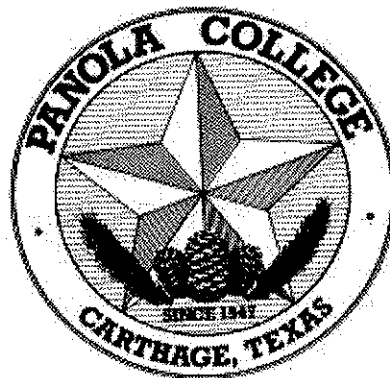


PANOLA COLLEGE
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
AUGUST 31, 2002



PREPARED BY:
FISCAL AFFAIRS DEPARTMENT
PANOLA COLLEGE

**PANOLA COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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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

November 18, 2002

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, 2002, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Panola College. To the best of our knowledge, the enclosed data is accurate in all material respects and 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 Management's Discussion and Analysis, financial statements, notes to the financial statements, and the independent auditor's report on the financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The College is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act as amended in 1996 and U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of 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.

Panola College is committed to offering quality educational programs and services for the people of the College's service area at a reasonable cost. The College provides a wide range of programs, including general academic, technical-vocational, student development services, continuing education, and community service.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

ORGANIZATION OF COLLEGE

Panola County Junior College District was established as a public junior college in an election held in Panola County, Texas, in 1947. The District operates as a junior college district under the laws of the State of Texas. 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. 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. Natural gas priced increased dramatically last year and was the primary reason the assessed tax base increased thirty-three percent that year. This year gas prices dropped and property values declined four percent.

MAJOR INITIATIVES

Panola College received a communication tower. The college is a member of the Northeast Texas Network Consortium (NETnet). This year a 380 foot communication tower was constructed on the campus that connects fifteen higher education facilities and serves 50 East Texas counties. The wireless data network will provide increased distance learning capabilities and high speed internet access.

The Shelby Regional Training Center opened. The new 15,698 square foot facility is located in Center, Texas, and was built through local donations. The facility is owned by Shelby County and is rented to the college for \$10 per year. The primary purpose of the facility is to provide training in the building trade area. The building is being equipped through a \$325,000 Wagner Peyser grant from the Texas Workforce Commission. Classes began in Fall 2002.

Student enrollment increased. Enrollment in the Fall 2001 semester was 1493 which was up 4.9% from the prior year. This enrollment growth broke a trend of declining enrollment over the past few years. Enrollment has continued to increase and was up 13.5% reaching 1695 students for the Fall 2002 semester.

The College renovated the physical plant. During the year the College secured a two million dollar maintenance tax note. With these funds the College was able to take care of much of it's deferred maintenance. Nearly all of the Heating, Venting, and Air Conditioning (HVAC) systems, lighting fixtures, plumbing fixtures, and roofs were replaced. The high efficiency equipment that was used in the retrofit enabled the college to qualify for rebates from the electric company. Energy savings are estimated to provide future energy savings that will pay for fifty percent of the loan payment. The project has also included new landscaping and irrigation system for the campus grounds. Installation of an energy management system, additional landscaping, and outside lighting are scheduled to be completed in the Spring of 2003.

New grants were received. The grants include a \$359,000 Self Sufficiency Grant. This was the third Self Sufficiency Grant the College received from the Texas Workforce Commission. The Workforce and Continuing Education will administer this grant and several other Adult Basic Education Grants. The College also received several grants from the Texas Infrastructure Fund Board (TIFB). The TIFB Discovery grant provided funds that enabled the College to offer on-line internet registration for the first time in the summer of 2002.

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

As a part of the College's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including 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, 2002, 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. All activities of the College except for endowment transactions are included in the annual appropriated budget. The College also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are appropriated as part of the next year's budget.

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

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, 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, 2002 was 3.74 percent. The College earned interest revenue of \$ 303,927 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, 2002, 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, P.L.L.C. 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 to Panola College for its comprehensive annual financial report (CAFR) for the fiscal year ended August 31, 2001. This was the eighth consecutive year that the college has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a college must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

The preparation of the comprehensive annual financial report on a timely basis was made possible by the hard work and diligence of many College employees. Each employee who contributed to this report has our sincere appreciation. We would also like to thank the accounting firm of Robinson & Williams, P.L.L.C. 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, 2001

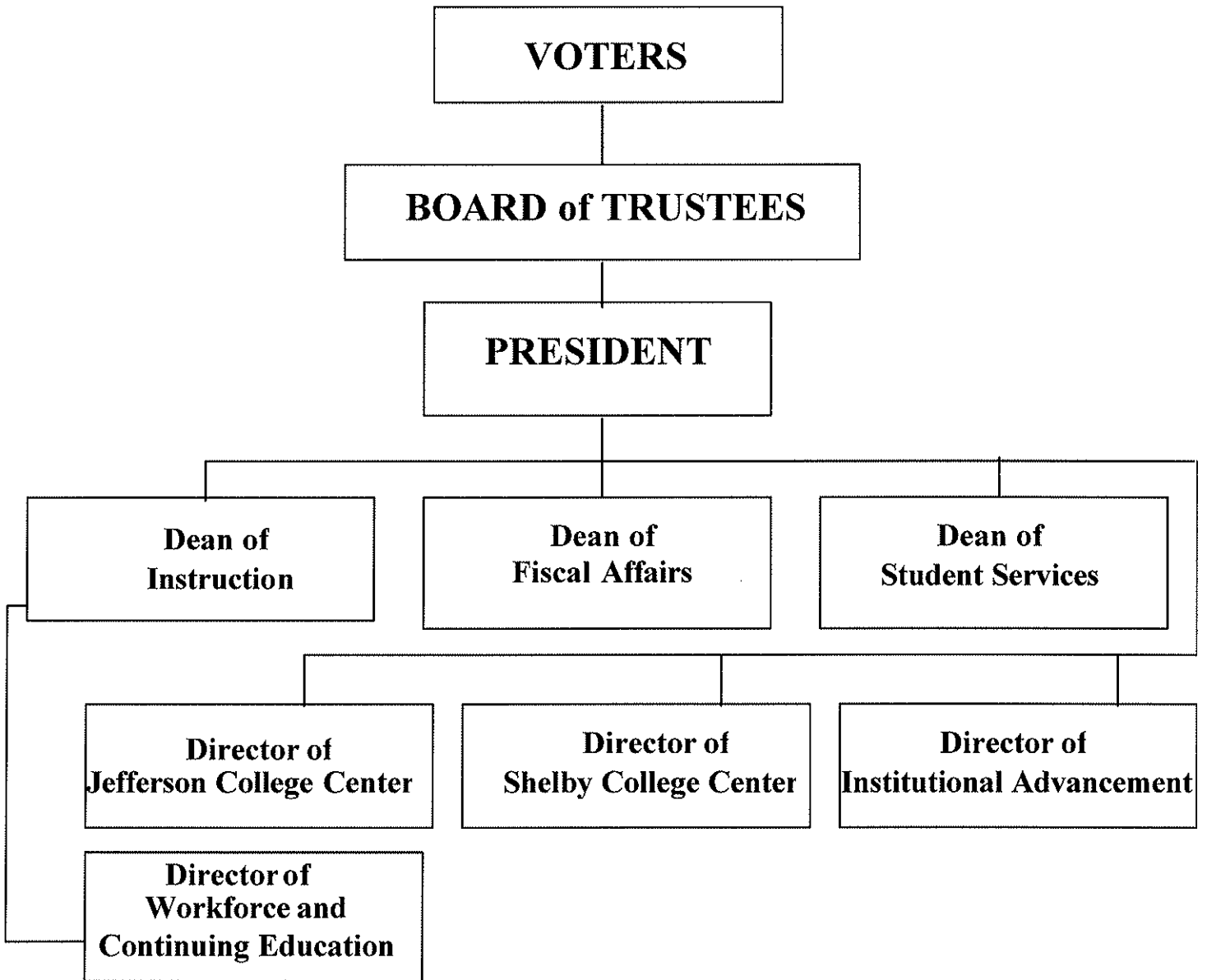
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Timothy A. Crave
President

Jeffrey L. Esser
Executive Director

**ORGANIZATIONAL CHART
PANOLA COLLEGE
Carthage, Texas**



PANOLA COLLEGE
PRINCIPAL OFFICIALS
AUGUST 31, 2002

BOARD OF TRUSTEES

OFFICERS

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

Chair
Vice-Chair
Secretary

MEMBERS

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

Term Expires
May 31

2004
2004
2004
2006
2006
2008
2008

ADMINISTRATION

Dr. Gregory Powell
Dr. Lillian Cook
Mr. Louis Johnagin, CPA
Mrs. Betsy Wheat
Dr. Barbara Buchanan
Mr. Van Patterson
Mr. Bob Wilkins
Dr. Jeanne Scott

President
Dean of Instruction
Dean of Fiscal Affairs
Dean of Student Services
Director of Workforce/
Continuing Education
Director of Institutional
Advancement
Director of Shelby
College Center
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) 693-5822

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

We have audited the accompanying statement of net assets and the related statement of revenues, expenses, and changes in net assets, and statement of cash flows of Panola College as of and for the year ended August 31, 2002, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's administrators. Our responsibility is to express an opinion on these financial statements based on our 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, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2002 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 financial statements that collectively comprise Panola College's basic financial statements. 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 35 to 39, and the statistical section on pages 45 to 66 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary data 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

November 8, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Panola County Junior College District (Panola College), we offer readers of the College's financial statement this narrative overview and analysis of the financial activities of College for the year ended August 31, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report and the District's financial statements and notes to the financial statements, which follow this section.

The College has implemented new reporting standards for this fiscal year that has resulted in significant changes in content and structure of the financial statements. As a consequence much of the information is not easily comparable to prior years. In future years comparisons will be more meaningful in explaining the College's financial position and results of operations.

FINANCIAL HIGHLIGHTS

- The assets of the College exceeded its liabilities at August 31, 2002 by \$10,766,981 (net assets). Of this amount \$4,820,601 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- Revenue exceeded expenses by \$615,566 for the current fiscal year end.
- Cash and cash equivalents declined by \$3,479,610 due primarily to the investment of \$4.3 million in one-year certificates of deposits. The remaining balance of \$2.2 million in cash and cash equivalents is adequate to meet budget requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Both of these statements distinguish the functions of the College as being a "special purpose government engaged only in business-type activities" (BTA), as permitted in GASB 35, Par. 43. Business-type activity reporting is a category of "Proprietary" funds referred to as "Enterprise" funds (GASB34, Par. 66 and 138) and is presented in a single column entity-wide format. Although the College is funded from sources in addition to user charges, the district meets the principal criteria for BTA reporting (GASB34, Par. 67 & GASB35 Par. 44).

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

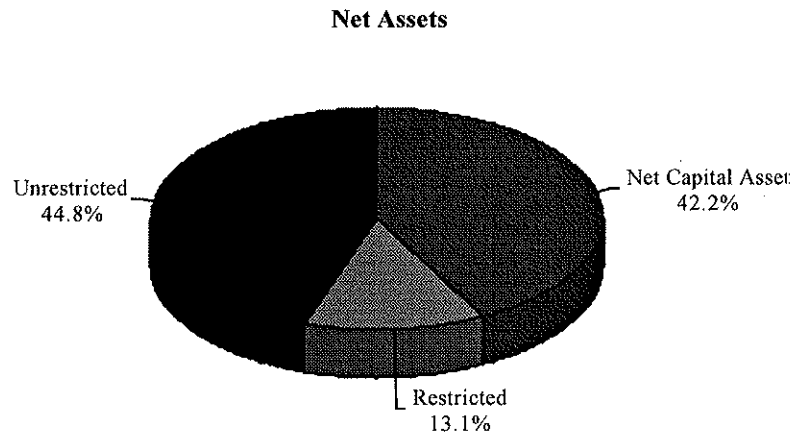
Notes to the financial statements.

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

ANALYSIS OF BASIC FINANCIAL STATEMENTS

Condensed Statement of Net Assets
as of August 31, 2002

Current assets	\$7,464,683
Non-current assets:	
Capital assets, net	6,689,936
Other	1,115,854
Total Assets	<u>\$15,270,474</u>
Current liabilities	\$2,516,729
Non-current liabilities	1,986,764
Total Liabilities	<u>\$4,503,493</u>
Net Assets:	
Invested in capital assets, net of related debt	\$4,539,746
Restricted	1,406,634
Unrestricted	4,820,601
Total Net Assets	<u>\$10,766,981</u>

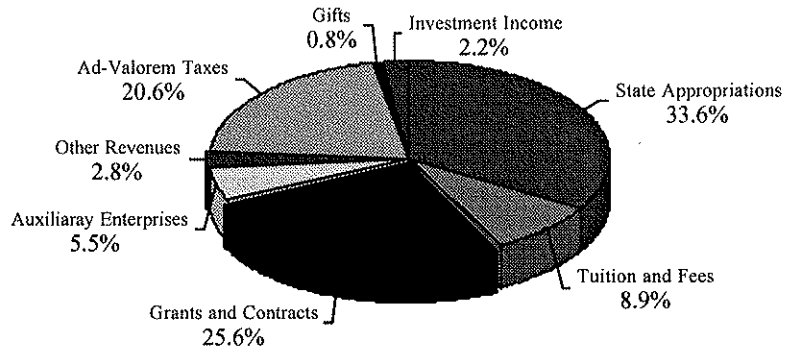


The College's assets exceeded liabilities by \$10,766,981 as of August 31, 2002. Assets amounted to \$15,270,474 with the investment in capital assets comprising \$6,689,936 of that total. Capital assets include land, library books, buildings and improvements, vehicles, furniture, and equipment. The College uses these capital assets to provide services to students and consequently these assets are not available for future spending. The College's investment in capital assets, reported net of related debit, is 42.2 % of the total net assets. It should be noted that the capital assets themselves cannot be used to liquidate these liabilities. Additionally \$1,406,634 or 13.1 % of total net assets is externally restricted. The remaining balance of \$4,820,601 represents unrestricted net assets that may be used to meet the College's ongoing obligations. Debt related to capital assets was \$2,150,190. The total liabilities amounted to \$4,503,493 of which \$2,516,729 are due next year.

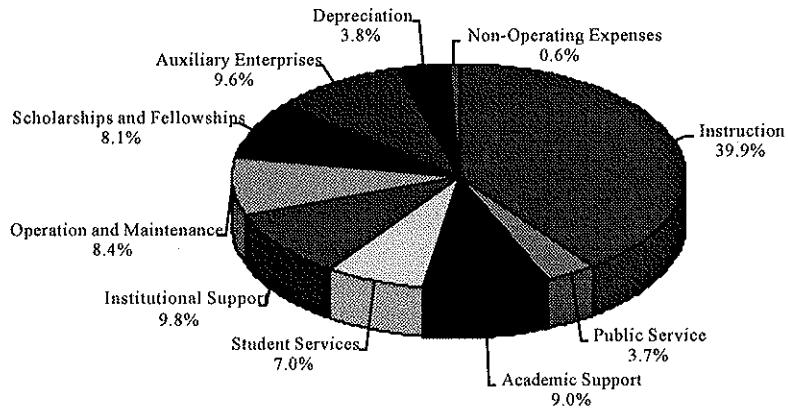
**Condensed Statement of Revenues,
Expenses, and Changes in Net Assets
For the Year Ended August 31, 2002**

Operating Revenues	
State Appropriations	\$4,620,700
Tuition and Fees, net of discou	1,229,778
Grants and Contracts	3,526,113
Auxiliary Enterprises	761,918
Other Revenues	<u>384,224</u>
Total Operating Revenues	<u>\$10,522,733</u>
Non-Operating Revenues	
Ad-Valorem Taxes	\$2,839,006
Gifts	103,455
Investment Income	303,927
Total Non-Operating Revenues	\$3,246,388
Total Revenues	<u>\$13,769,121</u>
Operating Expenses	
Instruction	\$5,248,884
Public Service	483,434
Academic Support	1,186,163
Student Services	916,376
Institutional Support	1,292,685
Operation and Maintenance of Plant	1,110,567
Scholarships and Fellowships	1,065,433
Auxiliary Enterprises	1,265,906
Depreciation	<u>499,661</u>
Total Operating Expenses	<u>\$13,069,109</u>
Non-Operating Expenses	<u>84,446</u>
Total Expenses	<u>\$13,153,555</u>
Changes in Net Assets	\$615,566
Beginning Net Assets as Restate d	<u>10,151,415</u>
Ending Net Assets	<u>\$10,766,981</u>

Revenue by Source



Expenses by Function



Operating revenue amounted to \$10,522,733 and non-operating revenues \$3,246,388 for a total of \$13,769,121. The major operating revenues includes \$4,620,700 (43.9%) in state appropriations , \$1,229,778 (11.7%) in tuition and fees, \$3,526,113 (33.5%) in grants and contracts, and \$761,918 (7.2%) in auxiliary enterprises. Ad-valorem taxes amounted to \$2,839,006 or 87.5% of the non-operating revenue.

The state appropriations of \$4,620,700 includes \$1,029,138 for employee benefits (\$324,884 for retirement benefits and \$704,254 for health and life insurance coverage). Excluding these amounts which represent on behalf of payments not actually incurred by the College would result in state appropriations in accounting for 28.2% of total revenues. Additional information is available in footnote 12 and 15 found on pages 28-31.

The tuition and fee revenue is reported net of discounts of \$854,816. Gross income from tuition and fees is up 12% over the prior year. The increase is due to growth in enrollment and an increase per semester hour of \$2 in general fees and \$1 in out-of-district fees.

Operating Expenses totaled \$13,069,109 and non-operating expenses \$84,446 for a total expenses of \$13,153,555. Revenues exceed expenses for the year by \$615,566, and is the increase in net assets.

Instruction at \$5.2 million (40%) is the largest operating expense. It includes expenditures for all activities that are part of the institution's instruction program. These activities include credit and noncredit courses, for academic, vocational, and developmental and tutorial instruction. Academic support at \$1.1 million (9%) these expenses are to provide support services for the college's primary missions of instruction, research, and public service. This includes library expenses, academic administration, computer services, and distance learning support. Student services \$.9 million (7%) includes expenses for offices of records and admissions and student activities. Institutional support \$1.3 million (10%) include expenses related to the college's executive management, fiscal operations, personnel management, college development, administrative computing, and general institutional expenses. Operation and maintenance of plant \$1.1 million (8%) are expenditures for the operation and maintenance of the physical plant. Scholarships and fellowships \$1.1 million (8%) includes scholarships and fellowships including tuition remissions and exemptions. Auxiliary enterprises \$1.3 million (10%) includes expenditures for the College Store, food service, residence halls, and athletic programs.

**Condensed Statement of Cash Flows
For the Year Ended August 31, 2002**

Cash provided by/(used) in:	
Operating Activities	(\$2,213,625)
Noncapital Financing Activities	2,930,354
Capital and Related Financing Activities	(371,141)
Investing Activities	<u>(3,825,198)</u>
Net decrease in Cash and Cash Equivalents	(\$3,479,610)
Cash and cash equivalents - September 1, 2001	<u>5,652,602</u>
Cash and cash equivalents - August 31, 2002	<u>\$2,172,992</u>

Major sources of operating funds include student tuition and fees (\$3.5 million), grants and contracts (\$3.2 million), and state appropriations (\$3.6 million). In Texas the state appropriation to community colleges is an operating revenue due to an implied contractual agreement based on contact hours taught. The Texas Higher Education Coordinating Board (THECB) determined that the appropriation was program revenue under GASB 34, para47(b), because it is based upon performance and since the appropriation is restricted to instructional programs. There are three significant payments in operating activities . They are employee related payments (\$6.5 million), payments for goods or services (\$3.6 million), and scholarship payments (\$2.3 million). The scholarship payments include disbursements through the U.S. Department of Education Pell grant program, Supplemental Educational Opportunity Grant (SEOG) program, and the Federal Work Study program.

The largest inflow of cash in the noncapital financing activities is the ad-valorem tax of \$2.8 million. The bulk of the cash flow in capital and related financing activities is the result of campus renovation project. The purchase of investments accounted for 4.3 million of cash outflow and was the result of taking advantage of preferred rates on one-year certificate of deposits.

Contributions for \$92,155 to endowments were received during the year. The balance in endowment cash and investments at year end was \$1,304,244.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION

As mentioned earlier, revenues exceed expenses by \$615,566 for the year ended August 31, 2002. The College’s financial position remains strong, with the unrestricted net assets representing approximately five months of operating reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The College’s investment in capital assets as of August 31, 2002, amounts to \$6,689,936 (net of accumulated depreciation). This investment includes land, library books, buildings and improvements, and furniture and equipment. The renovation project mentioned earlier resulted in an increase of \$1,940,384 in building improvements for the year.

	Capital Assets (net of deprecation)
Land	\$968,460
Library Books	557,713
Buildings and Improvements	4,700,567
Furniture and Equipment	<u>463,196</u>
Total at historical cost	<u>\$6,689,936</u>

Please refer to footnote number 6 on page 22 for additional information on capital assets.

Long-term Debt

The College has no bonded indebtedness. In December 2001 the College received a 15 year Maintenance Tax Note. The note is secured with proceeds from the college’s maintenance and operations tax. The principle balance at August 31, 2002, was \$1,952,975. Approximately one acre of land and two structures that adjoin College property were purchased in October, 1999. There is a note payable of \$63,731 with the final payment due in October, 2004.

The only other debt the College has 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, 2002 was \$133,484.

Long-term Liabilities

Lease Purchase Agreements	\$133,484
Notes Payable	63,731
Maintenance Notes Payable	<u>1,952,975</u>
Total Long-term Liabilities	<u>\$2,150,190</u>

Additional information on the College’s long-term debt can be found in footnote number 7 on page 23 of this report.

ECONOMIC FACTORS

The Texas Legislature convenes in January 2003 and will set appropriation amounts for the fifty state community colleges for the next biennium which begins September 1, 2003. The appropriation is divided among the colleges based on a percentage of the total contact hours reported. The Texas Legislative Budget Board (LBB) has set a maximum overall increase in spending at 11.83 % if funds are available to support that increase. The growth rate in community college since the last funding has been greatest in the large metropolitan areas. In thirteen rural community colleges enrollment has increased by more than 20%. Panola College has shown significant increase, however based on the current estimate of reported contact hours statewide the state appropriation would need to increase 21.25% for Panola College to receive the same as the currently scheduled funding.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, students, stakeholders and creditors with a general overview of the College's finances as well as demonstrate accountability for the funds the College receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Dean of Fiscal Affairs, Panola College, 1109 West Panola, Carthage, Texas 75633.

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PANOLA COLLEGE
STATEMENT OF NET ASSETS
For the Year Ended August 31, 2002
EXHIBIT 1

		Primary Institution
ASSETS		
Current Assets		
Cash and cash equivalents	\$	2,172,992
Short-term investments		3,231,453
Accounts receivable (net)		1,667,706
Inventories		82,304
Other assets		310,228
Total Current Assets		7,464,683
Noncurrent Assets		
Endowment short-term investments		1,115,855
Capital assets, (net) (See note)		6,689,936
Total Noncurrent Assets		7,805,791
Total Assets	\$	15,270,474
LIABILITIES		
Current Liabilities		
Accounts payable	\$	578,899
Accrued liabilities		237,592
Funds held for others		79,772
Deferred revenues		1,439,636
Capital Leases Payable - current portion		63,589
Notes Payable - current portion		117,241
Total Current Liabilities		2,516,729
Noncurrent Liabilities		
Deposits		17,404
Capital Leases Payable		69,895
Notes Payable		1,899,465
Total Noncurrent Liabilities		1,986,764
Total Liabilities	\$	4,503,493
NET ASSETS		
Invested in capital assets, net of related debt	\$	4,539,746
Restricted for		
Nonexpendable		
Student Aid		1,344,951
Expendable		
Instruction related		48,453
Capital Projects		13,230
Unrestricted		4,820,601
Total Net Assets	\$	10,766,981

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

PANOLA COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended August 31, 2002
EXHIBIT 2

		Primary Institution
Revenues		
Operating Revenues		
State Appropriations	\$	4,620,700
Tuition and Fees (Net of Discounts of \$854,816)		1,229,778
Federal Grants and Contracts		2,554,220
State Grants and Contracts		957,550
Non-Governmental Grants and Contracts		14,343
Sales and Services of Educational Activities		109,977
Auxiliary Enterprises (Net of Discounts of \$532,910)		761,918
Other Operating Revenues (Net of Discounts of \$-0-)		274,247
Total Operating Revenues (Schedule 2-A)		10,522,733
Expenses		
Operating Expenses		
Instruction		5,248,884
Public Service		483,434
Academic Support		1,186,163
Student Services		916,376
Institutional Support		1,292,685
Operation and Maintenance of Plant		1,110,567
Scholarships and Fellowships		1,065,433
Auxiliary Enterprises		1,265,906
Depreciation		499,661
Total Operating Expenses (Schedule 2-B)		13,069,109
Operating Income (Loss)		(2,546,376)
Non-Operating Revenues (Expenses)		
Ad-Valorem Taxes for Maintenance & Operations		2,839,006
Gifts		103,455
Investment Income (Net of Investment Expenses)		303,927
Interest on Capital Related Debt		(84,446)
Net Non-Operating Revenues		3,161,942
Increase in Net Assets		615,566
NET ASSETS		
Net Assets - Beginning of Year as Restated		10,151,415
Net Assets - End of Year	\$	10,766,981

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

PANOLA COLLEGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended August 31, 2002
EXHIBIT 3

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from students and other customers	\$ 3,498,570
Receipts of appropriations, grants, and contracts	6,743,510
Payments to or on behalf of employees	(6,489,673)
Payments to suppliers for goods or services	(3,582,136)
Payments of scholarships	(2,383,896)
Net cash used for operating activities	<u>(2,213,625)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem tax revenues	2,843,588
Gifts and grants (other than capital)	103,455
Student organization and other agency transactions	(16,689)
Net cash provided (used) by non-capital financing activities	<u>2,930,354</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net proceeds from issuance of capital debt	2,000,000
Purchases of capital assets	(2,145,611)
Interest expense paid	(64,824)
Payments on capital debt and leases	(160,706)
Net cash used for capital and related financing activities	<u>(371,141)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale and maturity of investments	337,000
Investment earnings	185,110
Purchases of investments	(4,347,308)
Net cash used for investing activities	<u>(3,825,198)</u>
Decrease in cash and cash equivalents	(3,479,610)
Cash and cash equivalents - September 1, 2001	<u>5,652,602</u>
Cash and cash equivalents - August 31, 2002	<u>\$ 2,172,992</u>
Noncash investing, capital, and financing activities:	<u>None</u>

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

PANOLA COLLEGE
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended August 31, 2002
EXHIBIT 3

Reconciliation of operating loss to net cash used	
for operating activities	
Operating loss	\$ <u>(2,546,376)</u>
Adjustments to reconcile operating loss to net cash used	
for operating activities	
Depreciation expense	499,661
Bad debt expense	7,000
Changes in assets and liabilities	
Receivables, net	(584,477)
Inventories	35,021
Prepaid expenses	(18,220)
Utility deposits	(6,473)
Deferred expenses	32,194
Deferred credits student related	99,433
Deferred credits other	17,097
Accounts payable	271,011
Accrued liabilities-payroll related	336
Accrued liabilities-other	(52,773)
Other liabilities	(9,183)
Compensated absences	42,124
Total Adjustments	<u>332,751</u>
Net cash used by operating activities	\$ <u><u>(2,213,625)</u></u>

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

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PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002

1. REPORTING ENTITY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

Tuition Discounting

Texas Public Education Grants

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

Title IV, HEA Program Funds

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

Other Tuition Discounts

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

Basis of Accounting

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

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002

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

Budgetary Data

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

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. (The governing board has designated public funds investment pools comprised of \$422,943 to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

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

Capital Assets

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The college reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	30 years
Facilities and Other Improvements	10-20 years
Furniture, Machinery, Vehicles and Other Equipment	5-10 years
Telecommunications and Peripheral Equipment	5 years
Library Books	As long as in collection

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002

Library Books

Library books are capitalized but not depreciated. Library books will be written off as the books are removed from service.

Collections

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

Deferred Revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2002 have been deferred.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior Year Restatement

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management’s Discussion and analysis – for State and Local Governments. This was followed by GASB Statement No. 35, Basic Financial Statements – Management’s discussion and Analysis for Public Colleges and Universities, which extends the guidance of GASB 34 to public colleges and universities. The College implemented these changes for the year ended August 31, 2002, resulting in an entirely new financial statement presentation format. The College is reported as a special-purpose government engaged in business-type activities. Significant changes included eliminating the plant funds and reporting capital assets including accumulated depreciation of \$7,860,768, reporting outstanding debt, and including full accrual of property taxes assessed but uncollected. The cumulative effect of these changes was to decrease beginning net assets by \$9,886,580.

A summary of the cumulative effect of the changes is as follows.

Net Assets – Beginning of year as originally reported	\$ 20,037,995
Cumulative effects of changes in accounting principles related to capital assets and other	<u>(9,886,580)</u>
Net Assets – Beginning of year as restated	<u>\$ 10,151,415</u>

Operating Revenues and Non- Operating Revenues

The statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the College’s principal activities (such as investment income) and from all nonexchange transactions (such as property taxes).

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002**

Net Assets

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

3. 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.

4. DEPOSITS AND SHORT-TERM INVESTMENTS

Deposits and Investments

At August 31, 2002, the carrying amount of Panola College's deposits was \$6,068,545 and total bank balances (balances per financial institution records) equaled \$6,229,886.

Depository bank balances of \$6,142,165 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 \$87,721 were fully covered by federal depository insurance. Short-term investments with the Lonestar Investment Pool and a mutual fund investment firm described below totaling \$448,265 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's agent. Following are selected details about the deposits at the depository bank:

- a. Name of the Bank: First State Bank, 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 were approximately \$9,870,837. The highest combined balances of cash, savings and time deposits accounts amounted to approximately \$9,363,207 and occurred during the month of December, 2001.
- c. Total amount of FDIC coverage at the time of the highest combined balance in December was \$200,000.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 2002

d. At year end, fair value of securities pledged was approximately \$7,665,117.

Cash and cash equivalents as reported on Exhibit 1, Statement of Net Assets, consist of the items reported below.

Cash and Cash Equivalents

Cash in Bank	
Demand Deposits	\$ 989,260
Time Deposits	<u>731,977</u>
Cash and Cash Equivalents	\$1,721,237
Short-term investments	448,265
Petty Cash on Hand	<u>3,490</u>
 Total Cash and Cash Equivalents	 <u>\$2,172,992</u>

Short-term investments reflected on Exhibit 1, Statement of Net Assets, consisted of certificates of deposit with a maturity date greater than 90 days in the amount of \$4,347,308, an investment in the Lonestar Investment Pool in the amount of \$422,943, and an investment with a mutual fund investment firm of \$25,322. The Lonestar 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, 2002, 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, 2002, was approximately \$422,943, 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, 2002**

Based on these definitions, the Colleges deposits are categorized as follows:

<u>Deposit Type</u>	<u>Category</u>	<u>Carrying Amount</u>	<u>Institution Balance</u>
Demand and Time Deposits	1	\$ 286,996	\$ 287,721
Demand and Time Deposits	3	5,781,549	5,942,165
Total		<u>\$ 6,068,545</u>	<u>\$ 6,229,886</u>
Uncategorized investments			
Lone Star Investment Pool		\$ 422,943	\$ 422,943
Mutual Fund		25,322	25,322
Total		<u>\$ 448,265</u>	<u>\$ 448,265</u>

Reconciliation of Deposits and Investments Between Note 4 and Exhibit 1:

Per Note 4

Petty Cash on Hand	\$ 3,490
Demand and Time Deposits	1,721,237
Short Term Time Deposits	4,347,308
Lone Star Investment Pool	422,943
Mutual Fund Investments	25,322
	<u>\$ 6,520,300</u>

Per Exhibit 1

Cash and Cash Equivalents	\$ 2,172,992
Short Term Investments-current	3,231,453
Short Term Investments-endowments	1,115,855
	<u>\$ 6,520,300</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.

5. 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.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002

6. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2002 was as follows:

Description	Balance September 1, 2001	Increases	Decreases	Balance August 31, 2002
Capital assets not being depreciated:				
Land	\$ 968,460			\$ 968,460
Library Books	520,521	\$ 37,192		557,713
Total capital assets not being depreciated	<u>1,488,981</u>	<u>37,192</u>		<u>1,526,173</u>
Capital assets, being depreciated:				
Other Capital Assets				
Buildings and Improvements	9,773,703	1,940,384		11,714,087
Equipment under Capital Lease	462,637			462,637
Furniture, Fixtures, Machinery & Equipment and Other Equipment	1,179,432	168,036	\$ (158,664)	1,188,804
Total capital assets, being depreciated	<u>11,415,772</u>	<u>2,108,420</u>	<u>(158,664)</u>	<u>13,365,528</u>
Less accumulated depreciation for:				
Building and Improvements	(6,763,130)	(250,390)	-	(7,013,520)
Equipment under Capital Lease	(285,361)	(92,527)	-	(377,888)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(812,277)	(156,744)	158,664	(810,357)
Total accumulated depreciation	<u>(7,860,768)</u>	<u>(499,661)</u>	<u>158,664</u>	<u>(8,201,765)</u>
Total capital assets, being depreciated, net	<u>3,555,004</u>	<u>1,608,759</u>	<u>-</u>	<u>5,163,763</u>
Net Capital Assets	<u>\$ 5,043,985</u>	<u>\$ 1,645,951</u>	<u>\$ -</u>	<u>\$ 6,689,936</u>

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 2002

7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended August 31, 2002 was as follows:

	Balance September 1, 2001	Additions	Reductions	Balance August 31, 2002	Current Portion
<u>Leases and Notes</u>					
Capital Leases	\$ 227,241	\$ -	\$ 93,757	\$ 133,484	\$ 63,589
Notes Payable	82,436	-	18,705	63,731	19,921
Maintenance Notes Payable	-	2,000,000	47,025	1,952,975	97,320
Total Long-Term Liabilities	\$ 309,677	\$ 2,000,000	\$ 159,487	\$ 2,150,190	\$ 180,830

Lease Purchase Agreements Payable

During the prior year, the College entered into a capital lease commitment for copy equipment. The 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 \$8,042.

Year Ending August 31	Interest	Principal	Requirement
2003	\$ 6,088	\$ 25,494	\$ 31,582
2004	3,972	27,610	31,582
2005	1,681	29,901	31,582
2006	47	4,616	4,663
	<u>\$ 11,788</u>	<u>\$ 87,621</u>	<u>\$ 99,409</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 \$5,423.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 2002

<u>Year Ending</u> <u>August 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u> <u>Requirement</u>
2003	\$ 1,351	\$ 38,095	\$ 39,446
2004	<u>68</u>	<u>7,768</u>	<u>7,836</u>
	<u>\$ 1,419</u>	<u>\$ 45,863</u>	<u>\$ 47,282</u>

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 \$5,358.

Summarized below are annual payments associated with the note.

<u>Year Ending</u> <u>August 31</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u> <u>Requirement</u>
2003	\$ 4,142	\$ 19,922	\$ 24,064
2004	2,848	21,216	24,064
2005	1,471	22,593	24,064
	<u>\$ 8,461</u>	<u>\$ 63,731</u>	<u>\$ 72,192</u>

Maintenance Notes Payable

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

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

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

Assessment of a separate maintenance tax levy is not anticipated and payment of the obligations due in the fiscal year ending August 31, 2003 has been provided for in the budget.

PANOLA COLLEGE
 NOTES TO THE FINANCIAL STATEMENTS
 AT AND FOR THE YEAR ENDED AUGUST 31, 2002

In the current year, the first of the thirty semi annual installments was made on June 19, 2002. Interest associated with the payment amounted to \$46,000. Accrued interest on the note at August 31 amounted to approximately \$18,403 and is included in the financial statements.

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

Year Ending August 31	Interest	Principal	Requirement
2003	\$ 88,730	\$ 97,320	\$ 186,050
2004	86,492	99,558	186,050
2005	84,202	101,848	186,050
2006	81,860	104,190	186,050
2007	79,463	106,587	186,050
2007-2012	284,402	645,852	930,254
2008-2017	39,613	797,620	837,233
	<u>\$ 744,762</u>	<u>\$ 1,952,975</u>	<u>\$ 2,697,737</u>

8. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2002, were as follows:

	Total <u>Receivable</u>	Less Allowance <u>For Uncollectibles</u>	Net <u>Receivable</u>
Student Receivables	\$ 555,133	\$168,172	\$ 386,961
Taxes Receivable	200,493	135,372	65,121
Federal Receivable	741,592		741,592
State Receivables	268,648		268,648
Accounts Receivable	62,654		62,654
Interest Receivable	127,860		127,860
Other Receivable	<u>14,870</u>		<u>14,870</u>
TOTAL	<u>\$1,971,250</u>	<u>\$303,544</u>	<u>\$1,667,706</u>

Payables

Payables at August 31, 2002, were as follows:

Vendors Payable	\$ 578,899
Salaries and Benefits Payable	219,189
Students Payable	42,829
Accrued Interest	18,403
Other Payables	<u>36,943</u>
TOTAL	<u>\$ 896,263</u>

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002

9. 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.

10. PROPERTY TAXES

Property taxes are levied each October 1 in conformity with Subtitle E, Texas Property Tax Code. The levy is based on the assessed value as of the prior January 1 for all real and personal property located in the District. The taxes become due January 1 of the following year. A discount of up to 3% is allowed for taxes paid between October 1 and December 31. Taxes become past due February 1 and become delinquent on June 30. A tax lien attaches to property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes receivable as reflected on the balance sheet are net of an allowance for doubtful accounts. The allowance is based upon historical experience in collecting property taxes. Taxes levied for the year ended August 31, 2002 is \$2,917,869, which includes penalty and interest assessed of \$11,781. Tax collections for the current year including delinquent collections amounted to approximately 100% of the current tax levy.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002**

A summary of tax data is presented as follows:

Assessed valuation of the District	\$ 3,194,124,050
Less: Exemptions	(132,607,701)
Less: Abatements	(377,651,056)
Net Assessed Valuation of the District	<u>\$ 2,683,865,293</u>

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Tax Rate Per \$100 valuation for authorized	\$ 0.35000	\$ 0.50000	\$ 0.85000
Tax Rate Per \$100 valuation for assessed	\$ 0.10828	\$ 0.00000	\$ 0.10828

<u>Taxes Collected</u>	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current Taxes Collected, Net of Discounts of \$74,613	\$ 2,792,848		\$ 2,792,848
Delinquent Taxes Collected	45,143		45,143
Penalties and Interest Collected	51,758		51,758
Collection Fees	(50,743)		(50,743)
Total Collections	<u>\$ 2,839,006</u>	<u>\$ 0</u>	<u>\$ 2,839,006</u>

11. DEFERRED REVENUES

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

A summary of deferred revenues follows:

Tuition and Fees	\$ 991,816
Housing and Residential Life	274,951
Bookstore Profit Deferral	131,757
Other	<u>41,112</u>
	<u>\$1,439,636</u>

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002

12. 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.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002**

Funding Status and Progress

State law provided for a state contribution rate for fiscal years 1998 - 2002 of 6.0% and a member contribution rate of 6.4%. These rates are set by state statutes. The actuarially determined contribution requirements for the fiscal year were 6.4% for the employee and 6.0% for the state. In certain instances, the reporting district is required to make all or a portion of the State's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during that fiscal year. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution requirements for Panola College for fiscal years ended August 31, 2000 through 2002 were as follows:

Fiscal Year Ended August 31,	On-Behalf State Contribution	Employee Contribution	Total Contribution	Covered Payroll
2000	\$ 162,603	\$ 173,443	\$ 336,046	\$ 2,710,054
2001	176,167	187,911	364,078	2,936,103
2002	181,720	193,835	375,555	3,029,043

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

Actuarial values of assets and accrued liabilities of the Teacher Retirement System of Texas as of August 31, 1999 to 2001 were as follows (in billions). The August 31, 2001 actuarial valuation is the most recent valuation.

Fiscal Year	Actuarial Value Of Assets	Actuarial Accrued Liability	(Unfunded)/Overfunded Actuarial Accrued Liability
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.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002**

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.

The six percent (6%) retirement expense (on-behalf) to the State of Texas for the District was \$143,164 for the Optional Retirement Plan for the fiscal year ended August 31, 2002. Participants contributed \$158,690 for the Optional Retirement Programs. The District contributed \$41,211 to the Optional Retirement Program to cover the 2.5% referenced above.

The contributions described above were based on total covered payroll of \$2,386,074 for the year. All on-behalf payments referenced above are included in the statement of revenues, expenses, and changes in net assets.

13. 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, 2002, the College had twenty-three employees participating in the tax sheltered annuity program. A total of \$68,556 in payroll deductions was invested in approved plans during the fiscal year.

14. 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 \$132,144 at August 31, 2002.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002**

15. HEALTH CARE AND LIFE INSURANCE COVERAGE

During the year ended August 31, 2002, 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 \$276 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 \$515,068 and covered an average of 139 employees and 7 board members per month, and is included as revenues and expenditures in the financial statements.

In addition, the College incurred expenses of approximately \$82,521 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.

17. POST-RETIREMENT HEALTH BENEFITS

Panola College as allowed, but not required by state statutes, presently reimburses 46 retired employees \$18.70 per month representing the cost of continuation of dental insurance. This is the same amount provided to active employees employed prior to May 26, 1998 who participate in the dental plan.

The College in accordance with state statutes, has four 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, 2002, was \$295 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 42 retirees was \$189,186 and is included in the financial statements as revenues and expenditures in the restricted fund.

17. 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.

**PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2002**

18. 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, 2002, 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 \$319,577 at the end of the fiscal year.

19. 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.

20. NON MONETARY TRANSACTIONS

The College receives the benefit from the use of certain facilities at its off campus sites at no cost or costs below prevailing market rates that the College would have to pay in an exchange transaction. Included in operating revenues is approximately \$156,000 in non monetary transactions representing the value of the use of the facilities. A corresponding amount is also included in operating expenses.

21. 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, 2002.

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SUPPLEMENTARY DATA

PANOLA COLLEGE
SCHEDULE OF DETAILED OPERATING REVENUES
For the Year Ended August 31, 2002
SCHEDULE 2-A

	Educational Activities	Auxiliary Enterprises	Total
State appropriations			
Education and general state support	\$ 3,573,855	\$ -	\$ 3,573,855
State group insurance	704,254	-	704,254
State retirement matching	324,884	-	324,884
Other	17,707	-	17,707
Total state appropriations	4,620,700	-	4,620,700
Tuition			
State funded courses			
In-district resident tuition	205,927	-	205,927
Out-of-district resident tuition	417,669	-	417,669
TPEG (set aside)*	59,277	-	59,277
Non-resident tuition	5,691	-	5,691
Non-state funded continuing education	119,000	-	119,000
Total Tuition	807,564	-	807,564
Fees			
General fee	578,083	-	578,083
Student service fee	15,085	-	15,085
Out-of-district fees	517,507	-	517,507
Laboratory fee	81,217	-	81,217
Other fees	85,138	-	85,138
Total fees	1,277,030	-	1,277,030
Scholarship allowances and discounts			
Scholarship allowances	(211,889)	-	(211,889)
Remissions and exemptions	(5,462)	-	(5,462)
TPEG allowances	(42,639)	-	(42,639)
Federal grants to students	(464,776)	-	(464,776)
State grants to students	(130,050)	-	(130,050)
Total scholarship allowances	(854,816)	-	(854,816)
Total net tuition and fees	1,229,778	-	1,229,778
Other operating revenues			
Federal grants and contracts	2,554,220	-	2,554,220
State grants and contracts	957,550	-	957,550
Nongovernmental grants and contracts	14,343	-	14,343
Sales and services of educational activities	109,977	-	109,977
Other operating revenues	274,247	-	274,247
Total other operating revenues	3,910,337	-	3,910,337
Auxiliary enterprises			
Residential life	-	490,148	490,148
Scholarship allowances and discounts	-	(328,102)	(328,102)
Net resident life	-	162,046	162,046
Bookstore	-	804,680	804,680
Scholarship allowances and discounts	-	(204,808)	(204,808)
Net bookstore	-	599,872	599,872
Total net auxiliary enterprises	-	761,918	761,918
Total Operating Revenues (Exh. 2)	\$ 9,760,815	\$ 761,918	\$ 10,522,733

*In accordance with Education Code 56.033, \$59,277 of tuition was set aside for Texas Public Education Grants (TPEG).
See Independent Auditor's Report on Additional Information.

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PANOLA COLLEGE
SCHEDULE OF OPERATING EXPENSES AND CAPITAL OUTLAY
BY FUNCTIONAL AND NATURAL CLASSIFICATION
For the Year Ended August 31, 2002
SCHEDULE 2-B

	Operating Expenses				
	Faculty Salaries	Staff Salaries/Wages	Benefits		Other Expenses
			State Benefits	Local Benefits	
Educational Activities					
Instruction	\$ 3,107,017	\$ 296,523	\$ 599,452	\$ 330,880	\$ 915,012
Public Service	133,232	131,680	47,364	24,471	146,687
Academic Support	4,800	621,012	111,089	84,731	364,531
Student Services	3,000	554,841	98,785	63,711	196,039
Institutional Support	-	641,077	114,143	79,798	457,667
Operation and Maintenance of Plant	-	220,352	35,895	34,528	819,792
Scholarship and Fellowships	-	-	-	-	1,065,433
Educational Activities	3,248,049	2,465,485	1,006,728	618,119	3,965,161
Auxiliary Enterprises	60,866	103,435	22,410	28,282	1,050,913
Depreciation Expense					499,661
Total	\$ 3,308,915	\$ 2,568,920	\$ 1,029,138	\$ 646,401	\$ 5,515,735

(a) Memorandum Total excludes Depreciation Expense.

See Independent Auditor's Report on Additional Information.

Memorandum Only			
Total (Exh.2)	Capial Outlay		Total Operating Expenses and Capital Outlay
	Equipment	Facilities	
\$ 5,248,884	\$ 30,518	\$ -	\$ 5,279,402
483,434	-	-	483,434
1,186,163	155,560	-	1,341,723
916,376	5,000	-	921,376
1,292,685	-	-	1,292,685
1,110,567	-	1,954,534	3,065,101
1,065,433	-	-	1,065,433
11,303,542	191,078	1,954,534	13,449,154
1,265,906	-	-	1,265,906
499,661			
<u>\$ 13,069,109</u>	<u>\$ 191,078</u>	<u>\$ 1,954,534</u>	<u>\$ 14,715,060 (a)</u>

PANOLA COLLEGE
SCHEDULE OF SCHOLARSHIP DISCOUNTS AND ALLOWANCES
For the Year Ended August 31, 2002
SCHEDULE 2-C

	Educational Activities	Auxiliary Enterprises	Total
Institutional awards:			
Tuition & fees	\$ 211,889		\$ 211,889
Residential life		132,396	132,396
Bookstore		22,223	22,223
Remissions and exemptions:			
Tuition & fees	5,462		5,462
TPEG allowances:			
Tuition & fees	42,639		42,639
Residential life		5,349	5,349
Bookstore		797	797
Federal grants to students:			
Pell Awards			
Tuition & fees	390,289		390,289
Residential life		124,297	124,297
Bookstore		171,038	171,038
SEOG Awards			
Tuition & fees	74,487		74,487
Residential life		53,315	53,315
Bookstore		2,341	2,341
State grants to students			
Texas Grants			
Tuition & fees	129,761		129,761
Residential life		12,745	12,745
Bookstore		8,409	8,409
SLEAP Grants	289		289
Total scholarship allowances	\$ 854,816	\$ 532,910	\$ 1,387,726

See Independent Auditor's Report on Additional Information.

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PANOLA COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2002
SCHEDULE D-3

Federal Grantor/Pass Through Grantor/ Program Title	PROJECT NUMBER	Federal CFDA Number	PASS THROUGH DISBURSEMENTS AND EXPENDITURES
U. S. Department of Education			
Direct			
SEOG	EP007A014092	84.007 *	\$ 88,815
SEOG	EP007A024092	84.007 *	45,164
Sub-Total SEOG Program			<u>133,979</u>
Federal College Workstudy	EP033A014092	84.033 *	57,732
Sub-Total Federal College Workstudy Program			<u>57,732</u>
Federal Pell Grant Program	EP063P011657	84.063 *	1,239,093
Federal Pell Grant Program	EP063P021657	84.063 *	355,387
Sub-Total Federal Pell Grant Program			<u>1,594,480</u>
Passed Through From:			
Texas Education Agency			
Adult Basic Education	241000131	84.002A	67,121
Adult Basic Education	241000331	84.002A	1,372
Adult Basic Education	341000131	84.002A	1,744
Adult Basic Education - Correction	241000231	84.002A	33,481
Adult Basic Education - Correction	341000231	84.002A	1,058
Sub-Total Adult Basic Education Program			<u>104,776</u>
Texas Higher Education Coordinating Board			
Carl Perkins Voc. Ed.	24236	84.048	229,000
Total U. S. Department of Education			<u><u>2,119,967</u></u>
U. S Department of Housing and Urban Development			
Housing Interest Subsidy	CH-TEX-263 (D)	14.000	4,346
Department of Labor			
Passed Through From:			
Texas Workforce Commission	08-02-WPB000	17.207	142,228
Department of Health and Human Services			
Pass Through From			
Texas Education Agency			
Adult Basic Education TANF	136250131	93.558	1,627
Adult Basic Education TANF	236250131	93.558	36,734
Adult Basic Education TANF	336250131	93.558	4,375
East Texas Council of Governments			
TANF 25	PC-TANF-PY00-01	93.558	
TANF 25	PC-TANF-PY00-01	93.558	69,917
TANF Adult Basic Education	PC-Rider 24-01-PY01-02	93.558	104,452
Deep East Workforce Development Board			
TANF Adult Basic Education	00-28 TANF LWDA 17	93.558	67,938
TANF Adult Basic Education	02-64 TANF LWDA 17	93.558	2,636
Total Department of Health and Human Services			<u>287,679</u>
Total Federal Financial Assistance			<u>\$ 2,554,220</u>
Federal Revenues Per Exhibit 2			<u><u>\$ 2,554,220</u></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, 2002**

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 OF EXPENDITURES OF STATE AWARDS
For the Year Ended August 31, 2002
SCHEDULE D-4

SCHEDULE D-4	GRANT PROJECT NUMBER	EXPENDITURES
Grantor Agency/Program Title		
Pass Through From		
Texas Education Agency		
Adult Basic Education TANF	201100131	\$ 19,453
Adult Basic Education TANF	201000131	9,819
SUB-TOTAL		<u>29,272</u>
Other Miscellaneous Grants		
Texas Grant	TEXAS 01-02 003600	205,605
TGSLC		8,400
SLEAP	2001-2002	851
Nursing Innovation Grant Program (NIGP)	AC14	8,671
Nursing Faculty Overload Compensation Program (NFOCP)	9189167	4,426
Dramatic Enrollment Growth Funding		74,153
Texas Infrastructure Board (TIF)	QE-2000-D14C-5086	144,364
Texas Infrastructure Board (TIF)	QE-2001-LTA6S-5362	75,000
Texas Infrastructure Board (TIF)	QE-2001-HTA2S-5438	47,278
Self Sufficiency Grant	0801SSF001	<u>359,530</u>
	TOTAL STATE AWARDS	<u>\$ 957,550</u>
	State Revenues Per Exhibit 2	<u>\$ 957,550</u>

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 fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

**STATISTICAL SECTION
(UNAUDITED)**

Table 1

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

Fiscal Year	Contact Hours		Total
	Academic	Vo-Tech	
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
2001-02	530,944	365,639	896,583

Table 2

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

Fiscal Year	State Appropriations Per FTSE
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	2,893
2001-02	2,741

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

<u>Fiscal Year</u>	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Academic Support</u>	<u>Student Services</u>
1992-93	\$ 2,351,259	\$ 21,533	\$	\$ 636,576	\$ 572,384
1993-94	2,941,595	21,693		590,183	645,705
1994-95	3,564,957			525,834	669,241
1995-96	3,668,420			826,387	745,232
1996-97	4,018,742		71,336	720,648	948,740
1997-98	4,122,474		142,431	1,279,016	703,306
1998-99	4,076,593		292,321	1,173,995	719,946
1999-00	4,753,371		313,401	1,432,755	771,305
2000-01	4,820,808		313,197	1,277,212	804,017
2001-02	5,279,402		483,434	1,341,723	921,376

Notes:

- (1) Expenditures include government wide activities including capital and debt outlays and excluding depreciation.
- (2) Year 01-02 Scholarships and fellowships includes \$1,387,726 of discounts from operating revenues.

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</u>	<u>Totals</u>
\$	1,175,579	\$ 592,821	\$ 871,822	\$ 975,120	\$ 155,364	\$ 7,352,458
	773,123	995,840	1,207,462	944,222	142,168	8,261,991
	808,962	1,382,991	1,626,866	872,264	138,738	9,589,853
	909,160	960,603	1,285,451	864,428	88,751	9,348,432
	1,043,810	1,298,724	1,433,724	947,469	91,544	10,574,737
	1,376,752	1,113,752	1,308,191	1,158,777	113,912	11,318,611
	1,259,836	917,479	1,851,101	1,159,960	124,001	11,575,232
	1,124,204	863,313	1,909,360	1,275,720	125,326	12,568,755
	1,181,797	1,113,903	2,122,285	1,312,935	154,533	13,100,687
	1,292,685	3,065,101	2,453,159 (2)	1,265,906	243,933	16,346,719

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

<u>Fiscal Year</u>	<u>State Appropriations</u>	<u>Gross Tuition & Fees</u>	<u>Taxes for Current Operations</u>	<u>Federal & State Grants & Contracts</u>	<u>Investment Income</u>
1992-93	\$ 3,107,183	\$ 843,543	\$ 2,393,037	\$ 719,276	\$ 164,808
1993-94	3,387,370	763,961	2,393,599	1,244,987	181,100
1994-95	3,282,548	1,094,453	2,491,307	1,540,843	178,845
1995-96	3,640,572	1,220,804	2,587,938	1,248,142	233,900
1996-97	3,524,089	1,556,362	2,588,723	1,345,438	246,001
1997-98	3,928,256	1,541,162	2,683,436	1,502,071	247,556
1998-99	4,080,669	1,688,829	2,667,618	1,744,843	252,108
1999-00	4,442,104	1,766,100	2,668,222	2,106,401	332,671
2000-01	4,553,608	1,865,909	2,722,625	2,475,492	373,673
2001-02	4,620,700	2,084,594 (3)	2,839,006	3,511,770	303,927

Notes:

- (1) Revenues include government wide activities
- (2) Miscellaneous includes sales & services of educational activities, private gifts and grants and other miscellaneous income.
- (3) Tuition & fees and auxiliary enterprises excludes discounts (scholarships) of \$854,816 and \$532,910, respectively.

Table 4

<u>Miscellaneous</u> (2)	<u>Auxiliary Enterprises</u>	<u>Totals</u>
\$ 382,739	\$ 841,151	\$ 8,451,737
94,934	792,176	8,858,127
132,634	746,851	9,467,481
169,226	800,510	9,901,092
235,323	811,386	10,307,322
694,981	1,020,164	11,617,626
494,784	1,146,846	12,075,697
467,678	1,216,328	12,999,504
326,150	1,193,796	13,511,253
502,022	1,294,828 (3)	15,156,847

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>
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	97.66%	46,825	2,730,230
1999-00	2,758,209	2,693,891	97.67%	46,271	2,740,162
2000-01	2,807,219	2,759,074	98.28%	37,546	2,796,620
2001-02	2,906,089	2,867,461	98.67%	45,143	2,912,604

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>
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	7.53%
100.22%		193,388	6.65%

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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>
1992	\$ 1,403,551,805	\$ 1,403,551,805	100%
1993	1,518,974,659	1,518,974,659	100%
1994	1,911,959,249	1,911,959,249	100%
1995	1,773,071,737	1,773,071,737	100%
1996	1,572,994,934	1,572,994,934	100%
1997	2,032,137,421	2,032,137,421	100%
1998	2,186,980,773	2,186,980,773	100%
1999	1,961,427,205	1,961,427,205	100%
2000	1,964,396,169	1,964,396,169	100%
2001	2,016,245,780	2,016,245,780	100%
2002	2,683,865,293	2,683,865,293	100%

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

Fiscal Year	College		Total	County	Cities (Average)
	Current Operations	Debt Service			
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
2001-02	0.10828		0.10828	0.3249	0.41033

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>
\$ 0.37400	\$ 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
1.37786		0.02000	2.24137

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
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
2001-02	22,689	2,683,865	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, 2002
(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, 2002, 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, 2002
 (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	\$0	100.00%	\$0
Sub total-Direct	<u>0</u>		<u>0</u>
Overlapping:			
Panola County	0	100.00%	0
City of Carthage	4,495,000	100.00%	4,495,000
City of Beckville	0	100.00%	0
Carthage ISD	8,520,000	100.00%	8,520,000
Gary ISD	1,820,000	100.00%	1,820,000
Beckville ISD	7,075,000	100.00%	7,075,000
Elysian Fields ISD	1,800,000	53.75%	967,500
Tatum ISD	5,250	32.50%	1,706
Tenaha ISD	0	1.86%	0
Joaquin ISD	<u>2,680,000</u>	5.05%	<u>135,340</u>
Sub total-Overlapping	<u>26,395,250</u>		<u>23,014,546</u>
Total Direct and Overlapping Debt	<u>\$26,395,250</u>		<u>\$23,014,546</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 EXPENDITURES
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1992-93	\$ 15,000	\$ 16,221	\$ 61,221	\$ 7,352,458	0.83%
1993-94	20,000	12,965	32,965	8,261,991	0.40%
1994-95	20,000	11,520	31,520	9,589,853	0.33%
1995-96	20,000	10,080	30,080	9,348,432	0.32%
1996-97	25,000	8,460	33,460	10,574,737	0.32%
1997-98	25,000	6,660	31,660	11,318,611	0.28%
1998-99	25,000	4,860	29,860	11,575,232	0.26%
1999-00	25,000	3,060	28,060	12,568,755	0.22%
2000-01	30,000	1,080	31,080	13,100,687	0.24%
2001-02	30,000	1,080	31,080	16,346,719	0.19%

(1) Represents government wide expenditures

Table 12

PANOLA COLLEGE
 PRINCIPAL TAXPAYERS
 AUGUST 31, 2002
 (UNAUDITED)

<u>Taxpayer (1)</u>	<u>Type of Business</u>	<u>2001 Assessed Valuation (1) (in 1,000's)</u>	<u>Percentage of Total Assessed Valuation</u>
RME Petroleum Company	Petroleum	\$291,517	10.86%
Chevron USA, Inc.	Petroleum	217,656	8.11%
Devon Energy (Pennzenergy)	Petroleum	192,041	7.16%
EOG Resources	Petroleum	102,983	3.84%
BP Amoco Corporation	Petroleum	90,785	3.38%
Exxon Corp.	Petroleum	73,326	2.73%
Lacy R. Inc.	Petroleum	72,423	2.70%
Duke Energy Field Svcs-Procsng	Petroleum	58,322	2.17%
Ocean Energy Inc.	Petroleum	53,711	2.00%
Samson Lonestar LP	Petroleum	48,119	1.79%
Totals (44.74% of Actual Value of \$2,683,865,293)		\$1,200,883	44.74%

(1) Panola County Appraisal District

**PANOLA COLLEGE
 DEMOGRAPHIC STATISTICS-TAXING DISTRICT
 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)
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%
2001-02	22,606	37.1	\$15,439	\$31,909	7.9%

(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 Workforce Commission.

Table 14

**PANOLA COLLEGE
STUDENT ENROLLMENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

Head Count:

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Jefferson/ Marshall</u>	<u>Center</u>	<u>Total</u>
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
2001-02	1,243	106	144	1,493

Full-Time Equivalent (FTEs):

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Jefferson/ Marshall</u>	<u>Center</u>	<u>Total</u>
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
2001-02	1,209	56	111	1,376

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
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%
2001-02	61%	39%	34%	66%	33%	66%	1%

Fiscal Year	Average Age of Student	Ethnic Background				
		Asian	Black	Hispanic	White	Other
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	0%	18%	3%	79%	0%
2000-01	23.0	0.5%	17%	2%	80%	0.5%
2001-02	23.6	1.0%	18%	2%	78%	1.0%

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>
1992-93	\$120	\$48	\$168	0.0%
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%
2001-02	\$216	\$180	\$396	6.5%

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	\$50-\$75

Table 17

PANOLA COLLEGE
 FACULTY STATISTICS
 AUGUST 31, 2002
 (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	14	22.58%
11-15 years	10	16.13%
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	5	8.06%
Bachelor's	12	19.35%
Master's	39	62.90%
Doctorate	6	9.68%
	<u>62</u>	<u>100.00%</u>

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SINGLE AUDIT SECTION

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

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, 2002, and have issued our report thereon dated November 8, 2002. 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

November 8, 2002

**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, 2002. 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, 2002.

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

November 8, 2002

**PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2002**

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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