.00%	1.31%	0.00%	0.00%	0.00%	0.00%
Samson Lone Star LP	Petroleum	0.00%	0.00%	1.74%	2.17%	2.73%	2.13%
Devon Louisiana Corporation	Petroleum	0.00%	0.00%	1.51%	2.16%	2.99%	3.05%
TXU Mining Company	Coal Mining	0.00%	0.00%	0.00%	0.00%	1.58%	0.00%
Duke Energy Field Svcs	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	1.82%
Louisiana Pacific	Timber	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ocean Energy	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RME Petroleum Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Texaco E & P Inc.	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Union Pacific Resources	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Vastar Resources Inc.	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Enron Company	Petroleum	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%
Amoco Production Company	Petroleum	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Totals		24.00%	28.51%	39.41%	42.40%	56.66%	49.43%

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
2013	\$ 5,971	\$ 41	\$ 6,012	\$ 5,881	97.82%	\$ -	\$ -	5881	97.82%
2012	5,864	99	5,963	5,833	97.82%	0	86	5919	99.26%
2011	5,735	155	5,890	5,765	97.88%	81	22	5868	99.63%
2010	5,343	133	5,476	5,308	96.93%	141	8	5457	99.65%
2009	5,147	223	5,370	5,250	97.77%	105	4	5359	99.80%
2008	4,618	166	4,784	4,702	98.29%	72	2	4776	99.83%
2007	4,071	183	4,254	4,184	98.35%	63	1	4248	99.86%
2006	3,753	(3)	3,750	3,705	98.80%	39	1	3745	99.87%
2005	3,328	2	3,330	3,272	98.26%	53	1	3326	99.88%
2004	3,159	2	3,161	3,108	98.32%	47	1	3156	99.84%

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)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Bonded Debt										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-	-	-	-	-	-	-
Less: Funds restricted for debt service	-	-	-	-	-	-	-	-	-	-
Net general bonded debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Debt										
Revenue bonds	\$ 4,346	\$ 5,110	\$ 5,868	\$ 6,620	\$ 7,366	\$ 8,107	\$ 2,374	\$ 2,500	\$ -	\$ -
Notes	-	-	895	1,035	1,169	1,297	1,536	1,647	1,754	1,856
Capital lease obligations	-	-	-	-	-	13	100	8	52	99
Total Outstanding Debt	\$ 4,346	\$ 5,110	\$ 6,763	\$ 7,655	\$ 8,535	\$ 9,417	\$ 4,010	\$ 4,155	\$ 1,806	\$ 1,955
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	\$ 0.18	\$ 0.21	\$ 0.29	\$ 0.34	\$ 0.37	\$ 0.41	\$ 0.17	\$ 0.18	\$ 0.08	\$ 0.09
Per FTSE	2	3	4	5	6	7	3	3	1	1
As a percentage of Taxable Assessed Value	0.11%	0.12%	0.14%	0.15%	0.16%	0.21%	0.09%	0.12%	0.06%	0.08%

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)

	2013	2012	2011
Taxable Assessed Value	\$ 4,112,573	\$ 4,374,091	\$ 4,854,651
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.

2010	2009	2008	2007	2006	2005	2004
\$ 5,050,753	\$ 5,366,121	\$ 4,407,672	\$ 4,315,921	\$ 3,454,522	\$ 2,840,185	\$ 2,342,817
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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)					
	Tuition	Fee	General			Total
			Operating Revenues	Auxilliary Revenues	Investment Income	
2013	\$ 1,952	\$ 5,086	\$ 250	\$ 2,690	\$ 152	\$ 10,130
2012	1,905	4,853	256	2,620	151	9,785
2011	1,636	3,980	240	2,411	89	8,356
2010	1,585	3,016	322	2,305	329	7,557
2009	1,386	2,717	304	2,278	221	6,906
2008	1,144	2,544	371	1,868	332	6,259
2007	1,160	2,281	251	1,794	347	5,833
2006	1,101	1,980	310	1,737	272	5,400
2005	-	-	-	-	-	-
2004	-	-	-	-	-	-

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

Debt Service Requirements (\$000
omitted)

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

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

Calendar Year	District Population	District Personal Income (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2012	24,020	\$ 1,000,264	\$ 40,962	5.6%
2011	24,058	953,996	39,654	6.7%
2010	23,826	883,668	37,089	7.3%
2009	23,678	799,987	33,786	7.3%
2008	23,537	871,091	37,009	4.0%
2007	23,351	751,002	32,161	3.9%
2006	23,456	662,733	28,254	4.4%
2005	23,140	609,972	26,360	4.9%
2004	22,892	579,763	25,326	5.7%
2003	23,021	542,757	23,577	6.9%

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 by Industry
Current Fiscal Year
(unaudited)

Employer	Number of Employees	Percentage of Total Employment
Natural Resource and Mining	1,302	13.25%
Construction	1,938	19.72%
Manufacturing	834	8.49%
Trade, Transportation, Utilities	1,971	20.06%
Information	58	0.59%
Financial Activities	209	2.13%
Professional Business Services	665	6.77%
Education Health Services	806	8.20%
Leisure Hospitality	411	4.18%
Other Services	226	2.30%
Federal	75	0.76%
State	56	0.57%
Local	1,275	12.98%
Total	9,826	100.00%

Source:

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

Note:

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

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Faculty										
Full-Time	65	63	61	63	64	61	61	61	61	60
Part-Time	74	78	71	60	54	56	54	46	48	42
Total	139	141	132	123	118	117	115	107	109	102
Percent										
Full-Time	46.8%	44.7%	46.2%	51.2%	54.2%	52.1%	53.0%	57.0%	56.0%	58.8%
Part-Time	53.2%	55.3%	53.8%	48.8%	45.8%	47.9%	47.0%	43.0%	44.0%	41.2%
Staff and Administrators										
Full-Time	75	74	72	73	72	69	68	67	66	66
Part-Time	62	68	68	65	67	62	56	70	68	61
Total	137	142	140	138	139	131	124	137	134	127
Percent										
Full-Time	54.7%	52.1%	51.4%	52.9%	51.8%	52.7%	54.8%	48.9%	49.3%	52.0%
Part-Time	45.3%	47.9%	48.6%	47.1%	48.2%	47.3%	45.2%	51.1%	50.7%	48.0%
FTSE per Full-time Faculty										
FTSE per Full-time Faculty	28.6	28.6	26.5	24.6	23.0	22.6	22.7	23.4	23.4	22.4
FTSE per Full-Time Staff Member										
FTSE per Full-Time Staff Member	24.8	23.1	22.5	21.3	22.0	20.1	20.3	21.3	21.6	20.4
Average Annual Faculty Salary										
Average Annual Faculty Salary	\$50,215	\$49,218	\$48,558	\$50,562	\$46,602	\$45,801	\$44,746	\$43,489	\$43,362	\$41,229

Panola College
Statistical Supplement 17
Transfers to Senior Institutions
2011 Fall Students as of Fall 2012
(Includes only public senior colleges in Texas)
(unaudited)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
	Academic	Technical	Tech-Prep		
1 Angelo State University				0	0.00%
2 Lamar University	3	1		4	1.55%
3 Midwestern State University				0	0.00%
4 Prairie View A & M University				0	0.00%
5 Sam Houston State University	7	2		9	3.49%
6 Southwest Texas State University				0	0.00%
7 Stephen F Austin State University	93	21	4	118	45.74%
8 Sul Ross State University				0	0.00%
9 Tarleton State University	4			4	1.55%
10 Texas A & M International University				0	0.00%
11 Texas A & M University	31	1	1	33	12.79%
12 Texas A & M University at Commerce	1			1	0.39%
13 Texas A & M University at Corpus Christi	1			1	0.39%
14 Texas A & M University at Galveston	1			1	0.39%
15 Texas A & M University at Kingsville				0	0.00%
16 Texas A & M University at Texarkana	7			7	2.71%
17 Texas Southern University		1		1	0.39%
18 Texas State University - San Marcos	7			7	2.71%
19 Texas Tech University	5			5	1.94%
20 Texas Tech University Health Sciences Center				0	0.00%
21 Texas Women's University	6	1	1	8	3.10%
22 The University of Texas at Arlington	3	2		5	1.94%
23 The University of Texas at Austin	10			10	3.88%
24 The University of Texas at El Paso			1	1	0.39%
25 The University of Texas at Dallas				0	0.00%
26 The University of Texas Medical Branch at Galveston				0	0.00%
27 The University of Texas at San Antonio	1			1	0.39%
28 The University of Texas at Tyler	29	5		34	13.18%
29 The University of Texas at Pan American	1			1	0.39%
30 The University of Texas at Permian Basin				0	0.00%
31 University of Houston	1			1	0.39%
32 University of Houston - Downtown				0	0.00%
33 University of Houston at Victoria				0	0.00%
34 University of North Texas	6			6	2.33%
35 West Texas A & M University				0	0.00%
Totals	217	34	7	258	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 2004 to 2013
(unaudited)

	Fiscal Year									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Academic buildings	9	9	9	9	9	9	9	8	8	8
Square footage (in thousands)	146	146	146	146	146	146	146	132	132	132
Libraries	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	32	32	32	32	17	17	17	17	17	17
Number of Volumes (in thousands)	120	120	104	87	83	81	117	104	86	73
Administrative and support buildings	3	3	3	3	3	3	3	3	3	3
Square footage (in thousands)	25	25	25	25	25	25	25	25	25	25
Dormitories	2	2	2	2	2	2	2	2	2	2
Square footage (in thousands)	26	26	26	26	26	26	26	26	39	39
Number of Beds	120	120	120	120	120	120	120	120	189	189
Apartments	3	3	3	3	3	3	3	3	0	0
Square footage (in thousands)	29	18	18	18	18	18	18	18	0	0
Number of beds	160	96	96	96	96	96	96	96	0	0
Dining Facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	25	25	25	25	25	25	25	25	25	25
Average daily customers	105	105	105	105	105	105	105	105	102	86
Athletic Facilities	2	2	2	2	2	2	2	2	2	2
Square footage (in thousands)	37	37	37	37	37	37	37	37	37	37
Gymnasiums	1	1	1	1	1	1	1	1	1	1
Fitness Centers	1	1	1	1	1	1	1	1	1	1
Plant facilities	1	1	1	1	1	1	1	1	1	1
Square footage (in thousands)	17	17	17	17	17	17	17	17	17	17
Transportation										
Cars	-	1	1	1	1	2	2	2	2	2
Light Trucks/Vans	9	9	10	10	9	11	10	9	8	8
Buses	2	2	2	2	2	2	2	2	2	1