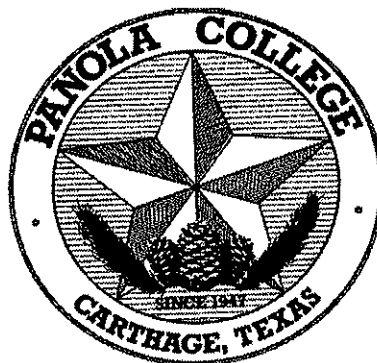


PANOLA COLLEGE  
COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
AUGUST 31, 2003



***PREPARED BY:***  
***FISCAL AFFAIRS DEPARTMENT***  
***PANOLA COLLEGE***

**PANOLA COLLEGE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**PANOLA COLLEGE  
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## **INTRODUCTORY SECTION**



1109 West Panola · Carthage, Texas 75633  
Phone: 903-693-2000 · www.panola.edu

November 3, 2003

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, 2003, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Panola College. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the College's organizational chart, and a list of principal officials. The financial section includes the 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 compliment MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

#### ORGANIZATION OF COLLEGE

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

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

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

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

### ECONOMIC CONDITION AND OUTLOOK

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

Panola County ranks as one of the leading natural gas producers in Texas. 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 prices continued to drop during the year and as a result property values declined 9% this year.

The national recession that some economists believe started in March 2001 was felt by the State of Texas. The State was facing a five billion dollar deficit for the biennium ending August 31, 2003. To balance the budget, across the board cuts were made to previous approved appropriations. Community colleges in the state were faced with a mid-year cut of 7% in appropriations. The reduction to Panola College amounted to a little over \$300,000. The College was able to make budget adjustments to offset the reduction by deferring needed facility maintenance and limiting new hires and travel.

Community colleges in Texas receive state appropriations based upon a contact hour formula that was originally intended to cover the institutions instructional and administrative costs with the local taxpayers and tuition and fee revenues to pay for facilities. To balance the budget for the next biennium it was necessary for additional reductions in appropriations. For the next biennium the state appropriation is funding only 51.9% of the instructional and administrative costs. Panola College had a 5.0% increase in base year contact hours and a 9.8% reduction in appropriations. To meet the reduction it was necessary to eliminate some programs and increase local taxes 3% and tuition and fees 8%.

### MAJOR INITIATIVES

Course offerings via interactive television (ITV) were increased utilizing the 380-foot communication tower constructed on the campus last year, which connects fifteen higher education facilities serving 50 East Texas counties.

To help meet the demand for nurses the number of students admitted to our Associate Degree Nursing (ADN) program was expanded from 30 to 60. This year 100% of Panola College ADN graduates passed state board examinations to become registered nurses.

The Panola Ponies Basketball team won the Region XIV Athletic Conference Championship. Panola Pony Omar Thomas led the country in scoring and rebounding for the second year and set a National Junior College Athletic Association record for scoring average over a two-year career.

The Panola Pipers Choir performed at the White House and for the 22<sup>nd</sup> consecutive year were featured at the Texas State Fair.

Student enrollment increased. Enrollment in the Fall 2002 semester was 1694, which was up 13.46% from the prior year.

The College renovated the physical plant. The College continued the renovation project financed last year primarily with a two million dollar maintenance tax note. Nearly all of the heating, venting, and air conditioning (HVAC) systems, lighting fixtures, plumbing fixtures, and roofs were replaced last year. Installation of an energy management system, additional landscaping, and outside lighting was completed this year. The Student Center remodeling included relocating and expanding the College Bookstore and Cafeteria.

## 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, 2003, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

### BUDGETING CONTROLS

In addition, the College maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees. Activities of the unrestricted current fund, auxiliary enterprises fund, and retirement of indebtedness fund are included in the annual appropriated budget. The College also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are appropriated as part of the next year's budget.

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

### CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, repurchase agreements, certificates of deposit, and the Lone Star Investment Pool. The Lone Star Investment Pool is a public funds investment pool administered by the Texas Association of School Boards. The average yield on investments for the year ending August 31, 2003 was 3.9%. The College earned \$ 333,861 in interest 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. A financial institution's trust department in the College's name held all collateral on deposits. The Lone Star Investment Pool invests solely in obligations issued or secured by the U. S. Government and its agencies and instrumentalities. All of the investments held by the College during the year and on August 31, 2003, 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 (CAFR) for the fiscal year ended August 31, 2002 to Panola College for its comprehensive annual financial reports. This was the ninth 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, 2002

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



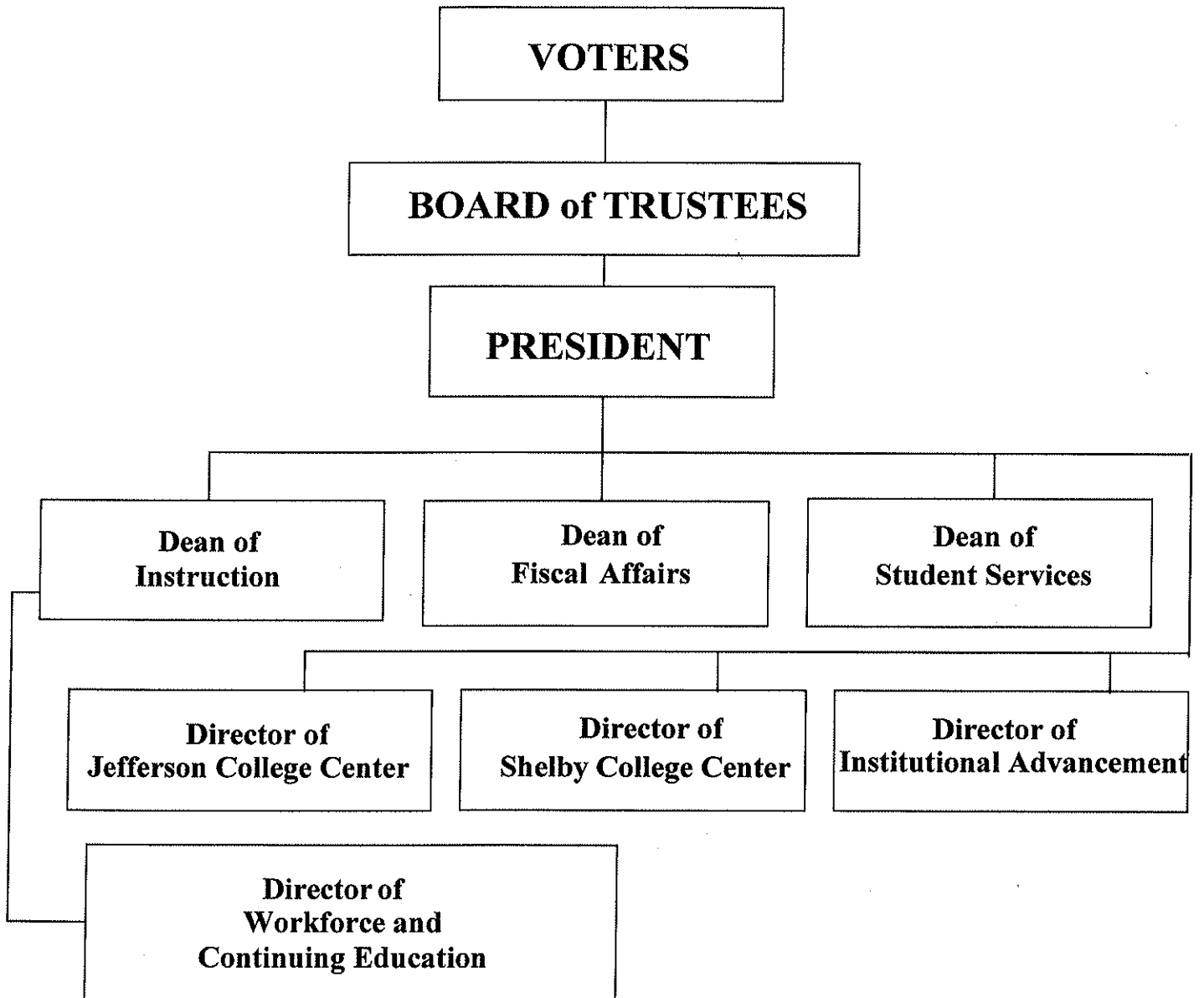
A handwritten signature in black ink, appearing to read "Edward Henry".

President

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

Executive Director

**ORGANIZATIONAL CHART**  
**PANOLA COLLEGE**  
Carthage, Texas



PANOLA COLLEGE  
PRINCIPAL OFFICIALS  
AUGUST 31, 2003

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

President

Dr. Lillian Cook

Dean of Instruction

Mr. Louis Johnagin, CPA

Dean of Fiscal Affairs

Mrs. Betsy Wheat

Dean of Student Services

Dr. Barbara Buchanan

Director of Workforce/  
Continuing Education

Mr. Van Patterson

Director of Institutional  
Advancement

Dr. Bob Wilkins

Director of Shelby  
College Center

Dr. Jeanne Scott

Director of Jefferson  
College Center

## **FINANCIAL SECTION**

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

MEMBERS OF  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
TELEPHONE  
(903) 693-5822

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, statement of financial position – affiliated organization and the related statement of revenues, expenses, and changes in net assets, and statement of activities – affiliated organization and statement of cash flows of Panola College and the affiliated organization as of and for the years ended August 31, 2003 and 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panola College as of August 31, 2003 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2003 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Panola College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Schedule C) 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) 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 additional supplementary data (Schedules E, F and G), and the statistical section on pages 55 to 77 are presented for purposes of additional analysis and are not a required part of the financial statements. The additional supplementary data and the statistical section have 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.  
Certified Public Accountants

October 23, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Panola County Junior College District (Panola College), we offer readers of the College's financial statement this narrative overview and analysis of the financial activities of the College for the year ended August 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report and the District's financial statements and notes to the financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the College exceeded its liabilities at August 31, 2003 by \$11,034,975 (net assets). Of this amount \$4,508,024 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- Revenue exceeded expenses by \$267,994 for the current fiscal year end.
- Statewide reductions in budgeted appropriations were reduced approximately 7% in mid-year. The formula funding was reduced \$250,170 and the group insurance contributions \$55,420 for a total of \$305,590. State contributions to employee retirement plans are constitutionally guaranteed and were not reduced.

### 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 first time during the previous fiscal year. The new standards require the College's financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting. In accordance with these new reporting standards, 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.

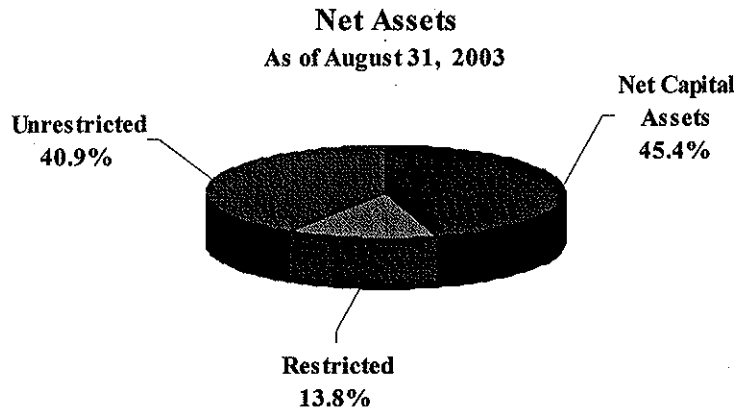
The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

ANALYSIS OF BASIC FINANCIAL STATEMENTS

Condensed Statement of Net Assets

as of August 31, 2003 and 2002

	2003	% of Total	Increase (Decrease)	% of Increase (Decrease)	2002
Current assets	\$7,005,446	45.9%	(\$459,237)	-6.2%	\$7,464,683
Non-current assets:					
Capital assets, net	6,963,989	45.6%	274,053	4.1%	6,689,936
Other	<u>1,295,189</u>	<u>8.5%</u>	<u>179,334</u>	<u>16.1%</u>	<u>1,115,855</u>
Total Assets	<u>\$15,264,624</u>	<u>100.0%</u>	<u>(\$5,850)</u>	<u>0.0%</u>	<u>\$15,270,474</u>
Current liabilities	\$2,401,278	56.7%	(\$115,451)	-4.6%	\$2,516,729
Non-current liabilities	<u>1,828,371</u>	<u>43.3%</u>	<u>(158,393)</u>	<u>-8.0%</u>	<u>1,986,764</u>
Total Liabilities	<u>\$4,229,649</u>	<u>100%</u>	<u>(\$273,844)</u>	<u>-6.1%</u>	<u>\$4,503,493</u>
Net Assets:					
Invested in capital assets, net of related debt	\$5,009,134	45.4%	\$469,388	10.3%	\$4,539,746
Restricted	1,517,817	13.7%	111,183	7.9%	1,406,634
Unrestricted	<u>4,508,024</u>	<u>40.9%</u>	<u>(312,577)</u>	<u>-6.5%</u>	<u>4,820,601</u>
Total Net Assets	<u>\$11,034,975</u>	<u>100.0%</u>	<u>\$267,994</u>	<u>2.5%</u>	<u>\$10,766,981</u>

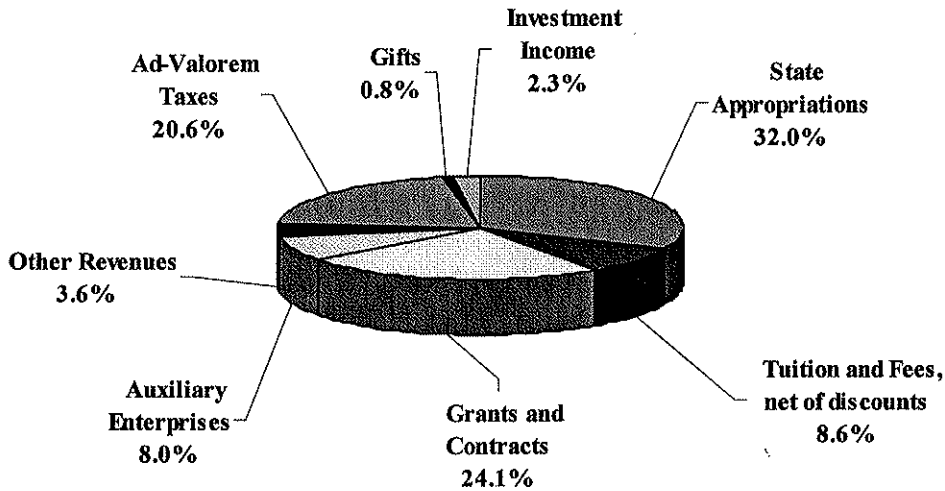


The College's assets exceeded liabilities by \$11,034,975 as of August 31, 2003. Assets amounted to \$15,264,624 with the investment in capital assets comprising \$6,963,989 of that total. Capital assets include land, library books, buildings and improvements, vehicles, furniture, and equipment. The 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 debt, is 45.4 % of the total net assets. It should be noted that the capital assets themselves may not be used to liquidate these liabilities. Additionally \$1,517,817 or 13.7 % of total net assets is externally restricted. The remaining balance of \$4,508,024 represents unrestricted net assets that may be used to meet the College's ongoing obligations. Capital assets net of related debt was \$5,009,134. The total liabilities amounted to \$4,229,649 of which \$2,401,278 is due next year.

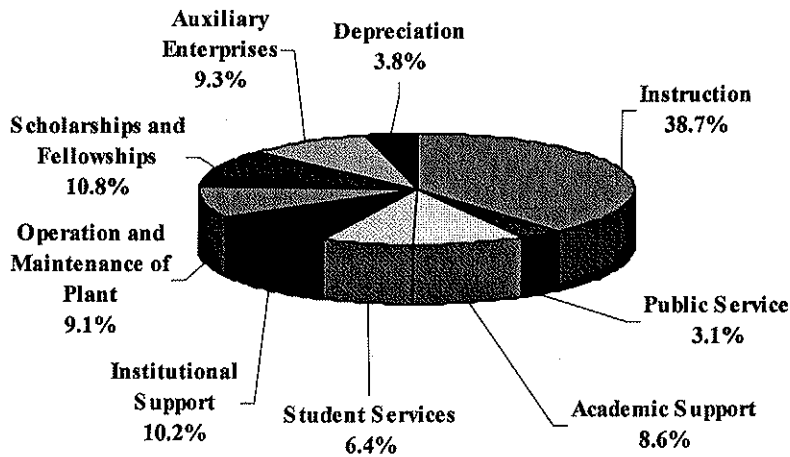
**Condensed Statement of Revenues,  
Expenses, and Changes in Net Assets  
For the Year Ended August 31, 2003 and 2002**

	2003	% of Total	Increase (Decrease)	% of Increase (Decrease)	2002
<b>Operating Revenues</b>					
State Appropriations	\$4,583,327	32.0%	(\$37,373)	-0.8%	\$4,620,700
Tuition and Fees, net of discounts	1,238,410	8.6%	8,632	0.7%	1,229,778
Grants and Contracts	3,454,460	24.1%	(71,653)	-2.0%	3,526,113
Auxiliary Enterprises	1,141,084	8.0%	379,166	49.8%	761,918
Other Revenues	<u>517,699</u>	<u>3.6%</u>	<u>133,475</u>	<u>34.7%</u>	<u>384,224</u>
<b>Total Operating Revenues</b>	<b><u>\$10,934,980</u></b>	<b><u>76.3%</u></b>	<b><u>\$412,247</u></b>	<b><u>3.9%</u></b>	<b><u>\$10,522,733</u></b>
<b>Non-Operating Revenues</b>					
Ad-Valorem Taxes	\$2,951,066	20.6%	\$112,060	3.9%	\$2,839,006
Gifts	109,068	0.8%	5,613	5.4%	103,455
Investment Income	<u>333,861</u>	<u>2.3%</u>	<u>29,934</u>	<u>9.8%</u>	<u>303,927</u>
<b>Total Non-Operating Revenues</b>	<b><u>\$3,393,995</u></b>	<b><u>23.7%</u></b>	<b><u>\$147,607</u></b>	<b><u>4.5%</u></b>	<b><u>\$3,246,388</u></b>
<b>Total Revenues</b>	<b><u>\$14,328,975</u></b>	<b><u>100.0%</u></b>	<b><u>\$559,854</u></b>	<b><u>4.1%</u></b>	<b><u>\$13,769,121</u></b>
<b>Operating Expenses</b>					
Instruction	\$5,408,490	38.5%	\$159,606	3.0%	\$5,248,884
Public Service	430,877	3.1%	(52,557)	-10.9%	483,434
Academic Support	1,196,312	8.5%	10,149	.9%	1,186,163
Student Services	895,266	6.4%	(21,110)	-2.3%	916,376
Institutional Support	1,419,525	10.1%	126,840	9.8%	1,292,685
Operation and Maintenance of Plant	1,274,994	9.1%	164,427	14.8%	1,110,567
Scholarships and Fellowships	1,503,426	10.7%	437,993	41.1%	1,065,433
Auxiliary Enterprises	1,298,156	9.2%	32,250	2.5%	1,265,906
Depreciation	<u>531,011</u>	<u>3.8%</u>	<u>31,350</u>	<u>6.3%</u>	<u>499,661</u>
<b>Total Operating Expenses</b>	<b><u>\$13,958,057</u></b>	<b><u>99.3%</u></b>	<b><u>\$888,948</u></b>	<b><u>6.8%</u></b>	<b><u>\$13,069,109</u></b>
<b>Non-Operating Expenses</b>	<b><u>102,924</u></b>	<b><u>0.7%</u></b>	<b><u>18,478</u></b>	<b><u>21.9%</u></b>	<b><u>84,446</u></b>
<b>Total Expenses</b>	<b><u>\$14,060,981</u></b>	<b><u>100.0%</u></b>	<b><u>\$907,426</u></b>	<b><u>6.9%</u></b>	<b><u>\$13,153,555</u></b>
<b>Changes in Net Assets</b>	<b>\$267,994</b>	<b>2.4%</b>	<b>(\$347,572)</b>	<b>-56.5%</b>	<b>\$615,566</b>
<b>Beginning Net Assets</b>	<b><u>10,766,981</u></b>	<b><u>97.6%</u></b>	<b><u>615,566</u></b>	<b><u>6.1%</u></b>	<b><u>10,151,415</u></b>
<b>Ending Net Assets</b>	<b><u>\$11,034,975</u></b>	<b><u>100.0%</u></b>	<b><u>\$267,994</u></b>	<b><u>2.5%</u></b>	<b><u>\$10,766,981</u></b>

**Revenue by Source  
For Year Ending August 31, 2003**



**Expenses by Function  
For Year Ending August 31, 2003**



Operating revenue amounted to \$10,934,980 and non-operating revenues \$3,393,995 for a total of \$14,328,975. The major revenues include \$4,583,327 (32%) in state appropriations, \$1,238,410 (8.6%) in tuition and fees, \$3,454,460 (24.1%) in grants and contracts, \$1,141,084 (8.0%) in auxiliary enterprises, and \$2,951,066 (20.6%) in ad-valorem taxes.

The state appropriations of \$4,583,327 include \$1,103,031 for employee benefits (\$342,190 for retirement benefits and \$760,841 for health and life insurance coverage). Additional information is available in footnotes 13, 16 and 17 found on pages 34-38 regarding benefits provided by the state. The balance of state appropriations of \$3,480,296 represents contact hour reimbursement for instruction provided by the College. In Texas the state appropriation to community colleges is 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, para 47 (b), because it is performance based and since the appropriation is restricted to instructional programs.

Operating Expenses totaled \$13,958,057 and non-operating expenses \$102,924 for total expenses of \$14,060,981. Revenues exceeded expenses for the year by \$267,994, and are the increase in net assets.

Instruction at \$5.4 million is the largest operating expense. It includes expenditures for all activities that are part of the institution's instruction program. These activities include credit and noncredit courses, for academic, vocational, and developmental and tutorial instruction. Academic support at \$1.2 million provides support of services for the college's primary missions of instruction and public service. This includes library expenses, academic administration, computer services, and distance learning support. Student services of \$0.9 million, includes expenses for offices of records and admissions and student activities. Institutional support of \$1.4 million 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 \$1.3 million are expenditures for the operation and maintenance of the physical plant. Auxiliary enterprises of \$1.3 million, includes expenditures for the College Store, food service, residence halls, and athletic programs.

Scholarships and fellowships include tuition remissions and exemptions. 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. Scholarships and fellowship expenses of \$1.5 million reflected in the statements represent that portion of total expenses paid directly to the student. The portion of awards the College receives in the form of applying scholarships to tuition, fees and other charges is accounted for as allowances and deducted from gross tuition, fees and other charges. The differences between the amount of scholarships and awards paid directly to the students and the amounts retained by the College can vary widely from year to year.

#### **OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION**

As mentioned earlier, revenues exceeded expenses by \$267,994 for the year ended August 31, 2003. The College's unrestricted net assets represent approximately five months of operating reserves.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The College's investment in capital assets as of August 31, 2003, amounts to \$6,689,936 (net of accumulated depreciation). This investment includes land, library books, buildings and improvements, and furniture and equipment. The most significant capital asset acquisition was an energy management system costing \$163,706.

### Capital Assets (net of depreciation)

As of August 31, 2003 and 2002

	2003	Increase (Decrease)	% of Increase (Decrease)	2002
Land	\$968,460	\$0	0.0%	\$968,460
Library Books	589,734	32,021	5.7%	557,713
Buildings and Improvements	4,501,135	(199,432)	-4.2%	4,700,567
Furniture and Equipment	<u>904,660</u>	<u>441,464</u>	<u>95.3%</u>	<u>463,196</u>
Total at historical cost	<u>\$6,963,989</u>	<u>\$274,053</u>	<u>4.1%</u>	<u>\$6,689,936</u>

Please refer to footnote number 7 on page 27 and 28 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 principal balance at August 31, 2003, was \$1,855,654. Approximately one acre of land and two structures that adjoin College property were purchased in October 1999, and the note was paid off this year.

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. The principal balance on the leases at August 31, 2003 was \$99,201.

### Long-term Liabilities

As of August 31, 2003 and 2002

	2003	Increase (Decrease)	% of Increase (Decrease)	2002
Lease Purchase Agreements	\$99,201	(\$34,283)	-25.7%	\$133,484
Notes Payable	0	(63,731)	-100.0%	63,731
Maintenance Notes Payable	<u>1,855,654</u>	<u>(97,321)</u>	<u>-5.0%</u>	<u>1,952,975</u>
Total Long-term Liabilities	<u>\$1,954,855</u>	<u>(195,335)</u>	<u>-9.1%</u>	<u>\$2,150,190</u>

Additional information on the College's long-term debt can be found in footnote number 8 on pages 28 - 30 of this report.

### **ECONOMIC FACTORS**

The Texas Legislature convened in January 2003 and set appropriation amounts for the fifty state community colleges for the next biennium beginning September 1, 2003. The appropriation is divided among the colleges based on a percentage of the total contact hours reported. The growth rate in community college since the last funding has been greatest in the large metropolitan areas. The formula funding year started in March 2002. Contact hours increased by 5% at Panola College since the prior funding year started in March 2000. Statewide the increase was 14.7%. Due to budget restraints, not only was the growth not funded, the appropriations were also cut. The legislature did set a stop loss percentage of no more than 10% for each college. The formula funding model continues to adversely affect smaller rural colleges with higher costs per contact hour, due to the smaller class size, fewer available adjunct faculty, and lack of economy of scale.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, students, stockholders 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.

**PANOLA COLLEGE**  
**EXHIBIT 1**  
**STATEMENT OF NET ASSETS**  
For the Years Ended August 31, 2003 and 2002

	<u>2003</u> <u>Primary</u> <u>Institution</u>	<u>2002</u> <u>Primary</u> <u>Institution</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,687,056	\$ 2,172,992
Short-term investments	3,748,000	3,231,453
Accounts receivable (net)	1,154,506	1,667,706
Inventories	108,113	82,304
Other assets	307,771	310,228
<b>Total Current Assets</b>	<u>7,005,446</u>	<u>7,464,683</u>
<b>Noncurrent Assets</b>		
Endowment short-term investments	1,295,189	1,115,855
Capital assets, (net) (See note)	6,963,989	6,689,936
<b>Total Noncurrent Assets</b>	<u>8,259,178</u>	<u>7,805,791</u>
<b>Total Assets</b>	<u>\$ 15,264,624</u>	<u>\$ 15,270,474</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 471,392	\$ 578,899
Accrued liabilities	221,095	237,592
Funds held for others	83,671	79,772
Deferred revenues	1,475,590	1,439,636
Capital Leases Payable - current portion	47,680	63,589
Notes Payable - current portion	101,849	117,241
<b>Total Current Liabilities</b>	<u>2,401,278</u>	<u>2,516,729</u>
<b>Noncurrent Liabilities</b>		
Deposits	23,045	17,404
Capital Leases Payable	51,521	69,895
Notes Payable	1,753,805	1,899,465
<b>Total Noncurrent Liabilities</b>	<u>1,828,371</u>	<u>1,986,764</u>
<b>Total Liabilities</b>	<u>\$ 4,229,649</u>	<u>\$ 4,503,493</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 5,009,134	\$ 4,539,746
Restricted for		
Nonexpendable		
Student Aid	1,459,705	1,344,951
Expendable		
Instruction related	58,112	48,453
Capital Projects	-	13,230
Unrestricted	4,508,024	4,820,601
<b>Total Net Assets</b>	<u>\$ 11,034,975</u>	<u>\$ 10,766,981</u>

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



**PANOLA COLLEGE**  
**EXHIBIT 1-A**  
**AFFILIATED ORGANIZATION**  
**STATEMENT OF FINANCIAL POSITION**  
**For the Years Ended August 31, 2003 and 2002**

	<u>2003 Panola College Foundation</u>	<u>2002 Panola College Foundation</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 21,970	\$ 5,495
Short Term Certificates of Deposit	58,746	57,502
Mutual Fund Investments	19,718	6,590
Annuity Contracts	379,115	75,090
<b>Total Assets</b>	<u>\$ 479,549</u>	<u>\$ 144,677</u>
<b>Liabilities</b>		
Accrued liabilities	<u>\$ 3,432</u>	<u>\$ 1,400</u>
<b>Total Liabilities</b>	<u>\$ 3,432</u>	<u>\$ 1,400</u>
<b>Net Assets</b>		
Unrestricted	\$ 15,531	\$ 13,835
Permanently Restricted	<u>460,586</u>	<u>129,442</u>
<b>Total Net Assets</b>	<u>\$ 476,117</u>	<u>\$ 143,277</u>

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

**PANOLA COLLEGE**  
**EXHIBIT 2**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For the Years Ended August 31, 2003 and 2002

	<u>2003</u> <u>Primary</u> <u>Institution</u>	<u>2002</u> <u>Primary</u> <u>Institution</u>
<b>Revenues</b>		
<b>Operating Revenues</b>		
State Appropriations	\$ 4,583,327	\$ 4,620,700
Tuition and Fees (Net of Discounts of \$1,152,667 for 2003 and \$854,816 for 2002)	1,238,410	1,229,778
Federal Grants and Contracts	2,955,807	2,913,750
State Grants and Contracts	413,091	598,020
Non-Governmental Grants and Contracts	85,562	14,343
Sales and Services of Educational Activities	187,020	109,977
Auxiliary Enterprises (Net of Discounts of \$230,834 for 2003 and \$532,910 for 2002)	1,141,084	761,918
Other Operating Revenues (Net of Discounts of \$-0-)	330,679	274,247
<b>Total Operating Revenues (Schedule A)</b>	<u>10,934,980</u>	<u>10,522,733</u>
<b>Expenses</b>		
<b>Operating Expenses</b>		
Instruction	5,408,490	5,248,884
Public Service	430,877	483,434
Academic Support	1,196,312	1,186,163
Student Services	895,266	916,376
Institutional Support	1,419,525	1,292,685
Operation and Maintenance of Plant	1,274,994	1,110,567
Scholarships and Fellowships	1,503,426	1,065,433
Auxiliary Enterprises	1,298,156	1,265,906
Depreciation	531,011	499,661
<b>Total Operating Expenses (Schedule B)</b>	<u>13,958,057</u>	<u>13,069,109</u>
<b>Operating Income (Loss)</b>	<u>(3,023,077)</u>	<u>(2,546,376)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Ad-Valorem Taxes for Maintenance & Operations	2,951,066	2,839,006
Gifts	109,068	103,455
Investment Income (Net of Investment Expenses)	333,861	303,927
Interest on Capital Related Debt	(102,924)	(84,446)
<b>Net Non-Operating Revenues</b>	<u>3,291,071</u>	<u>3,161,942</u>
<b>Increase in Net Assets</b>	267,994	615,566
<b>NET ASSETS</b>		
Net Assets - Beginning of Year	10,766,981	10,151,415
Net Assets - End of Year	<u>\$ 11,034,975</u>	<u>\$ 10,766,981</u>

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

**PANOLA COLLEGE  
EXHIBIT 2-A  
AFFILIATED ORGANIZATION  
STATEMENT OF ACTIVITIES  
For the Years Ended August 31, 2003 and 2002**

	<u>2003 Panola College Foundation</u>	<u>2002 Panola College Foundation</u>
<b>Revenue</b>		
Investment income	\$ 2,004	\$ 1,945
Unrealized investment income	16,578	(18,500)
Gifts	<u>318,858</u>	<u>3,000</u>
<b>Total Revenue</b>	<b>337,440</b>	<b>(13,555)</b>
<b>Expenses</b>		
Scholarships and support	<u>4,600</u>	<u>1,400</u>
<b>Total Expenses</b>	<b>4,600</b>	<b>1,400</b>
Change in net assets	332,840	(14,955)
Net Assets - Beginning of Year	<u>143,277</u>	<u>158,232</u>
Net Assets - End of Year	<u>\$ 476,117</u>	<u>\$ 143,277</u>

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

**PANOLA COLLEGE**  
**EXHIBIT 3**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended August 31, 2003 and 2002

	<u>2003</u> <u>Primary</u> <u>Institution</u>	<u>2002</u> <u>Primary</u> <u>Institution</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 4,137,463	\$ 3,498,570
Receipts of appropriations, grants, and contracts	7,298,527	6,743,510
Payments to or on behalf of employees	(6,866,940)	(6,489,673)
Payments to suppliers for goods or services	(3,857,772)	(3,582,136)
Payments of scholarships	(2,772,616)	(2,383,896)
Net cash used for operating activities	<u>(2,061,338)</u>	<u>(2,213,625)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Ad valorem tax revenues	2,952,666	2,843,588
Gifts and grants (other than capital)	109,068	103,455
Student organization and other agency transactions	8,117	(16,689)
Net cash provided (used) by non-capital financing activities	<u>3,069,851</u>	<u>2,930,354</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Net proceeds from issuance of capital debt	-	2,000,000
Purchases of capital assets	(778,285)	(2,145,611)
Interest expense paid	(104,018)	(64,824)
Payments on capital debt and leases	(232,433)	(160,706)
Net cash used for capital and related financing activities	<u>(1,114,736)</u>	<u>(371,141)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturity of investments	4,347,308	337,000
Investment earnings	311,609	185,110
Purchases of investments	(5,038,630)	(4,347,308)
Net cash used for investing activities	<u>(379,713)</u>	<u>(3,825,198)</u>
Decrease in cash and cash equivalents	(485,936)	(3,479,610)
Cash and cash equivalents - Beginning	<u>2,172,992</u>	<u>5,652,602</u>
Cash and cash equivalents - Ending	<u>\$ 1,687,056</u>	<u>\$ 2,172,992</u>
<b>Noncash investing, capital, and financing activities:</b>		
Capital assets purchased	\$ 805,065	\$ 2,145,611
Less capitalized leases	(26,780)	-
Cash paid for capital assets	<u>\$ 778,285</u>	<u>\$ 2,145,611</u>
Increase (decrease) in fair value of investments	<u>\$ 4,559</u>	<u>\$ (5,554)</u>

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

**PANOLA COLLEGE**  
**EXHIBIT 3 (Continued)**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended August 31, 2003 and 2002

	<u>2003</u> <u>Primary</u> <u>Institution</u>	<u>2002</u> <u>Primary</u> <u>Institution</u>
<b>Reconciliation of operating loss to net cash used for operating activities</b>		
Operating loss	\$ <u>(3,023,077)</u>	\$ <u>(2,546,376)</u>
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	531,011	499,661
Operating expenses financed	10,317	
Bad debt expense	-	7,000
<b>Changes in assets and liabilities</b>		
(Increase) Decrease in Receivables, net	529,294	(584,477)
(Increase) Decrease in Inventories	(25,809)	35,021
(Increase) Decrease in Prepaid expenses	3,069	(18,220)
(Increase) Decrease in Utility deposits	-	(6,473)
(Increase) Decrease in Deferred expenses	(612)	32,194
Increase (Decrease) in Deferred credits student related	65,875	99,433
Increase (Decrease) in Deferred credits other	(29,921)	17,097
Increase (Decrease) in Accounts payable	(106,082)	271,011
Increase (Decrease) in Accrued liabilities-payroll related	1,801	336
Increase (Decrease) in Accrued liabilities-other	-	(52,773)
Increase (Decrease) in Other liabilities	-	(9,183)
Increase (Decrease) in Compensated absences	(17,204)	42,124
Total Adjustments	<u>961,739</u>	<u>332,751</u>
<b>Net cash used by operating activities</b>	<u>\$ (2,061,338)</u>	<u>\$ (2,213,625)</u>

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

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**PANOLA COLLEGE**  
**EXHIBIT 3-A**  
**AFFILIATED ORGANIZATION**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended August 31, 2003 and 2002

	<u>2003</u> <u>Panola</u> <u>College</u> <u>Foundation</u>	<u>2002</u> <u>Panola</u> <u>College</u> <u>Foundation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from donors	\$ 318,858	\$ 3,000
Payments for scholarships and support	(2,568)	
Investment receipts	2,004	1,945
Net cash provided by operating activities	<u>318,294</u>	<u>4,945</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities and liquidation of investments	75,090	
Purchase of investments and annuities	<u>(376,909)</u>	<u>(3,815)</u>
Net cash used for investing activities	<u>(301,819)</u>	<u>(3,815)</u>
 Increase in cash and cash equivalents	 16,475	 1,130
Cash and cash equivalents-beginning	5,495	4,365
Cash and cash equivalents-ending	<u>\$ 21,970</u>	<u>\$ 5,495</u>
 <b>Reconciliation of change in net assets to net cash used for operating activities</b>		
Change in net assets	<u>\$ 332,840</u>	<u>\$ (14,955)</u>
Adjustments to reconcile change in net assets to net cash used to net cash used for operating activities		
(Increase) Decrease in fair value of investments	(16,578)	18,500
 Changes in assets and liabilities		
Increase in Accrued liabilities	<u>2,032</u>	<u>1,400</u>
Total Adjustments	<u>(14,546)</u>	<u>19,900</u>
 Net cash provided by operating activities	 <u>\$ 318,294</u>	 <u>\$ 4,945</u>

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

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PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEARS ENDED AUGUST 31, 2003 AND 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 YEARS ENDED AUGUST 31, 2003 AND 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 \$55,256 and \$422,943 at August 31, 2003 and 2002, respectively to be short-term investments). Long-term investments have an original maturity of greater than one year at the time of purchase.

Inventories

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

Capital Assets

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

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

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Library Books

Library books are capitalized as inexhaustible assets and therefore are not depreciated. Library books have an economic benefit or service potential that is used up slowly and their estimated useful lives are extraordinarily long. Some books have a cultural, aesthetic, or historical value, and efforts are usually applied to protect and preserve these assets in a manner greater than that for similar assets without such cultural, aesthetic, or historical value. 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 periods after August 31, 2003 and 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 – Year 2002

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>

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**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. The College also recognizes as operating revenue allocations from the state. State allocations are classified as operating revenues because the college is a separate primary government and is not included as part of the Texas statewide CAFR. In addition, Texas state allocations are program specific for instructional services provided on behalf of the State and are affected by performance through a formula funding process (exchange-transaction) based on contact hours of instruction provided. Non-operating revenues arise from exchange transactions not associated with the College's principal activities (such as investment income) and from all non-exchange transactions (such as property taxes).

**Net Assets**

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

**3. COMPONENT UNIT (AFFILIATED ORGANIZATION)**

Governmental Accounting Standards Board (GASB) Statement 39 amends GASB Statement 14 regarding the inclusion of annual financial statements of certain non-profit organizations in the primary government's annual report. The Panola College Foundation (the Foundation) is a non-profit corporation organized under the Texas Non Profit Corporation Act. The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The sole purpose of the Foundation is to strengthen the educational resources of Panola College by encouraging a program of benefactions to the College. Appointments to the board of directors are ratified by the Panola College board of trustees, and two members of the College's board serve on the Foundation's board. The College has adopted early implementation of the provisions of GASB 39 by discreetly presenting the financial activity of the Foundation in the College's annual financial report as an affiliated organization.

Financial transactions in the form of support from the Foundation to the College for the years ended August 31, 2003 and 2002 amounted to approximately \$4,600 and \$1,400, respectively.

**4. AUTHORIZED INVESTMENTS**

Panola College is authorized to invest in obligations and instruments as defined in the Public Funds Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The investments of the College are in compliance with these investment policies.

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**5. DEPOSITS AND SHORT-TERM INVESTMENTS**

**Deposits and Investments**

At August 31, 2003 and 2002, the carrying amount of Panola College's deposits was \$6,639,543 and \$6,068,545, respectively. Total bank balances (balances per financial institution records) equaled \$6,805,836 and \$6,229,886, respectively.

Depository bank balances of \$6,723,475 (2003) and \$6,142,165 (2002) were covered by \$100,000 in federal depository insurance and \$9,275,804 (2003) and \$5,485,596 (2002) (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 \$82,361 (2003) and \$87,721 (2002) were fully covered by federal depository insurance. Short-term investments with the Lone Star Investment Pool and a mutual fund investment firm described below totaling \$87,137 (2003) and \$448,265 (2002) 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 \$8,963,045 (2003) and \$9,870,837 (2002). The highest combined balances of cash, savings and time deposits accounts amounted to approximately \$7,587,753 (2003) and \$9,363,207 (2002) and occurred during the months of November 2002 (FYE 2003) and December 2001 (FYE 2002).
- c. Total amount of FDIC coverage at the time of the highest combined balance in November and December was \$100,000.
- d. At year end, fair value of securities pledged was approximately \$9,354,026 (2003) and \$7,665,117 (2002).

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

	<u>2003</u>	<u>2002</u>
<b><u>Cash and Cash Equivalents</u></b>		
<b>Cash in Bank</b>		
Demand Deposits	\$ 1,628,235	\$ 989,260
Time Deposits	0	731,977
Cash and Cash Equivalents	1,628,235	1,721,237
Short Term Investments	55,256	448,265
Petty Cash on Hand	3,565	3,490
Total Cash and Cash Equivalents	\$ 1,687,056	\$ 2,172,992

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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 \$5,011,308 (2003) and \$4,347,308 (2002), an investment in the Lone Star Investment Pool in the amount of \$55,256 (2003) and \$422,943 (2002), and an investment in a mutual fund investment firm of \$31,881 (2003) and \$25,322 (2002). The Lone Star Investment Pool is an investment pool administered by the Texas Association of School Boards, Inc. The pool has various investment options for participating members. The College's investment portfolio at August 31, 2003 and 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, 2003 and 2002, was approximately \$55,256 and \$422,943, respectively, 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.

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

Deposit Type	Category	2003		2002	
		Carrying Amount	Institution Balance	Carrying Amount	Institution Balance
Demand and Time Deposits	1	\$ 182,361	\$ 182,361	\$ 286,996	\$ 287,721
Demand and Time Deposits	3	6,457,182	6,623,475	5,781,549	5,942,165
Total		<u>\$ 6,639,543</u>	<u>\$ 6,805,836</u>	<u>\$ 6,068,545</u>	<u>\$ 6,229,886</u>
Uncategorized investments					
Lone Star Investment Pool		\$ 55,256	\$ 55,256	\$ 422,943	\$ 422,943
Mutual Fund		31,881	31,881	25,322	25,322
Total		<u>\$ 87,137</u>	<u>\$ 87,137</u>	<u>\$ 448,265</u>	<u>\$ 448,265</u>

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

	<u>2003</u>	<u>2002</u>
<b>Per Note 4</b>		
Petty Cash on Hand	\$ 3,565	\$ 3,490
Demand and Time Deposits	1,628,235	1,721,237
Short Term Time Deposits	5,011,308	4,347,308
Lone Star Investment Pool	55,256	422,943
Mutual Fund Investments	31,881	25,322
	<u>\$ 6,730,245</u>	<u>\$ 6,520,300</u>
	<u>2003</u>	<u>2002</u>
<b>Per Exhibit 1</b>		
Cash and Cash Equivalents	\$ 1,687,056	\$ 2,172,992
Short Term Investments - current	3,748,000	3,231,453
Short Term Investments - endowments	1,295,189	1,115,855
	<u>\$ 6,730,245</u>	<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.

**6. 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.

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**7. CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2003 was as follows:

Description	Balance September 1, 2002	Increases	Decreases	Balance August 31, 2003
<b>Capital assets not being depreciated:</b>				
Land	\$ 968,460		\$	\$ 968,460
Library Books	557,713	\$ 32,021		589,734
<b>Total capital assets not being Depreciated</b>	<b>1,526,173</b>	<b>32,021</b>	<b>-</b>	<b>1,558,194</b>
<b>Capital assets, being depreciated:</b>				
Buildings and Improvements	11,714,087	131,051		11,845,138
Equipment under Capital Lease	462,637	26,779		489,416
Furniture, Fixtures, Machinery & Equipment and Other Equipment	1,188,804	615,213		1,804,017
<b>Total capital assets, being depreciated</b>	<b>13,365,528</b>	<b>773,043</b>	<b>-</b>	<b>14,138,571</b>
<b>Less accumulated depreciation for:</b>				
Building and Improvements	(7,013,520)	(330,483)		(7,344,003)
Equipment under Capital Lease	(377,888)	(38,406)		(416,294)
Furniture, Fixtures, Machinery & Equipment and Other Equipment	(810,357)	(162,122)		(972,479)
<b>Total accumulated depreciation</b>	<b>(8,201,765)</b>	<b>(531,011)</b>	<b>-</b>	<b>(8,732,776)</b>
<b>Total capital assets, being depreciated, net</b>	<b>5,163,763</b>	<b>242,032</b>	<b>-</b>	<b>5,405,795</b>
<b>Net Capital Assets</b>	<b>\$ 6,689,936</b>	<b>\$ 274,053</b>	<b>\$ -</b>	<b>\$ 6,963,989</b>



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

Description	Balance September 1, 2001	Increases	Decreases	Balance August 31, 2002
<b>Capital assets not being depreciated:</b>				
Land	\$ 968,460			\$ 968,460
Library Books	520,521	\$ 37,192	-	557,713
<b>Total capital assets not being depreciated</b>	<b>1,488,981</b>	<b>37,192</b>	<b>-</b>	<b>1,526,173</b>
<b>Capital assets, being depreciated:</b>				
<b>Other Capital Assets</b>				
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
<b>Total capital assets, being depreciated</b>	<b>11,415,772</b>	<b>2,108,420</b>	<b>(158,664)</b>	<b>13,365,528</b>
<b>Less accumulated depreciation for:</b>				
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)
<b>Total accumulated depreciation</b>	<b>(7,860,768)</b>	<b>(499,661)</b>	<b>158,664</b>	<b>(8,201,765)</b>
<b>Total capital assets, being depreciated, net</b>	<b>3,555,004</b>	<b>1,608,759</b>	<b>-</b>	<b>5,163,763</b>
<b>Net Capital Assets</b>	<b>\$ 5,043,985</b>	<b>\$ 1,645,951</b>	<b>\$ -</b>	<b>\$ 6,689,936</b>

**8. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended August 31, 2003 was as follows:

	Balance September 1, 2002	Additions	Reductions	Balance August 31, 2003	Current Portion
<b><u>Leases and Notes</u></b>					
Capital Leases	\$ 133,484	\$ 37,097	\$ 71,380	\$ 99,201	\$ 47,680
Notes Payable	63,731	-	63,731	-	-
Maintenance Notes Payable	1,952,975	37,097	97,321	1,855,654	101,849
<b>Total Long-Term Liabilities</b>	<b>\$ 2,150,190</b>	<b>\$ 37,097</b>	<b>\$ 232,432</b>	<b>\$ 1,954,855</b>	<b>\$ 149,529</b>

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Compensated absences consist of accrued vacations. Such liabilities are considered as current liabilities and not included in 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
<b>Leases and Notes</b>					
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
<b>Total Long-Term Liabilities</b>	<b>\$ 309,677</b>	<b>\$ 2,000,000</b>	<b>\$ 159,487</b>	<b>\$ 2,150,190</b>	<b>\$ 180,830</b>

**Lease Purchase Agreements Payable**

During the current year and prior years, the College entered into capital lease commitments for copy equipment. The leases are for twenty-four copiers and related attachments. The arrangements require the College to make payments in monthly installments of \$3,756 ranging from 30 to 60 months. Summarized below are annual lease requirements associated with the commitments. Imputed interest assumed in the leases ranges from 5% to 8%. The interest portion of current year payments amounted to \$7,216 and \$8,042 for the years ended August 31, 2003 and 2002 respectively.

Year Ending August 31,	2003			2002		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2003	\$ -	\$ -	\$ -	\$ 6,088	\$ 25,494	\$ 31,582
2004	5,158	39,911	45,069	3,972	27,610	31,582
2005	2,237	42,678	44,915	1,681	29,901	31,582
2006	103	8,844	8,947	47	4,616	4,663
<b>Total</b>	<b>\$ 7,498</b>	<b>\$ 91,433</b>	<b>\$ 98,931</b>	<b>\$ 11,788</b>	<b>\$ 87,621</b>	<b>\$ 99,409</b>

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 amounted to \$1,351 and \$5,423 for the years ended August 31, 2003 and 2002, respectively.

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Year Ending August 31,	2003			2002		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2003	\$ -	\$ -	\$ -	\$ 1,351	\$ 38,095	\$ 39,446
2004	68	7,768	7,836	68	7,768	7,836
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
<b>Total</b>	<b>\$ 68</b>	<b>\$ 7,768</b>	<b>\$ 7,836</b>	<b>\$ 1,419</b>	<b>\$ 45,863</b>	<b>\$ 47,282</b>

**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 amounted to \$6,722 and \$5,358 for the years ending August 31, 2003 and 2002, respectively. The note was paid off early in August, 2003.

Scheduled payments associated with the Note at August 31, 2002 are summarized below.

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

**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, 2004 has been provided for in the budget.

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The first of the thirty semi-annual installments was made on June 19, 2002. Interest expense on the note amounted to \$88,730 and \$64,403 for the years ended August 31, 2003 and 2002, respectively. Accrued interest on the note at August 31, 2003 and 2002 amounted to approximately \$17,309 and \$18,403 and is included in the financial statements.

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

Year Ending August 31,	2003			2002		
	Interest	Principal	Total Requirement	Interest	Principal	Total Requirement
2003	\$ -	\$ -	\$ -	\$ 88,730	\$ 97,321	\$ 186,051
2004	84,201	101,849	186,050	84,201	101,849	186,050
2005	79,462	106,588	186,050	79,462	106,588	186,050
2006	74,503	111,547	186,050	74,503	111,547	186,050
2007	69,313	116,737	186,050	69,313	116,737	186,050
2008	63,881	122,169	186,050	63,881	122,169	186,050
2009-2013	228,666	701,588	930,254	228,666	701,588	930,254
2014-2017	56,007	595,176	651,183	56,006	595,176	651,182
<b>Total</b>	<b>\$ 656,033</b>	<b>\$ 1,855,654</b>	<b>\$ 2,511,687</b>	<b>\$ 744,762</b>	<b>\$ 1,952,975</b>	<b>\$ 2,697,737</b>

**9. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES**

**Receivables**

Receivables at August 31, 2003 and 2002, were as follows:

	2003			2002		
	Total Receivable	Less Allowance For Uncollectibles	Net Receivable	Total Receivable	Less Allowance For Uncollectibles	Net Receivable
Student Receivables	\$ 488,006	\$ 217,172	\$ 270,834	\$ 555,133	\$ 168,172	\$ 386,961
Taxes Receivable	194,698	131,177	63,521	200,493	135,372	65,121
Federal Receivables	411,426		411,426	741,592		741,592
State Receivables	210,000		210,000	268,648		268,648
Accounts Receivable	6,010		6,010	62,654		62,654
Interest Receivable	145,553		145,553	127,860		127,860
Other Receivables	47,162		47,162	14,870		14,870
<b>TOTAL</b>	<b>\$ 1,502,855</b>	<b>\$ 348,349</b>	<b>\$ 1,154,506</b>	<b>\$ 1,971,250</b>	<b>\$ 303,544</b>	<b>\$ 1,667,706</b>

**Payables**

Payables at August 31, 2003 and 2002, were as follows:

	2003	2002
Vendors Payable	\$ 471,392	\$ 578,899
Salaries and Benefits Payable	203,786	219,189
Students Payable	46,413	42,829
Accrued Interest	17,309	18,403
Other Payables	37,258	36,943
<b>TOTAL</b>	<b>\$ 776,158</b>	<b>\$ 896,263</b>

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**10. CONTRACT AND GRANT AWARDS**

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

**11. PROPERTY TAXES**

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

Taxes levied for current year operations are summarized below:

	2003	2002
Original tax levy	\$ 3,065,430	\$ 2,912,574
Supplemental levy and adjustments	(24,576)	(6,486)
Adjusted levy	3,040,854	2,906,088
Penalty and interest assessments	13,990	11,781
<b>Total Levy</b>	<b>\$ 3,054,844</b>	<b>\$ 2,917,869</b>

Tax collections for the years ended August 31, 2003 and 2002, including delinquent collections, exceeded 99% of the levy for both years.

**PANOLA COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT AND FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002**

A summary of tax data is presented as follows:

	2003	2002
Assessed valuation of the District	\$ 3,118,959,711	\$ 3,194,124,050
Less: Exemptions	(139,607,344)	(132,607,701)
Less Abatements	(368,504,844)	(377,651,056)
Net Assessed Valuation of the District	<u>\$ 2,610,847,523</u>	<u>\$ 2,683,865,293</u>
<b>Tax Rate Per \$100 authorized:</b>		
Current Operations	\$ 0.35000	\$ 0.35000
Debt Service	0.50000	0.50000
Total	<u>\$ 0.85000</u>	<u>\$ 0.85000</u>
<b>Tax Rate Per \$100 assessed</b>		
Current Operations	\$ 0.11647	\$ 0.10828
Debt Service	-	-
Total	<u>\$ 0.11647</u>	<u>\$ 0.10828</u>
Gross Taxes Collected (Current Operations)	\$ 2,967,337	\$ 2,867,461
Discounts Allowed	(77,128)	(74,613)
Delinquent Taxes Collected	59,534	45,143
Penalties and Interest Collected	51,679	51,758
Collection Fees	(50,356)	(50,743)
Total Collections	<u>\$ 2,951,066</u>	<u>\$ 2,839,006</u>

**12. DEFERRED REVENUES**

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

A summary of deferred revenues follows:

	2003	2002
Tuition and Fees	\$ 1,055,370	\$ 991,816
Housing and Residential Life	218,458	274,951
Bookstore Profit Deferral	169,971	171,757
Other	31,791	41,112
Total	<u>\$ 1,475,590</u>	<u>\$ 1,479,636</u>

PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002

13. 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 workload 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 YEARS ENDED AUGUST 31, 2003 AND 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
2003	203,972	217,505	421,477	3,399,533

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, 2000 to 2003 were as follows (in billions).

Fiscal Year	Actuarial Value Of Assets	Actuarial Accrued Liability	(Unfunded)/Overfunded Actuarial Accrued Liability
2000	\$ 79.3	\$ 73.9	\$ 5.4
2001	86.3	84.2	2.1
2002	86.0	89.3	(3.3)
2003	89.0	94.2	(5.2)

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



**PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEARS ENDED AUGUST 31, 2003 AND 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 was a member of the program at August 31, 1995, to the Optional Retirement Program as allowed under provisions of state law. A summary of on-behalf, District and participant contribution is as follows:

**DEFERRED COMPENSATION PROGRAM**

Year Ended August 31,	On Behalf State Contribution	Panola College Contribution	Participant Contributions	Total Contributions	Covered Payroll
2003	\$ 138,218	\$ 40,378	\$ 153,192	\$ 331,788	\$ 2,305,632
2002	143,164	41,211	158,690	343,065	2,386,074

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

14. 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, 2003 and 2002, the College had twenty-three employees participating in the tax sheltered annuity program. A total of \$98,256 and \$68,556 in payroll deductions was invested in approved plans during the years ending August 31, 2003 and 2002, respectively.

15. **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 financial statements. Sick leave is not paid to an employee upon death, termination, or retirement; therefore, there is no liability shown in the financial statements.

Vacation is earned at the rate of one day per month up to a maximum of ten days per year. 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 \$114,940 at August 31, 2003 and \$132,144 at August 31, 2002, and are included in the statement of net assets as accrued liabilities.

**PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002**

**16. HEALTH CARE AND LIFE INSURANCE COVERAGE**

Employees of Panola College were covered by a health and life insurance plan (the Plan). The Plan is funded by the State. The State paid premiums of \$307 and \$276 per month per employee to the Plan for the years ending August 31, 2003 and 2002, respectively. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51.2, Texas Insurance Code.

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

Fiscal Year Ended August 31,	Average Number Employees Covered	Board Members Covered	On Behalf State Contributions	College Contributions
2003	128	7	551,086	128,882
2002	139	7	515,068	82,521

**17. POST-RETIREMENT HEALTH BENEFITS**

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

Additionally, the College in accordance with state statutes, funds the costs of health insurance of retired employees who formerly worked in auxiliary departments of the College. Shown below are costs and coverages associated with the dental and health insurance plans.

Year Ended August 31,	Average Number Retirees Covered	Average Monthly Dental Premium	Retired Auxiliary Employees	Average Monthly Health Insurance Premium
2003	45	\$ 19.58	4	\$ 326
2002	46	\$ 18.70	4	\$ 295

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

**PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002**

**Post Retirement Health Benefits:**

Year Ended August 31,	On Behalf State Contribution	Average Number Retirees Covered
2003	\$209,755	42
2002	\$189,186	42

**18. RELATED PARTIES**

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

**19. FUNDS HELD IN TRUST BY OTHERS**

The balances and transactions of funds held in trust by others on behalf of Panola College are not reflected in the financial statements. At August 31, 2003 and 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 \$315,496 at August 31, 2003 and \$319,577 at August 31, 2002.

**20. RISK MANAGEMENT**

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

**21. NON-MONETARY TRANSACTIONS**

The College receives the benefit from the use of certain facilities at its off campus sites at no cost or costs below prevailing market rates that the College would have to pay in an exchange transaction. Included in operating revenues are approximately \$263,000 and \$156,000 in non-monetary transactions representing the value of the use of the facilities for the years ended August 31, 2003 and 2002, respectively. A corresponding amount is also included in operating expenses.

**PANOLA COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002**

**22. FUND BALANCES**

The College accounts internally for net assets on a fund basis. Components of net assets by fund at August 31, 2003 and 2002 are shown below.

	<u>August 31, 2003</u>		<u>August 31, 2002</u>	
Unrestricted Fund	\$	2,421,699	\$	2,383,631
Auxiliary Fund		231,240		214,106
Restricted Fund		58,112		52,935
Sub-Total Current funds		2,711,051		2,650,672
Endowment Fund		1,459,705		1,344,951
Unexpended Plant Fund		1,840,085		2,227,461
Retirement of Indebtedness Fund		15,000		4,152
Expended Plant Funds		5,009,134		4,539,745
<b>Total Fund Balances (Net Assets)</b>	<b>\$</b>	<b>11,034,975</b>	<b>\$</b>	<b>10,766,981</b>

**23. PENDING CLAIMS**

The administration of the College and its legal counsel are aware of only one pending lawsuit against the College. While the ultimate liability with the respect to the litigation is unknown, legal counsel is of the opinion that the suit is without any grounds in Texas law. A motion for summary judgment has been filed in the case and is pending.

**24. OTHER DISCLOSURES**

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

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the year ended August 31, 2003 or 2002.

**SUPPLEMENTARY DATA**

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**PANOLA COLLEGE**  
**SCHEDULE B**  
**SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION**  
**For the Years Ended August 31, 2003 and 2002**

	2003					
	Operating Expenses					
	Faculty Salaries	Staff Salaries/Wages	Benefits		Other Expenses	Total (Exh.2)
State Benefits			Local Benefits			
<b>Educational Activities</b>						
Instruction	\$ 3,212,637	\$ 331,533	\$ 655,934	\$ 403,943	\$ 804,443	\$ 5,408,490
Public Service	-	244,563	45,262	28,546	112,506	430,877
Academic Support	45,004	591,814	117,858	74,331	367,305	1,196,312
Student Services	3,000	580,060	107,909	68,056	136,241	895,266
Institutional Support	-	677,622	125,410	79,093	537,400	1,419,525
Operation and Maintenance of Plant	-	273,711	50,657	31,948	918,678	1,274,994
Scholarship and Fellowships	-	-	-	-	1,503,426	1,503,426
<b>Educational Activities</b>	<b>3,260,641</b>	<b>2,699,303</b>	<b>1,103,030</b>	<b>685,917</b>	<b>4,379,999</b>	<b>12,128,890</b>
<b>Auxiliary Enterprises</b>	<b>65,736</b>	<b>109,446</b>	<b>-</b>	<b>30,188</b>	<b>1,092,786</b>	<b>1,298,156</b>
<b>Depreciation Expense</b>					<b>531,011</b>	<b>531,011</b>
<b>Total</b>	<b>\$ 3,326,377</b>	<b>\$ 2,808,749</b>	<b>\$ 1,103,030</b>	<b>\$ 716,105</b>	<b>\$ 6,003,796</b>	<b>\$ 13,958,057</b>

See Independent Auditor's Report on Additional Information.

**PANOLA COLLEGE**  
**SCHEDULE A**  
**SCHEDULE OF DETAILED OPERATING REVENUES**  
For the Years Ended August 31, 2003 and 2002

	<u>2003</u>			<u>2002</u>		
	Educational Activities	Auxiliary Enterprises	Total	Educational Activities	Auxiliary Enterprises	Total
<b>State appropriations</b>						
Education and general state support	\$ 3,480,296	\$ -	\$ 3,480,296	\$ 3,573,855	\$ -	\$ 3,573,855
State group insurance	760,841	-	760,841	704,254	-	704,254
State retirement matching	342,190	-	342,190	324,884	-	324,884
Other	-	-	-	17,707	-	17,707
<b>Total state appropriations</b>	<u>4,583,327</u>	<u>-</u>	<u>4,583,327</u>	<u>4,620,700</u>	<u>-</u>	<u>4,620,700</u>
<b>Tuition</b>						
<b>State funded courses</b>						
In-district resident tuition	224,798	-	224,798	205,927	-	205,927
Out-of-district resident tuition	510,164	-	510,164	417,669	-	417,669
TPEG (set aside)*	45,462	-	45,462	59,277	-	59,277
Non-resident tuition	36,458	-	36,458	5,691	-	5,691
<b>Non-state funded continuing education</b>	<u>143,311</u>	<u>-</u>	<u>143,311</u>	<u>119,000</u>	<u>-</u>	<u>119,000</u>
<b>Total tuition</b>	<u>960,193</u>	<u>-</u>	<u>960,193</u>	<u>807,564</u>	<u>-</u>	<u>807,564</u>
<b>Fees</b>						
General fee	731,432	-	731,432	578,083	-	578,083
Student service fee	-	-	-	15,085	-	15,085
Out-of-district fees	568,350	-	568,350	517,507	-	517,507
Laboratory fee	89,293	-	89,293	81,217	-	81,217
Other fees	102,286	-	102,286	85,138	-	85,138
<b>Total fees</b>	<u>1,491,361</u>	<u>-</u>	<u>1,491,361</u>	<u>1,277,030</u>	<u>-</u>	<u>1,277,030</u>
<b>Scholarship allowances and discounts</b>						
Scholarship allowances	(316,710)	-	(316,710)	(211,889)	-	(211,889)
Remissions and exemptions	(60,477)	-	(60,477)	(5,462)	-	(5,462)
TPEG allowances	(45,462)	-	(45,462)	(42,639)	-	(42,639)
Federal grants to students	(691,448)	-	(691,448)	(464,776)	-	(464,776)
State grants to students	(99,047)	-	(99,047)	(130,050)	-	(130,050)
<b>Total scholarship allowances</b>	<u>(1,213,144)</u>	<u>-</u>	<u>(1,213,144)</u>	<u>(854,816)</u>	<u>-</u>	<u>(854,816)</u>
<b>Total net tuition and fees</b>	<u>1,238,410</u>	<u>-</u>	<u>1,238,410</u>	<u>1,229,778</u>	<u>-</u>	<u>1,229,778</u>
<b>Other operating revenues</b>						
Federal grants and contracts	2,955,807	-	2,955,807	2,913,750	-	2,913,750
State grants and contracts	413,091	-	413,091	598,020	-	598,020
Nongovernmental grants and contracts	85,562	-	85,562	14,343	-	14,343
Sales and services of educational activities	187,020	-	187,020	109,977	-	109,977
Other operating revenues	327,964	2,715	330,679	274,247	-	274,247
<b>Total other operating revenues</b>	<u>3,969,444</u>	<u>2,715</u>	<u>3,972,159</u>	<u>3,910,337</u>	<u>-</u>	<u>3,910,337</u>
<b>Auxiliary enterprises</b>						
Residential life	-	511,870	511,870	-	490,148	490,148
Scholarship allowances and discounts	-	(130,476)	(130,476)	-	(328,102)	(328,102)
Net residential life	-	381,394	381,394	-	162,046	162,046
Bookstore	-	860,048	860,048	-	804,680	804,680
Scholarship allowances and discounts	-	(100,358)	(100,358)	-	(204,808)	(204,808)
Net bookstore	-	759,690	759,690	-	599,872	599,872
<b>Total net auxiliary enterprises</b>	<u>-</u>	<u>1,141,084</u>	<u>1,141,084</u>	<u>-</u>	<u>761,918</u>	<u>761,918</u>
<b>Total Operating Revenues (Exh. 2)</b>	<u>\$ 9,791,181</u>	<u>\$ 1,143,799</u>	<u>\$ 10,934,980</u>	<u>\$ 9,760,815</u>	<u>\$ 761,918</u>	<u>\$ 10,522,733</u>

\*In accordance with Education Code 56.033, \$45,462 and \$59,277 of tuition was set aside for Texas Public Education Grants (TPEG)

See Independent Auditor's Report on Additional Information.



**PANOLA COLLEGE**  
**SCHEDULE B (continued)**  
**SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL CLASSIFICATION**  
**For the Years Ended August 31, 2003 and 2002**

2002						
Operating Expenses						
Faculty Salaries	Staff Salaries/Wages	Benefits		Other Expenses	Total (Exh.2)	
		State Benefits	Local Benefits			
\$ 3,107,017	\$ 296,523	\$ 599,452	\$ 330,880	\$ 915,012	\$ 5,248,884	
133,232	131,680	47,364	24,471	146,687	483,434	
4,800	621,012	111,089	84,731	364,531	1,186,163	
3,000	554,841	98,785	63,711	196,039	916,376	
-	641,077	114,143	79,798	457,667	1,292,685	
-	220,352	35,895	34,528	819,792	1,110,567	
-	-	-	-	1,065,433	1,065,433	
<u>3,248,049</u>	<u>2,465,485</u>	<u>1,006,728</u>	<u>618,119</u>	<u>3,965,161</u>	<u>11,303,542</u>	
60,866	103,435	22,410	28,282	1,050,913	1,265,906	
				499,661	499,661	
<u>\$ 3,308,915</u>	<u>\$ 2,568,920</u>	<u>\$ 1,029,138</u>	<u>\$ 646,401</u>	<u>\$ 5,515,735</u>	<u>\$ 13,069,109</u>	

See Independent Auditor's Report on Additional Information.

**PANOLA COLLEGE**  
**SCHEDULE C**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2003**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
<b>U. S. Department of Education</b>			
<b>Direct</b>			
SEOG	84.007	EP007A024092	* \$ 85,127
SEOG	84.007	EP007A034092	* 10,198
Sub- total SEOG Program			<u>95,325</u>
Federal College Workstudy	84.033	EP033A024092	* 86,722
Federal College Workstudy	84.033	EP033A034092	* 819
			<u>87,541</u>
Federal Pell Grant Program	84.063	EP063P022297	* 1,468,603
Federal Pell Grant Program	84.063	EP063P032297	* 444,741
			<u>1,913,344</u>
<b>Passed Through From:</b>			
Texas Education Agency			
Adult Basic Education	84.002A	341000131	66,458
Adult Basic Education	84.002A	341000131	2,008
Adult Basic Education	84.002A	441000132107031	2,092
Adult Basic Education - Corrections	84.002A	341000231	51,502
Texas Higher Education Coordinating Board			
Carl Perkins Voc. Ed.	84.048	34236	223,911
Navarro College			
Carl Perkins Voc. Ed. (Rural Focus)	84.048		2,411
East Texas Tech Prep Consortium			
Carl Perkins Voc. Ed.	84.048		11,750
Texas Higher Education Coordinating Board			
Leveraging Educational Assistance Program	84.069A		5,128
Special Leveraging Educational Assistance Program	84.069B		889
			<u>2,462,359</u>
<b>Total U. S. Department of Education</b>			<u>2,462,359</u>
<b>U. S Department of Housing and Urban Development</b>			
Housing Interest Subsidy	14.000	CH-TEX-263 (D)	<u>8,688</u>
<b>U. S Department of Labor</b>			
Passed Through From:			
Texas Workforce Commission	17.207	08-02-WPB000	<u>182,772</u>
<b>Department of Health and Human Services</b>			
Pass Through From:			
Texas Education Agency			
Temporary Assistance to Needy Families (TANF)	93.558	336250131	34,765
East Texas Council of Governments			
Temporary Assistance to Needy Families (TANF 25)	93.558	PC-TANF-PY02-03	78,082
Deep East Workforce Development Board			
Temporary Assistance to Needy Families (TANF)	93.558	02-64 TANF LWDA 17	3,846
Texas Workforce Commission			
Self Sufficiency Grant	93.558	0801SSF001	17,191
Self Sufficiency Grant	93.558	0803SSF000	168,104
<b>Total Department of Health and Human Services</b>			* <u>301,988</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,955,807</u>
<b>Federal Grants and Revenues -Per Schedule A</b>			<u>\$ 2,955,807</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, 2003**

**Significant accounting policies used in preparing the schedule**

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

**PANOLA COLLEGE**  
**SCHEDULE D**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended August 31, 2003**

Grantor Agency/ Program Title	Grant Contract Number	Expenditures
<b>Passed Through From:</b>		
<b>Texas Education Agency</b>		
Adult Basic Education	301000131	\$ 17,172
Adult Basic Education TANF	301000131	12,573
Sub-Total		<u>29,745</u>
<b>Texas Infrastructure Board</b>		
Texas Infrastructure Grant	QE-2000-D14C-5086	29,320
Texas Infrastructure Grant	QE-2002-HE4C-7297	56,331
Sub-Total		<u>85,651</u>
<b>Texas Higher Education Coordinating Board</b>		
Texas Grant		264,493
Texas Guaranteed Student Loan		8,300
PSIG Program		8,923
Nursing Innovation Grant		15,979
Sub-Total		<u>297,695</u>
<b>Total State Financial Assistance</b>		<u><u>\$ 413,091</u></u>

**ADDITIONAL SUPPLEMENTARY DATA  
(UNAUDITED)**

**PANOLA COLLEGE**  
**SCHEDULE E**  
**STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES**  
For the Year Ended August 31, 2003  
With Memorandum Totals for the Year Ended August 31, 2002  
(UNAUDITED)

REVENUES	TOTALS				
				MEMORANDUM ONLY	
	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
State Appropriations - General Revenue	\$ 3,480,296	\$	\$ 1,103,031	\$ 4,583,327	\$ 4,620,700
Tuition and Fees	2,391,077			2,391,077	2,079,132
Taxes for Current Operation	2,951,066			2,951,066	2,839,006
Federal Grants and Contracts			2,947,119	2,947,119	2,909,406
State Grants and Contracts			413,091	413,091	598,020
Private Gifts, Grants and Contracts			85,562	85,562	25,643
Sales & Service of Educational Activities	187,020			187,020	109,977
Sales & Services of Auxiliary Enterprises		1,371,918		1,371,918	1,294,828
Other Sources					
Investment/Endowment Income	150,180	9,070	64,177	223,427	197,839
Royalty Income			46,268	46,268	29,459
Facility Use- In Kind	262,682			262,682	156,535
Misc. Income	64,538	2,715	744	67,997	55,058
<b>Total Current Funds Revenues</b>	<b>\$ 9,486,859</b>	<b>\$ 1,383,703</b>	<b>\$ 4,659,992</b>	<b>\$ 15,530,554</b>	<b>\$ 14,915,603</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>					
<b>Educational and General</b>					
Instruction	\$ 4,451,816	\$	\$ 1,079,126	\$ 5,530,942	\$ 5,279,402
Public Service			440,202	440,202	483,434
Academic Support	1,097,639		180,689	1,278,328	1,341,723
Student Services	608,011		287,255	895,266	921,376
Institutional Support	1,421,705		125,410	1,547,115	1,284,785
Operation and Maintenance of Plant	1,177,064		50,657	1,227,721	983,419
Scholarships and Fellowships	37,583		2,746,115	2,783,698	2,338,584
<b>Total Educational &amp; General Expenditures</b>	<b>8,793,818</b>		<b>4,909,454</b>	<b>13,703,272</b>	<b>12,632,723</b>
<b>Auxiliary Enterprise Expenditures</b>		<b>1,391,067</b>		<b>1,391,067</b>	<b>1,375,020</b>
<b>Mandatory Transfers for:</b>					
Retirement of indebtedness					
TPEG	(45,462)		45,462		
To restricted for scholarships	(204,000)		204,000		
<b>Total expenditures and mandatory transfers</b>	<b>9,043,280</b>	<b>1,391,067</b>	<b>4,659,992</b>	<b>15,094,339</b>	<b>14,007,743</b>
<b>Other transfers and additions/(deductions):</b>					
Non-mandatory transfers	(405,511)	24,498		(381,013)	(823,442)
Excess of restricted receipts over (under) transfer to revenues			5,177	5,177	3,878
<b>Net increase (decrease) in fund balances</b>	<b>\$ 38,068</b>	<b>\$ 17,134</b>	<b>\$ 5,177</b>	<b>\$ 60,379</b>	<b>\$ 88,296</b>

**PANOLA COLLEGE**  
**SCHEDULE E (Continued)**  
**STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES**  
**For the Year Ended August 31, 2003**  
**With Memorandum Totals for the Year Ended August 31, 2002**  
**(UNAUDITED)**

Reconciliation to Increase in Net Assets-Exhibit 2

	<u>2003</u>	<u>2002</u>
Net increase in fund balances	\$ 60,379	\$ 88,296
Non Mandatory Transfers	381,013	823,442
Depreciation Expense	(531,011)	(499,661)
Capital Outlay Expenditures	454,814	191,078
Federal grant revenues in other funds	8,688	4,344
Gifts in other funds	109,068	92,155
Other operating revenues in plant funds		62,654
Investment income in other funds	58,989	72,752
Operating expenses financed by capital lease	(10,318)	
Operating expense in plant funds	(160,704)	(135,048)
Interest expense	(102,924)	(84,446)
Increase in Net Assets- Exhibit 2	<u>\$ 267,994</u>	<u>\$ 615,566</u>

**PANOLA COLLEGE**  
**SCHEDULE F**  
**DETAIL OF STATE APPROPRIATIONS AND TUITION AND FEES**  
**For the Year Ended August 31, 2003**  
**With Memorandum Totals for the Year Ended August 31, 2002**  
**(UNAUDITED)**

	Unrestricted	Auxiliary Enterprises	Restricted	TOTALS	
				Current Year	Prior Year
<b>State Appropriations:</b>					
Education and General State Support	\$ 3,480,296	\$	\$	\$ 3,480,296	\$ 3,591,562
State Group Insurance			760,841	760,841	704,254
State Retirement Matching			342,190	342,190	324,884
<b>Total State Appropriations</b>	<b>3,480,296</b>		<b>1,103,031</b>	<b>4,583,327</b>	<b>4,620,700</b>
<b>Tuition and Fees (a)</b>					
<b>State Funded Courses</b>					
In-District Resident Tuition	245,685			245,685	205,927
Out-of-District Resident Tuition	534,739			534,739	476,946
Non-resident Tuition	36,458			36,458	5,691
Non-State Funded Continuing Education	143,311			143,311	119,000
<b>Subtotal Tuition</b>	<b>960,193</b>			<b>960,193</b>	<b>807,564</b>
<b>Fees</b>					
General Fees	731,432			731,432	578,083
Out of District Fees	568,350			568,350	517,507
Laboratory Fee	89,293			89,293	81,217
Other Fees	102,286			102,286	100,223
<b>Subtotal Fees</b>	<b>1,491,361</b>			<b>1,491,361</b>	<b>1,277,030</b>
Remissions and Exemptions-State	(60,477)			(60,477)	(5,462)
<b>Total Tuition and Fees</b>	<b>\$ 2,391,077</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,391,077</b>	<b>\$ 2,079,132</b>

(Sch E) (Sch E)

(a) In accordance with Education Code 56.033 \$45,462 of tuition was set aside for Texas Public Education Grants (TPEG).



PANOLA COLLEGE  
SCHEDULE G

SCHEDULE OF CURRENT FUNDS EXPENDITURES BY OBJECT

For the Year Ended August 31, 2003

With Memorandum Totals for the Year Ended August 31, 2002

(UNAUDITED)

	SALARIES AND WAGES	STAFF BENEFITS	OTHER EXPENSES	CAPITAL OUTLAY	MEMORANDUM ONLY		TOTALS
					Current Year	Prior Year	
<b>Unrestricted - Educational and General</b>							
Instruction	\$ 3,482,628	\$ 392,839	\$ 565,917	\$ 10,432	\$ 4,451,816	4,741,381	
Academic Support	636,817	74,331	354,470	32,021	1,097,639	1,064,729	
Student Services	475,048	55,448	77,515		608,011	685,491	
Institutional Support	677,622	79,093	537,400	127,590	1,421,705	1,281,556	
Operation and Maintenance of Plant	273,712	31,948	757,973	113,431	1,177,064	983,419	
Scholarships and Fellowships			37,583		37,583	145,418	
<b>Total Unrestricted</b>	<b>5,545,827</b>	<b>633,659</b>	<b>2,330,358</b>	<b>283,474</b>	<b>8,793,818</b>	<b>8,901,994</b>	
					(Sch. E)		
<b>Restricted - Education and General</b>							
Instruction	61,542	667,038	238,526	112,020	1,079,126	538,021	
Public Service	244,563	73,808	112,506	9,325	440,202	483,434	
Academic Support		117,858	12,836	49,995	180,689	276,994	
Student Services	108,012	120,516	58,727		287,255	235,885	
Institutional Support		125,410			125,410	3,229	
Operation and Maintenance of Plant		50,657			50,657		
Scholarships and Fellowships			2,746,115		2,746,115	2,193,166	
<b>Total Restricted</b>	<b>414,117</b>	<b>1,155,287</b>	<b>3,168,710</b>	<b>171,340</b>	<b>4,909,454</b>	<b>3,730,729</b>	
					(Sch. E)		
<b>Total Educational and General</b>	<b>5,959,944</b>	<b>1,788,946</b>	<b>5,499,568</b>	<b>454,814</b>	<b>13,703,272</b>	<b>12,632,723</b>	
<b>Auxiliary Enterprises</b>	<b>175,182</b>	<b>30,188</b>	<b>1,185,697</b>		<b>1,391,067</b>	<b>1,375,020</b>	
					(Sch. E)	(Sch. E)	
<b>Total Current Fund Expenditures</b>	<b>\$ 6,135,126</b>	<b>\$ 1,819,134</b>	<b>\$ 6,685,265</b>	<b>\$ 454,814</b>	<b>\$ 15,094,339</b>	<b>14,007,743</b>	
					(Sch. E)	(Sch. E)	

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**STATISTICAL SECTION  
(UNAUDITED)**

Table 1

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

Fiscal Year	Contact Hours		
	Academic	Vo-Tech	Total
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
2002-03	582,016	353,969	935,985

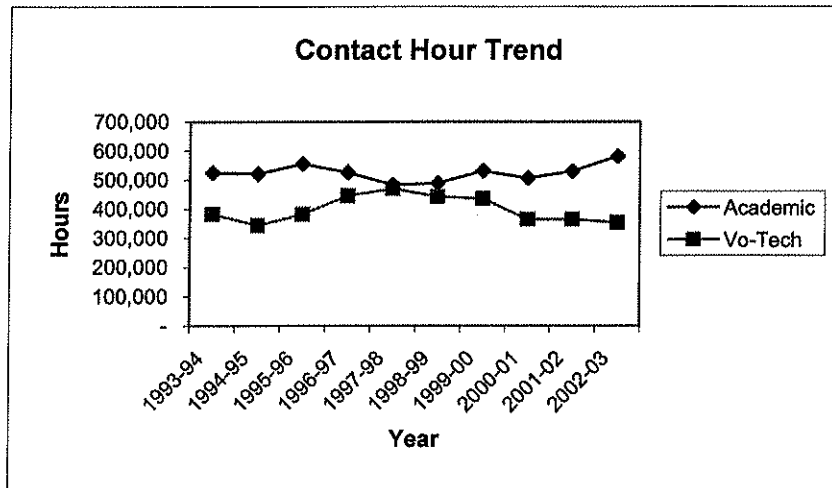


Table 2

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

<b>Fiscal Year</b>	<b>State Appropriations Per FTSE</b>
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
2002-03	2,402

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>
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
2002-03	5,530,942		440,202	1,278,328	895,266

- (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.
- (3) Year 02-03 Scholarships and fellowships includes \$1,443,978 of discounts from operating revenues.

Table 3

<u>Institutional Support</u>	<u>Operation &amp; Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Auxiliary Enterprises</u>	<u>Debt Service</u>	<u>Totals</u>
\$ 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	245,152	16,347,938
1,547,115	1,388,425	2,783,698 (3)	1,391,067	335,357	15,590,400

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

<u>Fiscal Year</u>	<u>State Appropriations</u>	<u>Gross Tuition &amp; Fees</u>	<u>Taxes for Current Operations</u>	<u>Federal &amp; State Grants &amp; Contracts</u>	<u>Investment Income</u>
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
2002-03	4,583,327	2,451,554 (4)	2,951,066	3,368,898	333,861

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.
- (4) Tuition & fees and auxiliary enterprises excludes discounts (scholarships) of \$1,152,667 and \$230,834, respectively.



Table 4

<u>Miscellaneous (2)</u>	<u>Auxiliary Enterprises</u>	<u>Totals</u>
\$ 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
712,329	1,371,918 (4)	15,772,953

**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>
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
2002-03	3,040,854	2,967,337	97.58%	59,534	3,026,871

**Note:**

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

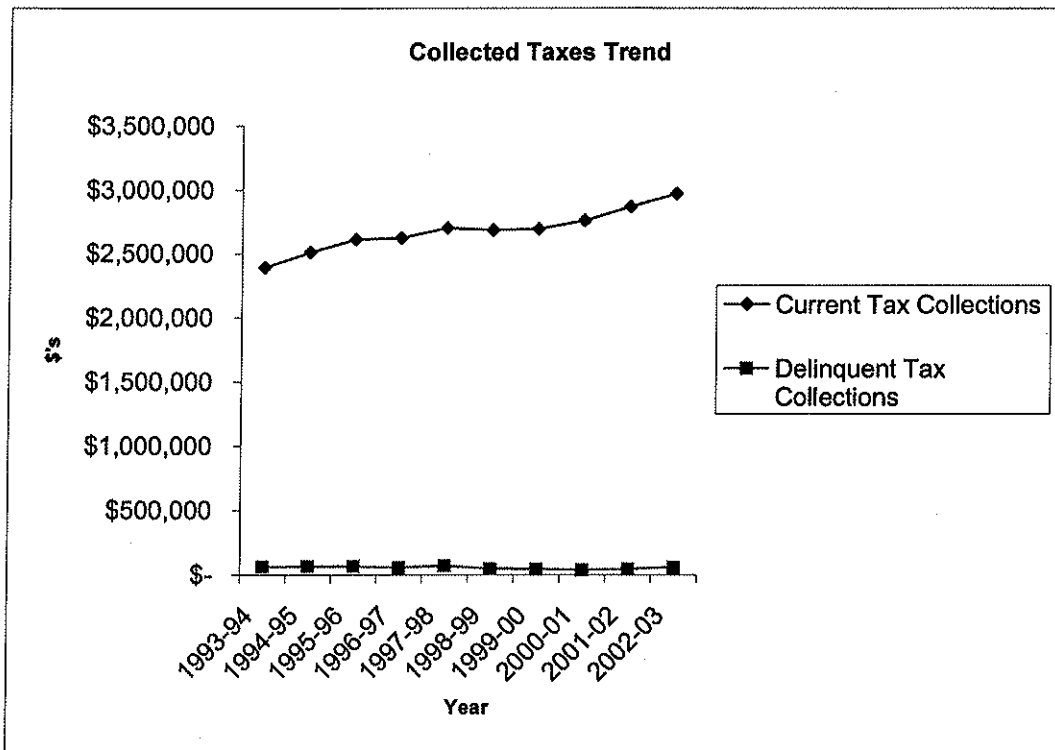


Table 5

<u>% of Total Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>% of Delinquent Taxes to Levy</u>
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%
99.54%	187,396	6.16%

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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>
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%
2003	2,610,847,523	2,610,847,523	100%

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

<u>Fiscal Year</u>	<u>College</u>		<u>Total</u>	<u>County</u>	<u>Cities (Average)</u>
	<u>Current Operations</u>	<u>Debt Service</u>			
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
2002-03	0.11647		0.11647	0.3677	0.39068

Table 7

<u>Independent School Districts (Average)</u>	<u>Rural Fire District</u>	<u>Total</u>
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
1.52867	0.01750	2.42103

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

<b>Fiscal Year</b>	<b>Population(1)</b>	<b>Assessed Value(2) (Thousands)</b>	<b>Gross Bonded Debt</b>	<b>Available Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
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
2002-03	22,606	2,610,848	0	0	0	0.00%	0.00

(1) 1993 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, 2003  
(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, 2003, 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, 2003  
 (UNAUDITED)

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u> (1)	<u>Percent Applicable to College</u> (2)	<u>Amount Applicable to College</u>
<b>Direct:</b>			
Panola College	<u>\$0</u>	100.00%	<u>\$0</u>
Sub total-Direct	<u>0</u>		<u>0</u>
<b>Overlapping:</b>			
Panola County	0	100.00%	0
City of Carthage	20,810,000	100.00%	20,810,000
City of Beckville	0	100.00%	0
Carthage ISD	7,810,000	100.00%	7,810,000
Gary ISD	1,770,000	100.00%	1,770,000
Beckville ISD	5,460,000	100.00%	5,460,000
Elysian Fields ISD	1,575,000	53.75%	846,563
Tatum ISD	0	32.50%	0
Tenaha ISD	0	1.86%	0
Joaquin ISD	<u>2,615,000</u>	5.05%	<u>132,058</u>
Sub total-Overlapping	<u>40,040,000</u>		<u>36,828,620</u>
<b>Total Direct and Overlapping Debt</b>	<u>\$40,040,000</u>		<u>\$36,828,620</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>
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	16,347,938	0.19%
2002-03	0 (2)	0	0	15,590,400	0.00%

- (1) Represents government wide expenditures  
(2) Bonded debt was liquidated in the 2001-02 year.

Table 12

PANOLA COLLEGE  
 PRINCIPAL TAXPAYERS  
 AUGUST 31, 2003  
 (UNAUDITED)

<u>Taxpayer (1)</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation (1) (in 1,000's)</u>	<u>Percentage of Total Assessed Valuation</u>
Anadarko E&P Company	Petroleum	\$266,325	10.20%
Chevron USA, Inc.	Petroleum	182,068	6.97%
Devon Energy	Petroleum	168,997	6.47%
EOG Resources	Petroleum	81,153	3.11%
BP Amoco Corporation	Petroleum	76,329	2.92%
Lacy R. Inc.	Petroleum	69,057	2.65%
Exxon Corp.	Petroleum	66,194	2.54%
Duke Energy Field Svcs-Processing	Petroleum	50,588	1.94%
Ocean Energy Inc.	Petroleum	43,692	1.67%
TXU Mining Company LP	Petroleum	41,649	1.60%
Totals (40.07% of Actual Value of \$2,610,847,523)		<u>\$1,046,052</u>	<u>40.07%</u>

(1) Panola County Appraisal District

PANOLA COLLEGE  
 DEMOGRAPHIC STATISTICS-TAXING DISTRICT  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

<u>Fiscal Year</u>	<u>Popula- tion (1)</u>	<u>Median Age (2)</u>	<u>Per Capita Effective Buying Income</u>	<u>Median Household Effective Buying Income (2)</u>	<u>Unemploy- ment Rate (3)</u>
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	22,689	37.1	\$15,439	\$31,909	7.9%
2002-03	22,606	37.1	\$15,589	\$32,209	8.8%

(1) 1993 through 1996 estimated.

1997 based on Texas State and Local Government Fiscal 1996 Debt Report.

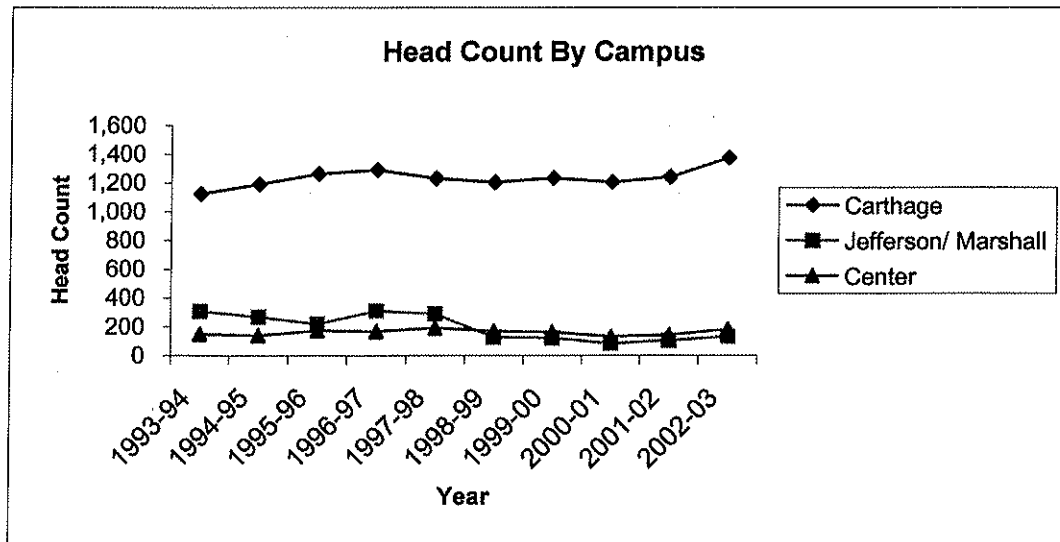
(2) Federal Bureau of Census, East Texas Council of Governments, Regional Economic Information System Bureau of Economic Analysis and Estimates.

(3) Texas Workforce Commission.

**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>
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
2002-03	1,376	134	184	1,694

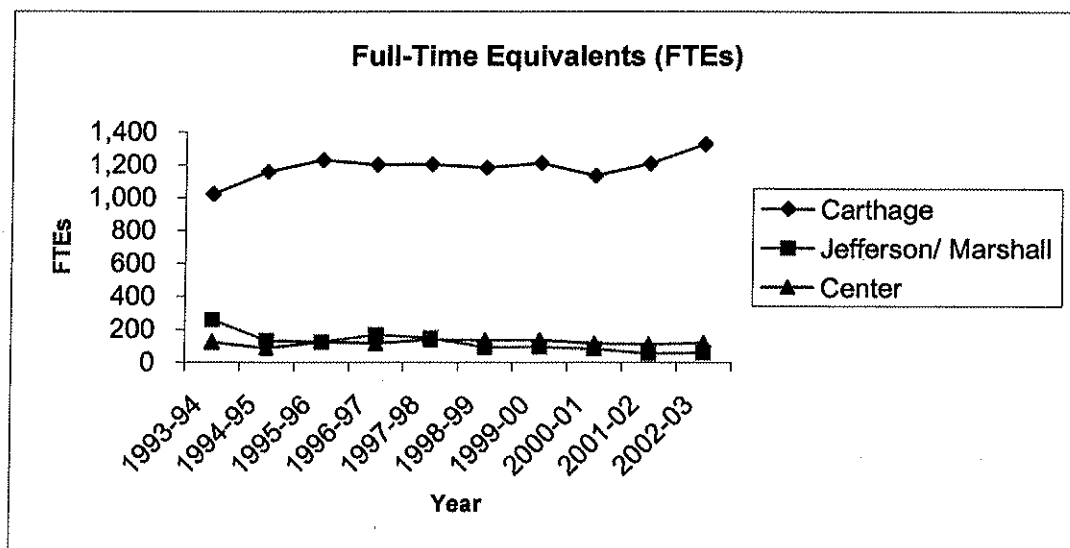


The above information reflects the fall semester statistics for the respective fiscal years.

Table 14

Full-Time Equivalents (FTEs):

<u>Fiscal Year</u>	<u>Carthage</u>	<u>Jefferson/ Marshall</u>	<u>Center</u>	<u>Total</u>
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
2002-03	1,327	60	120	1,507



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
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%
2002-03	58%	42%	34%	66%	32%	67%	1%

Fiscal Year	Average Age of Student	Ethnic Background				
		Asian	Black	Hispanic	White	Other
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%
2002-03	24.1	1.0%	19%	3%	76%	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:**

<b>Fiscal Year</b>	<b>Tuition</b>	<b>General Fees</b>	<b>Total Cost</b>	<b>Percentage of Increase</b>
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%
2002-03	\$216	\$216	\$432	9.1%

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

<b>Regular Laboratory Fees</b>	<b>\$15</b>
<b>Special Laboratory Fees:</b> Photography, Welding, Cosmetology, Forestry and Nursing	<b>\$10-\$185</b>
<b>Private Music Lessons</b>	<b>\$50-\$75</b>
<b>Building use fee for off campus sites</b>	<b>\$2 per/semester hour</b>

Table 17

PANOLA COLLEGE  
 FACULTY STATISTICS  
 AUGUST 31, 2003  
 (UNAUDITED)

<u>Years of Experience</u>	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
0-5 years	26	43.33%
6-10 years	12	20.00%
11-15 years	9	15.00%
16-20 years	8	13.33%
More than 21 years	5	8.33%
	<u>60</u>	<u>100.00%</u>

	<u>Number of Full Time Faculty</u>	<u>Percentage of Total</u>
Less than Bachelor's	5	8.33%
Bachelor's	11	18.33%
Master's	41	68.33%
Doctorate	3	5.00%
	<u>60</u>	<u>100.00%</u>

**SINGLE AUDIT SECTION**

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**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

**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, 2003, and have issued our report thereon dated October 23, 2003. 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.

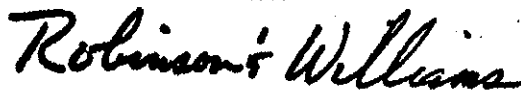
**Compliance**

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 an 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.  
Certified Public Accountants

October 23, 2003

**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, 2003. 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, 2003.

**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*

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

October 23, 2003

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**PANOLA COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2003**

**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:
  - 1. 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.
  - 2. the Department of Health and Human Services grants (CFDA 93.558) program passed through from various agencies.
- 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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