

PANOLA COLLEGE

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

AUGUST 31, 2001

PREPARED BY:

***FISCAL AFFAIRS DEPARTMENT
PANOLA COLLEGE***

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**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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INTRODUCTORY

SECTION



PANOLA COLLEGE

1109 West Panola • Carthage, Texas 75633 • (903) 693-2000 • Fax (903) 693-5588

October 26, 2001

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

The comprehensive annual financial report of Panola County Junior College District (Panola College) for the fiscal year ended August 31, 2001, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Panola College. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the College's organizational chart, and a list of principal officials. The financial section includes the financial statements as well as the independent auditor's report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

This report includes all funds of the College. 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.

ORGANIZATION OF COLLEGE

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

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

Panola College's campus is located in Carthage, Panola County, Texas. Classes are offered at alternate sites in Shelby County, Harrison County, and Marion County.

ECONOMIC CONDITION AND OUTLOOK

Panola College is situated in East Texas. The area serviced by Panola College includes the counties of Harrison, Marion, Panola, and Shelby. 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. Drilling has remained active during the year. 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.

MAJOR INITIATIVES

The 2000/2001 fiscal year started with Dr. Gregory Powell as the new President of the College. During the year all the academic and vocational programs were evaluated. A new recruiter position was created and a recruiter hired to help stimulate enrollment growth. The Licensed Vocational Nursing program in Jefferson was closed and the class merged with the programs in Carthage and Center. Plans were also made to increase the number of students in the Associate Degree Nursing program.

The College has deferred maintenance on many of the Heating, Venting, and Air Conditioning (HVAC) systems and to many of the roofs. During the year the Board assigned an Energy Committee to help the administration evaluate performance contractors and to determine the best course of action to take. Energy studies were made by several performance contractors and by the State Energy Conservation Office. The needs were determined to include all but a few of our HVAC units, control systems, all inside lighting fixtures, and most of our plumbing fixtures. The College had replaced several roofs in recent years including three this year. All of the remaining roofs were in need of repair. It was determined to bid out the projects of the HVAC systems, control systems, lighting fixtures, plumbing, and roofs separately next year. The project is estimated to cost two million dollars and will be financed over 15 years with a maintenance tax note.

The College received several grants including a \$444,665 Self Sufficiency Grant. This was the second Self Sufficiency Grant the College received from the Texas Workforce Commission. The first was a \$529,321 grant that ended this year. The Workforce and Continuing Education Department will administer this grant and several other Adult Basic Education Grants. The College also received a Texas Infrastructure Fund Board Discovery Grant in the amount of \$194,495, which will be used primarily for technology improvements.

The College also participated in a \$500,000 two-year Texas Infrastructure Board Community Network Grant. The College is serving as the fiscal agent on the grant that will provide public access to computers and to computer training.

FINANCIAL INFORMATION

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

SINGLE AUDIT

As a recipient of federal and state financial assistance, the College also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations re-

lated to these programs. This internal control structure is subject to periodic evaluation by administration and the independent auditors of the College.

As a part of the College's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the College has complied with applicable laws and regulations. The results of the College's single audit for the fiscal year ended August 31, 2001, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

BUDGETING CONTROLS

In addition, the College maintains budgetary controls. The 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.

COLLEGE FUNCTIONS

The following schedule presents a summary of unrestricted current fund and auxiliary enterprises fund revenues for the fiscal year ended August 31, 2001, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease)</u>
State Appropriations	\$3,684,907	37.5 %	\$93,364	2.6 %
Tuition and Fees	1,865,909	19.0 %	99,809	5.7 %
Taxes for Current Operations	2,722,625	27.7 %	54,403	2.0 %
Sales and Services	159,880	1.6 %	(61,300)	(27.7) %
Interest	171,560	1.7 %	4,021	2.4 %
Auxiliary Enterprises	1,193,796	12.1 %	(22,532)	(1.9) %
Other Revenues	<u>37,776</u>	<u>0.4 %</u>	<u>(74,146)</u>	<u>(66.2) %</u>
	<u>\$9,836,453</u>	<u>100.0 %</u>	<u>\$93,619</u>	<u>1.0 %</u>

Revenues totaled \$9,836,453 an increase of 1.0% from the previous fiscal year. The revenue fluctuations shown above are reasonable except for those areas described below. Significant fluctuations are described below.

Tuition and Fees increased 5.7% due to an increase in the general fees of \$5 per semester hour and out-of-district fees of \$4 per semester hour.

Sales and Services declined 27.7% as a result of contract instruction for Texas State Technical College in Marshall being discontinued during the year. The Marshall campus received stand alone status from the 76th Legislature, and Fall 1999 was the last semester we provided contract instruction for Texas State

Technical College. Grant funding for the Smart Jobs program was also phased out during the year which added to the decline in revenue in this area.

Other Revenues decreased 66.2 %. Last year the College sold timber from property being held for possible future expansion. Another timber sale will be made in five to eight years. Revenues from memberships to the College Wellness Gym also declined during the year. Memberships to the Wellness Gym are being phased out with the gym primarily being used by the students. The public's use of the gym is now being served through continuing education classes.

The following schedule presents a summary of unrestricted current fund and auxiliary enterprises fund expenditures for the fiscal year ended August 31, 2001 and the amount and percentage of increases and decreases in relation to prior year expenditures.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2000</u>	<u>Percent of Increase (Decrease)</u>
Instruction	\$ 3,891,858	43.0 %	\$ (81,587)	(2.1) %
Public Service	22,022	0.2 %	895	4.2 %
Academic Support	1,122,101	12.4 %	(180,164)	(13.8) %
Student Services	553,424	6.1 %	(1,089)	(0.2) %
Institutional Support	1,070,707	11.8 %	32,793	3.2 %
Operation and Maintenance of Plant	985,159	10.9 %	172,542	21.2 %
Scholarships and Awards	101,826	1.1 %	(24,001)	(19.1) %
Auxiliary Enterprises	<u>1,312,935</u>	<u>14.5 %</u>	<u>37,215</u>	<u>2.9 %</u>
	<u>\$ 9,060,032</u>	<u>100.0 %</u>	<u>\$ (43,396)</u>	<u>(0.5) %</u>

Expenditures totaled \$9,060,032 a decrease of 0.5% from the previous fiscal year. In total, these expenditures are reasonable when compared with the prior year's expenditures. Fluctuations within categories are consistent with the emphasis placed on various expenditure categories during the year. Those areas with significant fluctuations are described in the following narrative.

Academic support decreased 13.8%. There were several factors that contributed to this decline. The Southern Association of Colleges and Schools re-accreditation visit, which occurs every ten years, was included in last year's expenses. We were also able to receive grants that helped provide certain audiovisual and computer equipment.

Operation and maintenance of plant area expenditures increased 21.2%. The increase this year in natural gas prices resulted in the Colleges costs for gas nearly tripling. The price of natural gas also affected the cost of electricity. There were no major maintenance projects conducted last year. This year the boiler in the Merle Glass Dormitory was replaced, as well as, carpet in some locations.

Scholarships and Awards expense declined by 19.1% primarily due to efforts to shift more institutional costs to Texas Public Educational Grant Program (TPEG).

AUXILIARY ENTERPRISES

The Auxiliary Enterprises Fund accounts for activities that are essentially self-supporting or intended to be separately measurable for self-sufficiency, and that serve students, faculty or staff. The College's auxiliary enterprises are comprised primarily of athletics, bookstore, food service, and student housing. Operation of

the food service is contracted to Sodexo Marriott. There is no bonded debt relating to any of these auxiliary activities.

ENDOWMENT FUNDS

The College's endowment funds increased by \$102,561 and totaled \$1,255,184 at August 31, 2001. Eighty percent of the interest income from the endowment investments was used to provide scholarships. The remaining twenty percent will be reinvested in the endowment funds.

FUND BALANCE

The Board designated funds include the unrestricted current fund, the auxiliary fund, and the unexpended plant fund. These funds increased by \$325,146 in the year ended August 31, 2001. This remaining fund balance is equivalent to approximately four and one-half months of expenditures.

DEBT ADMINISTRATION

As of August 31, 2001, the College had no bond indebtedness. Student revenue bonds issued in 1970 for the construction of the Merle Glass Dormitory matured this year.

The only other debt the College is in the form of capital leases. The College leases most of its copying machines. In addition, three vehicles, POISE computer technology equipment, and the telephone system are on a capital lease with Bank One. Terms of these leases require payments to be made over the next four years. The principal balance on the leases at August 31, 2001, was \$199,274.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, repurchase agreements, certificates of deposit, and the Lone Star Investment Pool. The Lone Star Investment Pool is a public funds investment pool administered by the Texas Association of School Boards. The average yield on investments at August 31, 2001 was 3.44 percent. The College earned interest revenue of \$304,829 on all investments for the year.

The College's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits were held by a financial institution's trust department in the College's name. The Lone Star Investment Pool invests solely in obligations issued or secured by the U. S. Government and its agencies and instrumentalities. All of the investments held by the College during the year and on August 31, 2001, are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

RISK MANAGEMENT

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

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) to Panola College for its comprehensive annual financial reports for the fiscal year ended August 31, 2000. This was the seventh 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 comprehensive annual financial report. 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 Robinson & Williams for their assistance and timely completion of the audit.

Sincerely,



Louis A. Johnagin
Dean of Fiscal Affairs

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, 2000

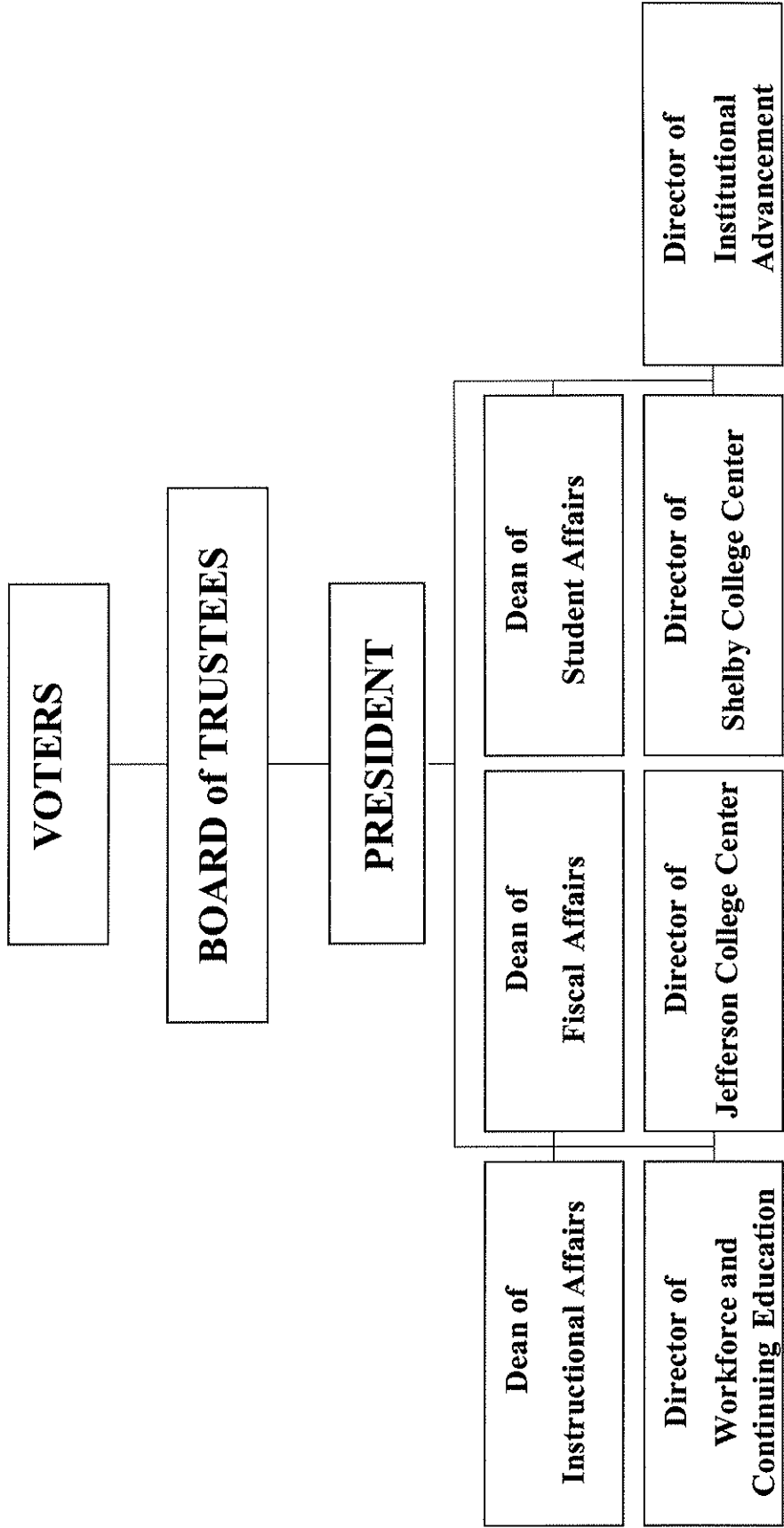
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

ORGANIZATIONAL CHART
PANOLA COLLEGE
Carthage, Texas



PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 2001

BOARD OF TRUSTEES

OFFICERS

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

Chair
Vice-Chair
Secretary

MEMBERS

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

Term Expires
May 31

2002
2002
2004
2004
2004
2006
2006

ADMINISTRATION

Dr. Gregory Powell

President

Mrs. Lillian Cook

Dean of Instructional
Affairs

Mr. Louis Johnagin, CPA

Dean of Fiscal Affairs

Mrs. Betsy Wheat

Dean of Student Affairs

Dr. Barbara Buchanan

Director of Workforce/
Continuing Education

Mr. Van Patterson

Director of Institutional
Advancement

Mr. Bob Wilkins

Director of Shelby
College Center

Dr. Jeanne Scott

Director of Jefferson
College Center

FINANCIAL

SECTION

ROBINSON & WILLIAMS, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
410 WEST PANOLA
CARTHAGE, TEXAS 75633

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE
(903) 693-8522

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

We have audited the accompanying balance sheet of Panola College as of August 31, 2001 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the College's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panola College as of August 31, 2001, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 19, 2001 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Schedule D-3) is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Expenditures of State Awards (Schedule D-4) is also presented for purposes of additional analysis as required by the *Annual Financial Requirements for Texas Public Community Colleges* published by the Texas Higher Education Coordinating Board. These statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, the statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional financial information presented as supplementary data on pages 25 to 32, the individual fund statements on pages 41 to 61, and the statistical section on pages 63 to 84 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary data and the individual fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

Robinson & Williams, P.L.L.C.

Robinson & Williams, P.L.L.C.
Certified Public Accountants

October 19, 2001

PANOLA COLLEGE
EXHIBIT A
BALANCE SHEET
August 31, 2001
With Memorandum Totals at August 31, 2000

CURRENT FUNDS				
ASSETS	Unrestricted	Auxiliary Enterprises	Restricted	Total
Cash and Cash Equivalents (Sch A-1)	\$ 2,414,012	\$ 87,749	\$ 179,556	\$ 2,681,317
Short-Term Investments (Sch A-1)	596,878			596,878
Accounts Receivable (net of allowance for doubtful accounts of \$10,172 both years)		159,785	2,712	162,497
Tuition & Fees Receivable (net of allowance for doubtful accounts of \$151,000 current year and \$76,128 prior year.)	108,520			108,520
Taxes Receivable (net of allowance for doubtful accounts of \$147,874 current year and \$142,032 prior year.)	63,375			63,375
Due From Other Funds	787,974	391,974		1,179,948
Prepaid Expenses	4,642	427		5,069
Federal and State Receivables			570,627	570,627
Due From Other Agencies	12,322			12,322
Inventories for Resale		117,326		117,326
Land				
Buildings				
Equipment				
Library Books				
Total Assets	\$ 3,987,723	\$ 757,261	\$ 752,895	\$ 5,497,879
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 205,505	\$ 65,603	\$ 20,320	\$ 291,428
Accrued Liabilities	52,512	68,192	5,902	126,606
Deposits Payable		18,500		18,500
Due To Other Funds	743,414		665,648	1,409,062
Deferred Revenues	660,857	391,023	8,400	1,060,280
Accrued Compensable Absences Payable	88,486	949	3,568	93,003
Bonds Payable (net of unamortized premium/ discount of \$-0- as of 8/31/01) (Sch D-1)				
Note Payable				
Lease-Purchase Agreements Payable				
Funds Held in Custody for Others				
Total Liabilities	1,750,774	544,267	703,838	2,998,879
Fund Balance:				
Unrestricted				
Reserved				
Encumbrances	48,025	19,373	16,057	83,455
Accounts Receivable	21,740		2,712	24,452
Inventory		117,326		117,326
Plant Improvements				
Prepaid Expense	4,642	427		5,069
Unreserved				
Undesignated	2,162,542	75,868	30,288	2,268,698
Restricted				
Other				
Net Investment in Plant				
Total Fund Balances (Exh. B)	2,236,949	212,994	49,057	2,499,000
Total Liabilities and Fund Balances	\$ 3,987,723	\$ 757,261	\$ 752,895	\$ 5,497,879

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

Endowment and Similar Funds	PLANT FUNDS				TOTALS MEMORANDUM ONLY	
	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$ 1,080,153 175,851	\$ 1,244,144	\$ 4,613	\$	\$ 206,646	\$ 5,216,873 772,729	\$ 3,801,780 1,636,370
	777			52,398	215,672	267,580
					108,520	130,006
	351,440				63,375	60,871
				1,995	1,531,388	939,748
					7,064	6,508
					570,627	285,746
					12,322	85,882
					117,326	116,642
			975,460		975,460	975,460
			9,301,797		9,301,797	9,185,496
			3,916,712		3,916,712	3,793,775
			772,026		772,026	719,689
<u>\$ 1,256,004</u>	<u>\$ 1,596,361</u>	<u>\$ 4,613</u>	<u>\$ 14,965,995</u>	<u>\$ 261,039</u>	<u>\$ 23,581,891</u>	<u>\$ 22,005,553</u>
\$	\$	\$	\$	\$ 35,437	\$ 326,865	\$ 152,822
					126,606	102,801
				52,250	70,750	69,957
820		1,427		120,079	1,531,388	939,748
				15,615	1,075,895	987,774
					93,003	88,723
						30,000
			82,457		82,457	100,000
			199,274		199,274	197,416
				37,658	37,658	31,847
<u>820</u>	<u></u>	<u>1,427</u>	<u>281,731</u>	<u>261,039</u>	<u>3,543,896</u>	<u>2,701,088</u>
					83,455	83,232
	777				25,229	121,680
					117,326	116,642
	1,595,584				1,595,584	1,323,507
					5,069	6,508
					2,268,698	2,102,324
1,255,184		3,186			1,258,370	1,203,568
			14,684,264		14,684,264	14,347,004
<u>1,255,184</u>	<u>1,596,361</u>	<u>3,186</u>	<u>14,684,264</u>	<u></u>	<u>20,037,995</u>	<u>19,304,465</u>
<u>\$ 1,256,004</u>	<u>\$ 1,596,361</u>	<u>\$ 4,613</u>	<u>\$ 14,965,995</u>	<u>\$ 261,039</u>	<u>\$ 23,581,891</u>	<u>\$ 22,005,553</u>

PANOLA COLLEGE
EXHIBIT B
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 2001
With Memorandum Totals at August 31, 2000

	CURRENT FUNDS			
	Unrestricted	Auxiliary Enterprises	Restricted	Total
REVENUES AND OTHER ADDITIONS				
Unrestricted Current Funds Revenue (Exh. C)	\$ 8,635,922	\$ 1,200,531	\$	\$ 9,836,453
State Appropriations - Restricted			868,701	868,701
Federal Grants and Contracts			2,233,445	2,233,445
State Grants and Contracts			233,359	233,359
Private Gifts, Grants and Contracts			25,336	25,336
Investment/Endowment Income			131,676	131,676
Net Decrease in Bonds and Notes Payable				
Net Decrease in Lease Purchase Agreements Payable				
Expended for Plant Facilities (Includes \$300,895 Charged to Current Funds Expenditures)				
Total Revenues and Other Additions	8,635,922	1,200,531	3,492,517	13,328,970
EXPENDITURES AND OTHER DEDUCTIONS				
Expenditures (Exh. C)	7,747,097	1,312,935	3,782,412	12,842,444
Expended for Plant Facilities				
Net Increase in Lease Purchase Agreements Payable				
Net Increase in Notes Payable				
Retirement of Indebtedness				
Interest on Indebtedness				
Unrealized loss on investments				
Disposal of plant facilities				
Total Expenditures and Other Deductions	7,747,097	1,312,935	3,782,412	12,842,444
TRANSFERS - ADDITIONS / (DEDUCTIONS)				
Mandatory Transfers				
Retirement of Indebtedness	(123,088)			(123,088)
TPEG	(15,789)		15,789	
To Restricted for Scholarships	(265,000)		265,000	
Non-Mandatory Transfers				
	(439,604)	136,667		(302,937)
Total Transfers - Additions / (Deductions)	(843,481)	136,667	280,789	(426,025)
NET INCREASE (DECREASE) FOR THE FISCAL YEAR	45,344	24,263	(9,106)	60,501
FUND BALANCES, September 1, 2000	2,191,605	188,731	58,163	2,438,499
FUND BALANCES, August 31, 2001 (Exh. A)	\$ 2,236,949	\$ 212,994	\$ 49,057	\$ 2,499,000

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

Endowment and Similar Funds	PLANT FUNDS			TOTALS MEMORANDUM ONLY	
	Unexpended	Retirement of Indebtedness	Investment in Plant	Current	Prior
				Year	Year
\$	\$	\$	\$	\$ 9,836,453	\$ 9,742,834
				868,701	850,561
		8,688		2,242,133	1,772,877
				233,359	333,524
103,158				128,494	134,576
4,593	56,312	426		193,007	165,132
			47,542	47,542	25,000
			86,068	86,068	88,456
			404,605	404,605	432,008
<u>107,751</u>	<u>56,312</u>	<u>9,114</u>	<u>538,215</u>	<u>14,040,362</u>	<u>13,544,968</u>
				12,842,444	12,423,429
	103,710			103,710	20,000
			87,926	87,926	
					100,000
		131,996		131,996	109,096
		22,537		22,537	16,230
5,190				5,190	
			113,031	113,031	106,518
<u>5,190</u>	<u>103,710</u>	<u>154,533</u>	<u>200,957</u>	<u>13,306,834</u>	<u>12,775,273</u>
		123,088			
	302,937				
	<u>302,937</u>	<u>123,088</u>			
<u>102,561</u>	<u>255,539</u>	<u>(22,331)</u>	<u>337,258</u>	<u>733,528</u>	<u>769,695</u>
<u>1,152,623</u>	<u>1,340,822</u>	<u>25,517</u>	<u>14,347,004</u>	<u>19,304,465</u>	<u>18,534,770</u>
<u>\$ 1,255,184</u>	<u>\$ 1,596,361</u>	<u>\$ 3,186</u>	<u>\$ 14,684,262</u>	<u>\$ 20,037,993</u>	<u>\$ 19,304,465</u>

PANOLA COLLEGE
EXHIBIT C
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
For the Year Ended August 31, 2001
With Memorandum Totals for the Year Ended August 31, 2000

REVENUES	TOTALS				
	MEMORANDUM ONLY				
	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
State Appropriations - General Revenue	\$ 3,684,907	\$	\$ 868,701	\$ 4,553,608	\$ 4,442,104
Tuition and Fees	1,865,909			1,865,909	1,766,100
Taxes for Current Operation	2,722,625			2,722,625	2,668,222
Federal Grants and Contracts			2,233,445	2,233,445	1,764,189
State Grants and Contracts			233,359	233,359	333,524
Private Gifts, Grants and Contracts			25,336	25,336	17,179
Sales & Service of Educational Activities	159,880			159,880	221,180
Sales & Services of Auxiliary Enterprises		1,193,796		1,193,796	1,216,328
Other Sources					
Interest/Endowment Income	164,825	6,735	76,531	248,091	247,123
Royalty Income			64,251	64,251	30,032
Misc. Income	37,776			37,776	111,922
Total Current Funds Revenues	\$ 8,635,922	\$ 1,200,531	\$ 3,501,623	\$ 13,338,076	\$ 12,817,903
	(Exh. B)	(Exh. B)			
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	\$ 3,891,858	\$	\$ 928,950	\$ 4,820,808	\$ 4,753,371
Public Service	22,022		291,175	313,197	313,401
Academic Support	1,122,101		155,111	1,277,212	1,432,755
Student Services	553,424		250,593	804,017	771,305
Institutional Support	1,070,707		111,090	1,181,797	1,124,204
Operation and Maintenance of Plant	985,159		25,034	1,010,193	843,313
Scholarships and Fellowships	101,826		2,020,459	2,122,285	1,909,360
Total Educational & General Expenditures	7,747,097		3,782,412	11,529,509	11,147,709
	(Exh. B)		(Exh. B)		
Auxiliary Enterprise Expenditures		1,312,935		1,312,935	1,275,720
		(Exh. B)			
Mandatory Transfers for:					
Retirement of indebtedness	(123,088)			(123,088)	(115,338)
TPEG	(15,789)		15,789		
To restricted for scholarships	(265,000)		265,000		
Total expenditures and mandatory transfers	8,150,974	1,312,935	3,501,623	12,965,532	12,538,767
Other transfers and additions/(deductions):					
Non-mandatory transfers	(439,604)	136,667		(302,937)	(199,082)
Excess of restricted receipts over (under) transfer to revenues			(9,106)	(9,106)	(1,800)
Net increase (decrease) in fund balances	\$ 45,344	\$ 24,263	\$ (9,106)	\$ 60,501	\$ 78,254

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001

A. ORGANIZATIONAL STRUCTURE AND REPORTING ENTITY

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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Report Guidelines

The significant accounting policies followed by Panola 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. These requirements are in substantial conformity with the AICPA Industry Audit Guide, Audits of Colleges and Universities, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by Applicable FASB pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section Co5, "Colleges and Universities".

Basis of Accounting

The financial statements of Panola College have been prepared on the accrual basis of accounting except depreciation expenses related to plant fund assets is not recorded. The statement of current funds revenues, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present results of operations or the net income or loss for the period as would a statement of income or a statement of revenue and expenses.

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

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment and library holdings; (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the College, accounts are maintained in accordance with the principles of "fund accounting". Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements,

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001

funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment and similar funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are similar to other endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowments are funds that the governing board has approved to be used as endowments.

All gains and losses arising from the sale, collection, or other dispositions of investments and other noncash assets are accounted for in the fund which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets, except for income derived from investment of endowment and similar funds. That income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

The different fund groups used at Panola College are as follows:

Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separate balanced fund groups.

Unrestricted Current Funds

Funds received by an institution that have no limitations or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of an institution, i.e. educational, research, extension and administration.

Auxiliary Enterprises

Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services and bookstores.

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

Restricted

Funds available for current purposes, but with restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be spent.

Plant Funds

Plant funds are divided into four separate balanced fund groups as described below.

Unexpended

Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Retirement of Indebtedness

Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant

Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts. Depreciation on physical plant and equipment is not recorded.

Agency Funds

Funds held by the College as custodial or fiscal agent for students, faculty members and/or others.

C. BUDGETARY DATA

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

D. MEMORANDUM TOTALS

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues and Expenditures are shown with memorandum totals for the current and prior year. Inter-fund borrowing has not been eliminated, but has been off-set in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

E. 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.

F. DEPOSITS AND SHORT-TERM INVESTMENTS

Deposits and Investments

At August 31, 2001, the carrying amount of Panola College's deposits was \$5,550,382 and total bank balances (balances per financial institution records) equaled \$5,682,335.

Depository bank balances of \$5,595,177 were covered by \$200,000 in federal depository insurance and \$5,485,596 (book value) in pledged securities. These pledged securities are held by the depository bank's agent in the name of the bank, for the benefit of Panola College. Based on this arrangement, the pledged securities meet the definition of GASB Statement No. 3 as uncollateralized.

Deposits and investments in other financial institutions totaling \$87,158 were fully covered by federal depository insurance. Short-term investments with the Lone Star Investment Pool and a mutual fund investment firm described below totaling \$435,730 were not covered by insurance.

Deposits with the contracted depository bank were in interest bearing accounts which were secured throughout the year by FDIC coverage and by securities conforming to the provisions of House Bill 1488 pledged to the College and held by the First State Bank & Trust Company's agent. Following are selected details about the deposits at the depository bank:

- a. Name of the Bank: First State Bank & Trust Company, Carthage, Texas.
- b. The amount of bond and/or the market value of securities pledged as of the date of the highest combined balance on deposit was \$7,141,853. The highest combined balances of cash, savings and time deposits accounts amounted to \$6,603,639 and occurred during the month of November, 2000.
- c. Total amount of FDIC coverage at the time of the highest combined balance in November was \$220,929.
- d. At year end, fair value of securities pledged was \$5,593,023.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

Cash and cash equivalents as reported on Exhibit A, Balance Sheet, consist of the items reported below.

Cash and Cash Equivalents

Cash in Bank		
Demand Deposits	\$ 818,018	
Time Deposits	<u>4,395,365</u>	
Cash and Cash Equivalents		\$5,213,383
Petty Cash on Hand		<u>3,490</u>
Total Cash and Cash Equivalents		<u>\$5,216,873</u>

Short-term investments reflected on Exhibit A, Balance Sheet, consisted of certificates of deposit with a maturity date greater than 90 days in the amount of \$337,000, an investment in the Lone Star Investment Pool in the amount of \$412,208, and an investment with a mutual fund investment firm of \$23,522. The Lone Star Investment Pool is an investment pool administered by the Texas Association of School Boards, Inc. The pool has various investment options for participating members. The College's investment portfolio at August 31, 2001 is in the Liquidity Plus Fund. The composition of this pool consists of cash and repurchase agreements (66%) and U.S. Treasures and Agencies (34%). Fair value of the College's portfolio at August 31, 2001 was approximately \$412,208, the same as the carrying amount. GASB statement 31 requires that investments be reported at fair value.

The cash deposits held at financial institutions can be categorized according to three levels of risk in accordance with GASB Statement 3. Those levels of risk give an indication of credit risk assumed by Panola College at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

- Category 1: Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.**
- Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.**
- Category 3: Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.**

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

Based on these definitions, the College's deposits are categorized as follows:

Deposit Type	Category	Carrying Amount	Institution Balance
Demand and Time Deposits	1	\$ 254,352	\$ 287,158
Demand and Time Deposits	3	5,296,030	5,395,177
Total		<u>\$ 5,550,382</u>	<u>\$ 5,682,335</u>
Uncategorized investments			
Lone Star Investment Pool		\$ 412,208	\$ 412,208
Mutual Fund		23,522	23,522
Total		<u>\$ 435,730</u>	<u>\$ 435,730</u>

Reconciliation of Deposits and Investments Between Note F and Exhibit A:

Per Note F

Petty Cash on Hand	\$ 3,490
Demand and Time Deposits	5,213,382
Short Term Time Deposits	337,000
Lone Star Investment Pool	412,208
Mutual Fund Investments	23,522
	<u>\$ 5,989,602</u>

Per Exhibit A

Cash and Cash Equivalents	\$ 5,216,873
Short Term Investments	772,729
	<u>\$ 5,989,602</u>

The College did not invest in securities other than those shown above during the year, nor did any losses result from default on investment transactions.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

G. DERIVATIVES

Interest in derivative products has increased in recent years. 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.

H. BONDS PAYABLE

The final payment on the College's outstanding bond issue occurred in November, 2000. The final principal payment amounted to \$30,000. Interest related to the bond payment amounted to \$810.

General information related to the former bond issue is summarized below:

- * Student Fee Revenue Bond, Series 1970C
- * To construct student housing
- * Issued December 1, 1970
- * \$495,000; all authorized bonds were issued.
- * Source of revenue for debt service - general fees, Department of Housing and Urban Development annual interest subsidy.
- * Interest rates varied from 7.0% to 7.2%.

I. LEASE PURCHASE AGREEMENTS PAYABLE

In August of 1995, the College entered into a 5 year lease for the rental of twelve copy machines. In 1996, 1997 and 1998, subsequent leases were entered into. Terms of the leases require that Panola College pay \$2,514 per month for sixty months. Total rents to be paid on the original and subsequent leases amounted to \$145,339.

Summarized below are annual lease requirements associated with the agreements. Imputed interest rates ranging from 4.41% to 10.00% are assumed in the leases. The interest portion of the lease payments in the current year amounted to \$758.

<u>Year Ending</u> <u>August 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>
2002	<u>\$ 696</u>	<u>\$ 8,477</u>	<u>\$ 9,173</u>
	<u>\$ 696</u>	<u>\$ 8,477</u>	<u>\$ 9,173</u>

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

During the current year, the College entered into a new capital lease commitment for copy equipment with a different vendor other than the commitments noted above. The new lease is for seventeen copiers and related attachments. The arrangement requires the College to make payments totaling \$106,972 in monthly installments of \$2,632 ranging from 57 to 60 months. Summarized below are annual lease requirements associated with the commitments. Imputed interest assumed in the leases is at 8%. The interest portion of current year payments amounted to \$5,496.

Year Ending August 31	Interest	Principal	Requirement
2002	\$ 5,472	\$ 15,922	\$ 21,394
2003	4,150	17,244	21,394
2004	2,719	18,675	21,394
2005	1,169	20,225	21,394
2006	37	3,530	3,567
	<u>\$ 13,547</u>	<u>\$ 75,596</u>	<u>\$ 89,143</u>

In prior years, the College entered into lease purchase agreements with Bank One Leasing Corporation for the rental of vehicles, computer technology equipment, and telephone systems. Terms of current, five separate lease agreements require that the College pay \$6,230 for 60 months. Total rents to be paid on the lease agreements amount to \$373,807.

Summarized below are annual lease requirements associated with the agreements. Interest rates of 5.25% to 5.65% are assumed in the leases. The interest portion of lease payments in the current year amounted to \$8,337.

Year Ending August 31	Interest	Principal	Total Requirement
2002	\$ 4,492	\$ 69,338	\$ 73,830
2003	1,351	38,095	39,446
2004	69	7,768	7,837
	<u>\$ 5,912</u>	<u>\$ 115,201</u>	<u>\$ 121,113</u>

J. NOTE PAYABLE

In October 1999, the college purchased approximately one acre of land and two structures adjoining existing College land. This real estate was purchased from an individual for a purchase price of \$120,000. The \$120,000 was financed with a cash down payment of \$20,000 to the former owner and execution of a real estate lien note to the former owner in the amount of \$100,000. The note bears an interest rate of 6.5% from October 1, 1999 with five annual installments of \$24,063 beginning October 1, 2000. Interest associated with the note payment in the current year amounted to \$6,500.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

Summarized below are annual payments associated with the note.

<u>Year Ending August 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Requirement</u>
2002	\$ 5,358	\$ 18,705	\$ 24,063
2003	4,143	19,920	24,063
2004	2,848	21,215	24,063
2005	1,447	22,617	24,064
	<u>\$ 13,796</u>	<u>\$ 82,457</u>	<u>\$ 96,253</u>

K. INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables are summarized as follows. All amounts are payable currently within ninety days without interest.

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>	<u>NET</u>
Unrestricted	\$ 787,974	\$ (743,414)	\$ 44,560
Auxiliary Enterprises	391,974		391,974
Restricted		(665,648)	(665,648)
Endowment		(820)	(820)
Unexpended Plant	351,440		351,440
Retirement of Indebtedness		(1,427)	(1,427)
Agency		(120,079)	(120,079)
	<u>\$ 1,531,388</u>	<u>\$ (1,531,388)</u>	<u>\$ -0-</u>

L. CONTRACT AND GRANT AWARDS

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

M. PROPERTY TAXES

Property taxes are levied each October 1 in conformity with Subtitle E, Texas Property Tax Code. The levy is based on the assessed value as of the prior January 1 for all real and personal property located in the District. The taxes become due January 1 of the following year. A discount of up to 3% is allowed for taxes paid between October 1 and December 31. Taxes become past due February 1 and become delinquent on June 30. A tax lien

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001

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. Additionally, the net receivable is offset by deferred revenues in the same amount as they are only available to fund expenditures for the next fiscal year. Property taxes are restricted to use within the taxing district. There are no other restrictions on the use of taxes. Taxes levied for the year ended August 31, 2001 is \$2,819,692, which includes penalty and interest assessed of \$12,473. Tax collections for the current year including delinquent collections amounted to approximately 99.35% of the current tax levy.

A summary of tax data is presented as follows:

Assessed valuation of the District	\$ 2,528,753,880
Less: Exemptions	(127,006,572)
Less: Abatements	(385,501,528)
Net Assessed Valuation of the District	<u>\$ 2,016,245,780</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax Rate Per \$100 valuation for authorized	\$ 0.20000	\$ 0.50000	\$ 0.70000
Tax Rate Per \$100 valuation for assessed	\$ 0.13923	\$ 0.00000	\$ 0.13923

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected, Net of Discounts of \$72,577	\$ 2,686,497		\$ 2,686,497
Delinquent Taxes Collected	37,546		37,546
Penalties and Interest Collected	43,542		43,542
Collection Fees	(44,960)		(44,960)
Total Collections	<u>\$ 2,722,625</u>	<u>\$ 0</u>	<u>\$ 2,722,625</u>

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

N. LITIGATION

The College and its attorneys are not aware of any pending litigation.

O. CHANGES IN PROPERTY AND EQUIPMENT

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of creation of the detail asset records. Depreciation on physical plant and equipment is not recorded. Detail asset records were established in 1992. Historical cost was used as much as possible, all other items were valued at estimated current market value.

Investment in plant transactions for the year ended August 31, 2001, are summarized as follows:

	<u>Balance 9/01/00</u>	<u>Adjustment/ Additions</u>	<u>Retirement/ Deletions</u>	<u>Balance 8/31/01</u>
Land and Improvements	\$ 975,460	\$ 0	\$ 0	\$ 975,460
Building and Improvements	9,185,497	116,300		9,301,797
Equipment (Includes Furniture, fixtures, and Vehicles)	3,793,775	235,968	113,031	3,916,712
Library Holdings	<u>719,689</u>	<u>52,337</u>		<u>772,026</u>
	<u>\$ 14,674,421</u>	<u>\$ 404,605</u>	<u>\$ 113,031</u>	<u>\$ 14,965,995</u>

Library holdings noted above include library books and reference material also contained in magnetic media form. These holdings are valued at cost.

P. CONTINGENT LIABILITIES

The College participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2001, may be impaired. The ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the financial statements.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001

Q. EMPLOYEES' RETIREMENT PLANS

TEACHER RETIREMENT SYSTEM

Plan Description:

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

Types of Employees Covered:

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

Benefit Provisions:

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

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

Service Retirement:

1. Normal - age 65 with 5 years of service
 age 60 with 20 years of service
 age 50 with 30 years of service
 age plus years of service equals 80
2. Reduced- age 55 with at least 5 years of service, or
 any age below 50 with 30 years of service

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

Funding Status and Progress

State law provided for a state contribution rate for fiscal years 1998 - 2001 of 6.0% and a member contribution rate of 6.4%. These rates are set by state statutes. The actuarially determined contribution requirements for the fiscal year were 6.4% for the employee and 6.0% for the state. In certain instances, the reporting district is required to make all

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

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

Contribution requirements for Panola College for fiscal years ended August 31, 1997 through 2001 were as follows:

Fiscal Year Ended August 31,	On-Behalf State Contribution	Employee Contribution	Total Contribution	Covered Payroll
1997	\$ 131,291	\$ 140,044	\$ 271,335	\$ 2,188,181
1998	134,016	142,902	276,918	2,238,604
1999	141,914	151,375	293,289	2,365,291
2000	162,603	173,443	336,046	2,710,054
2001	176,167	187,911	364,078	2,936,103

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

Actuarial values of assets and accrued liabilities of the Teacher Retirement System of Texas as of August 31, 1997 to 2001 were as follows (in billions):

Fiscal Year	Actuarial Value Of Assets	Actuarial Accrued Liability	(Unfunded)/Overfunded Actuarial Accrued Liability
1997	\$ 53.8	\$ 53.9	\$ (0.1)
1998	60.4	57.9	2.5
1999	69.4	67.2	2.2
2000	79.3	73.9	5.4
2001	86.3	84.2	2.1

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

OPTIONAL RETIREMENT PROGRAM

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001

The six percent (6%) retirement expense (on-behalf) to the State of Texas for the District was \$153,907 for the Optional Retirement Plan for the fiscal year ended August 31, 2001. Participants contributed \$170,581 for the Optional Retirement Programs. The District contributed \$45,251 to the Optional Retirement Program to cover the 2.5% referenced above.

The contributions described above were based on total covered payroll of \$2,565,117 for the year. All on-behalf payments referenced above are included as revenues and expenditures in the financial statements in the restricted fund.

R. 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, 2001, the College had twenty-two employees participating in the tax sheltered annuity program. A total of \$62,466 in payroll deductions was invested in approved plans during the fiscal year.

S. COMPENSATED ABSENCES

On 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 Current Unrestricted Fund. 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. Employees accrue the 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 \$93,003 at August 31, 2001.

T. HEALTH CARE AND LIFE INSURANCE COVERAGE

During the year ended August 31, 2001, 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 \$226 per month per employee to the Plan, and the 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 State's total contribution (on-behalf) for active employees for the year amounted to \$398,445 and covered an average of 132 employees per month, and is included as revenues and expenditures in the restricted fund.

In addition, the College paid \$95,889 from local sources to fund the cost of this plan for active employees and board members due to the state not fully funding this benefit plan.

U. POST-RETIREMENT HEALTH BENEFITS

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001**

Panola College as allowed, but not required by state statutes, presently reimburses 43 retired employees \$17.56 per month representing the cost of continuation of dental insurance. This is the same amount provided to active employees who participate in the dental plan.

The College in accordance with state statutes, has five retired employees who formerly worked in auxiliary departments of the College. The College continues to fund these retirees' health insurance coverage. The monthly premium for the fiscal year ending August 31, 2001, was \$243 per retiree including the dental reimbursement.

In addition to providing pension benefits, the State provides in accordance with state statutes, certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the State. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The cost to the State (on-behalf payments) of providing those benefits for 38 retirees was \$140,182, and is included in the financial statements as revenues and expenditures in the restricted fund.

V. RELATED PARTIES

Panola College Development Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The Foundation accepts donations and acts as coordinator of gifts made by other parties. During the fiscal year no transactions occurred between the Foundation and the College.

W. FUNDS HELD IN TRUST BY OTHERS

The balances or transaction of funds held in trust by others on behalf of Panola College are not reflected in the financial statements. At August 31, 2001, there were five such funds for the benefit of the College. The Lawrence R. and Debbie H. Sharp Endowment Scholarship Fund, the Q. M. Martin Trust No. 2, the Reeves Scholarship Fund, the Daniel Scholarship Fund, and the Jacke Daniel Davis Memorial Scholarship Fund are held in trust by First State Bank and Trust of Carthage, Texas. Funds held in trust on these amounted to approximately \$318,195 at the end of the fiscal year.

X. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the College. At no time during the last three fiscal years have claims exceeded commercial coverage.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2001

Y. DEFERRED REVENUES

Revenues, primarily consisting of tuition, fees, and housing charges, related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year.

Z. OTHER DISCLOSURES

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

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, 2001.

SUPPLEMENTARY DATA

PANOLA COLLEGE
 SCHEDULE A-1
 SCHEDULE OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS
 August 31, 2001

	CURRENT FUNDS			PLANT FUNDS			TOTAL
	Unrestricted	Auxiliary Enterprises	Restricted	Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	
Cash on Hand	\$ 3,290	\$ 200	\$	\$	\$	\$	\$ 3,490
Petty Cash	3,290	200					3,490
Cash in Transit							
Subtotal	335,722	87,549	171,556	788	11,144	4,613	818,018
Cash in Bank							
Demand Account							
Cash Equivalents							
Certificates of Deposit	2,075,000		8,000	1,079,365	1,233,000		4,395,365
Subtotal	2,075,000		8,000	1,079,365	1,233,000		4,395,365
Total Cash and Cash Equivalents (Exhibit A)	2,414,012	87,749	179,556	1,080,153	1,244,144	4,613	5,216,873
Short-Term Investments							
Certificates of Deposit	300,000			37,000			337,000
Lonestar Investment Pool	296,878			115,329			412,208
Lincoln Financial Advisors				23,522			23,522
Total Short-Term Investments (Exhibit A)	596,878			175,851			772,729
Total Cash, Cash Equivalents and Short-Term Investments	\$ 3,010,890	\$ 87,749	\$ 179,556	\$ 1,256,004	\$ 1,244,144	\$ 4,613	\$ 5,989,602

Balance in Depositories as follows:	Cash		Short-Term Investments
	In Banks	Equivalents	
First State Bank	\$ 808,666	\$ 4,387,365	\$ 300,000
Lone Star Investment Pool			412,208
Farmers State Bank	6,514	8,000	37,000
Shelby County Savings	2,838		
Mutual Fund Investments			23,522
Total Balance in Depositories	\$ 818,018	\$ 4,395,365	\$ 772,729

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 SCHEDULE B-3
 SCHEDULE OF CHANGES IN FUND BALANCES
 Unrestricted Current Funds - Auxiliary Enterprises
 For the Year Ended August 31, 2001

	TOTAL	Intercollegiate Athletics	Housing	Food Service/Vending	Bookstore	Other
Revenues						
Sales and Services	\$ 1,177,795		\$ 153,310	\$ 283,475	\$ 741,010	\$ 22,736
Miscellaneous Income	22,736					
Total Revenues (Schedule C-1)	<u>1,200,531</u>		<u>153,310</u>	<u>283,475</u>	<u>741,010</u>	<u>22,736</u>
Expenditures						
Salaries and Wages	187,726	133,206	9,919		44,601	
Staff Benefits	45,785	14,139	965		30,681	
Other Operating Expenses	1,074,514	304,010	9,783	264,717	496,004	
Capital Outlay	4,910	4,910				
Total Expenditures	<u>1,312,935</u>	<u>456,265</u>	<u>20,667</u>	<u>264,717</u>	<u>571,286</u>	
Excess (Deficit) of Revenues Over Expenditures	\$ (112,404)	\$ (456,265)	\$ 132,643	\$ 18,758	\$ 169,724	\$ 22,736
Summary of Fund Balances as of September 1, 2000	\$ 188,731	\$	\$	\$	\$ 188,731	\$
Addition/Reduction						
Excess (Deficit) of Revenues Over Expenditures	<u>(112,404)</u>	<u>(456,265)</u>	<u>132,643</u>	<u>18,758</u>	<u>169,724</u>	<u>22,736</u>
Intrafund Transfers						
Bookstore		169,724			(169,724)	
Housing		132,643	(132,643)			
Food Service		18,758		(18,758)		
Other		22,736				(22,736)
Total Intrafund Transfers		<u>343,861</u>	<u>(132,643)</u>	<u>(18,758)</u>	<u>(169,724)</u>	<u>(22,736)</u>
Interfund Transfers						
Unrestricted Fund	136,667	112,404			24,263	
Total Interfund Transfers	<u>136,667</u>	<u>112,404</u>			<u>24,263</u>	
Total Additions/Deductions	24,263				24,263	
Balance August 31, 2001	\$ 212,994	\$	\$	\$	\$ 212,994	\$

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 SCHEDULE B-4
 SCHEDULE OF CHANGES IN FUND BALANCES
 Restricted Current Funds
 For the Year Ended August 31, 2001

Instruction	Balances 09/01/00	Gifts, Grants and Appropriations	Investment Income	Adjustments and Transfers In (Out)	Salaries and Wages	Staff Benefits	Awards and Expenses	Capital Outlay	Balances 08/31/01
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Instruction									
State Appropriations	537,175	537,175				537,175			
Federal Grants and Contracts	277,244	277,244			97,809	9,481	137,345	32,609	
State Grants and Contracts	103,824	103,824			63,524	5,306	34,994		
Local Sources			5,709				5,709		
Private Sources	5,000	5,000					5,000		
Total Instruction	923,243	923,243	5,709		161,333	551,962	183,048	32,609	
Public Service									
State Appropriations	24,302	24,302				24,302			
Federal Grants and Contracts	234,344	234,344			127,584	13,461	81,575	11,724	
State Grants and Contracts	28,410	28,410			9,598		17,903	909	
Private Sources	4,119	4,119					4,119		
Total Public Service	291,175	291,175		291,175	137,182	37,763	103,597	12,633	
Academic Support									
State Appropriations	113,533	113,533				113,533			
Federal Grants and Contracts	6,447	6,447			3,540		2,907		
State Grants and Contracts	35,131	35,131			2,425	206		32,500	
Total Academic Support	155,111	155,111		155,111	5,965	113,739	2,907	32,500	
Student Services									
State Appropriations	82,826	82,826				82,826			
Federal Grants and Contracts	167,767	167,767			83,167	8,509	76,091		
Total Student Services	250,593	250,593			83,167	91,335	76,091		
Institutional Support									
State Appropriations	89,187	89,187				89,187			
Federal Grants and Contracts	4,700	4,700			235		4,465		
Local Sources			17,203				4,613	12,590	
Total Institutional Support	93,887	93,887	17,203		235	89,187	9,078	12,590	

PANOLA COLLEGE
 SCHEDULE B-4
 SCHEDULE OF CHANGES IN FUND BALANCES
 Restricted Current Funds
 For the Year Ended August 31, 2001

	Balances 09/01/00	Gifts, Grants and Appropriations	Investment Income	Adjustments and Transfers In (Out)	Salaries and Wages	Staff Benefits	Awards and Expenses	Capital Outlay	Balances 08/31/01
Operations and Maintenance of Plant									
State Appropriations	11,744	21,678				21,678	3,356		11,744
Federal Grants and Contracts	11,744	3,356							11,744
Local Sources		25,034							
Total Operations and Maintenance of Plant									
Scholarships and Fellowships									
Federal Grants and Contracts		1,539,587					1,539,587		
State Grants and Contracts		65,994					65,994		
Local Sources	46,419		108,764	280,789			401,935		34,037
Private Sources		16,217					12,941		3,276
Total Scholarships and Fellowships	46,419	1,621,798	108,764	280,789			2,020,457		37,313
Total Restricted Current Funds	\$ 58,163	\$ 3,360,841	\$ 131,676	\$ 280,789	\$ 387,882	\$ 905,664	\$ 2,398,534	\$ 90,332	\$ 49,057
		(a)		(b)	(Sch C-2)	(Sch C-2)	(Sch C-2)	(Sch C-2)	(Exh. B)

(a) Analysis of Gifts, Grants and Appropriations

State Appropriations	\$ 868,701
Federal Grants and Contracts	2,233,445
State Grants and Contracts	233,359
Private Sources	25,336
	\$ 3,360,841

(b) Analysis of Adjustments and Transfers In

Transfers-TPEG From Unrestricted	\$ 15,789
Transfers-For Institutional	
Scholarships from Unrestricted	265,000
	\$ 280,789

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 SCHEDULE B-13
 SCHEDULE OF TRANSFERS
 For the Year Ended August 31, 2001

FUND	FUNDS TRANSFERRED FROM					FUNDS TRANSFERRED TO				
	Amount	Auxiliary Enterprises	Restricted	Unexpended Plant	Retirement of Indebtedness	Amount	Auxiliary Enterprises	Restricted	Unexpended Plant	Retirement of Indebtedness
MANDATORY										
Unrestricted Fund										
Tuition and fee scholarships	\$ 265,000	\$	\$ 265,000	\$	\$					
TPEG Transfers	15,789		15,789							
Debt retirement	123,088				123,088					
Total Unrestricted Funds	<u>403,877</u>		<u>280,789</u>		<u>123,088</u>					
TOTAL MANDATORY TRANSFERS	<u>\$ 403,877</u>	<u>\$</u>	<u>\$ 280,789</u>	<u>\$</u>	<u>\$ 123,088</u>					
NON-MANDATORY										
Unrestricted Fund										
Auxiliary fund subsidy	\$ 136,667	\$ 136,667	\$	\$	\$					
Unexpended plant fund	302,937			302,937						
Total Unrestricted Funds	<u>439,604</u>	<u>136,667</u>		<u>302,937</u>						
TOTAL NON-MANDATORY TRANSFERS	<u>\$ 439,604</u>	<u>\$ 136,667</u>	<u>\$</u>	<u>\$ 302,937</u>	<u>\$</u>					
TOTAL TRANSFERS AMONG FUNDS	<u>\$ 843,481</u>	<u>\$ 136,667</u>	<u>\$ 280,789</u>	<u>\$ 302,937</u>	<u>\$ 123,088</u>					

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
SCHEDULE C-1
DETAIL OF STATE APPROPRIATIONS AND TUITION AND FEES
For the Year Ended August 31, 2001

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Restricted</u>	<u>Total</u>
State Appropriations:				
Education and General State Support	\$ 3,684,907	\$	\$	\$ 3,684,907
State Group Insurance			538,627	538,627
State Retirement Matching			330,074	330,074
Total State Appropriations	<u>3,684,907</u>		<u>868,701</u>	<u>4,553,608</u>
Tuition and Fees (a)				
State Funded Courses				
In-District Resident Tuition	281,670			281,670
Out-of-District Resident Tuition	456,231			456,231
Non-resident Tuition	4,208			4,208
Subtotal Tuition	<u>742,109</u>			<u>742,109</u>
General Fees	479,622			479,622
Out of District Fees	482,320			482,320
Laboratory Fee	61,377			61,377
Other Fees	63,019			63,019
Subtotal Fees	<u>1,086,338</u>			<u>1,086,338</u>
Remissions and Exemptions-State	37,462			37,462
Total Tuition and Fees	<u>\$ 1,865,909</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,865,909</u>

(a) In accordance with Education Code 56.033 \$15,789 of tuition was set aside for Texas Public Education Grants (TPEG).

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
SCHEDULE C-2
SCHEDULE OF CURRENT FUNDS EXPENDITURES BY OBJECT
For the Year Ended August 31, 2001

	SALARIES AND WAGES	STAFF BENEFITS	OTHER EXPENSES	CAPITAL OUTLAY	TOTAL
Unrestricted - Educational and General					
Instruction	\$ 3,156,980	\$ 310,502	\$ 363,170	\$ 61,206	\$ 3,891,858
Public Service	14,352	1,534	1,136	5,000	22,022
Academic Support	700,644	95,256	239,606	86,595	1,122,101
Student Services	427,511	43,102	78,978	3,833	553,424
Institutional Support	552,914	65,911	408,171	43,711	1,070,707
Operation and Maintenance of Plant	227,317	23,231	729,303	5,308	985,159
Scholarships and Fellowships			101,826		101,826
Total Unrestricted	<u>5,079,718</u>	<u>539,536</u>	<u>1,922,190</u>	<u>205,653</u>	<u>7,747,097</u>
					(Exh. C)
Restricted - Education and General					
Instruction	161,333	551,960	183,048	32,609	928,950
Public Service	137,182	37,763	103,597	12,633	291,175
Academic Support	5,965	113,740	2,906	32,500	155,111
Student Services	83,167	91,336	76,090		250,593
Institutional Support	235	89,187	9,078	12,590	111,090
Operation and Maintenance of Plant		21,678	3,356		25,034
Scholarships and Fellowships			2,020,459		2,020,459
Total Restricted	<u>387,882</u>	<u>905,664</u>	<u>2,398,534</u>	<u>90,332</u>	<u>3,782,412</u>
					(Exh. C)
Total Educational and General	<u>5,467,600</u>	<u>1,445,200</u>	<u>4,320,724</u>	<u>295,985</u>	<u>11,529,509</u>
Auxiliary Enterprises	<u>187,727</u>	<u>45,785</u>	<u>1,074,513</u>	<u>4,913</u>	<u>1,312,938</u>
					(Exh. C)
Total Current Fund Expenditures	<u>\$ 5,655,327</u>	<u>\$ 1,490,985</u>	<u>\$ 5,395,237</u>	<u>\$ 300,898</u>	<u>\$ 12,842,447</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
SCHEDULE D-1
BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 2001

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 09/01/00	Bonds Issued After 09/01/00	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 08/31/01
Student Fee							
Revenue Bond 1970C	\$ 495,000	7.00-7.20 %	\$ 30,000	\$	\$ 30,000	\$	\$
Total	\$ 495,000		\$ 30,000	\$	\$ 30,000	\$	\$

The bonds were completely paid in the current fiscal year. There are no further debt service requirements.

See Independent Auditor's Report on Additional Information.

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PANOLA COLLEGE
 SCHEDULE D-3
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2001

Federal Grantor/Pass Through Grantor/ Program Title	PROJECT NUMBER	Federal CFDA Number	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
U. S. Department of Education			
Direct			
SEOG	EP007A004092	84.007 *	\$ 30,796
SEOG	EP007A014092	84.007 *	26,136
Federal College Workstudy	EP033A994092	84.033 *	4,066
Federal College Workstudy	EP033A994092	84.033 *	3,404
Federal College Workstudy	EP033A004092	84.033 *	56,707
Federal Pell Grant Program	EP063P001657	84.063 *	1,049,225
Federal Pell Grant Program	EP063P011657	84.063 *	369,253
Passed Through From:			
Texas Higher Education Coordinating Board			
Carl Perkins Voc. Ed.	11011	84.048	4,700
Carl Perkins Voc. Ed.	14236	84.048	215,000
Texas Education Agency			
Adult Basic Education	141000131	84.002A	61,561
Adult Basic Education	141000331	84.002A	1,232
Adult Basic Education - Correction	041000231	84.002A	7,641
Adult Basic Education - Correction	141000231	84.002A	34,549
Total U. S. Department of Education			<u>1,864,270</u>
Department of Health and Human Services			
Pass Through From			
Texas Education Agency			
Adult Basic Education TANF	136250131	93.558	60,168
East Texas Council of Governments			
TANF 25	PC-TANF-PY99-01	93.558	9,135
TANF 25	PC-TANF-PY00-01	93.558	53,607
TANF Adult Basic Education	PC-PY00-Rider 24-01	93.558	108,696
Deep East Workforce Development Board			
TANF Adult Basic Education	00-28 TANF LWDA 17	93.558	131,117
Total Department of Health and Human Services			<u>362,723</u>
Department of Transportation			
Passed Through From:			
Texas Department of Transportation	580xxf7006	20.600	<u>6,452</u>
All Other Federal Programs			
U. S Department of Housing and Urban Development			
Housing Interest Subsidy	CH-TEX-263 (D)	14.000	<u>8,688</u>
Total Federal Financial Assistance			<u>\$ 2,242,133</u>
Federal Revenues Per Exhibit C			
Add: HUD Interest Subsidy			
			\$ 2,233,445
			<u>8,688</u>
			<u>\$ 2,242,133</u>

* Denotes major federal financial assistance program as defined by the Single Audit Act as amended in 1996 and OMB Circular A-133.

**PANOLA COLLEGE
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2001**

Significant accounting policies used in preparing the schedule

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

PANOLA COLLEGE
 SCHEDULE D-4
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended August 31, 2001

Grantor Agency/Program Title	GRANT PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
Pass Through From			
Texas Education Agency			
Adult Basic Education TANF	101100131	\$ 12,701	\$ 12,374
Adult Basic Education TANF	101000131	20,289	16,036
Other Miscellaneous Grants			
Texas Grant	TEXAS 00-01	66,401	66,401
Texas Infrastructure Board (TIF)	QE-2000-CN1C-3961	500,000	202,904
Texas Infrastructure Board (TIF)	QE-2000-D14C-5086	194,494	35,131
Self Sufficiency Grant	POT-70564	314,801	103,824
TOTAL STATE AWARDS			\$ 436,670
State Revenues Per Exhibit C			\$ 233,359
Local Revenues included in Texas Grant Expenditures			407
Panola College as Fiscal Agent for East Central Education Network, Project QE-2000-CN1C-3961			202,904
			\$ 436,670

Significant Accounting Policies Used in Preparing the Schedule:

The schedule is presented using the accrual basis of accounting. See Note B to the financial statements for Panola College's significant accounting policies. These expenditures are reported on Panola College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

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INDIVIDUAL FUND STATEMENTS

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CURRENT FUNDS – funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into specific balanced fund groups as follows:

UNRESTRICTED – funds received by the College that have no limitation or stipulation placed on them by external agencies or donors. These funds are used for carrying out the primary purpose of the College, i.e. education, extension, and administration.

AUXILIARY ENTERPRISES – funds for activities that serve students, faculty, or staff for which charges are directly related to, although not necessarily equal to, the cost of the service. Examples are food services and bookstores.

RESTRICTED – funds available for current purposes, but with the restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

PANOLA COLLEGE
UNRESTRICTED
BALANCE SHEET
AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2000

ASSETS	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
Cash and cash equivalents	\$ 2,414,012	\$ 2,296,412
Short-term investments	596,878	281,601
Accounts receivable (net of allowance for doubtful accounts)	108,520	199,773
Taxes receivable (net of allowance for doubtful accounts)	63,375	60,871
Due from other funds	787,974	568,983
Due from other agencies	12,322	13,705
Prepaid expenses	4,642	4,530
Total Assets	<u>\$ 3,987,723</u>	<u>\$ 3,425,875</u>
 LIABILITIES AND FUND BALANCE 		
Liabilities:		
Accounts payable	\$ 205,505	\$ 115,395
Accrued liabilities	52,512	38,737
Due to other funds	743,414	370,765
Deferred revenues	660,857	624,907
Accrued compensable absences payable	88,486	84,466
Total Liabilities	<u>1,750,774</u>	<u>1,234,270</u>
Fund Balance:		
Reserved		
Accounts receivable	21,740	84,413
Encumbrances	48,025	51,837
Other	4,642	4,530
Unreserved		
Undesignated	<u>2,162,542</u>	<u>2,050,825</u>
Total Fund Balance	<u>2,236,949</u>	<u>2,191,605</u>
Total Liabilities and Fund Balance	<u>\$ 3,987,723</u>	<u>\$ 3,425,875</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
UNRESTRICTED
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
REVENUES		
State Appropriations	\$ 3,684,907	\$ 3,591,543
Local Funds:		
Tuition and fees	1,865,909	1,766,100
Taxes	2,722,625	2,668,222
Sales and services	159,880	221,180
Interest income	164,825	160,524
Other local revenues	37,776	111,922
Total Revenues	<u>8,635,922</u>	<u>8,519,491</u>
EXPENDITURES		
Educational and general		
Instruction	3,891,858	3,973,445
Public service	22,022	21,127
Academic support	1,122,101	1,302,265
Student services	553,424	554,513
Institutional support	1,070,707	1,037,914
Operation and maintenance of plant	985,159	812,617
Scholarships and awards	101,826	125,827
Total Expenditures	<u>7,747,097</u>	<u>7,827,708</u>
Excess of Revenues over Expenditures	<u>888,825</u>	<u>691,783</u>
TRANSFERS-ADDITIONS / (DEDUCTIONS)		
Mandatory transfers	(403,877)	(360,270)
Non-mandatory transfers	(439,604)	(259,082)
Total Transfers-Additions /(Deductions)	<u>(843,481)</u>	<u>(619,352)</u>
Net Increase in Fund Balance	45,344	72,431
Fund Balance, beginning of year	<u>2,191,605</u>	<u>2,119,174</u>
Fund Balance, end of year	<u>\$ 2,236,949</u>	<u>\$ 2,191,605</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
AUXILIARY
BALANCE SHEET
AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
ASSETS		
Cash and cash equivalents	\$ 87,749	\$ 86,566
Accounts receivable	159,785	167,779
Inventory, at cost	117,326	116,642
Due from other funds	391,974	226,115
Prepaid expenses	427	1,978
Total Assets	\$ <u>757,261</u>	\$ <u>599,080</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 65,603	\$ 29,042
Accrued liabilities	68,192	62,137
Deposits payable	18,500	17,100
Deferred revenues	391,023	300,763
Accrued compensable absences payable	949	1,307
Total Liabilities	<u>544,267</u>	<u>410,349</u>
Fund Balance:		
Reserved		
Encumbrances	19,373	11,356
Accounts receivable		7,256
Inventory	117,326	116,642
Prepaid expenses	427	1,978
Unreserved		
Undesignated	<u>75,868</u>	<u>51,499</u>
Total Fund Balance	<u>212,994</u>	<u>188,731</u>
Total Liabilities and Fund Balance	\$ <u>757,261</u>	\$ <u>599,080</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
AUXILIARY
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
REVENUES		
Bookstore	\$ 741,010	\$ 721,830
Food service and vending	283,475	320,219
Student housing	153,310	168,548
Other local revenues	22,736	12,746
Total Revenues	<u>1,200,531</u>	<u>1,223,343</u>
 EXPENDITURES		
Bookstore	571,286	545,231
Food service and vending	264,717	250,070
Student housing	20,667	20,108
Athletics	456,265	460,311
Total Expenditures	<u>1,312,935</u>	<u>1,275,720</u>
 Excess (Deficiency) of Revenues over Expenditures	<u>(112,404)</u>	<u>(52,377)</u>
 TRANSFERS-ADDITIONS / (DEDUCTIONS)		
Non-mandatory transfers	<u>136,667</u>	<u>60,000</u>
Total Transfers-Additions /(Deductions)	<u>136,667</u>	<u>60,000</u>
 Net Increase in Fund Balance	24,263	7,623
 Fund Balance, beginning of year	<u>188,731</u>	<u>181,108</u>
 Fund Balance, end of year	<u>\$ 212,994</u>	<u>\$ 188,731</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 RESTRICTED
 BALANCE SHEET
 AUGUST 31, 2001
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
ASSETS		
Cash and cash equivalents	\$ 179,556	\$ 255,810
Federal and state receivables	570,627	357,923
Interest receivable	2,712	12,696
Total Assets	\$ <u>752,895</u>	\$ <u>626,429</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 20,320	\$ 8,209
Accrued liabilities	5,902	1,657
Due to other funds	665,648	493,346
Deferred Revenues	8,400	62,104
Accrued compensable absences payable	3,568	2,950
Total Liabilities	<u>703,838</u>	<u>568,266</u>
Fund Balance-Reserved	18,769	32,735
Fund Balance-Restricted	30,288	25,428
Total Fund Balance	<u>49,057</u>	<u>58,163</u>
Total Liabilities and Fund Balance	\$ <u>752,895</u>	\$ <u>626,429</u>

See Independent Auditor's Report on Additional Information.

**PANOLA COLLEGE
RESTRICTED
STATEMENT OF CURRENT FUNDS REVENUES,
EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2000**

	<u>2001</u>	(Memo Only) <u>2000</u>
REVENUES		
State appropriations	\$ 868,701	\$ 850,561
Federal grants and contracts	2,233,445	1,764,189
State grants and contracts	233,359	333,524
Private grants and gifts	25,336	17,179
Interest and investment income	140,782	109,616
Total Revenues	<u>3,501,623</u>	<u>3,075,069</u>
EXPENDITURES		
Educational and general		
Instruction	928,950	779,926
Public Service	291,175	292,274
Academic support	155,111	130,490
Student services	250,593	216,791
Institutional support	111,090	86,290
Operation and maintenance of plant	25,034	30,696
Scholarships and awards	2,020,459	1,783,534
Total Expenditures	<u>3,782,412</u>	<u>3,320,001</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(280,789)</u>	<u>(244,932)</u>
TRANSFERS-ADDITIONS / (DEDUCTIONS)		
Mandatory transfers	280,789	244,932
Excess (deficit) of restricted receipts over transfers to revenues	<u>(9,106)</u>	<u>(1,800)</u>
Total Transfers-Additions /(Deductions)	<u>271,683</u>	<u>243,132</u>
Net Increase (Decrease) in Fund Balance	(9,106)	(1,800)
Fund Balance, beginning of year	<u>58,163</u>	<u>59,963</u>
Fund Balance, end of year	<u>\$ 49,057</u>	<u>\$ 58,163</u>

See Independent Auditor's Report on Additional Information.

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ENDOWMENT AND SIMILAR FUNDS – funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be spent.

**PANOLA COLLEGE
 ENDOWMENT AND SIMILAR FUNDS
 BALANCE SHEET
 AUGUST 31, 2001
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2000**

	<u>2001</u>	<u>(Memo Only) 2000</u>
ASSETS		
Cash and cash equivalents	\$ 1,080,153	\$ 17,674
Short-term investments	<u>175,851</u>	<u>1,135,769</u>
Total Assets	\$ <u>1,256,004</u>	\$ <u>1,153,443</u>
LIABILITIES AND FUND BALANCE		
Liabilities: Due to other funds	\$ <u>820</u>	\$ <u>820</u>
Fund Balance-Restricted for Endowments	<u>1,255,184</u>	<u>1,152,623</u>
Total Liabilities and Fund Balance	\$ <u>1,256,004</u>	\$ <u>1,153,443</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 ENDOWMENT AND SIMILAR FUNDS
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED AUGUST 31, 2001
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
REVENUES AND OTHER ADDITIONS		
Private gifts	\$ 103,158	\$ 117,397
Interest Income	4,593	470
Total Revenues	<u>107,751</u>	<u>117,867</u>
EXPENDITURES AND OTHER DEDUCTIONS		
Unrealized loss on investments	<u>5,190</u>	<u> </u>
 Net Increase (Decrease) in Fund Balance	 102,561	 117,867
Fund Balance, beginning of year	<u>1,152,623</u>	<u>1,034,756</u>
Fund Balance, end of year	\$ <u><u>1,255,184</u></u>	\$ <u><u>1,152,623</u></u>

See Independent Auditor's Report on Additional Information.

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PLANT FUNDS – plant funds are divided into these separate balanced fund groups:

UNEXPENDED – funds for the construction, rehabilitation, and acquisition of physical properties for institutional purpose.

RETIREMENT OF INDEBTEDNESS – funds accumulated to meet debt service charges and the retirement of indebtedness.

INVESTMENT IN PLANT – funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation. Depreciation is not recorded.

**PANOLA COLLEGE
 UNEXPENDED
 BALANCE SHEET
 AUGUST 31, 2001
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2000**

	<u>2001</u>	<u>(Memo Only) 2000</u>
ASSETS		
Cash and cash equivalents	\$ 1,244,144	\$ 978,857
Short-term investments		200,000
Interest receivable	777	17,315
Due from other funds	351,440	144,650
Total Assets	\$ <u>1,596,361</u>	\$ <u>1,340,822</u>
LIABILITIES AND FUND BALANCE		
Liabilities: Due to other funds	\$ _____	\$ _____
Fund Balance-Reserved for accounts receivable	777	
Fund Balance-Reserved for Plant Improvements	<u>1,595,584</u>	<u>1,340,822</u>
Total Fund Balance	<u>1,596,361</u>	<u>1,340,822</u>
Total Liabilities and Fund Balance	\$ <u>1,596,361</u>	\$ <u>1,340,822</u>

See Independent Auditor's Report on Additional Information.

**PANOLA COLLEGE
UNEXPENDED
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2000**

	<u>2001</u>	<u>(Memo Only) 2000</u>
REVENUES AND OTHER ADDITIONS		
	\$	\$
Interest income	56,312	55,546
Total Revenues	<u>56,312</u>	<u>55,546</u>
EXPENDITURES AND OTHER DEDUCTIONS		
Expended for plant facilities	<u>103,710</u>	<u>20,000</u>
Excess (deficiency) of Revenues and Other Additions over Expenditures and Other Deductions	(47,398)	35,546
TRANSFERS-ADDITIONS/ (DEDUCTIONS)		
Non-mandatory transfers	<u>302,937</u>	<u>199,082</u>
Net Increase (Decrease) in Fund Balance	255,539	234,628
Fund Balance, beginning of year	<u>1,340,822</u>	<u>1,106,194</u>
Fund Balance, end of year	\$ <u><u>1,596,361</u></u>	\$ <u><u>1,340,822</u></u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 RETIREMENT OF INDEBTEDNESS
 BALANCE SHEET
 AUGUST 31, 2001
 WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
ASSETS		
Cash and cash equivalents	\$ 4,613	\$ 21,111
Short-term investments		19,000
Interest receivable		23
Total Assets	<u>\$ 4,613</u>	<u>\$ 40,134</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued interest	\$ 1,427	\$ 270
Due to other funds	<u>1,427</u>	<u>14,347</u>
Total Liabilities	<u>1,427</u>	<u>14,617</u>
Fund Balance-Reserved for interest receivable		23
Fund Balance-Restricted for Debt Retirement	<u>3,186</u>	<u>25,494</u>
Total Fund Balance	<u>3,186</u>	<u>25,517</u>
Total Liabilities and Fund Balance	<u>\$ 4,613</u>	<u>\$ 40,134</u>

See Independent Auditor's Report on Additional Information.

**PANOLA COLLEGE
RETIREMENT OF INDEBTEDNESS
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2000**

	<u>2001</u>	<u>(Memo Only) 2000</u>
REVENUES AND OTHER ADDITIONS		
Interest income	\$ 426	\$ 1,300
Federal interest subsidy	8,688	8,688
Other income		
Total Revenues and Other Additions	<u>9,114</u>	<u>9,988</u>
EXPENDITURES AND OTHER DEDUCTIONS		
Retirement of indebtedness:		
Principal	131,996	109,096
Interest and fees	22,537	16,230
Total Expenditures and Other Deductions	<u>154,533</u>	<u>125,326</u>
Excess (deficiency) of revenues and other additions over expenditures and other deductions	(145,419)	(115,338)
TRANSFERS-ADDITIONS/ (DEDUCTIONS)		
Mandatory transfers	<u>123,088</u>	<u>115,338</u>
Net Increase (Decrease) in Fund Balance	(22,331)	
Fund Balance, beginning of year	<u>25,517</u>	<u>25,517</u>
Fund Balance, end of year	\$ <u>3,186</u>	\$ <u>25,517</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
INVESTMENT IN PLANT
BALANCE SHEET
AUGUST 31, 2001
WITH COMPARATIVE AMOUNTS AT AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only)</u> <u>2000</u>
ASSETS		
Land	\$ 975,460	\$ 975,460
Buildings	9,301,797	9,185,496
Equipment, fixtures and vehicles	3,916,712	3,793,775
Library holdings	772,026	719,689
Total Assets	\$ <u>14,965,995</u>	\$ <u>14,674,420</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Bonds payable	\$ 82,457	\$ 30,000
Note payable	199,274	100,000
Lease purchase agreement payable	281,731	197,416
Total Liabilities	<u>281,731</u>	<u>327,416</u>
 Fund Balance-Net investment in plant	 <u>14,684,264</u>	 <u>14,347,004</u>
 Total Liabilities and Fund Balance	 \$ <u>14,965,995</u>	 \$ <u>14,674,420</u>

See Independent Auditor's Report on Additional Information.

PANOLA COLLEGE
 INVESTMENT IN PLANT
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED AUGUST 31, 2001
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2000

	<u>2001</u>	<u>(Memo Only) 2000</u>
REVENUES AND OTHER ADDITIONS		
Retirement of indebtedness	\$ 133,612	\$ 113,456
Expended for plant facilities	404,605	432,008
Total Revenues and Other Additions	<u>538,217</u>	<u>545,464</u>
EXPENDITURES AND OTHER DEDUCTIONS		
Capital lease obligation	87,926	
Note payable obligation		100,000
Disposal of equipment and fixtures	113,031	106,518
Total Expenditures and Other Deductions	<u>200,957</u>	<u>206,518</u>
Net Increase (Decrease) in Fund Balance	337,260	338,946
Fund Balance, beginning of year	<u>14,347,004</u>	<u>14,008,058</u>
Fund Balance, end of year	<u>\$ 14,684,264</u>	<u>\$ 14,347,004</u>

See Independent Auditor's Report on Additional Information.

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AGENCY FUNDS – The College acts in a custodial capacity for individuals, firms, and student organizations. In its custodial capacity, agency funds have been created.

**PANOLA COLLEGE
 AGENCY FUNDS
 STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES
 FOR THE YEAR ENDED AUGUST 31, 2001**

	<u>BALANCE</u> <u>09-01-00</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>08-31-01</u>
ASSETS				
Cash and cash equivalents	\$ 145,350	\$ 452,336	\$ 391,040	\$ 206,646
Accounts receivable		52,398		52,398
Deferred expenses	0	1,995	0	1,995
Total Assets	<u>\$ 145,350</u>	<u>\$ 506,729</u>	<u>\$ 391,040</u>	<u>\$ 261,039</u>
LIABILITIES				
Liabilities:				
Deposits payable	\$ 52,857	\$ 79,521	\$ 80,128	\$ 52,250
Funds held in trust	31,847	112,455	106,644	37,658
Accounts payable	176	179,059	143,798	35,437
Deferred credits		15,615		15,615
Due to other funds	60,470	120,079	60,470	120,079
Total Liabilities	<u>\$ 145,350</u>	<u>\$ 506,729</u>	<u>\$ 391,040</u>	<u>\$ 261,039</u>

See Independent Auditor's Report on Additional Information.

STATISTICAL
SECTION

Table 1

PANOLA COLLEGE
 CONTACT HOUR STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	Contact Hours		Total
	Academic	Vo-Tech	
1991-92	512,400	372,339	884,739
1992-93	498,544	397,998	896,542
1993-94	525,072	382,831	907,903
1994-95	520,528	344,206	864,734
1995-96	555,728	382,496	938,224
1996-97	526,160	445,851	972,011
1997-98	483,616	470,985	954,601
1998-99	488,176	441,712	929,888
1999-00	531,568	435,658	967,226
2000-01	506,640	365,433	872,073

Table 2

**PANOLA COLLEGE
STATE APPROPRIATIONS PER
FULL TIME STUDENT EQUIVALENTS (FTSE)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	State Appropriations Per FTSE
1991-92	\$ 2,896
1992-93	2,897
1993-94	2,703
1994-95	2,276
1995-96	2,233
1996-97	2,216
1997-98	2,604
1998-99	2,747
1999-00	2,793
2000-01	3,030

**PANOLA COLLEGE
EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS (1)
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>
1991-92	\$ 2,151,782	\$	\$	\$ 305,032	\$ 374,144
1992-93	2,374,664	21,779		633,523	477,051
1993-94	2,650,697	19,514		543,926	415,657
1994-95	3,037,836			668,266	448,089
1995-96	3,340,689			771,279	462,317
1996-97	3,681,275		71,336	680,746	507,048
1997-98	3,705,760		109,216	952,728	494,177
1998-99	3,674,774		82,898	1,086,686	518,390
1999-00	3,973,445		21,127	1,302,265	554,513
2000-01	3,891,858		22,022	1,122,101	553,424

- (1) Includes Current Unrestricted Fund, Auxiliary Enterprises Fund, and Retirement of Indebtedness Plant Fund.
- (2) Scholarships for fiscal years 1985 through 1992 were reflected in Restricted Funds.
- (3) Includes bonded debt, notes payable and capital lease obligations.

Table 3

<u>Institutional Support</u>	<u>Operation & Maintenance of Plant</u>	<u>Scholarships and Fellowships (2)</u>	<u>Auxiliary Enterprises</u>	<u>Debt Service (3)</u>	<u>Totals</u>
\$ 1,366,765	\$ 756,919	\$	\$ 822,954	\$ 174,100	\$ 5,951,696
716,488	596,504	72,657	975,120	155,364	6,023,150
721,469	866,138	159,160	944,222	142,168	6,462,951
747,103	740,539	99,348	872,264	138,738	6,752,183
841,414	753,436	96,391	864,428	88,751	7,218,705
957,611	939,420	111,739	947,469	91,544	7,988,188
1,191,038	1,093,965	98,990	1,158,777	113,912	8,918,563
1,177,138	892,774	123,569	1,159,960	124,001	8,840,190
1,037,914	812,617	125,827	1,275,720	125,326	9,228,754
1,070,707	985,159	101,826	1,312,935	154,533	9,214,565

**PANOLA COLLEGE
REVENUES BY SOURCE
LAST TEN FISCAL YEARS (1)
(UNAUDITED)**

<u>Fiscal Year</u>	<u>State Appropriations</u>	<u>Tuition & Fees</u>	<u>Taxes for Current Operations</u>	<u>Federal Grants & Contracts</u>	<u>Interest</u>
1991-92	\$ 2,941,877	\$ 534,625	\$ 2,255,472	\$	\$ 33,074
1992-93	2,893,672	843,543	2,393,037	5,780	52,632
1993-94	2,911,203	763,961	2,393,599	12,733	58,727
1994-95	2,774,402	1,094,453	2,491,307		114,525
1995-96	2,972,345	1,220,804	2,587,938		140,376
1996-97	2,961,081	1,556,362	2,588,723		140,506
1997-98	3,353,530	1,541,162	2,683,436		141,191
1998-99	3,488,315	1,688,829	2,667,618		140,989
1999-00	3,591,543	1,766,100	2,668,222		168,839
2000-01	3,684,907	1,865,909	2,722,625		171,986

Notes:

- (1) Includes Unrestricted Current Funds, Auxiliary Enterprises Fund & Retirement of Indebtedness Plant Fund.
- (2) Miscellaneous represents Unrestricted Current Fund Sales & Services of Educational Activities and Miscellaneous Income.

Table 4

<u>Miscellaneous</u> (2)	<u>Auxiliary Enterprises</u>	<u>Debt Service</u>	<u>Totals</u>
\$ 68,827	\$ 785,990	\$ 57,738	\$ 6,677,603
93,254	841,151	1,279	7,124,348
75,369	792,176	192	7,007,960
98,115	746,851	32,741	7,352,394
186,038	800,511	9,708	7,917,720
153,242	811,386	9,468	8,220,768
584,250	1,020,164	9,445	9,333,178
383,590	1,146,846	9,418	9,525,605
331,718	1,216,328	8,688	9,751,438
197,656	1,193,796	8,688	9,845,567

PANOLA COLLEGE
PROPERTY TAX LEVIES & COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>% of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
1991-92	\$ 2,382,093	\$ 2,188,551	91.88%	\$ 49,285	\$ 2,237,836
1992-93	2,451,113	2,331,122	95.10%	66,624	2,397,746
1993-94	2,463,580	2,393,870	97.17%	64,064	2,457,934
1994-95	2,556,344	2,510,759	98.22%	65,682	2,576,441
1995-96	2,659,962	2,609,186	98.09%	67,287	2,676,473
1996-97	2,673,934	2,622,811	98.09%	57,295	2,680,106
1997-98	2,750,498	2,700,732	98.19%	72,547	2,773,279
1998-99	2,747,743	2,683,405	97.65%	46,825	2,730,230
1999-00	2,758,209	2,693,891	97.95%	46,271	2,740,162
2000-01	2,807,219	2,759,074	98.28%	37,546	2,796,620

Note:

The above collection data does not include the effects of discounts, penalties and interest or collection fees associated with net tax revenues.

Table 5

<u>% of Total Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>% of Delinquent Taxes to Levy</u>
93.94%	\$ 219,743	9.22%
97.82%	212,214	8.66%
99.77%	211,927	8.60%
100.79%	203,696	7.97%
100.62%	199,876	7.51%
100.23%	207,503	7.76%
100.83%	191,363	6.96%
99.36%	188,630	6.86%
99.35%	202,903	7.36%
99.62%	211,249	7.50%

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Table 6

**PANOLA COLLEGE
 ASSESSED & ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN TAX ROLL YEARS
 AND CURRENT TAX ROLL YEAR
 (UNAUDITED)**

<u>Tax Roll Year</u>	<u>Taxable Value</u>	<u>Estimated Value</u>	<u>Ratio of Total Actual/ Total Estimated</u>
1990	\$ 1,585,142,559	\$ 1,585,142,559	100%
1991	1,403,551,805	1,403,551,805	100%
1992	1,518,974,659	1,518,974,659	100%
1993	1,911,959,249	1,911,959,249	100%
1994	1,773,071,737	1,773,071,737	100%
1995	1,572,994,934	1,572,994,934	100%
1996	2,032,137,421	2,032,137,421	100%
1997	2,186,980,773	2,186,980,773	100%
1998	1,961,427,205	1,961,427,205	100%
1999	1,964,396,169	1,964,396,169	100%
2000	2,016,245,780	2,016,245,780	100%

**PANOLA COLLEGE
PROPERTY TAX RATES - DIRECT & OVERLAPPING
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>College</u>		<u>Total</u>	<u>County</u>	<u>Cities (Average)</u>
	<u>Current Operations</u>	<u>Debt Service</u>			
1991-92	\$ 0.14827	\$ 0.00206	\$ 0.15033	\$ 0.36910	\$ 0.54010
1992-93	0.17543		0.17543	0.4300	0.51890
1993-94	0.16228		0.16228	0.4239	0.51880
1994-95	0.13975		0.13975	0.3668	0.51610
1995-96	0.15002		0.15002	0.3996	0.51742
1996-97	0.16999		0.16999	0.4661	0.51742
1997-98	0.13535		0.13535	0.3862	0.42621
1998-99	0.12585		0.12585	0.3539	0.39286
1999-00	0.14041		0.14041	0.3926	0.40810
2000-01	0.13923		0.13923	0.3949	0.42368

Notes:

- (1) The County Education District was created by the State Legislature in 1991 and subsequently dissolved by the State Supreme Court in 1993 as unconstitutional.

Table 7

<u>Independent School Districts (Average)</u>	<u>(1) CED (Average)</u>	<u>Rural Fire District</u>	<u>Total</u>
\$ 0.43930	\$ 0.77550		\$ 2.27433
0.37400	0.96400		2.46233
1.30150			2.40648
1.26000			2.28265
1.33137			2.39841
1.48223		\$0.03000	2.66574
1.44714		0.02370	2.41860
1.48743		0.02179	2.38183
1.46291		0.02560	2.42962
1.45130		0.02520	2.43431

Table 8

PANOLA COLLEGE
RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Population	Assessed Value(2) (Thousands)	Gross Bonded Debt	Available Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1991-92	22,100	\$ 1,403,552	\$ 205,000	\$ 41,673	\$ 163,327	11.64%	\$ 7.39
1992-93	22,300	1,518,975	190,000	77,588	112,412	7.40%	5.04
1993-94	22,430	1,911,959	170,000	34,512	135,488	7.09%	6.04
1994-95	22,500	1,773,072	150,000	25,517	124,483	7.02%	5.53
1995-96	22,500	1,572,994	130,000	25,517	104,483	6.64%	4.64
1996-97	23,402	2,031,345	105,000	25,517	79,483	3.91%	3.40
1997-98	22,949	2,186,981	80,000	25,517	54,483	2.49%	2.37
1998-99	22,891	1,961,427	55,000	25,517	29,483	1.50%	1.29
1999-00	23,070	1,964,306	30,000	25,517	4,483	0.23%	0.19
2000-01	22,756	2,016,246	0	0	0	0.00%	0.00

(1) 1983 through 1986 and 1988 and 1990 population based on Sales & Marketing Management Survey of buying power. 1987 population based on Texas Department of Health projections. 1989 and 1992 through 1995 population is based on estimates. 1996 is based on Texas State and Local Government Fiscal 1996 Debt Report.

(2) Panola County Appraisal District.

**PANOLA COLLEGE
COMPUTATION OF LEGAL DEBT MARGIN
AUGUST 31, 2001
(UNAUDITED)**

The amount of bonded debt is limited by statute to the extent that the aggregate annual bond taxes in the District shall never exceed \$0.50 per \$100 valuation of taxable property in the District.

For the fiscal year ended August 31, 2001, the College had no general obligation debt; therefore, no tax rate was established for the purpose of debt service.

PANOLA COLLEGE
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 AUGUST 31, 2001
 (UNAUDITED)

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u> (1)	<u>Percent Applicable to College</u> (2)	<u>Amount Applicable to College</u>
Direct:			
Panola College	\$ <u>0</u>	100.00%	\$ <u>0</u>
Sub total - Direct	<u>0</u>		<u>0</u>
Overlapping:			
Panola County	0	100.00%	0
City of Carthage	4,885,000	100.00%	4,885,000
City of Beckville	0	100.00%	0
Carthage ISD	9,230,000	100.00%	9,230,000
Gary ISD	1,870,000	100.00%	1,870,000
Beckville ISD	6,180,000	100.00%	6,180,000
Elysian Fields ISD	2,000,000	53.75%	1,075,000
Tatum ISD	5,000	32.50%	1,625
Tenaha ISD	0	1.86%	0
Joaquin ISD	<u>1,205,000</u>	5.05%	<u>60,853</u>
Sub total - Overlapping	<u>25,375,000</u>		<u>23,302,478</u>
Total Direct and Overlapping Debt	<u>\$25,375,000</u>		<u>\$23,302,478</u>

(1) Respective entities and auditors of respective entities.

(2) Texas Municipal Reports

PANOLA COLLEGE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1991-92	\$ 45,000	\$ 16,221	\$ 61,221	\$ 5,951,696	1.03%
1992-93	15,000	14,234	29,234	6,023,150	0.49%
1993-94	20,000	12,965	32,965	6,462,951	0.51%
1994-95	20,000	11,520	31,520	6,752,183	0.47%
1995-96	20,000	10,080	30,080	7,218,705	0.42%
1996-97	25,000	8,460	33,460	7,988,188	0.42%
1997-98	25,000	6,660	31,660	8,918,563	0.35%
1998-99	25,000	4,860	29,860	8,840,190	0.34%
1999-00	25,000	3,060	28,060	9,228,754	0.30%
2000-01	30,000	1,080	31,080	9,214,565	0.34%

(1) Represents total expenditures in the auxiliary, unrestricted, and retirement of indebtedness funds.

Table 12

PANOLA COLLEGE
 PRINCIPAL TAXPAYERS
 AUGUST 31, 2001
 (UNAUDITED)

<u>Taxpayer (1)</u>	<u>Type of Business</u>	<u>2000 Assessed Valuation (1) (in 1,000's)</u>	<u>Percentage of Total Assessed Valuation</u>
Union Pacific Resources	Petroleum	\$199,101	9.87%
Devon Energy (Pennzenergy)	Petroleum	152,616	7.57%
Texaco E & P Inc.	Petroleum	140,078	6.95%
EOG Resources	Petroleum	88,673	4.40%
Exxon Corp.	Petroleum	70,689	3.51%
Duke Energy Field Svcs-Procsng	Petroleum	57,988	2.88%
R. Lacy Inc.	Petroleum	55,642	2.76%
BP Amoco Corporation	Petroleum	46,097	2.29%
TXU Mining Co.	Utilities	39,476	1.96%
Vastar Resources Inc.	Petroleum	37,935	1.87%
Totals (44.06% of Actual Value of \$2,016,245,780)		\$888,295	44.06%

(1) Panola County Appraisal District

**PANOLA COLLEGE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Popula- tion (1)	Median Age (2)	Per Capita Effective Buying Income	Median Household Effective Buying Income (2)	Unemploy- ment Rate (3)
1991-92	22,100	34.8	\$14,902	\$22,838	5.7%
1992-93	22,300	35.1	\$14,999	\$21,746	7.5%
1993-94	22,430	35.4	\$15,449	\$21,746	7.0%
1994-95	22,500	36.1	\$16,375	\$23,139	6.3%
1995-96	22,500	36.1	\$16,695	\$21,027	8.7%
1996-97	23,402	36.1	\$17,550	\$22,899	9.6%
1997-98	22,949	36.1	\$16,720	\$21,027	9.8%
1998-99	22,891	36.1	\$16,800	\$25,781	10.5%
1999-00	23,070	36.1	\$16,948	\$23,651	9.9%
2000-01	22,756	36.1	\$16,992	\$25,059	6.9%

(1) Federal Bureau of Census, Sales and Marketing Survey of Buying Power.
1987 population based on Texas Department of Health projections.
1989 through 1996 estimated.
1997 based on Texas State and Local Government Fiscal 1996 Debt Report.

(2) Federal Bureau of Census, East Texas Council of Governments, Regional
Economic Information System Bureau of Economic Analysis and
Estimates.

(3) Texas Employment Commission.

Table 14

PANOLA COLLEGE
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Head Count:

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Jefferson/ Marshall</u>	<u>Center</u>	<u>Total</u>
1991-92	1,099	286	208	1,593
1992-93	1,138	324	135	1,597
1993-94	1,125	310	149	1,584
1994-95	1,192	268	140	1,600
1995-96	1,264	220	173	1,657
1996-97	1,292	312	168	1,772
1997-98	1,232	292	193	1,717
1998-99	1,205	129	170	1,504
1999-00	1,234	124	164	1,522
2000-01	1,206	85	133	1,424

Full-Time Equivalent (FTEs):

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Jefferson/ Marshall</u>	<u>Center</u>	<u>Total</u>
1991-92	901	234	170	1,305
1992-93	959	269	112	1,340
1993-94	1,023	259	124	1,406
1994-95	1,159	133	86	1,378
1995-96	1,230	126	125	1,481
1996-97	1,202	169	116	1,487
1997-98	1,204	149	139	1,492
1998-99	1,185	91	135	1,411
1999-00	1,212	94	136	1,442
2000-01	1,136	83	115	1,334

The above information reflects the fall semester statistics
 for the respective fiscal years.

PANOLA COLLEGE
 STUDENT ENROLLMENT DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	Attendance		Gender		Residency		
	Full Time	Part Time	Male	Female	Resident	Out of County	Out of State
1991-92	52%	48%	33%	67%	38%	57%	5%
1992-93	54%	46%	34%	66%	35%	60%	5%
1993-94	54%	46%	34%	66%	33%	61%	6%
1994-95	54%	46%	35%	65%	34%	58%	8%
1995-96	54%	46%	35%	65%	32%	61%	7%
1996-97	51%	49%	38%	62%	31%	63%	6%
1997-98	53%	47%	38%	62%	27%	68%	5%
1998-99	61%	39%	32%	68%	33%	66%	1%
1999-00	63%	37%	35%	65%	31%	68%	1%
2000-01	63%	37%	34%	66%	31%	68%	1%

Fiscal Year	Average Age of Student	Ethnic Background				
		Asian	Black	Hispanic	White	Other
1991-92	27.0	0%	17%	1%	81%	1%
1992-93	25.5	0%	14%	1%	84%	1%
1993-94	25.8	1%	14%	1%	83%	1%
1994-95	25.3	0%	15%	1%	84%	0%
1995-96	25.2	0%	15%	1%	84%	0%
1996-97	25.7	1%	14%	1%	83%	1%
1997-98	24.7	1%	16%	1%	81%	1%
1998-99	24.3	1%	18%	2%	79%	1%
1999-00	23.0		18%	3%	79%	
2000-01	23.0	0.5%	17%	2%	80%	0.5%

Table 16

PANOLA COLLEGE
 TUITION AND FEE STATISTICS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Cost for Full Time Resident Student (12 Credit Hours) Per Semester:

<u>Fiscal Year</u>	<u>Tuition</u>	<u>General Fees</u>	<u>Total Cost</u>	<u>Percentage of Increase</u>
1991-92	\$72	\$30	\$102	14.6%
1992-93	\$120	\$48	\$168	64.7%
1993-94	\$120	\$48	\$168	0.0%
1994-95	\$180	\$48	\$228	35.7%
1995-96	\$180	\$48	\$228	0.0%
1996-97	\$180	\$48	\$228	0.0%
1997-98	\$216	\$48	\$264	15.8%
1998-99	\$216	\$72	\$288	9.1%
1999-00	\$216	\$96	\$312	8.3%
2000-01	\$216	\$156	\$372	19.2%

In addition to the above, the following fees are required, as applicable:

Regular Laboratory Fees	\$15
Special Laboratory Fees: Photography, Welding, Cosmetology, Forestry and Nursing	\$24-\$105
Private Music Lessons	\$20-\$36

Table 17

PANOLA COLLEGE
 FACULTY STATISTICS
 AAUGUST 31, 2001
 (UNAUDITED)

<u>Years of Experience</u>	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
0-5 years	25	40.32%
6-10 years	13	20.97%
11-15 years	11	17.74%
16-20 years	6	9.68%
More than 21 years	7	11.29%
	<u>62</u>	<u>100.00%</u>

	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
Less than Bachelor's	4	6.45%
Bachelor's	8	12.90%
Master's	43	69.35%
Doctorate	7	11.29%
	<u>62</u>	<u>100.00%</u>

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SINGLE AUDIT

SECTION

ROBINSON & WILLIAMS, P.L.L.C.
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MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Panola College as of and for the year ended August 31, 2001, and have issued our report thereon dated October 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, including the Public Funds Investment Act (Texas Government Code, Chapter 2256), 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 a objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panola College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the administration, trustees, the Texas Higher Education Coordinating Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

Robinson & Williams, P.L.L.C.

Robinson & Williams, P.L.L.C.
Certified Public Accountants

October 19, 2001

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

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

Compliance

We have audited the compliance of Panola College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2001. Panola College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of Panola College's administration. Our responsibility is to express an opinion on Panola College's compliance based on our audit.

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

In our opinion, Panola College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2001.

Internal Control Over Compliance

The administration of Panola College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Panola College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the administration, trustees, the Texas Higher Education Coordination Board, and the United States Department of Education. However, this report is a matter of public record and its distribution is not limited.

Robinson & Williams, P.L.L.C.

**Robinson & Williams, P.L.L.C.
Certified Public Accountants**

October 19, 2001

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2001**

- I. Summary of the Auditor's Results:**
- a. The type of report issued on the financial statements of Panola College was an unqualified opinion.
 - b. No material weaknesses were identified in internal control over financial reporting; and no reportable conditions were reported.
 - c. The audit did not disclose any noncompliance which is material to the financial statements of the College.
 - d. No material weaknesses were identified in internal control over major programs and no reportable conditions were reported.
 - e. The type of report issued on compliance for major programs was an unqualified opinion.
 - f. The audit did not disclose any audit findings which is required to be reported under Section __.510(a) of the Office of Management and Budget (OMB) Circular No. A-133.
 - g. Major programs of Panola College include the cluster of The United States Department of Education Student Financial Aid Programs administered by the College. The cluster of programs include the campus-based programs of the Federal Work Study (FWS -CFDA 84.033) and the Federal Supplemental Education Opportunity Grant (FSEOG - CFDA 84.007); and the Federal Pell Grant (Pell - CFDA 84.063) program.
 - h. The dollar threshold used to distinguish between Type A Type B programs was \$300,000.
 - i. Panola College qualified as a low-risk auditee.
- II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.**
- NONE
- III. Findings and Questioned Costs For Federal Awards**
- NONE
- IV. Status of Prior Audit Findings**
- There are no outstanding findings.

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