

PANOLA COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 1990

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ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 1990

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORTS



Bates, Nixon, Gosnell & Schieffer

Certified Public Accountants - A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA
DREW E. NIXON, CPA, P.C.

V. DALE GOSNELL, CPA, P.C.
RAYMOND C. SCHIEFFER, CPA

Independent Auditor's Report

UNQUALIFIED OPINION ON GENERAL PURPOSE FINANCIAL STATEMENTS

Board of Trustees
PANOLA COLLEGE
1109 W. Panola
Carthage, Texas 75633

Members of the Board:

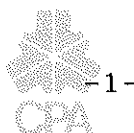
We have audited the general purpose financial statements of Panola College as of and for the year ended August 31, 1990, as listed in the table of contents. These financial statements are the responsibility of the Institution's administration. Our responsibility is to express an opinion on them based on our audit.

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

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Panola College at August 31, 1990, and the results of its operations and the cash flow of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Panola College.

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This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Bates, Nixon, Gosnell, and Schieffer
Bates, Nixon, Gosnell, and Schieffer CPAs
November 10, 1990

GENERAL PURPOSE FINANCIAL STATEMENTS

PANOLA COLLEGE
BALANCE SHEET
AUGUST 31, 1990
WITH COMPARATIVE FIGURES AT AUGUST 31, 1989

ASSETS	CURRENT YEAR	PRIOR YEAR
CURRENT FUNDS:		
Unrestricted		
Cash	\$ 356,516	\$ 404,418
Accounts Receivable	4,810	18,260
Inventories at Cost	104,215	101,844
Prepaid Expenses and Deferred Charges	3,488	-0-
Due From Other Funds	100,783	4,223
Delinquent Taxes Receivable	180,633	178,467
Less Allowance for Uncollectibles	(153,538)	(160,620)
Total Unrestricted	596,907	546,592
Restricted		
Cash	21,039	63,873
Sundry Receivables	1,122	516
Due From Federal Programs	68,208	67
Prepaid Programs	19,436	24,078
Investments		99,000
Due from Other Funds	97,061	
Total Restricted	206,866	187,534
Total Current Funds	803,773	734,126
LOAN FUNDS:		
Cash	1,797	2,734
Loans to Students	8,429	7,467
Receivable From Other Funds	198	223
Total Loan Funds	10,424	10,424
ENDOWMENT AND SIMILAR FUNDS:		
Cash	20,493	56,842
Investments	353,444	285,965
Total Endowment and Similar Funds	373,937	342,807
PLANT FUNDS:		
Unexpended:		
Cash	64,694	466
Investments	50,000	89,000
Due From Other Funds	2,335	64,423
Total Unexpended	117,029	153,889

(The accompanying notes are an integral part of these statements).

<u>LIABILITIES AND FUND BALANCES</u>	<u>CURRENT YEAR</u>	<u>PRIOR YEAR</u>
<u>CURRENT FUNDS:</u>		
Unrestricted		
Accounts Payable	\$ 73,550	\$ 52,835
Accrued Liabilities	13,050	15,060
Unearned Income and Deferred Credits	297,265	91,598
Students Deposits	22,396	19,267
Due to Other Funds	134,515	75,927
Fund Balance	56,131	291,905
	<hr/>	<hr/>
Total Unrestricted	596,907	546,592
	<hr/>	<hr/>
Restricted		
Accounts Payable	16,805	23,795
Due to Other Funds	75,986	4,223
Fund Balance	94,056	118,762
Deferred Grant Revenue	20,019	40,754
	<hr/>	<hr/>
Total Restricted	206,866	187,534
	<hr/>	<hr/>
Total Current Funds	803,773	734,126
	=====	=====
 <u>LOAN FUNDS:</u>		
Fund Balances:		
U.S. Government Grants Refundable	1,944	1,944
College Funds	8,480	8,480
	<hr/>	<hr/>
Total Loan Funds	10,424	10,424
	=====	=====
 <u>ENDOWMENT AND SIMILAR FUNDS:</u>		
Fund Balance:		
Endowment	373,937	342,807
	<hr/>	<hr/>
Total Endowment and Similar Funds	373,937	342,807
	=====	=====
 <u>PLANT FUNDS:</u>		
Unexpended:		
Accounts Payable		
Fund Balances:		
Unrestricted	117,029	153,889
	<hr/>	<hr/>
Total Unexpended	117,029	153,889
	<hr/>	<hr/>

PANOLA COLLEGE
BALANCE SHEET
AUGUST 31, 1990
WITH COMPARATIVE FIGURES AT AUGUST 31, 1989

ASSETS, CONTINUED	CURRENT YEAR	PRIOR YEAR
Retirement of Indebtedness:		
Cash	\$ 1,217	\$ 23,582
Investments	27,000	-0-
Due from Federal Sources	4,344	-0-
Due From Other Funds	66,875	13,023
Receivables	1,478	433
Prepaid Bond Payments	31,863	27,621
	132,777	64,659
Investment in Plant:		
Land and Improvements	418,154	418,154
Buildings	7,730,885	7,428,942
Furniture, Fixtures and Equipment	2,143,105	1,908,822
Vehicles	254,148	354,494
Library Books	282,649	255,810
	10,828,941	10,366,222
Total Investment in Plant	10,828,941	10,366,222
Total Plant Funds	\$11,078,747	\$10,584,770
	=====	=====

(The accompanying notes are an integral part of these statements).

LIABILITIES AND FUND BALANCES, CONTINUED	CURRENT YEAR	PRIOR YEAR
Retirement of Indebtedness:		
Deferred Revenue	\$ 2,198	\$ -0-
Due to Other Funds	56,751	1,742
Fund Balance:		
Restricted	19,000	19,000
Unrestricted	54,828	43,917
	<hr/>	<hr/>
Total Retirement of Indebtedness	132,777	64,659
	<hr/>	<hr/>
Investment in Plant:		
Bonds Payable	295,000	335,000
Lease Purchase Payable	46,949	
Note Payable	300,000	
Net Investment in Plant	10,186,992	10,031,222
	<hr/>	<hr/>
Total Investment in Plant	10,828,941	10,366,222
	<hr/>	<hr/>
Total Plant Funds	\$ 11,078,747	\$10,584,770
	=====	=====

PANOLA COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED AUGUST 31, 1990

	<u>Current Funds</u>		<u>Loan Funds</u>	<u>Endowment and Similar Funds</u>
	<u>Unrestricted</u>	<u>Restricted</u>		
<u>Revenues and Other Additions:</u>				
Unrestricted Current Fund Revenues	\$5,000,711	\$	\$	\$
State Appropriations - Restricted		3,844		
Federal Grants and Contracts - Restricted		549,754		
Investment Income & Income from Other Local Sources		38,562		32,225
Expended for Plant Facilities (Including \$268,558 Charged to Current Fund Expenditures)				
Retirement of Indebtedness				
Local Tax Revenue - Restricted				

Total Revenue and Other Additions	5,000,711	592,160		32,225

<u>Expenditures and Other Deductions:</u>				
Education and General Expenditures	4,535,094			
Auxiliary Enterprises Expenditures	675,812			
Expended for Plant Facilities				
Retirement of Indebtedness				
Interest on Indebtedness	4,866			
Disposal of Plant Facilities	1,508			
Note Issued for Plant Facilities				
Lease Purchase Arrangements				

Total Expenditures and Other Deductions	5,217,280	602,752		1,095

<u>Transfers Among Funds - Additions/(Deductions):</u>				
Non-Mandatory:				
Transfers Between Restricted Funds				
Transfer Between Unrestricted and Unexpended Plant Fund	(33,319)			
Transfer Between Unrestricted and Restricted				
Transfer Between Unexpended Plant Fund and Plant Funds (Retirement of Indebtedness)				

Total Transfers	(33,319)			

Net Increase/(Decrease) for the Year	(249,888)	(10,592)		31,130
Adjustments (Note P)	14,114	(14,114)		
Fund Balance at Beginning of Year	291,905	118,762	10,424	342,807

Fund Balance at End of Year	\$ 56,131	\$ 94,056	\$10,424	\$373,937
	=====			

(The accompanying notes are an integral part of these statements).

<u>Unexpended</u>	<u>Plant Funds Retirement of Indebtedness</u>	<u>Investment in Plant</u>
\$	\$ 52,439	\$
	12,189	
10,463	4,146	
		703,884
		44,866
	28,234	
-----	-----	-----
10,463	96,999	748,750
-----	-----	-----
104,642		
	40,000	241,165
	22,088	300,000
		51,815
-----	-----	-----
104,642	62,088	592,980
-----	-----	-----
12,319		
	21,000	
45,000	(45,000)	
-----	-----	-----
57,319	(24,000)	
-----	-----	-----
(36,860)	10,911	155,770
-----	-----	-----
153,889	62,917	10,031,222
-----	-----	-----
\$ 117,029	\$ 73,828	\$ 10,186,992
-----	-----	-----

PANOLA COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
YEAR ENDED AUGUST 31, 1990
WITH COMPARATIVE FIGURES FOR 1989

	<u>Current Year</u>		<u>Total</u>	<u>Prior Year Total</u>	<u>Increase (Decrease)</u>
	<u>Unrestricted</u>	<u>Restricted</u>			
<u>Revenues</u>					
Tuition and fees	\$ 390,428	\$	\$ 390,428	\$ 399,407	\$ (8,979)
Local Appropriations	1,043,988		1,043,988	1,039,763	4,225
State Appropriations	2,929,593	3,844	2,933,437	2,362,308	571,129
Federal Grants	78,084	549,754	627,838	461,339	166,499
Investment Income & Income from Other Local Sources	30,309	38,562	68,871	56,666	12,205
Sales of Educational Activities	81,180		81,180	36,747	44,433
Sales of Auxiliary Enterprises	426,451		426,451	543,770	(117,319)
Sale of Equipment	20,678		20,678		20,678
Total Current Revenue	5,000,711	592,160	5,592,871	4,900,000	692,871
<u>Expenditures and Mandatory Transfers</u>					
<u>Educational and General</u>					
Instruction	2,277,030	90,155	2,367,185	2,141,682	225,503
Extension and Public Service	102,365		102,365	58,051	44,314
Academic Support	111,586		111,586	91,645	19,941
Student Services	345,258		345,258	294,501	50,757
Operation and Maintenance Of Plant	666,815		666,815	600,921	65,894
Scholarships	3,414	58,178	61,592	12,712	48,880
Grants and Workstudy		454,419	454,419	431,498	22,921
Administrative Costs			-0-	1,615	(1,615)
Institutional Support	1,028,626		1,028,626	683,660	344,966
Total Educational and General	4,535,094	602,752	5,137,846	4,316,285	821,561
<u>Auxiliary Enterprises</u>					
Expenditures	675,812		675,812	670,452	5,360
Retirement of Indebtedness	4,866		4,866		4,866
Interest on Indebtedness	1,508		1,508		1,508
Total Expenditures	5,217,280		5,820,032	4,986,737	833,295
Net Revenue (Expenditure)	(216,569)	(10,592)	(227,161)	(86,737)	(140,424)
<u>Other Transfers and Additions/(Deductions)</u>					
Transfers to Other Funds	(33,319)		(33,319)	23,498	(56,817)
Transfer From Endowment					
Total Other	(33,319)		(33,319)	23,498	56,817
Net Increase/(Decrease) in Fund Balance	\$ (249,888)	\$ (10,592)	\$(260,480)	\$ (63,239)	\$(197,241)

(The accompanying notes are an integral part of these statements.)

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1990

A. Reporting Entity

The Board of School Trustees (Board), a seven member group, is the level of government which has governance responsibilities over all activities related to public college education. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

B. Summary of Significant Accounting Policies

The significant accounting policies followed by Panola College are described below to enhance the usefulness of the financial statements to the reader.

Accrual Basis

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

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as transfers of a nonmandatory nature.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the resources available to the College, the accounts of the College are maintained in accordance with the principles of "Fund Accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds

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

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

All unrestricted revenue is accounted for in the unrestricted revenue current fund. Restricted gifts, grants appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenue and expenditures when expended for current operating purposes.

Other significant accounting policies are set forth in the financial statements and the notes thereto.

C. Loans

 During the period under audit, the College purchased a building with land for \$350,000. A ten year note was negotiated for \$300,000 with payments (principal and interest) made annually at ten percent (10%) interest per year on the remaining balance. The entire note (all or part) can be paid off at any time without penalty.

The terms are as follows:

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Balance</u>
Beginning Balance			\$300,000
1990-91	\$ 30,000	\$ 30,000	270,000
1991-92	30,000	27,000	240,000
1992-93	30,000	24,000	210,000
1993-94	30,000	21,000	180,000
1994-95	30,000	18,000	150,000
1995-96	30,000	15,000	120,000
1996-97	30,000	12,000	90,000
1997-98	30,000	9,000	60,000
1998-99	30,000	6,000	30,000
1999-00	30,000	3,000	-0-
	<u>\$300,000</u>	<u>\$165,000</u>	<u>-0-</u>
	=====	=====	=====

D. Capital Leases

The College has entered into three lease purchase agreements for air conditioning equipment in three different locations.

Lease #1 - Vo Tech Building

<u>Year</u>	<u>Interest</u>	<u>Annual Payments</u>	<u>Lease Balance</u>
Beginning Balance			\$21,434
1989-90	\$ 1,033	\$ 3,132	18,302
1990-91	1,566	6,765	11,537
1991-92	838	7,493	4,044
1992-93	122	4,044	-0-
	<u>\$ 3,559</u>	<u>\$21,434</u>	
	=====	=====	

Lease #2 - Marshall Center Building

<u>Year</u>	<u>Interest</u>	<u>Annual Payments</u>	<u>Lease Balance</u>
Beginning Balance			\$11,918
1989-90	\$ 474	\$ 1,118	10,800
1990-91	1,134	3,641	7,159
1991-92	657	4,118	3,041
1992-93	143	3,041	-0-
	<u>\$ 2,408</u>	<u>\$11,918</u>	
	=====	=====	

Lease #3 - Fine Arts Building

<u>Year</u>	<u>Interest</u>	<u>Annual Payments</u>	<u>Lease Balance</u>
Beginning Balance			\$18,463
1989-90	\$ -0-	\$ 616	17,847
1990-91	2,027	5,371	12,476
1991-92	1,278	6,119	6,357
1992-93	425	6,357	-0-
	<u>\$ 3,730</u>	<u>\$ 18,463</u>	
	=====	=====	

E. Bonds

Long-term debt includes: Student Fee Revenue Bonds dated December 1, 1970, payable in annual installments varying from \$10,000 to \$30,000, the final payment being due November, Year of 2000, with interest varying from 7%, balance at August 31, 1990 was \$235,000; General Obligation Bonds dated September 1, 1971 payable in annual installments varying from \$10,000 to \$30,000, the final payment being due September 1, 1991, with interest varying from 5.25% to 6%, the balance at August 31, 1990, was \$60,000. The Student Fee Bonds require payment into a reserve fund of \$1,900 annually until the reserve reaches \$19,000, the payments are current and balance is \$19,000. Advance payments of interest and principal on the Revenue and Student Fee Bonds are required to be made to an interest and sinking fund to cover the next payment due.

Requirements for the next five years including interest are as follows:

Revenue System Bonds dated December 1, 1970

Year Ending August 30	Principal	Interest	Total
1991	\$ 15,000	\$ 16,390	\$ 31,390
1992	15,000	15,321	30,321
1993	15,000	14,234	29,234
1994	20,000	12,965	32,965
1995	20,000	11,520	31,520
1996 & After	150,000	33,000	183,000
Total	\$235,000 =====	\$103,430 =====	\$338,430 =====

General Obligation Bonds dated September 1, 1971

Year Ending August 30	Principal	Interest	Total
1991	\$ 30,000	\$ 2,700	\$ 32,700
1992	30,000	900	30,900
	\$ 60,000 =====	\$ 3,600 =====	\$ 63,600 =====

F. Interfund Receivables and Payables

All interfund borrowings have been made from unrestricted funds.

All amounts are payable currently without interest.

	<u>Receivable</u>	<u>Payable</u>
CURRENT FUNDS:		
Unrestricted:		
Current Funds Restricted	\$ 73,185	\$ 97,061
Loan Funds		198
Plant Funds-Retirement of Indebtedness	27,598	37,256
	<u>\$ 100,783</u>	<u>\$134,515</u>
Restricted:		
Current Funds Unrestricted	\$ 97,061	\$ 73,185
Plant Funds-Retirement of Indebtedness		2,801
Loan Funds:		
Current Funds Unrestricted	\$ 198	\$
	<u>\$ 198</u>	<u>\$</u>
Plant Funds:		
Unexpended		
Plant Funds-Retirement of Indebtedness	\$ 2,335	\$
	<u>\$ 2,335</u>	<u>\$</u>
Retirement of Indebtedness		
Current Funds Unrestricted	\$ 37,256	\$ 27,598
Current Funds Restricted	2,801	
Plant Funds-Unexpended		2,335
Plant Funds-Retirement of Indebtedness	26,818	26,818
	<u>\$ 66,875</u>	<u>\$ 56,751</u>
Total	<u>\$ 267,252</u> =====	<u>\$267,252</u> =====

G. Changes in General Fixed Assets

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of creation of the detail asset records. Depreciation on physical plant and equipment is not recorded. Detail asset records were established in 1986. Historical cost was used as much as possible, all other items were valued at current market value.

	Balance 9/1/89	Additions	Deletions	Adjustments	Balance 8/31/90
Land and Improvements	\$ 418,154	\$	\$	\$	\$ 418,154

Buildings	7,428,942	350,000	-0-	(48,057)	7,730,885
Furniture, Fixtures and Equipment	1,908,822	243,295	110,870	48,057	2,089,304
Vehicles	354,494	29,948	130,295	-0-	254,147
Library Books	255,810	26,840	-0-	-0-	282,650
Capital Leases	-0-	53,801	-0-	-0-	53,801
	-----	-----	-----	-----	-----
	\$10,366,222	\$ 703,884	\$241,165	\$ -0-	\$10,828,941
	=====	=====	=====	=====	=====

H. Litigation

At August 31, 1990, Panola College is involved in one lawsuit. The College is indemnified by a policy of liability insurance which adequately protects the College.

I. Contingent Liabilities

There are no known contingent liabilities at August 31, 1990.

J. Subsequent Events

There have been no material subsequent events between August 31, 1990 and November 10, 1990.

K. Accumulated Unpaid Vacation and Sick Leave Benefits

On retirement or death of employees, the college does not pay accrued sick leave and vacation leave. Therefore, the college has no accumulated sick leave and vacation leave liability.

L. Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the fiscal year.

M. Deposits, Securities and Investments

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

- a. Name of the Bank: First State Bank, Carthage, Texas.
- b. The amount of bond and/or the market value of securities pledged as of the date of the highest combined balance on deposit was: \$2,248,000.
- c. The largest combined balances of cash, savings, and time deposits accounts amounted to \$1,804,590 and occurred during the month of November, 1989.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$300,000.

N. Employees Retirement Plan

Employees of Panola College employed one-half or more of the standard workload and who are not exempted from membership under Texas Revised Civil Statutes Annotated, Title 110B Subtitle D (Vernon Pamphlet 1987) Section 32.002, elect to participate in either the Teacher Retirement System of Texas (the System), a multiple-employer public employee retirement system (PERS) or an Optional Retirement Plan. The Teacher Retirement System of Texas is a cost-sharing PERS with one exception; all risks and costs are not shared by Panola College, but are the liability of the State of Texas. The payroll for employees covered by the System for the year ended August 31, 1990, was \$1,275,963; the College's total payroll was \$2,935,728.

College employees, except those employed for less than one-half the standard workload and those exempted by law or those who elected an optional plan, are required to participate in the System as a condition of employment. Employees who retire on or after age 65 with 10 years of credited service, or at or after age 60 with 20 years of credited service, or when age plus years of credited service equal 95 are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the best 3 years of credited service. Vested employees may retire at or after age 55. or at any age with 30 years of credited service, and receive

reduced benefits. The System also provides death and disability benefits. Benefits are established by state statute.

By statute, covered employees must contribute 6.4 percent of their salary to the plan and the State of Texas contributes an amount equal to 7.65 percent times the aggregate annual compensation of all members of the System during the fiscal year ended August 31, 1990, except for employees paid from federal and private grants and for that portion of salary exceeding the state minimum salary established under Section 16.056, Texas Education Code, as determined by statutory formula involving the price differential index and other factors.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited protected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The system does not make separate measurements of asset and pension benefit obligation for individual employers. The pension benefit obligation at August 31, 1990, for the System as a whole, determined through an actuarial valuation performed as of that date, was \$24.6 billion. The System's net assets available for benefits on that date (valued at market) were \$19.6 billion, leaving an unfunded pension benefit obligation of \$4.9 billion. The college makes no contributions to the pension fund on behalf of it's employees.

Ten year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's August 31, 1990, comprehensive annual financial statements.

O. Health Care Coverage

During the year ended August 31, 1990, employees of Panola College were covered by a health insurance plan (the Plan). The College paid premiums ranging from \$130 to \$170 per pay period per employee to the Plan and employees, at their option, authorized payroll withholdings to pay premium for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by (Article 3.51.2, Texas Insurance Code) and was documented by contractual agreement.

The contract between Panola College and the licensed insurer is renewable September 01, 1990 and the terms of coverage and premium costs are included in the contractual provisions.

P. Adjustments Between Funds

Last year's Carl Perkins was in unrestricted and should have been in current restricted.

OTHER SCHEDULES

PANOLA COLLEGE
 AUDIT SCHEDULE FOR VOCATIONAL TECHNICAL PROGRAMS YEAR
 YEAR ENDED AUGUST 31, 1990

	<u>Approved Budget</u>	<u>Instruction</u>	<u>Student Services</u>	<u>Guidance</u>	<u>Indirect Costs</u>	<u>Total</u>	<u>Cash Advances Received</u>
A Basic Grant, Title II							
Handicapped	\$ 4,345	\$	\$	\$	\$	\$	\$ 1,086
Disadvantaged	29,137	5,324		7,908	1,059	14,291	7,284
Post-Secondary and/or Adult	33,330	30,605			2,448	33,053	8,333
Program Improvement	42,124	23,844		1,331	9,191	34,366	10,531
Single Parent and Homemakers	25,700		12,315		985	13,300	6,425
Sex Bias & Stereotyping	114						29
Total	\$134,750	\$59,773	\$12,315	\$9,239	\$ 13,638	\$ 95,010	\$33,688

PANOLA COLLEGE
 INFORMATION ON DISTRICT TAXES
 YEAR ENDED AUGUST 31, 1990

Assessed Valuation of the District	\$1,015,674,790
Percent of Real Value Assessed	100%
Total Tax Rate Authorized	.08358
Local Maintenance Tax Rate Authorized	.08142
Bond Service Tax Rate Authorized	.00216
Total Tax Rate Assessed	.08358
Distribution of Tax Rate Assessed:	
Local Maintenance	.08142
Bond Service	.00216
Total Taxes Collected - Gross	\$ 1,091,375
Distribution of Taxes Collected:	
Local Maintenance	
Current Collections	\$ 1,068,961
Delinquent Collections	14,584
Penalty and Interest	5,981
Assessing, Collecting Fees and Discounts	(26,889)
	<hr/>
Local Maintenance - Net	\$ 1,062,637
	=====
Debt Service:	
Current Collections	28,599
Delinquent Collections	623
Penalty and Interest	229
Assessing, Collecting Fees and Discounts	(713)
	<hr/>
Debt Service - Net	\$ 28,738
	=====

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

INDEPENDENT AUDITOR'S REPORTS



Bates, Nixon, Gosnell & Schieffer
Certified Public Accountants - A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

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Independent Auditor's Report

COMPLIANCE REPORT BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
PANOLA COLLEGE
Carthage, Texas 75633

Members of the Board:

We have audited the financial statements of Panola College, as of and for the year ended August 31, 1990, and have issued our report thereon dated November 10, 1990.

We conducted our audit in accordance with generally accepted auditing standards and "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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Panola College is the responsibility of the administration of Panola College.

As part of our audit, we assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. We concluded that the risk of such material misstatement was sufficiently low that it was not necessary to perform tests of Panola College's compliance with such laws, regulations, contracts, and grants.

The results of our tests indicate that, with respect to the items tested, Panola College complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Panola College had not complied in all material respects with those provisions.

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We noted certain immaterial instances of noncompliance that we have reported to management of Panola College in a separate letter dated November 10, 1990.

This report is intended for the information of the College's administration and trustees, and the Federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bates, Nixon, Gosnell, and Schieffer

Bates, Nixon, Gosnell and Schieffer CPAs
November 10, 1990



Bates, Nixon, Gosnell & Schieffer

Certified Public Accountants - A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

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Independent Auditor's Report

V. DALE GOSNELL, CPA, P.C.
RAYMOND C. SCHIEFFER, CPA

REPORT ON INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
PANOLA COLLEGE
Carthage, Texas 75633

Members of the Board:

We have audited the general purpose financial statements of the Panola College as of and for the year ended August 31, 1990, and have issued our report thereon dated November 10, 1990.

We conducted our audit in accordance with generally accepted auditing standards and "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 general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of Panola College for the year ended August 31, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The administration of Panola College is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or

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irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash and cash equivalents
- Receivables
- Inventory
- Property and equipment
- Payables and Accrued liabilities
- Debt
- Fund balance
- Revenues
- Expenditures
- Flow through

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving internal control structure and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

1. At the present time authority to sign checks is held by those having access to accounting records and negotiable assets. Also, bank statements are picked up monthly and deposits are taken to the bank daily by an employee having check signing authority and access to the accounting records. For effective control, check signing authority should be restricted to executives who do not have access to accounting records or negotiable assets. Bank statements should be obtained directly from the bank and reconciled by an employee not responsible for check signing or cash handling. It is recognized that there are limitations in implementation due to a limited staff, but progress has been made since the prior year audit.
2. The federal programs of Pell, SEOG, and College Work Study as well as the scholarship funds should have a person designated

with the responsibility for maintaining needed records on the programs. Separate files should be maintained on these programs. Greater attention should be given to maintaining records on program requests, receipts, and expenditures. The general ledger should be reconciled to reports.

3. The Community Education programs should provide the accounting department with registration lists to verify the collection for these courses.
4. One office should have responsibility for reconciling all reports.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

However, we noted certain other matters involving the internal control structure and its operation that we have reported to the management of Panola College in a separate communication dated November 10, 1990.

This report is intended for the information of the College's administration and the trustees and the appropriate Federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bates, Nixon, Gosnell, and Schieffer

Bates, Nixon, Gosnell & Schieffer CPAs
November 10, 1990

PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 1990

The following were prior findings and/or recommendations on prior audit reports that were not corrected during this reporting period.

1. At the present time authority to sign checks is held by those having access to accounting records and negotiable assets. Also, bank statements are picked up monthly and deposits are taken to the bank daily by an employee having check signing authority and access to the accounting records. For effective control, check signing authority should be restricted to executives who do not have access to accounting records or negotiable assets. Bank statements should be obtained directly from the bank and reconciled by an employee not responsible for check signing or cash handling. It is recognized that there are limitations in implementation due to a limited staff, but progress has been made since the prior year audit.
2. The federal programs of Pell, SEOG, and College Work Study as well as the scholarship funds should have a person designated with the responsibility for maintaining needed records on the programs. Separate files should be maintained on these programs. Greater attention should be given to maintaining records on program requests, receipts and expenditures. The general ledger should be reconciled to reports.
3. The Community Education programs should provide the accounting department with registration lists to verify the collection for these courses.
4. One office should have responsibility for reconciling all reports.

Additional recommendations that should be pursued:

- a: Special attention should be given to maintaining records for the Federal report year and the school year.
- b: All FISAP reports should be reconciled before being submitted to avoid resubmissions.

FEDERAL FINANCIAL ASSISTANCE SECTION

INDEPENDENT AUDITOR'S REPORTS



Bates, Nixon, Gosnell & Schieffer
Certified Public Accountants - A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA
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Independent Auditor's Report

SINGLE AUDIT OPINION ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of School Trustees
PANOLA COLLEGE
1109 W. Panola
Carthage, Texas 75633

Members of the Board:

We have audited PANOLA COLLEGE's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended August 31, 1990. The administration of Panola College is responsible for the Institution's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, Governmental Auditing Standards, issued by the comptroller general of the United States, and Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Panola College's compliance with those requirements. We believe that our audits provide a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

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In our opinion, Panola College complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended August 31, 1990.

Bates, Nixon, Gosnell, and Schieffer

Bates, Nixon, Gosnell, and Schieffer CPAs
November 10, 1990



Bates, Nixon, Gosnell & Schieffer

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Independent Auditor's Report

SINGLE AUDIT REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Trustees
PANOLA COLLEGE
1109 W. Panola
Carthage, Texas 75633

Members of the Board:

We have applied procedures to test Panola College's compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended August 31, 1990:

- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Drug Free Work Place

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Panola College's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Panola College had not complied, in all material respects, with those

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requirements. The results of our procedures disclosed no material instances of noncompliance with those requirements. This report is intended for the information of the College's administration and trustees and the appropriate Federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bates, Nixon, Gosnell, and Schieffer
Bates, Nixon, Gosnell & Schieffer CPAs
November 10, 1990

Panola College
 Schedule of Federal Financial Assistance
 For the Year Ended August 31, 1990

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Accrued or (Deferred) Revenue at 9-1-89	Receipts/ Revenue Realized	Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 8-31-90
Carl D. Perkins Vocational Education Act	84.048		134,750	-0-	33,688	95,010	61,322
Q.M. Martin Auditorium Subsidy			3,501	-0-	3,501	3,501	-0-
Pell Grant Program	84.031		398,946	-0-	398,946	398,946	-0-
College Work Study	84.033		38,559	2,196	31,063	33,259	-0-
Merle Glass Interest & Subsidy			8,688	-0-	4,344	8,688	4,344
Supplemental Educational Opportunity Grant	84.007		22,234		22,234	22,234	-0-
Perkins Loan Fund	84.038		-0-	-0-	-0-	-0-	-0-
Jobs Training Partnership Act	17.250		3,414		3,414	3,414	-0-
 			<u>610,092</u>	<u>2,196</u>	<u>497,190</u>	<u>565,052</u>	<u>65,666</u>
Total Federal Assistance			=====	=====	=====	=====	=====

INDEPENDENT AUDITOR'S REPORTS

PANOLA COLLEGE
 SCHEDULE OF DISBURSEMENTS AND EXPENDITURES
 ALL SFA PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 1990

For the
 Year Ended
August 31, 1990

Disbursements

National Direct Student Loan Program (Loans made current year)	\$	-0-
		=====

Expenditures (Federal Share)

College Work-Study Program		
CWS Disbursements to Students	\$	30,083(1)
Administrative Costs		3,176
Unexpended CWS		932

\$ 34,191
 =====

Supplemental Educational Opportunity Grant Programs

Program Awards	\$	22,234(2)
Administrative Costs		-0-

\$ 22,234
 =====

PELL Grant Programs

Program Awards	\$	97,006
Administrative Costs		1,940

\$ 398,946
 =====

(1) Includes \$29,744 Current Year Grant Revenue
 4,284 Carryover From Prior Year
 (4,326) Transferred to SEOG
 4,489 Carryover to Next Year's Program

 \$34,191
 =====

(2) Includes \$ 4,326 of funds transferred from CWS



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Independent Auditor's Report

REPORTS ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)
BASED ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT
OF THE GENERAL PURPOSE FINANCIAL STATEMENTS
AND THE ADDITIONAL TESTS REQUIRED BY THE SINGLE AUDIT ACT

Board of Trustees
PANOLA COLLEGE
1109 W. Panola
Carthage, Texas 75633

Members of the Board:

We have audited the general purpose financial statements of the Panola College for the year ended August 31, 1990, and have issued our report thereon dated November 10, 1990. As part of our audit, we made a study and evaluation of the internal accounting and administrative control systems, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". For the purposes of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance and state funded programs in the following categories:

Accounting Controls

a. Financial statement captions:

Cash and cash equivalents
Receivables
Inventory
Property and equipment
Payables and accrued liabilities
Debt

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Fund balance
Revenues
Expenditures
Flow through

General Administrative Controls and State Compliance Requirements

- a. Depository contract
- b. Competitive bidding
- c. Nepotism
- d. Pecuniary interest

Controls Used in Administering Federal Programs

- a. General Requirements
 - Political Requirements
 - Davis-Bacon Act
 - Civil Rights
 - Cash Management
 - Federal financial reports
 - Allowable Costs/Cost Principles
 - Drug Free Workplace
- b. Specific Requirements
 - Types of services
 - Eligibility
 - Matching level of effort
 - Reporting
 - Cost allocation
 - Special requirements
 - Monitoring subrecipients

The administration of Panola College is responsible for establishing and maintaining internal control systems used throughout the Institution, including those used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by administrators are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering state and federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering State and federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended August 31, 1990, Panola College expended 87.4% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major and non-major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to internal control systems used solely in administering the other nonmajor federal financial assistance programs of the Institution, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal financial assistance programs of the Institution did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Panola College. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Institution. Further, we do not express an opinion on the internal control systems used in administering nonmajor federal financial assistance programs.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.

1. At the present time authority to sign checks is held by those

having access to accounting records and negotiable assets. Also, bank statements are picked up monthly and deposits are taken to the bank daily by an employee having check signing authority and access to the accounting records. For effective control, check signing authority should be restricted to executives who do not have access to accounting records or negotiable assets. Bank statements should be obtained directly from the bank and reconciled by an employee not responsible for check signing or cash handling. It is recognized that there are limitations in implementation due to a limited staff, but progress has been made since the prior year audit.

2. The federal programs of Pell, SEOG, and College Work Study as well as the scholarship funds should have a person designated with the responsibility for maintaining needed records on the programs. Separate files should be maintained on these programs. Greater attention should be given to maintaining records on program requests, receipts, and expenditures. The general ledger should be reconciled to the reports.
3. The Community Education programs should provide the accounting department with registration lists to verify the collection for these courses.
4. One office should have responsibility for reconciling all reports.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our examination of the 1990 general purpose financial statements and (2) our examination and review of the College's compliance with laws and regulations noncompliance with which we believe could have a material effect of the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the College's compliance with laws and regulations dated November 10, 1990.

This report is intended solely for the use of the College's administration and trustees and the appropriate Federal agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Panola College, is a matter of public record.

Bates, Nixon, Gosnell, and Schieffer

Bates, Nixon, Gosnell & Schieffer CPAs
November 10, 1990