

PANOLA COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 1991

PANOLA COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 1991

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FINANCIAL SECTION

PANOLA COLLEGE
ORGANIZATIONAL DATA
FOR THE FISCAL YEAR 1990-1991

BOARD OF TRUSTEES

OFFICERS

O. A. Cassity, Jr.	President
Phoebe Sue Perlman	Secretary

MEMBERS

	<u>Term Expires</u> <u>August 31</u>
O. A. Cassity, Jr.	1992
Phoebe Sue Perlman	1992
Dr. Dennis Golden	1992
W. C. Applegate	1994
Paul Carter	1994
Hal Palmer	1996
Herman Reed, Jr.	1996

ADMINISTRATION

Dr. Gary McDaniel	President
John Boland	Business Manager
Dr. Ron Johnston	Dean of Vocational Programs
Charles Hughes	Dean of Academics
Betsy Wheat	Dean of Admissions
Leldon L. Williams, III	Registrar
Twink Ross	Director of College Related Services

INDEPENDENT AUDITOR'S REPORTS

BATES, GOSNELL & SCHIEFFER

Certified Public Accountants — A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA

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

January 10, 1992

Board of Trustees
Panola College
Carthage, TX 75633

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheets of Panola College as of August 31, 1991, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panola College as of August 31, 1991, and the changes in fund balances and the current funds revenues, expenditures and other changes 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 accompanying financial information listed as supporting schedules in the table of contents is presented for purposes

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FAX (903) 693-8151

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Henderson, Texas 75652
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(903)657-1515
FAX (903) 657-7961

Board of Trustees
January 10, 1992
Page Two

of additional analysis and is not a required part of the financial statements of Panola College. Such 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 financial statements taken as a whole.

Respectfully submitted,

Bates, Gosnell, & Schieffer
BATES, GOSNELL & SCHIEFFER
Certified Public Accountants

GENERAL PURPOSE FINANCIAL STATEMENTS

PANOLA COLLEGE
BALANCE SHEET
FOR THE YEAR ENDED AUGUST 31, 1991
WITH COMPARATIVE TOTALS AT AUGUST 31, 1990

	CURRENT FUNDS				Endowment and Similar Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Loan Funds	
ASSETS					
Cash and Temporary Inv. (Sch. A-1)	\$303,839	\$508	\$185,111	\$1,797	\$892,832
Balance in State Appropriations (Sch. A-1)	45,976				
Accounts Receivable	233		1,078	8,429	
Taxes Receivable (net of allowance for doubtful accounts of \$206,982 for 1991 and \$175,935 for 1990)	31,047				
Due from Other Funds	167,633			198	10,283
Due from Other Agencies	11,578				
Investments					
Accrued Interest Receivable					
Prepaid Expenses			36,017		
Deferred Charges					
Federal Receivables					
Contract and Grant Awards	1,355		11,355		
Deposits		103,451			
Consumable Inventories					
Inventories, at cost					
Land					
Buildings					
Improvements other Than Buildings					
Equipment					
Library Books					
Construction in Progress					
Total Assets	\$561,661	\$103,959	\$233,561	\$10,424	\$903,115
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$98,006	\$153,669	\$0	\$0	\$0
Accrued Liabilities	800				
Deposits Payable		18,817			
Due to Other Funds	22,579		30,005		32,951
Due To Other Agencies					
Deferred Revenues	271,982				
Accrued Compensable Absences Payable					
Interest Payable					
Bonds Payable					
Lease-Purchase Agreements Payable					
Assets Held in Trust					
Funds Held in Custody for Others			43,671		
Total Liabilities	\$393,367	\$172,486	\$73,676	\$0	\$32,951

See accompanying Notes to the Financial Statements.

Annuity and Life Income Funds	PLANT FUNDS				TOTALS MEMORANDUM ONLY		
	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	Current Year	Prior Year
\$	\$106,773	\$	\$52,281	\$	\$0	\$1,543,141	\$890,384
						45,976	5,816
						9,740	15,839
						0	0
						0	0
	2,335				19,580	31,047	27,095
						200,029	267,252
						11,578	72,552
						0	0
			30,960			0	0
						66,977	54,787
						0	0
			433			433	0
						12,710	0
						103,451	104,215
				418,154		418,154	418,154
				7,753,694		7,753,694	7,730,885
						0	0
				2,668,404		2,668,404	2,397,253
				299,033		299,033	282,649
						0	0
						0	0
						0	0
						0	0
	\$0	\$109,108	\$0	\$83,674	\$11,139,285	\$19,580	\$13,164,367
	\$0	\$0	\$0	\$0	\$0	\$251,675	\$103,405
						800	0
						18,817	22,396
	88,426		26,068			200,029	267,252
						0	0
						271,982	319,482
						0	0
			30,000			30,000	0
				250,000		250,000	295,000
				332,447		332,447	346,949
						0	0
					19,580	63,251	0
	\$0	\$88,426	\$0	\$56,068	\$582,447	\$19,580	\$1,354,484

PANOLA COLLEGE
BALANCE SHEET
FOR THE YEAR ENDED AUGUST 31, 1991
WITH COMPARATIVE TOTALS AT AUGUST 31, 1990

	CURRENT FUNDS				Endowment and Similar Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Loan Funds	
FUND BALANCE:					
Unrestricted					
Reserved					
Accounts Receivable					
Goods for Resale Inventory					
Prepaid Expenses					
Consumable Supplies Inventory		103,451			
Prepaid Expenses					
Imprest Funds					
Unreserved					
Allocated					
Balances Subject to Reappropriation					
Future Operating Budgets					
Capital Projects					
Inventories					
Student Service Fees					
Service Department Operating Funds					
Student Loan Programs					
Other				8,480	
Unallocated	168,294	(171,978)	159,885		
Restricted					
Restricted--Encumbered					
Restricted--Other					
U. S. Government Grants Refundable				1,944	
Endowment					870,164
Term Endowment					
Quasi-Endowment--Unrestricted					
Quasi-Endowment--Restricted					
Net Investment in Plant					
Total Fund Balances (Exh.B)	168,294	(68,527)	159,885	10,424	870,164
Total Liabilities and Fund Balances	\$561,661	\$103,959	\$233,561	\$10,424	\$903,115

See accompanying Notes to the Financial Statements.

Annuity and Life Income Funds	PLANT FUNDS				Agency Funds	TOTALS MEMORANDUM ONLY	
	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		Current Year	Prior Year
						\$0	\$0
						0	0
						0	0
						103,451	104,215
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						8,480	8,480
	20,682					176,883	163,001
			8,606			8,606	54,828
						0	0
			19,000			19,000	19,000
						1,944	1,944
						870,164	373,937
						0	0
						0	0
						0	0
				10,556,838		10,556,838	10,186,992
0	20,682	0	27,606	10,556,838	0	11,745,366	10,912,397
\$0	\$109,108	\$0	\$83,674	\$11,139,285	\$19,580	\$13,164,367	\$12,266,881

PANOLA COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 1991
WITH COMPARATIVE TOTALS AT AUGUST 31, 1990

	CURRENT FUNDS				Endowment and Similar Funds
	Unrestricted	Auxiliary Enterprises	Restricted	Loan Funds	
FUND BALANCES, September 1, 1990	\$56,131	\$0	\$94,056	\$10,424	\$373,937
Restatements	(93,335)	93,335			
FUND BALANCES, September 1, 1990—Restated	(37,204)	93,335	94,056	10,424	373,937
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Funds Revenue	5,245,899	500,646			
Federal Appropriations					
State Appropriations—Restricted					
Federal Grants and Contracts			418,398		
State Grants and Contracts	1,355		94,520		
Local Gifts, Grants, and Contracts			65,165		488,180
Private Gifts, Grants and Contracts					
Investment Income					8,853
Endowment Income					
Realized Gains on Investments					
U. S. Government Advances					
Net Increase in Inventory					
Net Decrease in Bonds Payable					
Expended for Plant Facilities (Includes \$310,344 Charged to Current Funds)					
Other Interest Income					
Other Revenue					
Other Additions					
Total Revenue and Other Additions	5,247,254 (Exh. C)	500,646 (Exh. C)	578,083	0	497,033
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures (Exh. C)	4,797,568	751,670	527,586		806
Expended for Plant Facilities	107,945				
Lapsed Appropriations					
Indirect Costs Recovered					
Refunded to Grantors					
Retirement of Indebtedness and Expense:					
Bonds					
Net Decrease in Inventory					
Interest on Indebtedness					
Other Deductions					
Total Expenditures and Other Deductions	4,905,513	751,670	527,586	0	806
TRANSFERS—ADDITIONS/(DEDUCTIONS)					
Mandatory Transfers					
Retirement of Indebtedness	(31,749)				
Building Use Fees					
Tuition					
Operations					
Auxiliary Enterprises	(90,422)	90,422			
Designated Funds					
Unexpended Plant Funds					
Revenue Bonds					
Renewals and Replacements					
Loan Fund Matching/Grant Matching	(14,072)	(1,260)	15,332		
Other					
Non-Mandatory Transfers					
Total Transfers—Additions/(Deductions)	(136,243)	89,162	15,332	0	0
NET INCREASE/(DECREASE) FOR THE FISCAL YEAR	205,498	(161,862)	65,829	0	496,227
FUND BALANCES, August 31, 1991	\$168,294	(\$68,527)	\$159,885	\$10,424	\$870,164

See accompanying Notes to the Financial Statements.

EXHIBIT B

Annuity and Life Income Funds	PLANT FUNDS				Agency Funds	TOTALS MEMORANDUM ONLY	
	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant		Current Year	Prior Year
\$0	\$117,029	\$0	\$73,828	\$10,186,992	\$0	\$10,912,397	\$11,011,926
0	117,029	0	73,828	10,186,992	0	10,912,397	11,011,926
			32,517			5,779,062	5,081,375
						0	3,844
						0	0
			8,688			427,086	561,943
			3,501			99,376	0
						553,345	38,562
						0	0
	5,462		3,162			17,477	46,834
						0	0
						0	0
						0	0
						0	0
						0	0
				310,344		310,344	703,884
						0	0
						0	0
				59,502		59,502	44,866
0	5,462	0	47,868	369,846	0	7,246,192	6,481,308
	41,809					6,119,439	5,583,215
						107,945	404,642
						0	0
						0	0
						0	0
						0	0
			185,839			185,839	592,980
						0	0
						0	0
0	41,809	0	185,839	0	0	6,413,223	6,580,837
	(60,000)		91,749			0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
						0	0
0	(60,000)	0	91,749	0	0	0	0
0	(96,347)	0	(46,222)	369,846	0	832,969	(99,529)
\$0	\$20,682	\$0	\$27,606	\$10,556,838	\$0	\$11,745,366	\$10,912,397

PANOLA COLLEGE
 STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED AUGUST 31, 1991
 WITH COMPARATIVE TOTALS AT AUGUST 31, 1990

EXHIBIT C

	Unrestricted	Auxiliary Enterprises	Restricted	TOTALS MEMORANDUM ONLY	
				Current Year	Prior Year
REVENUES					
State Appropriations-General Revenue	\$2,901,114	\$0	\$0	\$2,901,114	\$2,933,437
Local Funds				0	0
Tuition	357,361			357,361	282,965
Tuition Remissions and Exemptions				0	0
Student Service Fees	62,990			62,990	47,160
Taxes for Current Operations	1,703,052			1,703,052	1,043,988
Sales & Service of Educational Activities	54,934			54,934	42,445
Other Sources	12,225			12,225	20,678
General Fees	126,899			126,899	99,038
Federal Grants and Contracts			418,398	418,398	549,754
State Grants and Contracts	1,355		94,520	95,875	78,084
Local Grants and Contracts			65,165	65,165	0
Private Gifts, Grants and Contracts				0	0
Investment Income	27,324			27,324	68,871
Auxiliary Enterprises				0	0
Sales and Services of Auxiliary Enterprises		500,646		500,646	426,451
Other Interest Income				0	0
Other Gains/Losses on Investments				0	0
Total Current Funds Revenue	\$5,247,254	\$500,646	\$578,083	\$6,325,983	\$5,592,871
	(Exh. B)	(Exh. B)			
EXPENDITURES					
Education and General					
Instruction	\$2,209,406	\$0	\$0	\$2,209,406	\$2,367,185
Research	1,227			1,227	0
Public Service				0	102,365
Academic Support	310,931		65,623	376,554	111,586
Student Services	349,859			349,859	345,258
Institutional Support	1,158,652			1,158,652	1,028,626
Operation and Maintenance of Plant	875,438			875,438	666,815
Scholarships and Fellowships			461,963	461,963	516,011
Total Educational and General Expenditures	\$4,905,513	\$0	\$527,586	\$5,433,099	\$5,137,846
Auxiliary Enterprise Expenditures		751,670		751,670	675,812
Total Current Funds Expenditures (Exh. B)	\$4,905,513	\$751,670	\$527,586	\$6,184,769	\$5,813,658

See accompanying Notes to the Financial Statements.

PANOLA COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 1991

A. Reporting Entity

The Board of Trustees, 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 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

Basis of Accounting

The financial statements of Panola College have been prepared on the accrual basis. The statement of current funds revenues and expenditures is a statement of financial activities of current funds related to the 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.

The extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment and library holdings; (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the College, accounts are maintained in accordance with the principles of "fund accounting." Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. 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 distinguished from unrestricted funds allocated to specific purposes by action of the governing board. 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.

Endowment and Similar Funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are similar to other endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowments are funds that the governing board has approved to be used as endowments.

All gains and losses arising from the sale, collections, or other disposition of investments and other noncash assets are accounted for in the fund which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets, except for income derived from investment of Endowment and Similar Funds. That income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriation, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

The different fund groups used at Panola College are as follows:

Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separate balanced fund groups:

Unrestricted Current Funds

Funds received by an institution that have no limitations or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of an institution, i.e. educational, research, extension and administration.

Auxiliary Enterprises

Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services and book stores.

Restricted

Funds available for current purposes, but with restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Loan Funds

Funds available for loans to students, faculty and staff.

Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be spent.

Annuity and Life Income Funds

The Annuity Funds group consists of funds donated to an institution on the condition that the institution pay a stipulated amount of the funds to the donor or designated individual for a specified time or until the time of death of the annuitant. The Life Income funds group consists of funds contributed to an institution subject to the requirement that the institution periodically pay the income earned on the assets (less management expenses) to designated beneficiaries. Panola College does not have annuity and life income funds.

Plant Funds

Plant funds are divided into these separate balanced fund groups:

Unexpended

Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Renewals and Replacements

Funds accumulated for the renewal and replacement of physical plant properties.

Retirement of Indebtedness

Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant

Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts. Depreciation on physical plant and equipment is not recorded.

Agency Funds

Funds held by the College as custodial or fiscal agent for students, faculty members and/or others.

C. Memorandum Totals

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues and Expenditures are shown with memorandum totals for the current and prior years. Interfund borrowing has not been eliminated, but has been off-set in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

D. Deposits, Securities and Investments

1. Authorized Investments

Panola College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act of 1987 (Art. 842a-2, Texas Revised Civil Statutes). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

2. Deposits and Investments

At August 31, 1991, the carrying amount of Panola College's deposits was \$ 1,589,117, and total bank balances equaled \$ 1,702,147.

Depository bank balances of \$1,574,058 was covered by \$144,281 in federal depository insurance and \$1,429,777 in pledged securities held in safekeeping by the depository bank in the College's name (Category 2).

Deposits and investments in other financial institutions totaling \$128,089 were fully covered by federal depository insurance.

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

a. Name of the Bank: First State Bank, Carthage, Texas.

b. The amount of bond and/or the market value of securities pledged as of the date of the highest combined balance on deposit was \$3,146,804. The highest combined balances of cash, savings and time deposits accounts amounted to \$2,114,948 and occurred during the month of November, 1990.

c. Total amount of FDIC coverage at the time of the highest combined balance in November, 1990 was \$142,714.

d. At year end, market value of securities pledged was \$3,094,078.

Cash and deposits as reported on Exhibit A, Balance Sheet, consist of the items reported below.

Cash and Temporary Investments

Bank Deposits		
Demand Deposits		\$ 786,004
Cash and Cash Equivalents		
Petty Cash on Hand	\$ 2,001	
Certificates of Deposit	801,112	
		<hr/>
		803,113
		<hr/>
Total Cash and Temporary Investments		\$ 1,589,117
		<hr/> <hr/>

To comply with the reporting requirements of GASB Statement No. 3, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, Panola College's investments are categorized under "Investment Categories" to give an indication of credit risk assumed by Panola College at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

- Category 1: Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.
- Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or institution in the institution's name.
- Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the institution's name.

Panola College has investments in certificates of deposit totaling \$801,112 which are in Category 1 credit risk.

E. Bonds Payable

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, 1991 was \$220,000. 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, 1991, was \$30,000. 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

<u>Year Ending August 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	20,000	10,080	30,080
1997 & after	130,000	24,120	154,120
	<u>\$ 220,000</u>	<u>\$ 88,240</u>	<u>\$ 308,240</u>

General Obligation Bonds dated September 1, 1971

<u>Year Ending August 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1992	\$ 30,000	\$ 900	\$ 30,900
	<u>\$ 30,000</u>	<u>\$ 900</u>	<u>\$ 30,900</u>

F. Loans

In 1990, the College purchased a building with land for \$350,000. A ten year note was negotiated for \$300,000. In August 1991, a new four year promissory note was executed for the remaining balance of \$240,000 with payments (principal and interest) to be made monthly starting in September, 1991.

The annual requirements for this note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Requirements</u>
1991-92	\$ 51,357	\$ 21,688	\$ 73,045
1992-93	56,735	16,311	73,046
1993-94	62,676	10,370	73,046
1994-95	69,232	3,807	73,039
TOTALS	<u>\$ 240,000</u>	<u>\$ 52,176</u>	<u>\$292,176</u>

G. Capital Lease Obligations

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

The original capitalized cost of equipment under capital lease as of August 31, 1991 is \$88,057.

The following are schedules of the annual lease requirements for principal and interest.

Lease #1 - VoTech Building

<u>Fiscal Year</u>	<u>Annual Requirements</u>		<u>Total Annual Requirements</u>
	<u>Interest</u>	<u>Principal</u>	
1991-92	\$ 838	\$ 7,493	\$ 8,231
1992-93	122	4,044	4,166
	<u>\$ 960</u>	<u>\$ 11,537</u>	<u>\$ 12,397</u>

Lease #2 - Marshall Center Building

<u>Fiscal Year</u>	<u>Annual Requirements</u>		<u>Total Annual Requirements</u>
	<u>Interest</u>	<u>Principal</u>	
1991-92	\$ 657	\$ 4,118	\$ 4,775
1992-93	143	3,041	3,184
	<u>\$ 800</u>	<u>\$ 7,159</u>	<u>\$ 7,959</u>

Lease #3 - Fine Arts Building

<u>Fiscal Year</u>	<u>Annual Requirements</u>		<u>Total Annual Requirements</u>
	<u>Interest</u>	<u>Principal</u>	
1991-92	\$ 1,278	\$ 6,119	\$ 7,397
1992-93	425	6,357	6,782
	<u>\$ 1,703</u>	<u>\$ 12,476</u>	<u>\$ 14,179</u>

Lease #4 - Marshall Center Building

<u>Fiscal Year</u>	<u>Annual Requirements</u>		<u>Total Annual Requirements</u>
	<u>Interest</u>	<u>Principal</u>	
1991-92	\$ 2,798	\$ 5,818	\$ 8,616
1992-93	2,203	6,413	8,616
1993-94	1,549	7,067	8,616
1994-95	827	7,789	8,616
1995-96	120	4,188	4,308
	<u>\$ 7,497</u>	<u>\$ 31,275</u>	<u>\$ 38,772</u>

H. Interfund Receivables and Payables

All interfund borrowings have been made from unrestricted funds. All amounts are payable currently without interest.

I. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, Audits of Colleges and Universities. Funds received, but not expended during the reporting period, are shown as additions to fund balance on Exhibit B. Revenues are recognized on Exhibit C as funds are actually expended. For Federal contract and grant awards, funds expended, but not collected, as reported as Federal Receivables on Exhibit A. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit A.

J. 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.

K. Litigation

At August 31, 1991, Panola College is involved in one lawsuit. The College is indemnified by a policy of liability insurance which adequately protects the College.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature. According to an independent actuarial evaluation as of August 31, 1991 the present value of the retirement system's actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries was in excess of the assets of the retirement system. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of ten years. Further information regarding actuarial assumptions and conclusions, as well as audited financial statements, are included in the retirement system's annual financial report.

The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are 8.1 percent and 6.65 percent respectively. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the state for the College was \$135,887 for the fiscal year ended August 31, 1991. This amount represents the portion of expended appropriations made by the state Legislature on behalf of the college.

O. Deferred Compensation Program

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Senate Bill No. 872 of the 63rd Legislature. As of August 31, 1991, the College had fifteen employees participating in the program. A total of \$67,340 in payroll deductions had been invested in approved plans during the fiscal year.

P. Compensated Absences

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.

Q. Health Care Coverage

During the year ended August 31, 1991, employees of Panola College were covered by a health insurance plan (the Plan). The College paid premiums of \$163 per pay period per employee

to the Plan and the 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 1 and the terms of coverage and premium costs are included in the contractual provisions.

R. Subsequent Events

There have been no material subsequent events between August 31, 1991 and January 10, 1992.

S. Operating Lease Obligations and Rental Agreement

Included in current expenditures are the following amounts of rent paid or due under operating leases.

<u>Fund Group</u>	Year Ended August 31,	
	<u>1991</u>	<u>1990</u>
Plant Funds	\$ 60,000	\$ 60,000
Totals	<u>\$ 60,000</u>	<u>\$ 60,000</u>

T. Related Parties

Panola College Development Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The Foundation accepts donations and acts as coordinator of gifts made by other parties. During the fiscal year the Foundation received \$60,000 from the College for the operating lease described in Note S.

U. Other Items

The beginning fund balances in the auxiliary enterprise fund and current unrestricted fund have been restated for report purposes. The current unrestricted fund is obligated to fund the auxiliary enterprise fund. The ending fund balance reflects a deficit amount of \$68,527 that has not been funded.

SUPPLEMENTAL SCHEDULES

PANOLA COLLEGE
 SCHEDULE OF CASH AND TEMPORARY INVESTMENTS
 FOR THE YEAR ENDED AUGUST 31, 1991
 WITH COMPARATIVE TOTALS AT AUGUST 31, 1990

CURRENT FUNDS

	Total	Unrestricted	Auxiliary Enterprises	Restricted	Loan Funds
Cash on Hand					
Cashier Accounts	\$0	\$0	\$0	\$0	\$0
Petty Cash	2,001	1,493	508		
Other Detail as Needed	0				
Subtotal	2,001	1,493	508	0	0
Cash in Bank	0				
Local Funds—Demand	786,004	348,322		185,111	1,797
Subtotal	786,004	348,322	0	185,111	1,797
Cash in State Treasury	0				
Subtotal	0	0	0	0	0
Reimbursement Due From State Treasurer	0				
Short-Term Investments	0				
Certificates of Deposit	801,112				
U. S. Treasury Bills	0				
Subtotal	801,112	0	0	0	0
Total Cash and Temporary Investments	\$1,589,117	\$349,815	\$508	\$185,111	\$1,797

Endowment and Similar Funds	Annuity and Life Income Funds	PLANT FUNDS				Agency Funds
		Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
118,720		106,773		25,281		
118,720	0	106,773	0	25,281	0	0
0	0	0	0	0	0	0
774,112				27,000		
774,112	0	0	0	27,000	0	0
\$892,832	\$0	\$106,773	\$0	\$52,281	\$0	\$0

PANOLA COLLEGE
SCHEDULE OF CURRENT FUNDS REVENUES
FOR THE YEAR ENDED AUGUST 31, 1991
WITH COMPARATIVE TOTALS AT AUGUST 31, 1990

SCHEDULE C-1

	<u>Unrestricted</u>	<u>Auxiliary Enterprises</u>	<u>Total Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>State Appropriations:</u>					
State Basic Aid	\$2,648,693		\$2,648,693		\$2,648,693
Group Insurance State Contributions	218,587		218,587		218,587
Other	33,834		33,834		33,834
Total State Appropriations	2,901,114	0	2,901,114		2,901,114
<u>Tuition and Fees</u>					
Tuition	327,294		327,294		327,294
Building Use Fee	59,186		59,186		59,186
General Fees	39,160		39,160		39,160
Student Service Fee	62,990		62,990		62,990
Laboratory Fee	28,552		28,552		28,552
Correspondence Fee			0		0
Remissions and Exemptions			0		0
Blind, Deaf Students			0		0
Concurrent Registration			0		0
Good Neighbor			0		0
Highest Ranking High School Graduates			0		0
Statutory Waiver of Non-Resident Status			0		0
Veteran, Dependents, Etc.			0		0
Other (Industrial Programs)	30,068		30,068		30,068
Total Tuition and Fees	547,250	0	547,250	0	547,250
<u>Taxes for Current Operations</u>	1,703,052		1,703,052		1,703,052
<u>Federal Grants and Contracts</u>					
Research			0	418,398	418,398
Other Programs			0		0
Recovery of Indirect Costs			0		0
Total Federal Grants and Contracts	0	0	0	418,398	418,398
<u>State Grants and Contracts</u>					
Research			0		0
Other Programs	1,355		1,355	94,520	95,875
Recovery of Indirect Costs			0		0
Total State Grants and Contracts	1,355	0	1,355	94,520	95,875
<u>Local Grants and Contracts</u>					
Research			0		0
Other Programs			0	65,165	65,165
Recovery of Indirect Costs			0		0
Total Local Grants and Contracts	0	0	0	65,165	65,165
<u>Private Gifts, Grants and Contracts</u>					
Research			0		0
Other Programs			0		0
Recovery of Indirect Costs			0		0
Total Private Gifts, Grants and Contracts	0	0	0	0	0
<u>Endowment Income</u>					
			0		0
<u>Sales & Services of Educational Activities</u>	54,934		54,934		54,934
<u>Sales & Service of Auxiliary Activities</u>		500,646	500,646		500,646
<u>Professional Fees</u>			0		0
<u>Other Sources</u>					
Gains/Losses on Investments			0		0
Interest Income	27,324		27,324		27,324
Other Misc. Income	12,225		12,225		12,225
Total Other Sources	39,549	0	39,549	0	39,549
Total Current Funds Revenues (Exh. C)	\$5,247,254	\$500,646	\$5,747,900	\$578,083	\$6,325,983

See accompanying Notes to the Financial Statements.

PANOLA COLLEGE
 SCHEDULE OF CURRENT FUNDS EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED AUGUST 31, 1991

SCHEDULE C-2

	SALARIES AND WAGES	OTHER EXPENSES	CAPITAL OUTLAY	TOTAL
<u>Unrestricted</u>				
<u>Educational and General</u>				
Instruction	\$1,863,519	\$287,910	\$57,977	\$2,209,406
Research		1,227		1,227
Public Service				0
Academic Support	213,564	33,894	63,473	310,931
Student Services	281,627	44,880	23,352	349,859
Institutional Support	763,877	390,337	4,438	1,158,652
Operation and Maintenance of Plant	253,346	495,452	126,640	875,438
Scholarships and Fellowships				0
Auxiliary Enterprises				0
Total Educational and General	3,375,933	1,253,700	275,880	4,905,513
<u>Auxiliary Enterprises</u>				
Auxiliary Enterprises	190,264	526,942	34,464	751,670
Total Auxiliary Enterprises	190,264	526,942	34,464	751,670
<u>Restricted</u>				
Instruction				0
Research				0
Public Service				0
Academic Support	4,032	61,591		65,623
Student Services				0
Institutional Support				0
Operation and Maintenance of Plant				0
Scholarships and Fellowships		461,963		461,963
Auxiliary Enterprises				0
Total Restricted	4,032	523,554	0	527,586
Total Current Fund Expenditures	\$3,570,229	\$2,304,196	\$310,344	\$6,184,769

(Exh. C)

See accompanying Notes to the Financial Statements.

PANOLA COLLEGE
SCHEDULE OF EDUCATIONAL AND GENERAL EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 1991

SCHEDULE C-3

	CURRENT FUNDS		TOTAL
	UNRESTRICTED	RESTRICTED	
General Administration and Student Services	\$772,778		\$772,778
General Institutional Expense	113,055		113,055
Staff Benefits			
Group Insurance Premiums	267,781		267,781
O.A.S.I.	183,142		183,142
Workmen's Compensation Insurance	29,836		29,836
Longevity Pay	19,583		19,583
Other			0
	500,342	0	500,342
Resident Instruction			
Academic Programs			
Faculty Salaries	1,213,494	1,492	1,214,986
Department Operating Expenses	253,814	12,911	266,725
Instructional Administration	67,055	51,220	118,275
Organized Activities Related to Instructional Departments			0
	1,534,363	65,623	1,599,986
Vocational Technical Programs			
Faculty Salaries	739,663		739,663
Department Operating Expenses	123,646		123,646
Instructional Administration	68,925		68,925
Organized Activities Related to Instructional Departments			0
	932,234	0	932,234
Library	174,951		174,951
Extension and Public Service	\$0		\$0
Physical Plant Operation and Maintenance			
Plant Support Services	78,286		78,286
Campus Security	14,145		14,145
Building Maintenance	248,319		248,319
Custodial Services	135,610		135,610
Grounds Maintenance	58,056		58,056
Utilities	233,077		233,077
	767,493	0	767,493
Special Items	2,352	461,963	464,315
Major Repairs and Rehabilitation of Facilities and Buildings	107,945		107,945
Total Expenditures by Elements of Institutional Costs	\$4,905,513	\$527,586	\$5,433,099
[a] Reconciliation			
Total Expenditures by Function (Exh. C)	\$4,905,513		
Plus: Increase in Compensable Absences Allocation			
Unexpended Plant Fund Expenditures			
Less: Decrease in Compensable Absences Allocation			
Tuition Remissions and Exemptions			
Total Expenditures by Elements of Institutional Costs	\$4,905,513		

PANOLA COLLEGE
SCHEDULE OF TAXES
FOR THE YEAR ENDED AUGUST 31, 1991

SCHEDULE C-4

	CURRENT YEAR			Prior Year
	Current Operations	Debt Service	Total	
Tax rate authorized per \$100 valuation	0.11483	0.00227	0.11710	0.08358
Tax rate assessed per \$100 valuation	0.11483	0.00227	0.11710	0.08358
Taxes collected				
Current	\$1,662,044	\$32,190	\$1,694,234	\$1,097,560
Delinquent	29,482	540	30,022	15,207
Penalties and interest	11,526	223	11,749	6,210
	\$1,703,052	\$32,953	\$1,736,005	\$1,118,977
Assessed valuation of District			\$1,510,258,801	\$1,015,674,790

PANOLA COLLEGE
 SCHEDULE OF BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
 FOR THE YEAR ENDED AUGUST 31, 1991

DESCRIPTION	BONDS ISSUED TO DATE	RANGE OF INTEREST RATES	BONDS OUTSTANDING 09/01/90	BONDS MATURED OR RETIRED	BONDS REFUNDED
Revenue System Bonds 1970C	\$495,000	7.0% to 7.2%	\$235,000	\$15,000	\$0
General Obligation Bonds 1971	350,000	5.25% to 6.0%	60,000	30,000	0
Totals	<u>\$845,000</u>		<u>\$295,000</u>	<u>\$45,000</u>	<u>\$0</u>

SCHEDULE D-1

BONDS OUTSTANDING 08/31/91	MATURITIES				1992	1993	1994	1995	1996	ALL OTHER YEARS	TOTAL REQUIREMENTS
	FIRST YEAR	LAST YEAR	FIRST CALL DATE								
220,000	\$10,000	\$30,000		PRINCIPAL	\$15,000	\$15,000	\$20,000	\$20,000	\$20,000	\$130,000	
				INTEREST	15,321	14,234	12,965	11,520	10,080	24,120	\$308,240
30,000	10,000	30,000		PRINCIPAL	30,000						
				INTEREST	900						30,900
<u>\$250,000</u>	<u>\$20,000</u>	<u>\$60,000</u>			<u>\$61,221</u>	<u>\$29,234</u>	<u>\$32,965</u>	<u>\$31,520</u>	<u>\$30,080</u>	<u>\$154,120</u>	<u>\$339,140</u>

PANOLA COLLEGE
 SCHEDULE OF PLEDGED REVENUES AND FUND BALANCES
 FOR REVENUE BONDS OUTSTANDING
 FOR THE YEAR ENDED AUGUST 31, 1991

DESCRIPTION	PLEDGED REVENUES AND RELATED EXPENDITURES				OPERATING EXPENSE
	OPERATING REVENUE	INTEREST EARNED ON INVESTMENTS	OTHER PLEDGED REVENUE	TOTAL PLEDGED REVENUE	
Student Fee Revenue Bonds 1970					\$0
Totals	\$0	\$0	\$0	\$0	\$0

				RESTRICTED ACCOUNT BALANCES			
				INTEREST AND SINKING FUND		BOND RESERVE FUND	
CAPITAL OUTLAY	NET AVAILABLE FOR DEBT SERVICE	DEBT SERVICE PRINCIPAL	DEBT SERVICE INTEREST	REQUIRED	ACTUAL	REQUIRED	ACTUAL
	\$0					\$19,000	\$19,000
\$0	\$0	\$0	\$0	\$0	\$0	\$19,000	\$19,000

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BATES, GOSNELL & SCHIEFFER

Certified Public Accountants — A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA

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

January 10, 1992

Board of Trustees
Panola College
Carthage, Texas 75633

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

We have audited the general purpose financial statements of Panola College as of and for the year ended August 31, 1991, and have issued our report thereon dated January 10, 1992.

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 Panola College management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Panola College's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicated 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 the Panola College had not complied, in all material respects, with those provisions.

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Board of Trustees
January 10, 1992
Page Two

This report is intended for the information of the audit committee, management, Texas Higher Education Coordinating Board, and regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Respectfully submitted,

Bates, Gosnell & Schieffer
BATES, GOSNELL & SCHIEFFER
Certified Public Accountant

BATES, GOSNELL & SCHIEFFER

Certified Public Accountants — A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA

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

January 10, 1992

Board of Trustees
Panola College
Carthage, TX 75633

REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the general purpose financial statements of Panola College as of and for the year ended August 31, 1991, and have issued our report thereon dated January 10, 1992.

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, 1991, 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 management 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

Board of Trustees
January 10, 1992
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unauthorized and recorded properly to permit the preparation of general purpose financial statement in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or 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
Transfers

For all of the internal control structure 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 the internal control structure and its operation that we consider 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 general purpose financial statements.

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 the 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.

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. These reports should be timely filed and should reflect accurate information.
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.
5. Bank accounts should be reconciled monthly and tied to the general ledger as well as accounts payable, payroll deduction accounts, and interfund accounts.
6. Expenditures for state grants should be monitored and reimbursement reports timely filed .

A material weakness is a reportable condition in which the design or operation 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 general purpose 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 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.

Board of Trustees
January 10, 1992
Page Four

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Panola College in a separate letter dated January 10, 1992.

This report is intended for the information of the audit committee, management, Texas Higher Education Coordinating Board, and regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Respectfully submitted,



BATES, GOSNELL & SCHIEFFER
Certified Public Accountants

PANOLA COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 1991

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 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.
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. These reports should be timely filed and should reflect accurate information.
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.
5. Special attention should be given to maintaining records for the Federal report year and the school year.
6. All FISAP reports should be reconciled before being submitted to avoid resubmissions.

Additional findings and/or recommendations are as follows:

Bank accounts should be reconciled monthly and tied to the general ledger as well as accounts payable, payroll deduction accounts, and interfund accounts.

Expenditures for state grants should be monitored and reimbursement reports timely filed.

FEDERAL FINANCIAL ASSISTANCE SECTION

BATES, GOSNELL & SCHIEFFER

Certified Public Accountants — A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA

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

January 10, 1992

Board of Trustees
Panola College
Carthage, Texas 75633

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

We have applied procedures to test Panola College 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, 1991:

- Political activity
- Davis-Bacon Act
- Civil Rights
- Cash management
- 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 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

Board of Trustees
January 10, 1992
Page Two

report. 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 requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the audit committee, management, Texas Higher Education Coordinating Board, and Regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Respectfully submitted,



BATES, GOSNELL & SCHIEFFER
Certified Public Accountants

BATES, GOSNELL & SCHIEFFER

Certified Public Accountants — A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA

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

January 10, 1992

Board of Trustees
Panola College
Carthage, Texas 75633

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

We have audited Panola College 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, 1991. The management of Panola College is responsible for Panola College compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Governing 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Panola College compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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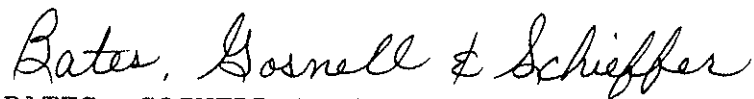
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Board of Trustees
January 10, 1992
Page Two

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances on noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

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, 1991.

Respectfully submitted,



BATES, GOSNELL & SCHIEFFER
Certified Public Accountants

BATES, GOSNELL & SCHIEFFER

Certified Public Accountants — A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA

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

January 10, 1992

Board of Trustees
Panola College
Carthage, Texas 75633

REPORT ON SUPPLEMENTARY INFORMATION--SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

We have audited the accompanying general purpose financial statements of Panola College for the year ended August 31, 1991, and have issued our report thereon dated January 10, 1992. These general purpose financial statements are the responsibility of Panola College management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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. 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of Panola College taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general purpose

Board of Trustees
January 10, 1992
Page Two

financial statements. The information in that schedule 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.

Respectfully submitted,

Bates, Gosnell & Schieffer

BATES, GOSNELL & SCHIEFFER
Certified Public Accountants

PANOLA COLLEGE
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED AUGUST 31, 1991

SCHEDULE E-1

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Accrued or (Deferred) Revenue at 9-1-90	Receipts/ Revenue Realized	Disbursements/ Expenditures	Accrued or (Deferred) Revenue at 8-31-91
Carl D. Perkins Vocational Education Act	84.048		\$73,633	\$0	\$62,278	\$73,633	\$11,355
Q. M. Martin Auditorium Subsidy			3,501	0	3,501	3,501	0
Pell Grant Program	84.031		360,408	0	360,408	360,408	0
College Work Study	84.033		39,851	0	39,851	39,851	0
Merle Glass Interest Subsidy			8,688	0	8,688	8,688	0
Supplemental Educational Opportunity Grant	84.007		18,139	0	18,139	18,139	0
Total Federal Assistance			\$504,220	\$0	\$492,865	\$504,220	\$11,355

PANOLA COLLEGE
 SCHEDULE OF DISBURSEMENTS AND EXPENDITURES
 ALL SFA PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 1991

SCHEDULE E-2

FOR THE
 YEAR ENDED
AUGUST 31, 1991

Disbursements

National Defense Student Loan Program
 (Loans made current year)

\$0

Expenditures

College Work-Study Program
 CWS Disbursements to Students (1)
 Administrative Costs
 Unexpended CWS

\$31,832

3,521

198

\$35,551

Supplemental Educational Opportunity Grant Programs

Program Awards (2)
 Administrative Costs

\$22,452

0

\$22,452

Pell Grant Programs

Program Awards
 Administrative Costs

\$360,408

1,250

\$361,658

(1) Includes: Current Year Grant Revenue
 Carryover From Prior Year
 Transferred to SEOG
 Carryover to Next Year's Program

\$39,851

4,326

(4,313)

(4,313)

\$35,551

(2) Includes \$ 4,313 of funds transferred from CWS

BATES, GOSNELL & SCHIEFFER

Certified Public Accountants — A PARTNERSHIP OF INDIVIDUALS & PROFESSIONAL CORPORATIONS

DONALD K. BATES, CPA

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

January 10, 1992

Board of Trustees
Panola College
Carthage, TX 75633

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

We have audited the general purpose financial statements of Panola College as of and for the year ended August 31, 1991, and have issued our report thereon dated January 10, 1992. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, 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, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

a. Financial statement captions:

Cash and cash equivalents
Receivables
Inventory

Board of Trustees
January 10, 1992
Page Two

Property and equipment
Payables and accrued liabilities
Debt
Fund balance
Revenues
Expenditures
Transfers

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 activity
 - 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,

Board of Trustees
January 10, 1992
Page Three

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 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, 1991, Panola College expended 86.14% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering 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 the internal control systems used solely in administering the nonmajor federal financial assistance programs of Panola College, 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 use solely in administering the nonmajor federal financial assistance programs of Panola College 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 Panola College. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of

Panola College. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of Panola College.

Also, our audit, 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 taken to the bank 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.
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 given to maintaining records on program requests, receipts, and expenditures. The general ledger should be reconciled to the reports. These reports should be timely filed and reflect accurate information.
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.
5. Bank accounts should be reconciled monthly and tied to the general ledger as well as accounts payable, payroll deduction accounts and interfund accounts.

Board of Trustees
January 10, 1992
Page Five

6. Expenditures for state grants should be monitored and reimbursement reports timely filed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in 1) our examination of the 1991 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 compliance with laws and regulations dated January 10, 1992.

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.

Respectfully submitted,



BATES, GOSNELL & SCHIEFFER
Certified Public Accountants