

PANOLA SCHOOL

Annual Financial Statements
and Compliance Reports

August 31, 2023



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PANOLA SCHOOL
COUNTY-DISTRICT NO. 183801
FEDERAL EMPLOYER IDENTIFICATION NUMBER 75-285S333

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023, at a meeting of the governing body of said charter holder on the ____ day of January, 2023.

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.

Independent Auditor's Report

To the Board of Directors
Panola School
Carthage, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Panola School (the School) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of August 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents, required by Texas Education Agency (TEA), is presented for purposes of additional analysis and is 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 23, 2023 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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 the School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Houston, TX
January 23, 2023

PANOLA SCHOOL
Statement of Financial Position
August 31, 2023

Assets	
Current Assets	
Cash	\$ 456,018
Due from State	31,316
Prepaid Expenses	<u>2,963</u>
Total Current Assets	<u>490,297</u>
Property and Equipment	
Land	164,288
Building and Improvements	2,601,433
Furniture and Equipment	674,620
Vehicles	56,723
Accumulated Depreciation	<u>(1,229,313)</u>
Total Property and Equipment	<u>2,267,751</u>
Total Assets	<u><u>\$ 2,758,048</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 16,694
Note Payable, Current Portion	<u>19,287</u>
Total Current Liabilities	<u>35,981</u>
Long-Term Liabilities	
Note Payable Less Current Portion	<u>633,714</u>
Total Liabilities	<u>669,695</u>
Net Assets	
Without Donor Restrictions	27,015
With Donor Restrictions	<u>2,061,338</u>
Total Net Assets	<u>2,088,353</u>
Total Liabilities and Net Assets	<u><u>\$ 2,758,048</u></u>

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

PANOLA SCHOOL
Statement of Activities
For the Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Grants, and Other Support			
Local Support			
Other Revenue from Local Sources	\$ 35,021	\$ -	\$ 35,021
Enterprising Services Revenue	23,575	-	23,575
Total Local Support	58,596	-	58,596
State Program Revenues			
Foundation School Program Revenues - Per Capita	-	1,958,034	1,958,034
Foundation School Program Revenues	-	155,579	155,579
Total State Program Revenues	-	2,113,613	2,113,613
Federal Program Revenues			
Federal Revenues Distributed by Texas Education Agency	-	182,637	182,637
Total Federal Program Revenues	-	182,637	182,637
Net Assets Released from Restrictions	2,101,461	(2,101,461)	-
Total Revenue, Grants, and Other Support	2,160,057	194,789	2,354,846
Expenses			
Program Services			
Instructional and Instructional Related Services	751,288	-	751,288
Instructional and School Leadership	432,564	-	432,564
Support Services			
Administrative	444,418	-	444,418
Non-Student Based	233,012	-	233,012
Student (Pupil)	234,473	-	234,473
Debt Service	37,287	-	37,287
Total Expenses	2,133,042	-	2,133,042
Change in Net Assets	27,015	194,789	221,804
Net Assets, Beginning of Year	-	1,866,549	1,866,549
Net Assets, End of Year	\$ 27,015	\$ 2,061,338	\$ 2,088,353

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

PANOLA SCHOOL
Statement of Functional Expenses
For the Year Ended August 31, 2023

	Program Services		Supporting Services				Total
	Instructional and Instructional Related Services	Instructional and School Leadership	Administrative	Non-Student Based	Student (Pupil)	Debt Service	
Salaries	\$ 486,347	\$ 385,453	\$ 166,505	\$ 26,288	\$ 170,240	\$ -	\$ 1,234,833
Employee Benefits	49,861	33,296	23,859	-	14,453	-	121,469
Payroll Taxes	7,054	5,846	2,393	2,011	2,469	-	19,773
Professional Services	2,946	-	24,932	-	10,097	-	37,975
Contracted Services - Tuition	114,605	-	27,668	-	-	-	142,273
Contracted Services	35	-	-	5,881	-	-	5,916
Repairs and Maintenance	-	-	-	88,271	-	-	88,271
Utilities	-	-	-	48,110	-	-	48,110
Supplies, Materials, and Textbooks	88,673	715	47,671	7,812	35,242	-	180,113
Travel	1,767	7,254	589	-	1,676	-	11,286
Insurance	-	-	19,687	54,639	-	-	74,326
Depreciation	-	-	131,114	-	-	-	131,114
Debt Service Costs	-	-	-	-	-	37,287	37,287
Miscellaneous Operating Costs	-	-	-	-	296	-	296
Total	\$ 751,288	\$ 432,564	\$ 444,418	\$ 233,012	\$ 234,473	\$ 37,287	\$ 2,133,042

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

PANOLA SCHOOL
Statement of Cash Flows
For the Year Ended August 31, 2023

Cash Flows from Operating Activities	
Change in Net Assets	\$ 221,804
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	131,114
Decrease in Due from State	64,654
(Increase) in Prepaid Expenses	(2,963)
Decrease in Accounts Payable	<u>(16,480)</u>
Net Cash Provided by Operating Activities	<u>398,129</u>
Cash Flows from Investing Activities	
Purchase of Property and Equipment	<u>(289,189)</u>
Net Cash Used in Investing Activities	<u>(289,189)</u>
Cash Flows from Financing Activities	
Payments on Notes and Capital Leases Payable	<u>(31,295)</u>
Net Cash Used in Investing Activities	<u>(31,295)</u>
Net Increase in Cash	77,645
Cash, Beginning of Year	<u>378,373</u>
Cash, End of Year	<u>\$ 456,018</u>
Supplemental Disclosure of Cash Flow Information	
Payments for Interest	<u>\$ 37,287</u>

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

PANOLA SCHOOL

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Panola School (the 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 School 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.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. The School is required to record unconditional promises to give (pledges) as receivables and revenues and to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under FASB ASC 958, the School is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor-imposed restrictions. This category also includes board-designated net assets.

Nets Assets With Donor Restrictions - Net assets representing contributed funds subject to specific donor-imposed restrictions contingent upon a specific purpose or a specific passage of time.

In addition, the School is required to present a statement of cash flows.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Net Assets

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

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all highly liquid investment instruments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of August 31, 2023.

Property and Equipment

All capital assets acquired with a value of \$500 or greater are recorded as property and equipment and are recorded at historical cost or estimated historical cost if historical cost is not available. Donated assets are reported at the fair market value at the time of acquisition. Betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the School. Depreciation of fixed assets is calculated using the straight-line method over the estimated useful lives of the assets. The following are the estimated useful lives of the fixed assets of the School:

<u>Assets</u>	<u>Useful Lives</u>
Building and Improvements	39 - 40 years
Furniture and Equipment	5 - 7 Years
Leasehold Improvements	15 Years
Software	5 Years

Depreciation expense for the year ended August 31, 2023 was \$131,114.

Revenues and Support

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 Accounting Standards Update (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.

Foundation School Program

The School's primary source of funding is through the Foundation School Program. The School receives funding per eligible student based on attendance projections, payable in monthly installments. Attendance reports are submitted to Texas Education Agency during the year and funding adjustments are made.

Federal and State Grants

Federal and state grants are on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

PANOLA SCHOOL

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Revenues and Support (Continued)

Private Grants and Contributions

Private grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. The School will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. Contributions are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions expected to be collected in less than one year are reported at net realizable value. Those expected to be collected in more than one year are recorded at fair value at the date of the promise and are discounted at an appropriate discount rate. Future amortization of the discount will be included in contribution revenue. Management closely monitors outstanding balances and writes off any balances deemed uncollectible.

Other Income

Revenue from other sources, including student activities and fees, are recorded and recognized as revenue in the period in which the School provides the service at the amount that reflects the consideration to which the School expects to be entitled for providing the service or good.

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.

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.

Use of Estimates

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

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. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain expenses and supporting service costs have been allocated among the various programs. Expenses are allocated based upon direct identification.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Adoption of Accounting Pronouncements

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The School adopted Topic 842 on September 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the School has applied Topic 842 to reporting periods beginning on September 1, 2022, while prior periods continue to be reported and disclosed in accordance with the School's historical accounting treatment under ASC Topic 840, *Leases*.

The School elected to adopt the package of practical expedients under the transition guidance within Topic 842, which among other things, allowed it to carry forward the historical lease classification and has not elected to adopt the hindsight practical expedient.

The adoption of Topic 842 did not impact assets and liabilities, changes in net assets, and cash flows.

Note 2. Pension Plan

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the School but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas.

PANOLA SCHOOL

Notes to Financial Statements

Note 2. Pension Plan (Continued)

Plan Description (Continued)

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2023 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2023	ABO 2023	Percent Funded
TRS	\$213,472,525,705	\$255,860,886,500	73.15%

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds one year, the period would be increased by such action. State law provides for a member contribution rate of 8.0% for fiscal year 2023, and a state contribution rate of 8.00% for fiscal year 2023.

The School's employee contributions to the system for the year ended August 31, 2023 were \$64,222, equal to the required contributions for the year.

PANOLA SCHOOL

Notes to Financial Statements

Note 2. Pension Plan (Continued)

Plan Description (Continued)

Other contributions made from federal and private grants and from the School for salaries above the statutory minimum were contributed at a rate of 8.0% totaling \$6,420 for the year ended August 31, 2023. The School's contributions into this plan do not represent more than 5% of the total contributions to the plan. The School was assessed a surcharge of \$6,420.

Note 3. Health Care Coverage

Employees of the School are covered by a group insurance plan with TRS Active Care managed by Blue Cross Blue Shield. 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.

Note 4. Due From State

At August 31, 2023, the School was due an additional \$23,874 from the State Foundation Allotment and \$7,442 from the TEA Nurse Grant. Funds will be received from the Texas Education Agency and ESC Region 7 during the 2023-2024 school year.

Note 5. Cash Deposit Risk

During the 2022-2023 school year, 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. Bank depository accounts, at times, exceeded federally insured limits.

Note 6. Commitments and Contingencies

The School receives funds through state and federal programs which are governed by various rules and regulations of the granter. Expenses charged to the grant program are subject to audit and adjustment by the granter 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.

PANOLA SCHOOL

Notes to Financial Statements

Note 7. 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.

Note 8. Liquidity and Availability of Financial Assets

The following table reflects the School's financial assets as of August 31, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Financial Assets	
Cash	\$ 456,018
Due from State	<u>31,316</u>
Total Financial Assets at Year End	<u>\$ 487,334</u>

The School manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed through the use of a budget to provide sufficient funds for meeting program expenditures of the School.

Note 9. Note Payable

In 2006, the School purchased a building Carthage, TX for both office and classroom activities which was financed through a mortgage loan. In 2017, the School purchased land and a building in Marshall, TX for office and classroom space through a loan wherein the balance of the Carthage, TX building loan was refinanced. Multiple refinances have occurred since 2017 with various terms. In August 2022, the loan was again refinanced at a balance of \$684,297 with 60 monthly payments of \$4,710 including interest at 5.5% and a balloon payment of \$574,688 due on September 1, 2027.

PANOLA SCHOOL

Notes to Financial Statements

Note 9. Note Payable (Continued)

The future minimum principal payments are as follows:

Year Ending August 31,	Principal	Interest	Total
2024	\$ 19,287	\$ 35,486	\$ 54,773
2025	22,220	34,300	56,520
2026	23,474	33,046	56,520
2027	24,798	31,722	56,520
2028	563,222	2,581	565,803
Total	653,001	\$ 137,135	\$ 790,136
Less: Current Portion	(19,287)		
Long-Term Portion	<u>\$ 633,714</u>		

Interest expense for the year ended August 31, 2023 was \$37,287 and is included in the statement of functional expenses as debt service costs.

Note 10. Net Assets With Donor Restrictions

At August 31, 2023 the School had donor restricted net assets of \$2,061,338.

Net assets with donor restrictions at August 31, 2023, are available for the following periods:

Periods after August 31, 2023:	
State Restricted Funds	<u>\$ 2,061,338</u>
Total	<u>\$ 2,061,338</u>

PANOLA SCHOOL

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors is as follows for the year ended August 31, 2023:

Federal Funds	\$	182,637
State Funds		<u>1,918,824</u>
Total Restrictions Released	\$	<u><u>2,101,461</u></u>

Note 11. Income Taxes

The School is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent it has business income unrelated to its tax exempt purpose. The School has no unrelated business income and is not expecting to have any in the future, accordingly, there is no provision for federal income taxes in the financial statements. U.S. GAAP requires the evaluation of tax positions taken in the preparation of the tax returns and the recording of a tax liability if an uncertain tax position has been taken that is more likely than not sustainable upon audit by the Internal Revenue Service. Management has analyzed the tax positions taken by the School and there have been no uncertain tax positions taken that would require the recognition or disclosure in the financial statements. The tax returns for the years ended August 31, 2020, 2021, and 2022 are still subject to possible Internal Revenue Service audit but management has not been notified of any pending examinations.

Note 12. Subsequent Events

In accordance with FASB ASC 855, the School has evaluated subsequent events through January 23, 2024, the date that these financial statements were available to be issued and determined that no events occurred that require disclosure. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

PANOLA SCHOOL
Specific-Purpose Statement of Activities
For the Year Ended August 31, 2023

		Without Donor Restrictions	With Donor Restrictions	Total
Revenues				
Local Support				
5740	Other Revenue from Local Sources	\$ 35,021	\$ -	\$ 35,021
5750	Enterprise Service Revenue	23,575	-	23,575
	Total Local Support	58,596	-	58,596
State Program Revenues				
5810	Foundation School Program	-	1,958,034	1,958,034
5820	State Program Revenues Distributed by Texas Education Agency	-	155,579	155,579
	Total State Program Revenues	-	2,113,613	2,113,613
Federal Program Revenues				
5920	Federal Revenues Distributed by Texas Education Agency	-	114,200	114,200
5940	Federal Revenues Distributed by Federal Government	-	68,437	68,437
	Total Federal Program Revenues	-	182,637	182,637
	Net Assets Released from Restrictions	2,101,461	(2,101,461)	-
	Total Revenues	2,160,057	194,789	2,354,846
Expenses				
11	Instruction	751,083	-	751,083
13	Curriculum Dev. & Instructional Staff Dev.	205	-	205
21	Instructional Leadership/Instruction Staff	47,882	-	47,882
23	School Leadership	384,682	-	384,682
31	Guidance, Counseling and Evaluation Svcs.	133,300	-	133,300
33	Health Services	68,637	-	68,637
34	Student (Pupil) Transportation	955	-	955
36	Extracurricular/Cocurricular Activities	31,581	-	31,581
41	General Administration	444,418	-	444,418
51	Plant Maintenance and Operations	194,492	-	194,492
52	Security and Monitoring Services	5,881	-	5,881
53	Data Processing Services	32,639	-	32,639
71	Debt Service	37,287	-	37,287
	Total Expenses	2,133,042	-	2,133,042
	Change in Net Assets	27,015	194,789	221,804
	Net Assets, Beginning of Year	-	1,866,549	1,866,549
	Net Assets, End of Year	\$ 27,015	\$ 2,061,338	\$ 2,088,353

See independent auditor's report.

PANOLA SCHOOL
Schedule of Expenses
For the Year Ended August 31, 2023

Expenses		
6100	Payroll Costs	\$ 1,376,075
6200	Professional and Contracted Services	322,545
6300	Supplies and Materials	180,113
6400	Other Operating Costs	217,022
6500	Debt	<u>37,287</u>
	Total Expenses	<u>\$ 2,133,042</u>

PANOLA SCHOOL
Schedule of Assets
August 31, 2023

		Ownership Interest			
		Local	State	Federal	Total
Cash and Capital Assets					
1110	Cash	\$ 35,559	\$ 420,459	\$ -	\$ 456,018
1510	Land	-	164,288	-	164,288
1520	Buildings and Improvements	-	2,601,433	-	2,601,433
1530	Furniture and Equipment	-	492,626	181,994	674,620
1541	Vehicles	-	56,723	-	56,723
Total Cash and Capital Assets		\$ 35,559	\$ 3,735,529	\$ 181,994	\$ 3,953,082

PANOLA SCHOOL
Budgetary Comparison Schedule
For the Year Ended August 31, 2023

		Budgeted Amounts		Actual	Variance from
		Original	Final	Amounts	Final Budget
Revenue, Grants, and Other Support					
Local Support					
5740	Other Revenue from Local Sources	\$ 1,200	\$ 35,018	\$ 35,021	\$ 3
5750	Enterprise Service Revenue	22,000	23,575	23,575	-
Total Local Support		23,200	58,593	58,596	3
State Program Revenues					
5810	Foundation School Program	2,078,928	1,958,034	1,958,034	-
5820	State Program Revenues Distributed by Texas Education Agency	-	155,579	155,579	-
Total State Program Revenues		2,078,928	2,113,613	2,113,613	-
Federal Program Revenues					
5920	Federal Revenues Distributed by Texas Education Agency	124,909	114,198	114,200	2
5940	Federal Revenues Distributed by Federal Government	-	68,437	68,437	-
Total Federal Program Revenues		124,909	182,635	182,637	2
Total Revenue, Grants, and Other Support		2,227,037	2,354,841	2,354,846	5
Expenses					
11	Instruction	750,512	751,000	751,083	(83)
13	Curriculum Dev. & Instructional Staff Dev.	450	200	205	(5)
21	Instructional Leadership/Instruction Staff	33,186	47,880	47,882	(2)
23	School Leadership	400,600	384,700	384,682	18
31	Guidance, Counseling and Evaluation Svcs.	133,600	133,600	133,300	300
33	Health Services	38,825	68,600	68,637	(37)
34	Student (Pupil) Transportation	250	950	955	(5)
36	Extracurricular/Cocurricular Activities	22,000	31,580	31,581	(1)
41	General Administration	430,620	444,400	444,418	(18)
51	Plant Maintenance and Operations	170,645	194,475	194,492	(17)
52	Security and Monitoring Services	7,500	5,900	5,881	19
53	Data Processing Services	48,850	32,600	32,639	(39)
71	Debt Service	45,000	42,000	37,287	4,713
Total Expenses		2,082,038	2,137,885	2,133,042	4,843
Change in Net Assets		144,999	216,956	221,804	4,848
Net Assets, Beginning of Year		1,866,549	1,866,549	1,866,549	-
Net Assets, End of Year		\$ 2,011,548	\$ 2,083,505	\$ 2,088,353	\$ 4,848

See independent auditor's report.

PANOLA SCHOOL
Schedule of Real Property Ownership Interest
For the Year Ended August 31, 2023

Description	Property Address	Assessed Value	Ownership Interest		
			Local	State	Federal
Land, Building, Building Improvements Land Improvements, Barn Building, etc.	1110 FM 10, Carthage, TX 75633	\$ 503,220	\$ -	\$ 1,582,266	\$ -
Land, Building, Building Improvements Land Improvements	3714 East End Blvd S, Marshall, TX 75672	\$ 1,092,280	\$ -	\$ 1,183,456	\$ -

PANOLA SCHOOL
Schedule of Related-Party Transactions and Compensation and Benefits
For the Year Ended August 31, 2023

Related-Party Transactions:

Related Party Name	Relationship	Type of Transaction	Terms and Conditions	Source of Funds	Total Paid For Year	Principal Balance Due
None						

Related-Party Compensation and Benefits:

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds	Total Paid For Year
None							

PANOLA SCHOOL
Compensatory and Bilingual Education Programs
Compliance Responses (Schedule J-4)
For the Year Ended August 31, 2023

Data Codes		Responses
Section A: Compensatory Education Programs		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$89,087
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24,26,28,29,30,34)	\$49,443
Section B: Bilingual Education Programs		
APS	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$1,100
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	\$615

**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**

Independent Auditor's Report

To the Board of Directors
Panola School
Carthage, Texas

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 (*Government Auditing Standards*), the financial statements of Panola School (the School) (a non-profit organization) which comprise the statement of financial position as of August 31, 2023, 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 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-1.

School's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Professional Accounting Corporation

Houston, TX
January 23, 2023

PANOLA SCHOOL
Schedule of Findings and Responses
For the Year Ended August 31, 2023

Section I. Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

Not applicable.

Section II. Findings Related to the Financial Statements

Finding 2023-1

Criteria: Charter schools must adopt local policies addressing procurement to ensure compliance with state and federal requirements and that purchases are made using a process that provides the best value for the charter school. Per TEC §44.031 and Texas Government Code §2051.042, charter schools are required to place advertisements for any formal solicitation in local newspapers for construction contracts valued at \$50,000 or more in the aggregate.

Condition: While bids were solicited, the School did not place advertisements for bids in local newspapers for a fence construction project including two campuses totaling \$155,225.

Effect: Lack of compliance with state laws.

Recommendation: Panola School should implement controls to ensure that, in the future, all purchases comply with the requirements of the bid law, and that adequate documentation (e.g. copy of advertisements) is maintained to demonstrate that the School management fully complied with the law.

Management

Response: Panola School will adhere to the TEC §44.031 and Texas Government Code §2051.042 on any purchases over \$50,000. An advertisement for bids will be placed in the local papers and a copy will be maintained on file for audit purposes or any other requirements. Both the CEO and CFO will be involved in the process.

PANOLA SCHOOL
Schedule of Findings and Responses (Continued)
For the Year Ended August 31, 2023

Section III. Findings and Questioned Costs Related to Major Federal Award Programs

Not applicable.

PANOLA SCHOOL
Schedule of Prior Audit Findings
For the Year Ended August 31, 2023

None.