

PANOLA SCHOOL

**ANNUAL FINANCIAL AND
COMPLIANCE REPORTS**

FOR THE YEAR ENDED AUGUST 31, 2019

PANOLA SCHOOL
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

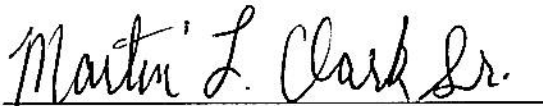
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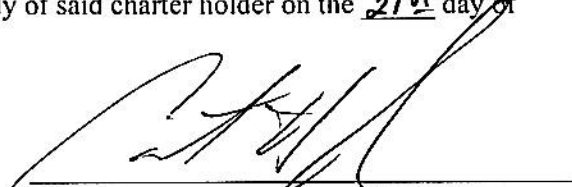
PANOLA SCHOOL
COUNTY-DISTRICT NO. 183801
FEDERAL EMPLOYER IDENTIFICATION NUMBER 75-2855333
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

CERTIFICATE OF BOARD OF DIRECTORS

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Panola School was reviewed and (check one) approved disapproved for the year ended August 31, 2019, at a meeting of the governing body of said charter holder on the 21st day of January, 2020.



Signature of Board Secretary



Signature of Board President

NOTE: If the governing body of the charter school does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Panola School
Carthage, Texas

Members of the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Panola School (a non-profit organization), which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panola School as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying specific purpose financial statements and supplementary information including the Schedule of Expenses, Schedule of Capital Assets, and Budgetary Comparison Schedule are presented for purposes of additional analysis as required by the Texas Education Agency and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020 on our consideration of Panola School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Panola School's internal control over financial reporting and compliance.



Gregory S. Delk, CPA
January 13, 2020

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

PANOLA SCHOOL
Statement of Financial Position
August 31, 2019

Exhibit A-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 199,098.40	
Due from State	13,861.78	
Total Current Assets	212,960.18	

Property and Equipment

Land	163,088.00	
Building and Improvements	1,821,628.93	
Furniture and Equipment	428,659.62	
Vehicles	40,896.61	
Furniture and Equipment-Capital Lease	221,517.06	
Accumulated Depreciation	(969,290.88)	
Total Property and Equipment	1,706,499.34	

Other Assets

Retainer		55.00
Total Other Assets		55.00

TOTAL ASSETS		\$ 1,919,514.52
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 4,932.56	
Notes Payable Current Portion	27,950.73	
Capital Leases Payable Current Portion	39,833.30	
Total Current Liabilities	72,716.59	

Long Term Liabilities

Notes Payable Less Current Portion	750,833.25	
Capital Leases Payable Less Current Portion	64,276.38	
Total Long Term Liabilities	815,109.63	

Net Assets

Without Donor Restrictions		0.00
With Donor Restrictions	1,031,688.30	
Total Net Assets	1,031,688.30	

TOTAL LIABILITIES AND NET ASSETS		\$ 1,919,514.52
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The accompanying notes are an integral part of these financial statements.

PANOLA SCHOOL
Statement of Activities
For the Year Ended August 31, 2019

Exhibit A-2

	Without Donor Restrictions	With Donor Restrictions	Totals
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
Earnings from Temporary Investments	\$	\$ 292.18	\$ 292.18
Other Revenues from Local Services		1,250.00	1,250.00
Enterprising Services Revenue		25,759.55	25,759.55
Total Local Support	0.00	27,301.73	27,301.73
State Program Revenues--			
Foundation Program Revenues-Per Capita		68,204.00	68,204.00
Foundation Program Revenues		1,329,241.00	1,329,241.00
MFS SPED Operations Revenues		964.68	964.68
Textbook & Kindergarten Materials Revenues		37,606.17	37,606.17
Ready to Read License Plates Revenues		6.78	6.78
Total State Program Revenues	0.00	1,436,022.63	1,436,022.63 ✓
Federal Program Revenues--			
IDEA-Part B Formula		27,863.00	27,863.00
E-Rate Telecommunications Discount		16,582.20	16,582.20
Total Federal Program Revenues	0.00	44,445.20	44,445.20 ✓
Net Assets Released from Restrictions	1,484,302.70	(1,484,302.70)	0.00
Total Revenue and Other Support	1,484,302.70	23,466.86	1,507,769.56
<u>EXPENSES</u>			
Program Services:			
Instructional and Instructional Related Services	515,342.22	----	515,342.22
Instructional and School Leadership	238,811.15	----	238,811.15
Support Services:			
Administrative Support Services	394,856.32	----	394,856.32
Support Services-Non-Student Based	178,098.45	----	178,098.45
Support Services-Student (Pupil)	119,599.59	----	119,599.59
Debt Service	37,594.97	----	37,594.97
Total Expenses	1,484,302.70	0.00	1,484,302.70
Change in Net Assets	0.00	23,466.86	23,466.86
Net Assets, Beginning of Year	0.00	1,008,221.44	1,008,221.44
Net Assets, End of Year	\$ 0.00	\$ 1,031,688.30	\$ 1,031,688.30

The accompanying notes are an integral part of these financial statements.

PANOLA SCHOOL
Statement of Functional Expenses
For the Year Ended August 31, 2019

Exhibit A-3

	Program Services	Management and General	Totals
<u>EXPENSES</u>			
Payroll Expenses:			
Salaries and Wages	\$ 544,699.22	\$ 234,317.62	\$ 779,016.84
Benefits	33,854.33	7,517.05	41,371.38
Payroll Taxes	16,257.39	10,072.39	26,329.78
Total Payroll Expenses	594,810.94	251,907.06	846,718.00
 Non Payroll Expenses before Depreciation			
Professional Services	18,157.91	12,750.00	30,907.91
Contracted Services	92,106.39	42,227.31	134,333.70
Repairs and Maintenance	28,029.26	15,612.31	43,641.57
Utilities	64,057.32	0.00	64,057.32
General Supplies	110,917.88	20,059.00	130,976.88
Textbooks	46,062.77	0.00	46,062.77
Travel	5,211.56	2,213.85	7,425.41
Insurance	20,468.40	22,553.77	43,022.17
Miscellaneous	15.00	0.00	15.00
Debt Service Costs	33,835.47	3,759.50	37,594.97
Total Non Payroll Expenses before Depreciation	418,861.96	119,175.74	538,037.70
Total Expenses before Depreciation	1,013,672.90	371,082.80	1,384,755.70
Depreciation	99,547.00	0.00	99,547.00
Total Expenses	1,113,219.90	371,082.80	1,484,302.70

The accompanying notes are an integral part of these financial statements.

PANOLA SCHOOL
Statement of Cash Flows
For the Year Ended August 31, 2019

Exhibit A-4

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 1,487,676.05
Cash Received from Local Sources	27,301.73
Cash Paid to Suppliers for Goods and Services	(513,808.22)
Cash Paid to Employees for Services	(846,718.00)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	<u>(37,594.97)</u>
Net Cash Provided By Operating Activities	116,856.59

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(127,441.81)
Sales of Property and Equipment	<u>1,250.00</u>
Net Cash Used By Investing Activities	(126,191.81)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from New Debt	793,665.90
Payments on Notes & Capital Leases Payable	<u>(745,105.77)</u>
Net Cash Provided By Financing Activities	<u>48,560.13</u>

Net Increase in Cash	39,224.91
Cash at Beginning of Year	<u>159,873.49</u>
Cash at End of Year	<u>\$ 199,098.40</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 23,466.86
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	99,547.00
Gain on Disposition of Assets	(1,250.00)
(Increase) Decrease in Operating Assets-- Due from State	8,458.22
Increase (Decrease) in Operating Liabilities-- Accounts Payable & Accrued Expenses	<u>(13,365.49)</u>
Net Adjustments	<u>93,389.73</u>
Net Cash Provided By Operating Activities	<u>\$ 116,856.59</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO
FINANCIAL STATEMENTS**

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities –

Panola School provides high school curricula for students in grades 8 – 12. The School operates under an open enrollment charter granted by the State of Texas Board of Education. This charter was issued for a period of five years and is subject to review and renewal periodically prior to the expiration date of charter. The School is part of the public school system of the State of Texas and is therefore entitled to distribution from the State's available school fund. The School does not have the authority to impose ad valorem taxes or to charge tuition. The organization does business as Panola Charter School and there is not currently any additional financial activity outside of the charter school. The School was incorporated in January 2000 and has been recognized as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

B. Accounting Policies –

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts*, a module of the Texas Education Agency Financial Accountability Resource Guide. The significant accounting policies are as follows:

To ensure observance of limitations and restrictions placed on the use of resources available to the School, the accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified into funds according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and of activities focus on the organization as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor imposed restrictions. Accordingly, net assets and changes therein are classified as either without donor restrictions or with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

In accordance with state law, a charter holder is entitled to receive state aid for the charter school based on student attendance; however, before the charter holder may reclassify state aid from net assets with donor restrictions to net assets without donor restrictions, it must expend state aid for the benefit of its students consistent with TEC, §45.105(c).

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents –

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks.

D. Fixed Assets and Depreciation –

All assets acquired with a value of \$500.00 or greater are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight line basis.

E. Revenues –

Revenues from the State of Texas available school fund are earned based on reported attendance. Contributions received are recognized as revenue in the period received and are reported as support either with or without donor imposed restrictions, in accordance with FASB ASU 2016-14. Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred in accordance with the accrual method.

F. Donated Goods and Services –

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in kind contributions and expenses of a like amount.

G. Personal Leave –

All employees earn six days of paid personal leave per year. However, unused balances do not accumulate; therefore, there is no liability accrued on the financial statements.

H. Estimates –

In preparation of the financial statements and in conformity with generally accepted accounting principles, management's estimated useful lives of asset classes were used in the calculation of depreciation.

I. Functional Allocation of Expenses –

The expense of the various programs and other activities has been presented on a functional basis in the statement of activities. Accordingly, certain expenses and supporting service costs have been allocated among the various programs.

J. Pension –

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Recent Accounting Pronouncements –

The FASB has issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* to be effective for fiscal years beginning after December 15, 2018. Under this new standard, revenue will be recognized in the amount expected to be entitled to receive for the transfer of promised goods and services to customers. The standard will represent a major change in the methods that most generally accepted accounting principles' previous guidance has accounted for revenue.

The FASB has issued ASU No. 2016-02, *Leases (Topic 842)* to be effective for fiscal years beginning after December 15, 2021. Under this new standard, lessees are required to recognize on the balance sheet a lease asset and a lease liability for all leases with terms exceeding 12 months. In the case of operating leases previously only disclosed in the footnotes, this will represent a major change in presentation in the financial statements.

The Organization is currently evaluating the effect these new accounting pronouncements will have on the financial statements.

2. LAND, BUILDING IMPROVEMENTS AND EQUIPMENT

An analysis of land, building, improvements and equipment at August 31, 2019, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 163,088.00	0.00	163,088.00	N/A
Building & Improvements	1,821,628.93	430,880.19	1,390,748.74	2.50%
Furniture & Equipment	428,659.62	393,149.59	35,510.03	14.29%
Vehicles	40,896.61	40,896.61	0.00	20.00%
Furniture & Equipment-Capital Leases	221,517.06	104,364.49	117,152.57	14.29%
Total	\$ 2,675,790.22	969,290.88	1,706,499.34	

Depreciation expense for the year ended August 31, 2019 was \$99,547.00.

3. RETAINER

At August 31, 2019 the School's outside attorneys held a fee retainer in the amount of \$55.00.

4. PENSION PLAN

Plan Description

The Organization participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. No part of the plan is subject to a collective bargaining agreement.

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

4. PENSION PLAN (continued)

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Charter Schools are legally separate entities from the State and each other. Funds contributed by any one Charter School or ISD may be used to satisfy the obligations of all the Charter Schools and ISDs in the System. The unfunded obligations are shared by the other Charter Schools and ISDs. There are no withdrawal penalties for leaving the TRS System.

Detailed information about the Teacher Retirement System is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas 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 paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2014 CAFR. The 85th Texas Legislature, General Appropriations Act (GAA) confirmed the contribution rates would remain the same for 2018 and 2019.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

4. PENSION PLAN (continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of the applicable salary.

Statutorily Determined Contribution Rates

	<u>2019</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

The Organization's FYE 8/31/2019 Contributions to the Plan were \$33,167.83 and did not represent more than 5% of the total contributions to the plan. There have been no changes which would affect the comparison of employer contributions from year to year.

Plan Assets and Obligations

Total Plan assets and obligations for the year 8/31/2019 are as follows:

Total Plan Assets	\$ 181,800,159,205
Total Accumulated Benefit Obligations	\$ 209,961,325,288
Total Plan Fiduciary Net Position	\$ 157,978,199,075

Net Position as a percentage of Total Pension Liability is 75.24%.

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

4. PENSION PLAN (continued)

Additional Plans

Certain employees of the organization are covered under Federal Social Security and Medicare. Under the provisions of that law, covered employees contribute 6.2% for Social Security and 1.45% for Medicare of their covered annual earnings and the Organization pays the matching Social Security and Medicare amounts.

5. OTHER POST EMPLOYMENT BENEFIT PLAN

Plan Description

The Organization participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). TRS-Care is a cost-sharing multiple-employer defined Other Post Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. TRS-Care is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Detailed information about the TRS-Care plan is available in the TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides a basic health insurance coverage at low cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional premium.

Plan Assets and Obligations

Total Plan assets and obligations for the year 8/31/2019 are as follows:

Total Plan Assets	\$ 1,475,508,564
Total Accumulated Benefit Obligations	\$ 48,583,247,239
Total Plan Fiduciary Net Position	\$ 1,292,022,349

Net Position as a percentage of Total OPEB Liability is 2.66%.

6. HEALTH CARE COVERAGE

Employees of the School are covered by a group insurance plan with TRS Active Care managed by Aetna. The School pays the employee's premium and the employee pays the premiums for dependent coverage through payroll deductions. All premiums were paid to licensed insurers.

7. DUE FROM STATE

At August 31, 2019, the School was due an additional \$11,105.00 in State Foundation Program, \$2,750.00 in Federal IDEA B Grant Funds and \$6.78 in Ready to Read License Plates Program. Those amounts will be received from the Texas Education Agency during the 2019-2020 school year.

8. CASH DEPOSIT RISK

During the 2018-2019 school years, the School's cash in bank accounts was entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance as well as covered all year by pledged collateral held by the School's agent bank.

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

9. COMMITMENTS AND CONTINGENCIES

The School receives funds through state and federal programs which are governed by various rules and regulations of the grantor. Expenses charged to the grant program are subject to audit and adjustment by the grantor agency. In the opinion of management, aside from the temporary restrictions on net assets as explained below, there are no contingent liabilities relating to compliance with rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

10. ECONOMIC DEPENDENCY

During the year the School received the majority of its revenues from the Texas Education Agency through a Charter Agreement and through federal grants available to charter schools. The loss of this Charter Agreement would have a material effect on the ability of the School to continue to provide the current level of services to its students.

11. NOTES PAYABLE

On March 9, 2006 the Organization purchased a building located at 1110 FM 10, Carthage, TX 75633 for both office and classroom activities. The initial mortgage on the building was \$500,000.00, accruing interest at 7%, payable in six annual installments of \$70,000.00 with the remaining balance due in year seven. The mortgage was refinanced August 2015 at a rate of 4.75% interest payable in seven installments averaging \$29,233.69. The Organization purchased the land and building at 3714 East End Blvd S, Marshall, TX 75672 for office and classroom space. The resulting \$575,000.00 loan was due in lump sum with 5% interest on February 18, 2018. The loan was refinanced February 16th 2018 with the resulting principal of \$700,000.00 due in February 2020. Interest only payments of \$3,400.25 are due each month until then. The loan was refinanced at a balance of \$698,532.17 with 23 payments of \$3,400.00 including interest of 5.5% and a balloon payment then of \$696,911.10.

The future minimum principal payments are as follows:

<u>Year Ended</u>	<u>Principal</u>
8/31/20	\$ 27,950.73
8/31/21	722,841.10
8/31/22	27,992.15
8/31/23	-0-
8/31/24	-0-
Thereafter	<u>-0-</u>
Total	778,783.98
Less Current Portion	<u>27,950.73</u>
Long Term Portion	\$ <u><u>750,833.25</u></u>

12. OPERATING LEASE COMMITMENTS

The Organization has entered into lease agreement with Panola College for classroom space for their Early College High School Program at a monthly rate of \$2,619 per month through August of 2021.

Future minimum lease payments are as follows:

8/31/2020	\$31,428
8/31/2021	\$31,428
8/31/2022	-0-
8/31/2023	-0-
8/31/2024	-0-
Thereafter	<u>-0-</u>
Total	<u>\$62,856</u>

PANOLA SCHOOL
Notes To Financial Statements
For the Year Ended August 31, 2019

13. CAPITAL LEASES PAYABLE

The Organization leased 130 Dell Chromebooks & Licenses from Dell Financial Services in August 2018 for 36 monthly payments of \$938.84. The lease qualifies as a capital lease and is recorded and presented in the financial statements in accordance with those principles. The Organization leased a new server and associated accessories from GreatAmerica Financial Services in May 2019 for 36 monthly payments of \$2,223.62. The lease qualifies as a capital lease and is recorded and presented in the financial statements in accordance with those principles. The Organization leased a new firewall and associated accessories from GreatAmerica Financial Services in June 2019 for 36 monthly payments of \$820.68. The lease qualifies as a capital lease and is recorded and presented in the financial statements in accordance with those principles.

The future capital lease payments are scheduled as follows:

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	39,833.30	7,964.38	47,797.68
2021	40,931.62	4,167.70	45,099.32
2022	23,344.76	1,115.06	24,459.82
2023	<u>0</u>	<u>0</u>	<u>0</u>
2024	<u>0</u>	<u>0</u>	<u>0</u>
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>
Totals	104,109.68	13,247.14	117,356.82

14. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2019 the School had temporarily restricted net assets of \$1,031,688.30 that consisted of the following:

Local Restricted Funds	\$ 72,718.69
State Gifted & Talented Program	2,091.61
State Compensatory Education Program	40,513.80
State Foundation Program	913,983.92
State Ready to Read License Plate Program	6.78
Federal IDEA-B Program	<u>2,373.50</u>
	<u>\$ 1,031,688.30</u>

15. SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 13, 2020 for the purpose of evaluating the need for their inclusion in these notes. There have been no material subsequent events to note herein.

16. LIQUIDITY AND AVAILABILITY

Currently the organization has no financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position. The State and Federal Program assets and revenues are classified as with donor restrictions and must be used for education purposes in accordance with State law and Grant restrictions. As such, there are cash and receivables that are due from the State and Federal Agencies and are available for use for educational purposes and are released from restrictions at the time they are spent for those purposes.

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

PANOLA CHARTER SCHOOL
Statement of Financial Position
August 31, 2019

Exhibit B-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 199,098.40
Due from State	13,861.78
Total Current Assets	<u>212,960.18</u>

Property and Equipment

Land	163,088.00
Building and Improvements	1,821,628.93
Furniture and Equipment	428,659.62
Vehicles	40,896.61
Furniture and Equipment-Capital Lease	221,517.06
Accumulated Depreciation	(969,290.88)
Total Property and Equipment	<u>1,706,499.34</u>

Other Assets

Retainer	55.00
Total Other Assets	<u>55.00</u>

TOTAL ASSETS	<u>\$ 1,919,514.52</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 4,932.56
Notes Payable Current Portion	27,950.73
Capital Leases Payable Current Portion	39,833.30
Total Current Liabilities	<u>72,716.59</u>

Long Term Liabilities

Notes Payable Less Current Portion	750,833.25
Capital Leases Payable Less Current Portion	64,276.38
Total Long Term Liabilities	<u>815,109.63</u>

Net Assets

Without Donor Restrictions	0.00
With Donor Restrictions	1,031,688.30
Total Net Assets	<u>1,031,688.30</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,919,514.52</u>
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The accompanying notes are an integral part of these financial statements.

PANOLA CHARTER SCHOOL
Statement of Activities
For the Year Ended August 31, 2019

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Totals
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
5742 Earnings from Temporary Investments	\$	\$ 292.18	\$ 292.18
5749 Other Revenues from Local Services		1,250.00	1,250.00
5755 Enterprising Services Revenue		25,759.55	25,759.55
Total Local Support	0.00	27,301.73	27,301.73
State Program Revenues--			
5811 Foundation Program Revenues-Per Capita		68,204.00	68,204.00
5812 Foundation Program Revenues		1,329,241.00	1,329,241.00
5819 MFS SPED Operations Revenues		964.68	964.68
5829 Textbook & Kindergarten Materials Revenues		37,606.17	37,606.17
5829 Ready to Read License Plates Revenues		6.78	6.78
Total State Program Revenues	0.00	1,436,022.63	1,436,022.63
Federal Program Revenues--			
5929 IDEA-Part B Formula		27,863.00	27,863.00
5949 E-Rate Telecommunications Discount		16,582.20	16,582.20
Total Federal Program Revenues	0.00	44,445.20	44,445.20
Net Assets Released from Restrictions	1,484,302.70	(1,484,302.70)	0.00
Total Revenue and Other Support	1,484,302.70	23,466.86	1,507,769.56
<u>EXPENSES</u>			
11 Instruction	506,851.22	----	506,851.22
13 Curriculum Dev. & Instructional Staff Dev.	8,491.00	----	8,491.00
21 Instructional Leadership/Instruction Staff	55,182.12	----	55,182.12
23 School Leadership	183,629.03	----	183,629.03
31 Guidance, Counseling and Evaluation Svcs.	94,099.48	----	94,099.48
34 Student (Pupil) Transportation	443.91	----	443.91
36 Extracurricular/Cocurricular Activities	25,056.20	----	25,056.20
41 General Administration	394,856.32	----	394,856.32
51 Plant Maintenance and Operations	139,304.09	----	139,304.09
52 Security and Monitoring Services	2,750.05	----	2,750.05
53 Data Processing Services	36,044.31	----	36,044.31
71 Debt Service	37,594.97	----	37,594.97
Total Expenses	1,484,302.70	0.00	1,484,302.70
Change in Net Assets	0.00	23,466.86	23,466.86
Net Assets (Deficiency), Beginning of Year	0.00	1,008,221.44	1,008,221.44
Net Assets (Deficiency), End of Year	\$ 0.00	\$ 1,031,688.30	\$ 1,031,688.30

The accompanying notes are an integral part of these financial statements.

PANOLA CHARTER SCHOOL
Statement of Cash Flows
For the Year Ended August 31, 2019

Exhibit B-3

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Government Contracts/Grants	\$ 1,487,676.05
Cash Received from Local Sources	27,301.73
Cash Paid to Suppliers for Goods and Services	(513,808.22)
Cash Paid to Employees for Services	(846,718.00)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(37,594.97)
Net Cash Provided By Operating Activities	<u>116,856.59</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(127,441.81)
Sales of Property and Equipment	1,250.00
Net Cash Used By Investing Activities	<u>(126,191.81)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from New Debt	793,665.90
Payments on Notes & Capital Leases Payable	(745,105.77)
Net Cash Provided By Financing Activities	<u>48,560.13</u>
Net Increase in Cash	39,224.91
Cash at Beginning of Year	<u>159,873.49</u>
Cash at End of Year	<u>\$ 199,098.40</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 23,466.86
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	99,547.00
Gain on Disposition of Assets	(1,250.00)
(Increase) Decrease in Operating Assets-- Due from State	8,458.22
Increase (Decrease) in Operating Liabilities-- Accounts Payable & Accrued Expenses	<u>(13,365.49)</u>
Net Adjustments	<u>93,389.73</u>
Net Cash Provided By Operating Activities	<u>\$ 116,856.59</u>

The accompanying notes are an integral part of these financial statements.

**SUPPLEMENTARY
SCHEDULES**

PANOLA CHARTER SCHOOL
Schedule of Expenses
For the Year Ended August 31, 2019

Exhibit C-1

<u>EXPENSES</u>	<u>Totals</u>
6100 Payroll Costs	\$ 846,718.00
6200 Professional and Contracted Services	272,940.50
6300 Supplies and Materials	177,039.65
6400 Other Operating Costs	150,009.58
6500 Debt	37,594.97
Total Expenses and Other Losses	<u>\$ 1,484,302.70</u>

The accompanying notes are an integral part of these financial statements.

PANOLA CHARTER SCHOOL
Schedule of Capital Assets
August 31, 2019

Exhibit D-1

<u>CAPITAL ASSETS</u>	<u>Ownership Interest</u>			
	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
1110 Cash and Temporary Investments	\$ 72,718.69	\$ 124,006.21	\$ 2,373.50	\$ 199,098.40
1510 Land		163,088.00		163,088.00
1520 Buildings and Improvements		1,821,628.93		1,821,628.93
1530 Furniture and Equipment	502.99	241,060.24	187,096.45	428,659.68
1541 Vehicles		40,896.61		40,896.61
1559 Furniture and Equipment-Capital Lease		221,517.00		221,517.00
Total Capital Assets	<u>\$ 73,221.68</u>	<u>\$ 2,612,196.99</u>	<u>\$ 189,469.95</u>	<u>\$ 2,874,888.62</u>

The accompanying notes are an integral part of these financial statements.

PANOLA CHARTER SCHOOL
Budgetary Comparison Schedule
For the Year Ended August 31, 2019

Exhibit E-1

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<u>REVENUE AND OTHER SUPPORT</u>				
Local Support--				
5742 Earnings from Temporary Investments	\$	\$	\$ 292.18	\$ 292.18
5749 Other Revenue from Local Sources			1,250.00	1,250.00
5755 Enterprising Services Revenue	25,800.00	25,800.00	25,759.55	(40.45)
Total Local Support	25,800.00	25,800.00	27,301.73	1,501.73
State Program Revenues--				
5811 Foundation Program Revenues-Per Capita	62,471.00	68,204.00	68,204.00	0.00
5812 Foundation Program Revenues	1,248,083.00	1,326,890.00	1,329,241.00	2,351.00
5819 MFS SPED Operations Revenues			964.68	964.68
5829 Textbook & Kindergarten Materials Revenue	37,606.17	37,606.17	37,606.17	0.00
5829 Ready to Read License Plates Revenues			6.78	6.78
Total State Program Revenues	1,348,160.17	1,432,700.17	1,436,022.63	3,322.46
Federal Program Revenues--				
5929 IDEA-Part B Formula	27,863.00	27,863.00	27,863.00	0.00
5949 GAPS Small Rural Grant	16,582.20	16,582.20	16,582.20	0.00
Total Federal Program Revenues	44,445.20	44,445.20	44,445.20	0.00
Total Revenue and Other Support	1,418,405.37	1,502,945.37	1,507,769.56	4,824.19
<u>EXPENSES</u>				
11 Instruction	545,794.17	506,249.17	506,851.22	(602.05)
13 Curriculum Dev. & Instructional Staff Dev.	8,500.00	8,520.00	8,491.00	29.00
21 Instructional Leadership/Instruction Staff	60,250.00	55,200.00	55,182.12	17.88
23 School Leadership	116,250.00	183,640.00	183,629.03	10.97
31 Guidance, Counseling and Evaluation Svcs.	42,650.00	93,495.00	94,099.48	(604.48)
34 Student (Pupil) Transportation	3,500.00	465.00	443.91	21.09
36 Cocurricular/Extracurricular Activities	25,800.00	25,100.00	25,056.20	43.80
41 General Administration	361,050.00	404,270.00	394,856.32	9,413.68
51 Plant Maintenance and Operations	136,500.00	136,200.00	139,304.09	(3,104.09)
52 Security and Monitoring Services	2,500.00	2,750.00	2,750.05	(0.05)
53 Data Processing Services	64,775.00	36,080.00	36,044.31	35.69
71 Debt Service	54,800.00	48,500.00	37,594.97	10,905.03
Total Expenses	1,422,369.17	1,500,469.17	1,484,302.70	16,166.47
Change in Net Assets	(3,963.80)	2,476.20	23,466.86	20,990.66
Net Assets (Deficiency), Beginning of Year	1,008,221.44	1,008,221.44	1,008,221.44	---
Net Assets (Deficiency), End of Year	\$ 1,004,257.64	\$ 1,010,697.64	\$ 1,031,688.30	\$ 20,990.66

The accompanying notes are an integral part of these financial statements.

COMPLIANCE AND INTERNAL CONTROL

GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

Board of Directors
Panola School
Carthage, Texas

Members of the Board of Directors:

We have audited, 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, the financial statements of Panola School (a non-profit organization) which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 13, 2020.

Internal Control Over Financial Reporting

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

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


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

Compliance and Other Matters

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

Purpose of this Report

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



Gregory S. Delk, CPA
January 13, 2020

PANOLA SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Exhibit F-1

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs: None

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None Identified

SECTION III – STATE AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Identified

PANOLA SCHOOL

STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019

No prior audit findings

**PANOLA SCHOOL
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019**

Exhibit G-1

No Corrective Action Plan was necessary.