

Navarro College District
Corsicana, Texas
Comprehensive Annual Financial Report
Years Ended August 31, 2011 and 2010



Prepared by:
Navarro College District
Finance Department



Introductory Section



Navarro College District

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Navarro College District

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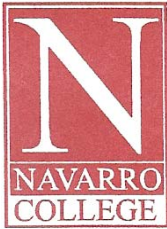
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November 28, 2011

To the Honorable Chairman, Board of Trustees, and District President of the Navarro College District:

The following comprehensive annual financial report of Navarro College (the District) for fiscal year ended August 31, 2011, is hereby submitted.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Jaynes, Reitmeier, Boyd & Therrell, P.C., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the District’s financial statements for the years ended August 31, 2011 and 2010. The independent auditors’ report is located at the front of the financial section of this report.

The management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE DISTRICT

The District was established as a public community college in an election held in Navarro County, Texas, on July 16, 1946. The District operates as a community college under the Constitution of the State of Texas and the Texas Education Code. The District is governed by an elected seven-member Board of Trustees (hereinafter called the “Board”). At each election (the second Saturday in May in odd-numbered years), two Trustees are elected, one at-large and one for a single place, to serve six-year terms. Every third election, three Trustees are elected, with one at-large. The Board holds regularly scheduled meetings on the third Thursday of each month unless otherwise announced. Board meetings are held in the Arrowhead Room located in the Gooch One-Stop Student Center on the Corsicana campus unless otherwise provided in the notice of meeting posted in compliance with the public notice requirements.

The Board has the final authority to determine and interpret the policies that govern the District and has complete and full control of the District's activities, limited only by the State legislature, the courts, and the will of the people as expressed in Board of Trustee elections. Official Board action is taken only in meetings that comply with the Open Meetings Act and is based on a majority vote of a quorum (four members) of the Board.

In general, the Board provides policy direction and sets goals for the District consistent with the District's role and mission. Besides general Board business, trustees are charged with numerous statutory regulations, including ordering elections and issuing bonds. The Board also is responsible for appointing the President, setting the tax rate, causing the preparation and adoption of the budget for the ensuing fiscal year, and employing faculty and other employees of the District.

LOCAL ECONOMY AND OUTLOOK

The District is well positioned for growth due to its geographical location between Dallas and Houston on Interstate 45 and between Waco and Tyler on State Highway 31. Student enrollment and student contact hour growth continue to be a main focus of the District. Fall 2010 semester credit enrollment at the District grew by 966 students to 10,166 students on census date, an increase of 10.5% over Fall 2009.

Navarro County's (the taxing district) economy is based on manufacturing, agriculture, and mineral production. Agricultural income is derived from beef cattle, dairy cattle, horses, cotton, and grain. Minerals produced in the county include oil, gas, sand, and gravel. Growth in the county has been minimal, as evidenced by a \$72.6 million (2.7%) increase in the assessed value of property in the District during the past fiscal year.

Corsicana is home for over sixty industries, including information technology, manufacturers, processors, and distribution centers. Northrup Grumman Corporation (Northrop Grumman Information Technology, National Work Force Center) is a Global Top 60 Company. In addition, several Fortune 500 Companies call Corsicana their home, including Russell Stover Candies, Inc. (candy manufacturing and outlet store), Home Depot Distribution Center (building materials), and Kohl's (distribution center and call center).

Other major employers include True Value Distribution Center (hardware), Firestone Building Products (roofing products), Guardian Industries Corporation (float glass manufacturing), Collin Street Bakery (foods manufacturing and outlet store), Oil City Iron Works (castings), Lance Foods Manufacturing (snack foods), Corsicana Bedding (bedding and furniture), Mobil Pipeline Company (pipeline), and JELD-WEN, Inc. (windows and doors).

The International Order of Odd Fellows has begun the remodeling of a former orphanage administration building into a conference center. Construction will be done in two phases. Phase I, remodeling of the old structure, began in June 2010 and provides meeting rooms and offices. Phase II, add-on construction, began upon completion of Phase I and will house a 750-seat Events Center.

An expansion of the Navarro College Cook Education Center is almost complete and will provide a 500-plus-seat event center with many audio-visual capabilities. It is scheduled to open during Spring 2012.

Navarro Regional Hospital recently added a new \$1.2 million Phillips Achieva 16-channel Magnetic Resonance Imaging Unit (MRI). The new MRI is the latest technology in medical imaging and will provide advanced diagnostic care for patients and physicians.

The top employers in Navarro County are:

Employer	Industry	Number of Employees
Navarro College (includes part-time)	Education	1,064
Corsicana Independent School District	Government/Education	811
Russell-Stover Candies	Candy Manufacturing	680 *
Navarro Regional Hospital	Hospital	354
Guardian Industries	Glass Manufacturing	318
Texas Youth Commission	Government/State Home	299
City of Corsicana (includes part-time)	Government/City	284
Navarro County	Government/County	284
Corsicana Bedding	Bedding	257
Heritage Oaks / Heritage Oaks West	Nursing Facility	236
Kohl's Call Center	Call Center/Retail	216
Kohl's Distribution Center	Warehousing/Retail	200
Oil City Iron Works	Castings	172
Trinity Mother Francis Medical Center	Hospital	156
Collin Street Bakery	Food	150 *
Tru-Serve/True Value Distribution Center	Distribution/Hardware	149
Lance	Manufacturing/Snack Foods	148
Home Depot Distribution Center	Building Materials	145
* Employee number may vary significantly in accordance with seasonal employment. (A number of employers include full-time and part-time employees).		

Corsicana is an industrial and commercial center. The area has the longest continuous oil flow in Texas, with a total production in excess of 200 million barrels since 1895. Corsicana is defined by industries, railroads, oil, and agriculture/cattle.

Corsicana and the surrounding area offer many opportunities for recreational activities. There are 12 parks, 2 golf courses, 49 tennis courts, and 3 lakes, including Richland Chambers, which is the third largest lake in the State of Texas. Corsicana also offers The Palace Theatre, The Warehouse Living Arts Center, and an outdoor amphitheater for concerts.

The population of Navarro County has grown by 5.8% over the past ten years to 47,750, and the Office of the State Demographer for the State of Texas projects a population growth of 9.7% in Navarro County by 2015. Ellis County has grown 34.3% since 2000.

Ellis County, a major part of our service area, continues to grow dramatically. The 2010 population of Waxahachie is 29,621 and the population of Midlothian is 18,037.

Waxahachie hosts hundreds of festivals and events, large and small, each year. There are large events like the Bob Phillips Texas Country Reporter Festival and Waxahachie's Cinco De Mayo Festival. Historical events include the Gingerbread Trail Tour of Homes, Annual Chautauqua Assembly, WWII Veterans' Day Reenactment, and the Christmas Candlelight Tour of Homes. Annual events in Midlothian include the Business Expo, Balloon Festival and Fly-In, the Fall Festival, and the Holiday Parade.

Ellis County has a diverse employment and manufacturing base. Waxahachie continues to be an attractive area for developers and individuals to locate.

Some of the major employers in Ellis County (w/100+ employees) include:

Gerdau Ameristeel
Georgia Pacific
HEB Foods
Holcim US Inc.
Home Depot
Better Bath Components Inc.
Ashgrove Texas LP
Magnablend, Inc.
Oaks Fellowship
Rock-Tenn Co.
Target
Texas Industries Inc.
TXI
Wal-Mart
National Envelope Co.
Navarro College
Midlothian ISD
Waxahachie ISD
Baylor Medical Center
Elk Technologies
Ennis ISD
International Extrusion Corp.

COMMUNITY OUTREACH AND PARTNERSHIPS

The District commits to provide educational and social opportunities for students at a reasonable cost. Student Financial Aid personnel actively assist students with all facets of financial aid to help fund their educational expenses. A record \$60.1 million in awards was processed in fiscal year 2011. The District aims to provide high quality educational experiences for all students and to establish a nurturing learning environment to promote responsible citizenship. The District maintains a warm and supportive climate that builds a sense of community among learners. The District pledges to remain accountable as an institution of higher learning and as a custodian of the public trust.

The District continues to meet the need of the community in developing a professional workforce by expanding the educational training opportunities to its residents. Some examples of our programs include:

- Tech Prep programs in area high schools offer dual-credit courses and articulated programs to prepare students for the workforce in technical fields. These, along with technical training and placement for students in industries located in Limestone and Freestone Counties, help to provide educated workers for the labor force.
- The Cook Education Center, located adjacent to the main campus in Corsicana, is equipped with a 60-foot domed planetarium. Visitors experience the thrill of exploration and the power of the human imagination in the areas of earth and space sciences through a variety of annual planetarium programs. In addition to supporting Navarro College as a multifaceted audio-visual theater, the planetarium continues to serve as an educational magnet for the 31 surrounding independent school districts, serving over 20,000 students annually.
- Located in the Cook Education Center is the Pearce Civil War & Western Art Museum. The Civil War collection contains over 15,000 original documents written by Presidents, officers, common soldiers, civilians, and family members left on the home front. It is a balanced collection, documenting both the Northern and Southern experiences of the Civil War. The Western Art collection is home to more than 200 original works by acknowledged masters as well as up-and-coming artists in the western art genre. The Pearce Museum holds works of art from members of the National Academy of Western Art, the Cowboy Artists of America, the Western Artists of America, and the National Sculpture Society, among others. The Civil War and Western Art galleries welcome tour groups, school groups from elementary-age children to college students, and the general public. In the spring of 2011, the Pearce Museum hosted the Western Artists of America Show and Sale, and an agreement has been reached to continue that relationship.
- The “Opening Doors to Success” program continues to assist in identifying students with potential to succeed who are not enrolling in college for a variety of reasons. This program provides individualized counseling attention and financial assistance to qualifying students.
- The District’s cooperative agreement with John Deere continues to attract students from across Texas and neighboring states who wish to pursue a degree in agriculture mechanization technology.
- Fire and police academies help to provide trained applicants for these high-demand service professions. Continuing education classes are offered in these areas, also, to assist in meeting certification update requirements.
- A very active health occupations curriculum helps to train students to meet staffing needs in areas such as nursing, medical lab technology, and occupational therapy. Nurse’s aide dual-credit training programs in the high schools, along with the continuing education programs for training and recertification programs, also help to provide trained staff. The program received extra funding from the state due to the successful high graduation rate.

RELEVANT FINANCIAL POLICIES

The Department of Business Services is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and local financial awards, the District also is responsible for providing an adequate internal control structure to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic review and evaluation by management, internal audit, and the independent auditors of Navarro College District. As a part of the District's single audit, tests are conducted to determine the adequacy of the internal control structure, including that portion related to federal and state financial award programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the fiscal year ended August 31, 2011, provided no instances of material weakness in the internal control structure.

In addition, the Business Services staff maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Navarro College Board of Trustees. Activities of all funds are included in the annual appropriated budget. The District also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Encumbered amounts lapse at fiscal year-end; however, encumbrances are generally re-appropriated as part of the subsequent year's budget.

State statutes require an annual audit by independent certified public accountants. During the July 21, 2011, board meeting, the Board of Trustees selected the accounting firm of Jaynes, Reitmeier, Boyd & Therrell, P.C., for three additional years, beginning with fiscal year 2011 through 2013, plus the option to extend for two additional years (2014 and 2015).

MAJOR INITIATIVES

Academic Program Enhancements:

The District has been recognized as a leader in higher education by Awards of Excellence being received by several instructors as well as partnership agreements with industry. Efforts continue to enhance the academic program offerings, as evidenced by the following:

- Completing the SACS Comprehensive Standards and Quality Enhancement Plan Reaffirmation of Accreditation Project. The purpose of the program is to provide advisement for incoming freshmen throughout their stay at Navarro College.

- Increasing internet course delivery. Internet instruction accounts for 18.2% of the contact hours produced.
- Continuing refinement of the Faculty-Centered Student Advising Program for full-time, first-time students, which complements a diverse and valuable network of counseling services available to students. In addition to academic advising and transfer assistance, there is specific counseling on hand for veterans and international students.
- The Texas A&M University at Commerce - Navarro College Partnership continues to receive recognition as an outstanding program with emphasis on teacher education. This partnership has grown from 63 students in the Fall of 1999 to 790 students in the Fall of 2010 on both the Corsicana and Midlothian Campuses. The partnership has produced 1,497 graduates, with 1,183 in education, 143 BAAS, 50 in Criminal Justice, 1 BSBA, 8 TDEV, 6 BSLS, 2 BGS, and 98 master's degrees conferred through Fall 2010.
- New programs, such as Petroleum Technology, Welding, Cosmetology, P-16, and Honors, are designed to assist students.
- Navarro College offers a large and competitive intercollegiate athletic program that includes basketball, baseball, soccer, softball, football, cheerleading, and volleyball.
 - The basketball team finished the 2010-2011 year with a record of 20-10. They were Runners-Up in the Region XIV North Zone. Greg Allen was selected to the All-Region Team. Six student-athletes transferred to university basketball programs.
 - The baseball team had a record of 46-18 for the 2011 season. They were Region XIV East Zone Champions, Region XIV Tournament Champions, and 2011 National Champions. Whoa Dill was named NJCAA Coach of the Year. Fourteen student-athletes transferred to university programs.
 - The soccer team finished with a record of 13-4-1 and finished as Runner-Up in the Region XIV Championship Tournament. Five of our student-athletes were named to the All-Region Team.
 - The softball team posted a record of 40-9, was a Runner-Up for the Region XIV Championship, and won the Eastern Conference Championship. Six players won places on the All-Region Team, and three student-athletes transferred to university programs.
 - The football team had a record of 11-1, winning the NJCAA National Championship and the SWJCFC Championship. Two students were named All-American and nine were named to the SWJCFC All-Conference Team. Coach Nick Bobeck was named NJCAA National Coach of the Year, and twenty-two student-athletes transferred to university football programs.
 - The cheerleaders won the 2011 NCA National Championship. This group has brought home a National Championship in eight of the last eleven years.

- Academics are stressed by the Navarro College administration and coaching staff. Success is evidenced by having 16 athletes named to the Region XIV All-Academic Team and 7 players named as Academic All-Americans. The Softball, Soccer, and Basketball teams earned recognition as NJCAA Academic Teams of the Year.
- Providing good customer service and a positive environment for students is important to the District and enhances the academic programs. Efforts in this regard include:
 - Providing wireless internet service on all four campuses, with the necessary firewall infrastructure to protect the integrity of the data.
 - Continuing to upgrade safety measures, including placing defibrillators on all campuses; adding wireless internet-based security cameras in the dining hall, library, Special Event Center, residence life areas, and the Midlothian campus; adding panic buttons in each of our college stores and the cashiering office on each campus; providing controlled-access points in Gibson Hall as well as limiting the number of entrances.
 - Adding dash-mounted cameras in patrol cars and establishing a bicycle patrol for the Corsicana campus.
 - Purchasing an outdoor warning system for the Corsicana Campus to notify students and staff in the event of an emergency on campus. This system features a 40-foot antenna with speakers. In addition, the college implemented its Watchdog Alert System, user software developed by Blackboard Connect. This computer software system notifies students and staff on all four campuses in the event of an emergency. Notification will be made by telephone, email, and text messaging.
 - Developing and implementing a backup system that allows periodic backup of all electronic information.

The District continues to support an active student life program to provide students with opportunities to cultivate close associations with fellow students, faculty, and staff. The District has a total of 38 campus clubs and organizations. Of those student organizations, 31 provide services to the Corsicana campus and 7 provide services to the Ellis County campuses. A record number of students participated in intramurals this past year, especially in the areas of football and basketball.

Construction and Expansion Projects:

In the leased facility in Waxahachie that is currently providing space for the Cosmetology program, the District completed its second phase of renovation. Starting with the Fall 2011 semester, the 11,000-square-foot building also will be providing classrooms for the Ellis County Nursing program.

Construction of the second building on the Midlothian campus was completed, providing an additional 20,000 sq. ft. of classroom and office space. Construction of the Petroleum

Technology and Campus Police buildings on the Corsicana campus was also completed. Both buildings were placed in use during the Fall 2010 and Spring 2011 semesters. Renovation of the courtyard on the Corsicana campus and the construction of a deli on the Waxahachie campus began during the summer of 2011. Both projects are anticipated to be completed during the Fall 2011 semester.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Navarro College for its comprehensive annual financial report for the fiscal year ended August 31, 2010. This was the tenth consecutive year (2001 through 2010) that the College has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a one-year period only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Navarro College has had six recipients of the distinguished Piper Professor award. Four additional faculty members attended the prestigious Salzburg Seminar for a study on global learning.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Business Services staff, particularly the Accounting Department. Appreciation is expressed to the accounting firm of Jaynes, Reitmeier, Boyd & Therrell, P.C. for their assistance in the timely completion of the audit. Due credit should be given also to the Board of Trustees and the District President for their interest in planning and conducting the operations of the District in a professional manner.

Respectfully submitted,

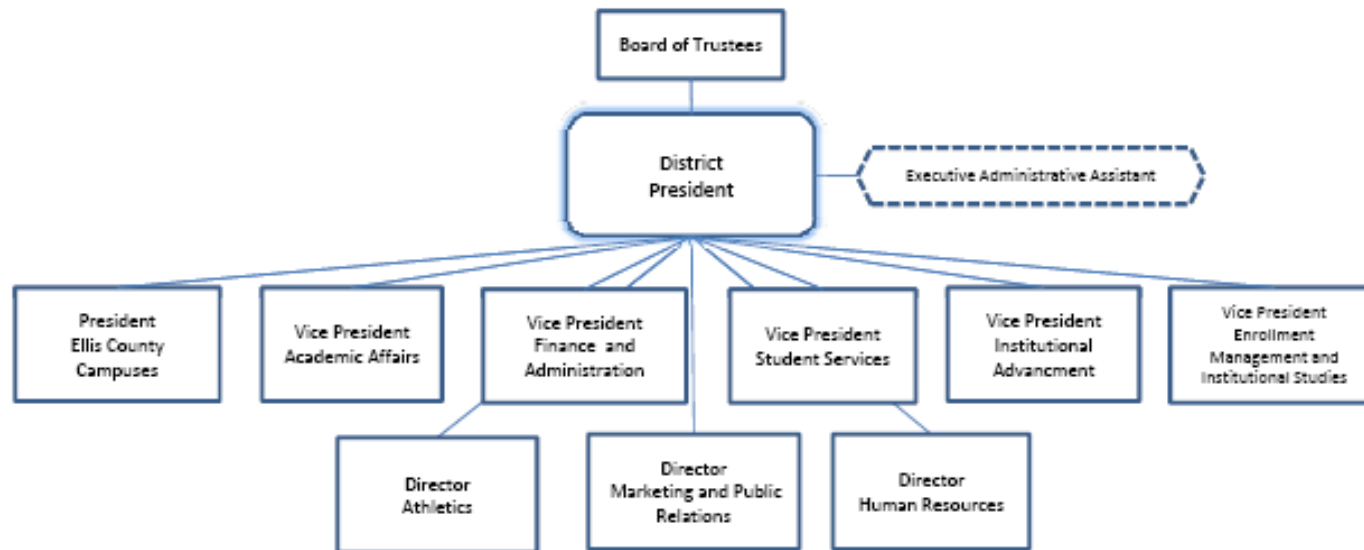


Gertrud Moreno, CPA
Vice President for Finance and Administration

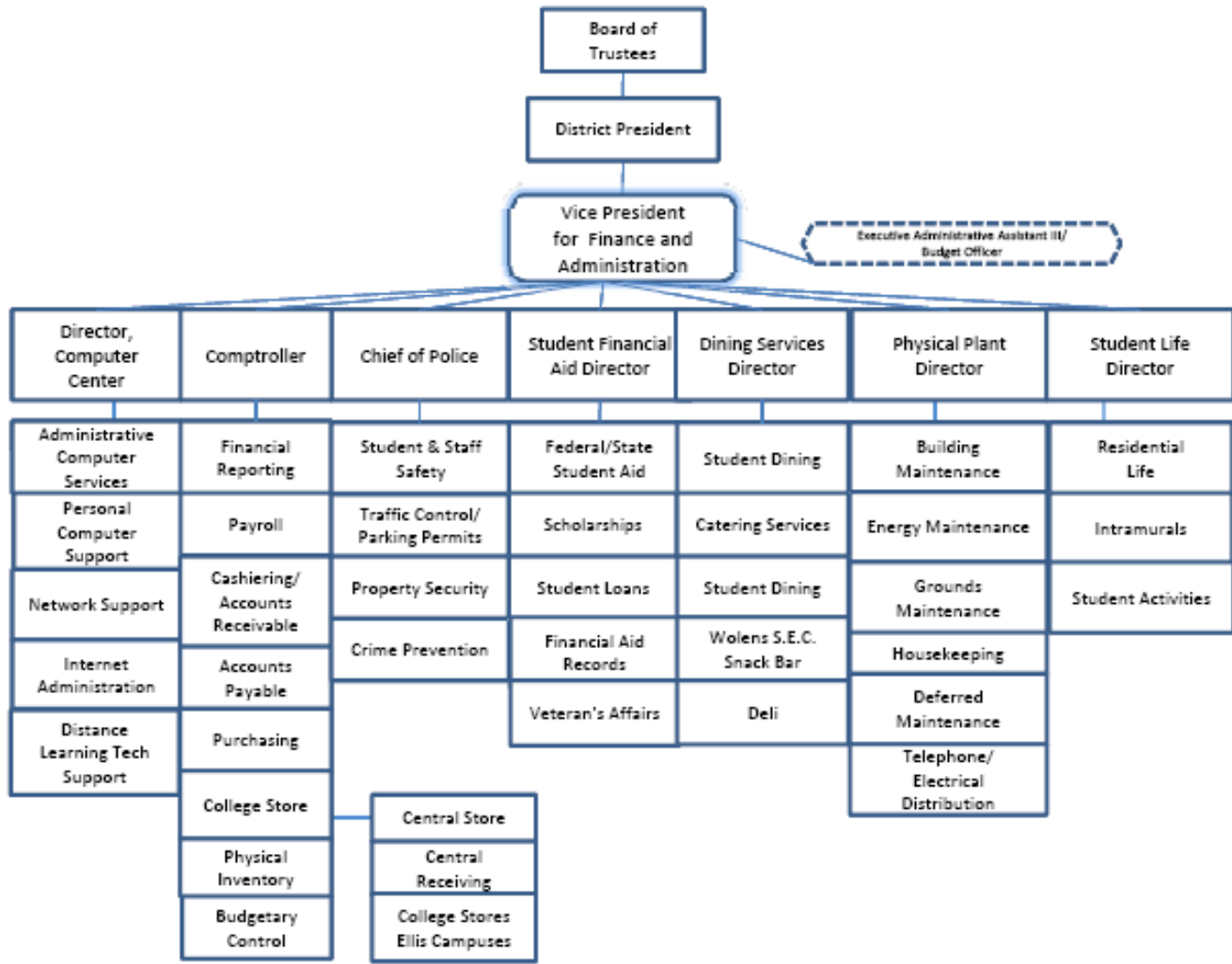


Aaron York, CPA
Comptroller

**NAVARRO COLLEGE DISTRICT
Organization Chart
District President**



**NAVARRO COLLEGE DISTRICT
Organization Chart
Vice President for Finance and Administration**



Navarro College District

**Principal Officials
Year Ending August 31, 2011**

Board of Trustees

Officers

Lloyd D. Huffman	Chairman
James G. Price, D.D.S.	Vice-Chairman
Phil Judson	Secretary/Treasurer

Members

Term Expires

Faith Holt	Corsicana, Texas	2013
Lloyd D. Huffman	Corsicana, Texas	2017
Billy Todd McGraw	Blooming Grove, Texas	2013
James G. Price, D.D.S.	Corsicana, Texas	2013
Richard L. Aldama	Corsicana, Texas	2015
Phil Judson	Corsicana, Texas	2017
A. L. Atkeisson	Kerens, Texas	2015

Executive Officers

Richard M. Sanchez, Ed.D.	District President
Kenneth Martin, Ed.D	President, Ellis County Campuses
(Open)	Vice President for Academic Affairs
Gertrud Moreno, CPA	Vice President for Finance and Administration

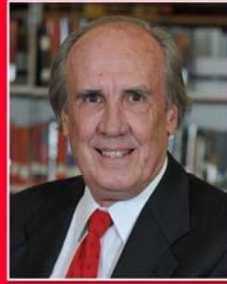
Business Officers

Gertrud Moreno, CPA	Vice President for Finance and Administration
Aaron York, CPA	Comptroller

Navarro College Board of Trustees



Dr. Richard Sanchez
District President



Lloyd D. Huffman
Chairman



Dr. James G. Price
Vice Chairman



Phil Judson
Secretary/Treasurer



Richard L. Aldama
Member



A.L. Atkeisson
Member



Faith D. Holt
Member



Billy Todd McGraw
Member

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Navarro College
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2010

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

Financial Section





Independent Auditors' Report

The Board of Trustees
Navarro College District:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Navarro College District (the District) as of and for the years ended August 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Navarro College Foundation, Inc. (the Foundation), a discretely presented component unit of the District, as of and for the years ended August 31, 2011 and 2010. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for the Foundation, was based on the reports of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Navarro College District as of August 31, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on pages 43 through 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards on pages 47 through 53 are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *Uniform Grant Management Standards*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section on pages 56 through 97 have not been subjected to the auditing procedures applied in the audit of the basic financial statements; and, accordingly, we express no opinion on them.

November 28, 2011

Management's Discussion and Analysis

As management of the Navarro College District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Navarro College for the fiscal year ended August 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v to xiii of this report.

Financial Highlights

- Increase of \$3,727,947 in net assets for year ending August 31, 2011, of which \$924,143 represents an increase in unrestricted fund balance.
- Increased investment in capital assets by \$2,742,015 without incurring additional debt.

Overview of the Financial Statements and Financial Analysis

The District is proud to present its financial statements for the fiscal year ended August 31, 2011. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. As demonstrated by the statements and schedules included in the financial section of this report, the District continues meeting its responsibility for sound financial management.

Statements of Net Assets

The Statements of Net Assets present the assets, liabilities, and net assets of the District. The Statement of Net Assets is a point-of-time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors and lending institutions.

Navarro College District Statements of Net Assets

	August 31,			Amount of Change 2010 to 2011	Percentage of Change 2010 to 2011
	2011	2010	2009		
Assets					
Current assets	\$ 30,968,081	29,049,544	22,134,751	1,918,537	6.60%
Capital assets	58,071,245	55,329,230	51,663,876	2,742,015	4.96%
Other assets	387,554	1,743,607	4,445,403	(1,356,053)	(77.77%)
Total assets	\$ 89,426,880	86,122,381	78,244,030	3,304,499	3.84%

**Navarro College District
Statements of Net Assets
(Continued)**

	<u>August 31,</u>			Amount of Change 2010 to 2011	Percentage of Change 2010 to 2011
	<u>2011</u>	<u>2010</u>	<u>2009</u>		
Liabilities					
Current liabilities	\$ 16,338,308	16,411,656	11,750,502	(73,348)	(0.45%)
Noncurrent liabilities	<u>32,924,574</u>	<u>33,274,674</u>	<u>33,799,951</u>	<u>(350,100)</u>	(1.05%)
Total liabilities	<u>\$ 49,262,882</u>	<u>49,686,330</u>	<u>45,550,453</u>	<u>(423,448)</u>	(0.85%)
Net assets					
Invested in capital assets, net of debt	\$ 26,031,404	23,238,115	22,732,156	2,793,289	12.02%
Restricted - expendable	3,018,291	3,007,776	3,170,455	10,515	0.35%
Unrestricted	<u>11,114,303</u>	<u>10,190,160</u>	<u>6,790,966</u>	<u>924,143</u>	9.07%
Total net assets	<u>\$ 40,163,998</u>	<u>36,436,051</u>	<u>32,693,577</u>	<u>3,727,947</u>	10.23%

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution.

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

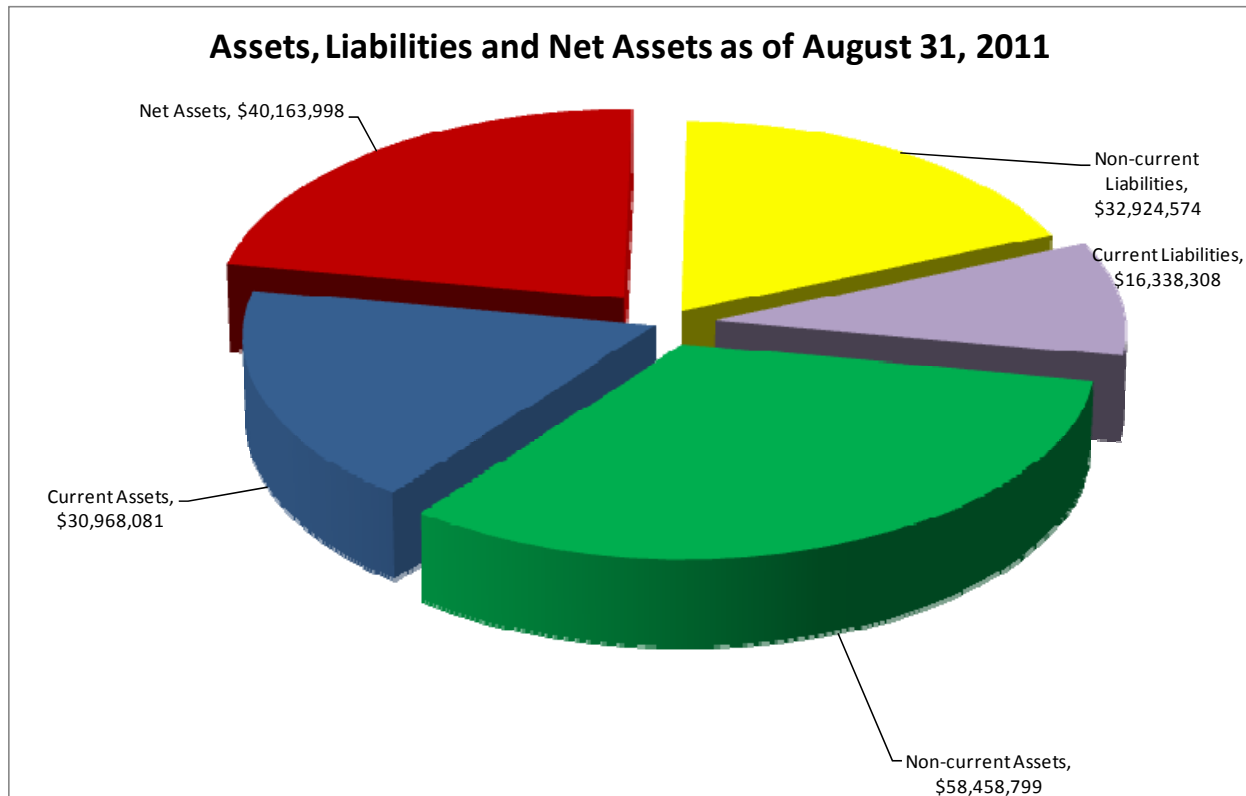
Financial Analysis from 2010 to 2011

Current assets increased by 6.6% or \$1,918,537 due to increases of \$1,363,991 in cash and cash equivalents, \$1,103,181 in accounts receivable, \$115,071 in prepaid expenses, and a decrease of \$663,707 in inventories. Increased student enrollment, as well as the shift from third-party lenders to direct lending for student loans, continues to be the cause for the increase in outstanding receivables.

Capital assets show an increase of \$2,742,015 (after depreciation). Three buildings were completed: Petroleum Technology, Midlothian Classroom, and Campus Police buildings. The combined value of \$7,239,994 was offset with the construction in progress reduction of \$4,278,720. Other assets, which include restricted cash, show a 77.7% decrease from the previous year. Payment of project-related invoices decreased restricted cash by \$1,356,053.

Total liabilities decreased to \$49,262,882 from \$49,686,330, for a decrease of \$423,448, (0.85%). This slight decrease was primarily the net effect of an increase in \$1.28 million in deferred revenues and a decrease of \$1.48 million in accounts payable.

In summary, the total net assets of the District reflect a strong increase of \$3,727,947 to a total of \$40,163,998 at August 31, 2011. Most of the growth is reflected in the investment in capital asset increase of \$2,793,289, with the remainder being tied to an increase of \$924,143 in the unrestricted fund balance and a small increase of \$10,515 in expendable restricted net assets.



Financial Analysis from 2009 to 2010

Current assets increased by 31.24% due to increases of \$8,471,397 in accounts receivable, \$270,608 in prepaid expenses, and \$627,916 in inventories. Student enrollment and federal PELL annual award increases (\$4,415,965), as well as the shift from third-party lenders to direct lending for student loans, are directly responsible for the large increase in outstanding receivables. The District started awarding direct loans during spring and summer 2010.

Capital assets show an increase of \$3,665,354 (after depreciation). The increase of \$4,575,169 in construction in progress was affected by the startup of the construction for the second classroom building on the Midlothian Campus. Other assets, which include restricted cash, were also impacted by this construction project. Payment of project-related invoices decreased restricted cash by 67% or \$2,667,625.

Total liabilities increased to \$49,686,330 from \$45,550,453, for an increase of \$4,135,877 (9.08%). This increase was due to an additional \$3.2 million in deferred revenues and an increase of \$1.3 million in accounts payable.

In summary, the total net assets of the District reflect a strong increase of \$3,742,474 to a total of \$36,436,051 at August 31, 2010. Most of the growth is reflected in the unrestricted net assets, namely \$3,399,194, with the remainder being tied to an increase of investment in capital assets (\$505,959).

Statements of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets are presented on the Statements of Net Assets. The statement includes five sections: operating revenues, nonoperating revenues, operating expenses, nonoperating expenses, and other revenues (expenses) and gains (losses). The purpose of the statement is to present the revenues received by the District, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the District.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District. Nonoperating revenues are revenues received for which goods and services are not provided.

**Navarro College District
Statements of Revenues, Expenses, and Changes in Net Assets**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	Amount of Change 2010 to 2011	% of Change 2010 to 2011
Operating revenues					
Tuition and fees	\$ 13,759,423	13,325,558	11,425,170	433,865	3.26%
Sales and services	8,449,512	8,147,110	7,879,420	302,402	3.71%
Other operating revenues	100,877	98,943	119,684	1,934	1.95%
Total operating revenues	<u>22,309,812</u>	<u>21,571,611</u>	<u>19,424,274</u>	<u>738,201</u>	3.42%
Nonoperating revenues					
State appropriations	16,383,691	16,719,942	14,788,419	(336,251)	(2.01%)
Maintenance ad valorem					
property taxes	3,122,756	2,988,424	2,868,682	134,332	4.50%
Grants and contracts	29,264,418	24,453,476	15,175,033	4,810,942	19.67%
Gifts	762,018	635,150	699,769	126,868	19.97%
Investment income	153,555	193,952	279,352	(40,397)	(20.83%)
Other non-operating revenues	64,560	479,948	-	(415,388)	100.00%
Total nonoperating revenues	<u>49,750,998</u>	<u>45,470,892</u>	<u>33,811,255</u>	<u>4,280,106</u>	9.41%
Total revenues	<u>72,060,810</u>	<u>67,042,503</u>	<u>53,235,529</u>	<u>5,018,307</u>	7.49%

Navarro College District
Statements of Revenues, Expenses, and Changes in Net Assets
(Continued)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	Amount of Change 2010 to 2011	% of Change 2010 to 2011
Operating expenses					
Instruction	\$ 18,167,513	17,540,069	16,061,086	627,444	3.58%
Public service	228,891	194,113	173,343	34,778	17.92%
Academic support	3,579,175	3,436,714	3,045,243	142,461	4.15%
Student services	3,677,010	3,838,251	3,058,628	(161,241)	(4.20%)
Institutional support	5,022,776	5,054,143	4,400,790	(31,367)	(0.62%)
Operation and management of plant	4,582,981	3,743,411	3,427,220	839,570	22.43%
Scholarships and fellowships	17,996,557	16,350,302	8,538,915	1,646,255	10.07%
Auxiliary enterprises	11,880,415	10,082,097	9,252,131	1,798,318	17.84%
Depreciation expense	1,703,928	1,574,211	1,539,247	129,717	8.24%
Total operating expenses	<u>66,839,246</u>	<u>61,813,311</u>	<u>49,496,603</u>	<u>5,025,935</u>	8.13%
Nonoperating expenses					
Interest on capital related debt	1,493,617	1,486,718	1,359,280	6,899	0.46%
Total nonoperating expenses	<u>1,493,617</u>	<u>1,486,718</u>	<u>1,359,280</u>	<u>6,899</u>	0.46%
Total expenses	<u>68,332,863</u>	<u>63,300,029</u>	<u>50,855,883</u>	<u>5,032,834</u>	7.95%
Change in net assets	3,727,947	3,742,474	2,379,646	(14,527)	(0.39%)
Beginning net assets	<u>36,436,051</u>	<u>32,693,577</u>	<u>30,313,931</u>	<u>3,742,474</u>	11.45%
Ending net assets	<u>\$ 40,163,998</u>	<u>36,436,051</u>	<u>32,693,577</u>	<u>3,727,947</u>	10.23%

Financial Analysis from 2010 to 2011

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year, with an increase of \$3,727,947 in net assets at year end. Operating revenues increased 3.42%, or \$738,201, due to enrollment increases, which affected both tuition and fees and sales and services of educational activities. Some of the enrollment increase is attributable to modifications of the PELL award that were initiated by the federal government in 2010 that continued through 2011. These changes provided students with larger annual awards, which enabled them to enroll in additional classes.

Nonoperating revenues increased by 9.41% or \$4,280,106. As mentioned above, this increase was caused largely by the additional funds received on behalf of students from federal and state agencies in the form of student grants, namely \$4,810,942. Small increases also were noted in the maintenance ad valorem taxes (\$134,332) and gifts (\$126,868). A decrease of \$336,251 in state allocations, \$415,388 in reduced building construction donations, and \$40,397 reduction in investment income make up the balance of the increase in nonoperating revenues.

Overall operating expenses increased by 8.13% or \$5,025,935. However, the largest percentage of change was in the operation and management of plant, \$839,570 or 22.43%. This increase is due to the Interagency Cooperation and Training Agreement with Mexia State Supported Living Center for classes taught at their location and increased expenditures for deferred maintenance. The remaining increases in the expense categories are tied to the increase already observed in the tuition and fees. Increased enrollment plus increased student financial aid awards will result in increased scholarships and fellowships. Auxiliary expenses also reflect an increase of 17.84%, or \$1,798,318, due to the increased demand of sales and services of educational activities.

Nonoperating expenses of interest on capital debt increased by \$6,899 due to regular amortization of principal and interest.

In summary, operational activities provided the District with a strong increase of \$3,727,947, increasing net assets to a total of \$40,163,998 on August 31, 2011.

Financial Analysis from 2009 to 2010

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase of \$3,742,474 in net assets at year-end. Operating revenues increased 11.05%, or \$2,147,337, due to enrollment increases, which affected both tuition and fees and sales and services of educational activities. Some of the enrollment increase is attributable to modifications of the PELL award made by the federal government. These changes provided students with larger annual awards, which enabled them to enroll in additional classes.

Nonoperating revenues increased by 34.48%, or \$11,659,637. As mentioned above, this increase was caused largely by the additional funds received on behalf of students from federal and state agencies in the form of student grants, namely \$9,278,443. An increase of \$1,931,523, consisting of state appropriation and state group insurance, a small increase of \$119,742 in the maintenance ad valorem taxes, and a restricted donation (\$530,000) make up the balance of the increase in nonoperating revenues.

Overall operating expenses increased by 24.88% or \$12,316,708 in all expense categories. However, the largest change was in the scholarship and fellowship category, with an additional \$7,811,387. This increase is tied to the increase already observed in the tuition and fees. Increased enrollment plus increased student financial aid awards will result in increased allowances and discounts. Auxiliary expenses also reflect an increase of 8.97%, or \$829,966, due to the increased demand of sales and services of educational activities.

Nonoperating expenses of interest on capital debt increased by \$127,438 due to regular amortization of principal and interest.

In summary, operational activities provided the District with a strong increase of \$3,742,474, increasing net assets to a total of \$36,436,051 on August 31, 2010.

Statements of Cash Flows

The final statement presented by the District is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the District during the year. The first part of the Statement of Cash Flows deals with operating cash flows and shows the net cash used by the operating activities of the District. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section reflects cash flows from capital and related financing activities. It captures the cash used to purchase capital assets and make debt payments, as well as receipt of bond proceeds.

**Navarro College District
Statements of Cash Flows**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	Amount of Change 2010 to 2011	% of Change 2010 2011
Cash provided by (used for):					
Operating activities	\$ (39,739,664)	(42,271,369)	(25,962,427)	2,531,705	(5.99%)
Noncapital financing activities	46,361,857	42,628,582	30,614,137	3,733,275	8.76%
Investing activities	131,155	184,421	645,851	(53,266)	(28.88%)
Capital and related financing activities	<u>(6,721,732)</u>	<u>(5,664,387)</u>	<u>(58,951)</u>	<u>(1,057,345)</u>	18.67%
Net change in cash	31,616	(5,122,753)	5,238,610	5,154,369	(100.62%)
Cash, beginning of year	<u>14,799,409</u>	<u>19,922,162</u>	<u>14,683,552</u>	<u>(5,122,753)</u>	(25.71%)
Cash, end of year	\$ <u><u>14,831,025</u></u>	<u><u>14,799,409</u></u>	<u><u>19,922,162</u></u>	<u><u>31,616</u></u>	0.21%

Financial Analysis from 2010 to 2011

An analysis of cash flows shows a small overall increase (.21%) in cash flow for 2011. The District had \$14,831,025 in cash at the end of fiscal year 2011, compared to \$14,799,409 at the end of fiscal year 2010. The increased cash flow (\$31,616) was generally the net result of the increased receipts of grants and contracts and payments issued to students.

Financial Analysis from 2009 to 2010

An analysis of cash flows shows an overall decrease (25.71%) in cash flow for 2010. The District had \$14,799,409 in cash and equivalents at the end of fiscal year 2010, compared to \$19,922,162 at the end of fiscal year 2009. The decreased cash flow (\$5,122,753) was generally the net result of the purchase of capital assets (\$4.17 million), small increases in debt-related expenditures (\$328,846), and increased payments to students and suppliers.

Debt Administration and Capital Assets

During fiscal year 2011, the District received the remaining proceeds (\$750,000) of the forgivable loan made by the Corporation for Economic Development of Midlothian (totaling \$1.5 million) to the District for a portion of the construction cost of the second classroom building on the Midlothian Campus. Although this loan is carried as a loan payable, the signed agreement authorizes loan forgiveness after twenty years, on July 21, 2029, as long as the District complies with the conditions of the agreement.

As of August 31, 2011, the District had \$26,860,000 of revenue bonds outstanding.

During the last year, the District continued to increase its physical plant by adding \$4.1 million in capital assets. The physical plant additions consist primarily of the Petroleum Technology and the Campus Police buildings.

For additional information concerning Capital Assets and Debt Administration, see Notes 6, 7, and 8 in the Notes to the Financial Statements.

Economic Outlook

The District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or result of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of businesses.

Request for Information

This financial report is designed to provide a general overview of the Navarro College District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Comptroller, Navarro College, 3200 West 7th Avenue, Corsicana, Texas 75110.



Gertrud Moreno, CPA
Vice President for Finance and Administration

Basic Financial Statements



Navarro College District

Statements of Net Assets (Exhibit 1)

August 31, 2011 and 2010

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2011	2010	2011	2010
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 14,831,025	13,467,034	240,446	520,727
Accounts receivable, net	13,012,196	11,909,014	244,589	586,601
Prepaid expenses	954,176	839,105	-	-
Inventories	2,170,684	2,834,391	-	-
Total current assets	<u>30,968,081</u>	<u>29,049,544</u>	<u>485,035</u>	<u>1,107,328</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	1,332,375	-	-
Long-term investments	-	-	2,910,912	2,759,833
Capital assets, net	58,071,245	55,329,230	9,604,723	8,514,430
Other assets	387,554	411,232	-	-
Total noncurrent assets	<u>58,458,799</u>	<u>57,072,837</u>	<u>12,515,635</u>	<u>11,274,263</u>
Total assets	<u>89,426,880</u>	<u>86,122,381</u>	<u>13,000,670</u>	<u>12,381,591</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	1,740,181	3,223,356	177,402	28,340
Accrued liabilities	369,458	388,862	-	-
Funds held for others	608,774	529,088	-	-
Deferred revenue	12,235,616	10,954,857	-	-
Accrued compensated absences - current portion	118,024	82,993	-	-
Accrued claims and judgments - current portion	21,255	32,500	-	-
Notes payable	-	-	100,000	-
Capital lease - current portion	140,000	135,000	-	-
Bonds payable - current portion	1,105,000	1,065,000	-	-
Total current liabilities	<u>16,338,308</u>	<u>16,411,656</u>	<u>277,402</u>	<u>28,340</u>
Noncurrent liabilities:				
Accrued compensated absences	1,804,692	1,623,967	-	-
Accrued claims and judgments	63,766	99,591	-	-
Loan payable	1,500,000	750,000	-	-
Capital lease	3,801,116	3,941,116	-	-
Bonds payable	25,755,000	26,860,000	-	-
Total noncurrent liabilities	<u>32,924,574</u>	<u>33,274,674</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>49,262,882</u>	<u>49,686,330</u>	<u>277,402</u>	<u>28,340</u>
<u>Net Assets</u>				
Net assets:				
Invested in capital assets, net of related debt	26,031,404	23,238,115	9,604,723	8,514,430
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	146,600	146,600
Pearce Museum	-	-	1,305,488	1,253,819
Expendable:				
Scholarships and fellowships	2,782,126	2,792,083	1,559,771	2,327,944
Debt service	236,165	215,693	-	-
Unrestricted	<u>11,114,303</u>	<u>10,190,160</u>	<u>106,686</u>	<u>110,458</u>
Total net assets	<u>\$ 40,163,998</u>	<u>36,436,051</u>	<u>12,723,268</u>	<u>12,353,251</u>

See accompanying notes to the financial statements.

Navarro College District

Statements of Revenues, Expenses, and Changes in Net Assets (Exhibit 2)

Years Ended August 31, 2011 and 2010

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2011	2010	2011	2010
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$6,827,924 and \$4,741,995, respectively)	\$ 13,759,423	13,325,558	-	-
Gifts	-	-	597,955	1,228,145
Sales and services of educational activities	421,584	373,842	-	-
Auxiliary enterprises (net of scholarship allowances and discounts of \$2,926,253 and \$2,032,283, respectively)	8,027,928	7,773,268	-	-
Other operating revenues	100,877	98,943	-	-
Total operating revenues	<u>22,309,812</u>	<u>21,571,611</u>	<u>597,955</u>	<u>1,228,145</u>
Operating expenses:				
Instruction	18,167,513	17,540,069	-	-
Public service	228,891	194,113	-	-
Academic support	3,579,175	3,436,714	-	-
Student services	3,677,010	3,838,251	-	-
Institutional support	5,022,776	5,054,143	304,560	336,597
Operation and maintenance of plant	4,582,981	3,743,411	-	-
Scholarships and fellowships	17,996,557	16,350,302	219,958	204,092
Auxiliary enterprises	11,880,415	10,082,097	-	-
Depreciation	1,703,928	1,574,211	4,917	4,266
Total operating expenses	<u>66,839,246</u>	<u>61,813,311</u>	<u>529,435</u>	<u>544,955</u>
Operating income (loss)	<u>(44,529,434)</u>	<u>(40,241,700)</u>	<u>68,520</u>	<u>683,190</u>
Nonoperating revenues (expenses):				
State appropriations	16,383,691	16,719,942	-	-
Ad valorem property taxes for maintenance and operations	3,122,756	2,988,424	-	-
Federal grants and contracts	27,228,331	22,755,722	-	-
State grants and contracts	1,911,420	1,575,161	-	-
Local grants and contracts	124,667	122,593	-	-
Investment income	153,555	193,952	288,205	156,518
Gifts	762,018	635,150	-	-
Interest on capital asset-related debt	(1,493,617)	(1,486,718)	-	-
Other nonoperating revenues (expenses), net	64,560	479,948	13,292	-
Net nonoperating revenues	<u>48,257,381</u>	<u>43,984,174</u>	<u>301,497</u>	<u>156,518</u>
Increase in net assets	3,727,947	3,742,474	370,017	839,708
Net assets - beginning of year	<u>36,436,051</u>	<u>32,693,577</u>	<u>12,353,251</u>	<u>11,513,543</u>
Net assets - end of year	<u>\$ 40,163,998</u>	<u>36,436,051</u>	<u>12,723,268</u>	<u>12,353,251</u>

See accompanying notes to the financial statements.

Navarro College District

Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2011 and 2010

	Primary Government Navarro College District	
	2011	2010
Cash flows from operating activities		
Receipts from students and other customers	\$ 23,788,028	17,987,902
Receipts from third-party student loans	33,937,542	25,011,989
Other receipts	100,877	98,943
Loans issued to students	(34,190,995)	(27,220,424)
Payments to employees	(26,312,199)	(24,705,305)
Payments to suppliers and students	(37,062,917)	(33,444,474)
Net cash used in operating activities	(39,739,664)	(42,271,369)
Cash flows from noncapital financing activities		
Receipts of state appropriations	14,320,850	14,447,465
Receipts from ad valorem property taxes for maintenance and operation	3,130,387	2,964,714
Receipts of grants and contracts	28,210,810	24,631,306
Receipts from gifts for other than capital purposes	699,810	585,097
Net cash provided by noncapital financing activities	46,361,857	42,628,582
Cash flows from capital and related financing activities		
Proceeds from loan payable	750,000	750,000
Proceeds from capital contributions	126,767	530,000
Purchases of capital assets	(4,868,472)	(4,178,717)
Payments on capital debt principal	(1,200,000)	(1,271,007)
Payments on capital debt interest	(1,530,027)	(1,494,663)
Net cash used in capital and related financing activities	(6,721,732)	(5,664,387)
Cash flows from investing activities		
Receipts from interest on investments	131,155	184,421
Net cash provided by investing activities	131,155	184,421
Net increase (decrease) in cash and cash equivalents	31,616	(5,122,753)
Cash and cash equivalents - beginning of year	14,799,409	19,922,162
Cash and cash equivalents - end of year	\$ 14,831,025	14,799,409
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (44,529,434)	(40,241,700)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,703,928	1,574,211
On-behalf payments	2,062,841	2,272,477
Bad debt expense	-	310,000
Change in assets and liabilities:		
Receivables, net	(15,827)	(8,894,884)
Inventories	663,707	(627,916)
Prepaid expenses	(115,071)	(270,608)
Accounts payable	(1,020,418)	325,016
Accrued liabilities	457	14,679
Funds held for others	79,686	30,590
Deferred revenue	1,261,781	3,171,093
Accrued compensated absences	215,756	(4,598)
Accrued claims and judgments	(47,070)	70,271
Net cash used in operating activities	\$ (39,739,664)	(42,271,369)
Noncash investing, capital and financing activities:		
State appropriations on-behalf payments	\$ 2,062,841	2,272,477

See accompanying notes to the financial statements.



Navarro College District

Notes to Financial Statements

August 31, 2011 and 2010

(1) Nature of Operations and Reporting Entity

Navarro College District (the District) was established in 1946, in accordance with the laws of the State of Texas, to serve the education needs of Navarro, Freestone, Limestone, Ellis and Leon Counties. The District is considered to be a primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the District receives funding from local, state, and federal sources and must comply with the spending, reporting, and record-keeping requirements of these entities, it is not a component unit of any other governmental entity. The accompanying financial statements present the District and its component unit. The discretely presented component unit (described below) is reported in a separate column to emphasize that it is legally separate from the District.

Navarro College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity organized to solicit and receive support for purposes of developing and extending the facilities of the District and enhancing the educational opportunities of residents in the geographical area the District serves. The District does not control the timing or amount of receipts from the Foundation. However, the majority of resources, or income thereon that the Foundation holds and invests, are for the benefit of the District or its constituents. Because the net assets of the Foundation compared to the District are significant, because substantially all resources held by the Foundation can only be used by, or for the benefit of, the District and because the Foundation has historically provided resources to the District or its constituents, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. During the years ended August 31, 2011 and 2010, the Foundation expended \$209,179 and \$178,205, respectively, directly to the District or to the District on behalf of students for scholarships. Complete financial statements for the Foundation can be obtained from the Foundation office at 3100 W. Collin, Corsicana, Texas 75110.

The District is reported as a special-purpose government engaged in business-type activities. The significant accounting policies followed by the District in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. These accounting policies basically conform to generally accepted accounting principles applicable to government units. The District applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the District have been prepared using the economic resource measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when a liability has been incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The District distinguishes operating revenues and expenses from nonoperating items. The primary consideration in classifying revenues and expenses is how individual transactions are categorized for purposes of preparing the statement of cash flows. Transactions for which cash flows are reported as capital and related financial activities, noncapital financing activities, or investing activities are reported as components of nonoperating income. The principal operating revenues of the District result from providing educational services to students, and consists of tuition and fees, as well as sales of auxiliary goods and services (i.e. bookstore merchandise, meals, and housing). Operating expenses include the cost of providing educational services, auxiliary goods and services, and administrative expenses. All revenues and expenses not meeting this definition – including gifts, contributions, and grants from nonexchange and exchange-like transactions - are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences.

(b) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse at August 31; and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year-end that were provided for in the subsequent year's budget are reported as designations of net assets since they do not constitute expenditures or liabilities.

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(c) Scholarship Allowances and Discounts

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances and discounts in the statements of revenues, expenses, and changes in net assets. Scholarship allowances and discounts are the difference between the stated charge for goods and services provided by the District and the amount that is paid by students. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as nonoperating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship allowance and discount.

Texas Public Education Grants: Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue. When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition and fee discount.

Title IV Program Funds: Certain Title IV program funds are received by the District to pass through to the students. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as grant revenue and corresponding amounts are recorded as tuition and fees discounts.

(d) Cash and Cash Equivalents

The District's cash and cash equivalents for purposes of reporting cash flows consist of cash on hand, demand deposits, and certificates of deposit. Cash equivalents of \$8,700,000 for each of the years August 31, 2011 and 2010, respectively, consist of certificates of deposit.

(e) Inventories

Inventories, consisting of bookstore stock and food service supplies, are valued at the lower of cost or market using the average cost method and are charged to expense as consumed.

(f) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of unspent proceeds from revenue bonds that are restricted for construction.

Navarro College District

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(g) Capital Assets

Capital assets, which include land, collections, buildings, library books, furniture and equipment and other improvements, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of such assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are charged to operating expense in the year in which the expense is incurred. The District reports depreciation under a single line item as a business-type unit.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Other improvements	20 years
Library books	15 years
Furniture and equipment	5 - 10 years

(h) Deferred Revenue

Deferred revenue of the District at August 31, 2011 and 2010 consists of the following amounts which have not yet been earned:

	<u>2011</u>	<u>2010</u>
Tuition and fees	\$ 10,092,541	8,899,778
Auxiliary	2,092,994	2,023,976
Federal grants	<u>50,081</u>	<u>31,103</u>
	<u>\$ 12,235,616</u>	<u>10,954,857</u>

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, and certain accrued liabilities. Actual results could differ from those estimates.

(3) Authorized Investments

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

Under its local policy, the District is authorized to invest in (1) obligations of the United States or its agencies, (2) certificates of deposit, (3) savings and loan deposits, (4) prime commercial paper that has a stated maturity of 270 days or less and is rated not less than A-1 or P-1 by at least two nationally recognized credit rating agencies, and (5) investment grade obligations of state and local governments, and public authorities.

(4) Deposits and Investments

Deposits of the District at August 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Cash - demand deposits	\$ 6,125,880	6,094,564
Cash - certificates of deposit	8,700,000	8,700,000
Cash - petty cash on hand	<u>5,145</u>	<u>4,845</u>
Total deposits	<u>\$ 14,831,025</u>	<u>14,799,409</u>

Navarro College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

Deposits and investments of the Foundation at August 31, 2011 and 2010 consist of the following:

	2011	2010
<u>Deposits</u>		
Cash - demand deposits	\$ 240,446	520,727
Total deposits	240,446	520,727
<u>Investments</u>		
U. S. government securities	384,960	315,113
Corporate bonds	454,105	414,751
Marketable equity securities	1,547,332	1,391,947
Other investments	524,515	638,022
Total investments	2,910,912	2,759,833
Total deposits and investments	\$ 3,151,358	3,280,560

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. Commercial paper must have a stated maturity of 270 days or less. The maximum allowable stated maturity of any other individual investment is generally five years.

Credit Risk. For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations related to the investment. It is the District's general policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Commercial paper must be rated not less than A-1 or P-1 by at least two nationally recognized credit rating agencies. The District has no other specific policies that limit credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in the securities of a single issuer. The District generally limits the amount which may be invested in any one issuer to 10% of the portfolio.

Interest Rate and Credit Risks of Navarro College Foundation, Inc. The Foundation does not have a specific policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Also, the Foundation does not have a specific policy to limit the risk that an issuer or other counterparty to its investments will not fulfill its obligations.

Navarro College District

Notes to Financial Statements (Continued)

(5) Accounts Receivable

Accounts receivable at August 31, 2011 and 2010 consisted of the following:

	2011	2010
Tuition and fees	\$ 8,918,600	7,876,736
Ad valorem property taxes	285,784	293,415
Federal and state grants	3,150,591	3,175,581
Interest	52,706	30,306
Auxiliary and other	2,016,031	1,944,492
	14,423,712	13,320,530
Less allowance for doubtful accounts	(1,411,516)	(1,411,516)
Accounts receivable, net	\$ 13,012,196	11,909,014

(6) Capital Assets

Capital asset activity for the District for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Additions	Transfers and Retirements	Balance August 31, 2011
Capital assets, not being depreciated:				
Land	\$ 2,641,656	-	-	2,641,656
Collections	434,339	-	-	434,339
Construction in progress	4,575,169	296,449	(4,575,169)	296,449
	7,651,164	296,449	(4,575,169)	3,372,444
Capital assets, being depreciated:				
Buildings and building improvements	55,897,446	7,239,993	-	63,137,439
Other real estate improvements	4,979,932	472,024	-	5,451,956
Total buildings and other real estate improvements	60,877,378	7,712,017	-	68,589,395
Library books	1,367,918	69,898	-	1,437,816
Furniture and equipment	4,761,927	942,749	(22,750)	5,681,926
	67,007,223	8,724,664	(22,750)	75,709,137

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2010	Additions	Transfers and Retirements	Balance August 31, 2011
Less accumulated depreciation:				
Buildings and building improvements	\$ (13,411,998)	(1,075,700)	-	(14,487,698)
Other real estate improvements	(2,061,695)	(181,452)	-	(2,243,147)
Total buildings and other real estate improvements	(15,473,693)	(1,257,152)	-	(16,730,845)
Library books	(877,390)	(57,328)	-	(934,718)
Furniture and equipment	(2,978,074)	(389,449)	22,750	(3,344,773)
	<u>(19,329,157)</u>	<u>(1,703,929)</u>	<u>22,750</u>	<u>(21,010,336)</u>
	47,678,066	7,020,735	-	54,698,801
	<u>\$ 55,329,230</u>	<u>7,317,184</u>	<u>(4,575,169)</u>	<u>58,071,245</u>

Capital asset activity for the District for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Additions	Transfers and Retirements	Balance August 31, 2010
Capital assets, not being depreciated:				
Land	\$ 2,641,656	-	-	2,641,656
Collections	434,339	-	-	434,339
Construction in progress	-	4,575,169	-	4,575,169
	<u>3,075,995</u>	<u>4,575,169</u>	<u>-</u>	<u>7,651,164</u>
Capital assets, being depreciated:				
Buildings and building improvements	55,852,825	44,621	-	55,897,446
Other real estate improvements	4,806,597	173,335	-	4,979,932
Total buildings and other real estate improvements	60,659,422	217,956	-	60,877,378
Library books	1,282,229	85,689	-	1,367,918
Furniture and equipment	4,401,176	360,751	-	4,761,927
	<u>66,342,827</u>	<u>664,396</u>	<u>-</u>	<u>67,007,223</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2009	Additions	Transfers and Retirements	Balance August 31, 2010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less accumulated depreciation:				
Buildings and building improvements	\$ (12,402,097)	(1,009,901)	-	(13,411,998)
Other real estate improvements	<u>(1,891,107)</u>	<u>(170,588)</u>	<u>-</u>	<u>(2,061,695)</u>
Total buildings and other real estate improvements	(14,293,204)	(1,180,489)	-	(15,473,693)
Library books	(822,592)	(54,798)	-	(877,390)
Furniture and equipment	<u>(2,639,150)</u>	<u>(338,924)</u>	<u>-</u>	<u>(2,978,074)</u>
	<u>(17,754,946)</u>	<u>(1,574,211)</u>	<u>-</u>	<u>(19,329,157)</u>
	<u>48,587,881</u>	<u>(909,815)</u>	<u>-</u>	<u>47,678,066</u>
	<u>\$ 51,663,876</u>	<u>3,665,354</u>	<u>-</u>	<u>55,329,230</u>

Construction in progress at August 31, 2011 is composed of the following:

	<u>Spent to Date</u>	<u>Remaining Committed</u>	<u>Required Future Financing</u>
Waxahachie Deli Project	\$ <u>296,449</u>	<u>73,649</u>	None

Capital asset activity for the Foundation for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Additions	Transfers and Retirements	Balance August 31, 2011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets, not being depreciated:				
Construction in progress	\$ 93,375	1,084,050	-	1,177,425
Collections	<u>8,391,828</u>	<u>11,160</u>	<u>-</u>	<u>8,402,988</u>
	<u>8,485,203</u>	<u>1,095,210</u>	<u>-</u>	<u>9,580,413</u>
Capital assets, being depreciated:				
Furniture and equipment	25,733	-	-	25,733
Leasehold improvements	<u>16,500</u>	<u>-</u>	<u>-</u>	<u>16,500</u>
	<u>42,233</u>	<u>-</u>	<u>-</u>	<u>42,233</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2010	Additions	Transfers and Retirements	Balance August 31, 2011
Less accumulated depreciation:				
Furniture and equipment	\$ (12,559)	(3,817)	-	(16,376)
Leasehold improvements	(447)	(1,100)	-	(1,547)
	<u>(13,006)</u>	<u>(4,917)</u>	<u>-</u>	<u>(17,923)</u>
	<u>29,227</u>	<u>(4,917)</u>	<u>-</u>	<u>24,310</u>
	<u>\$ 8,514,430</u>	<u>1,090,293</u>	<u>-</u>	<u>9,604,723</u>

Capital asset activity for the Foundation for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Additions	Transfers and Retirements	Balance August 31, 2010
Capital assets, not being depreciated:				
Construction in progress	\$ -	93,375	-	93,375
Collections	8,390,228	1,600	-	8,391,828
	<u>8,390,228</u>	<u>94,975</u>	<u>-</u>	<u>8,485,203</u>
Capital assets, being depreciated:				
Furniture and equipment	25,733	-	-	25,733
Leasehold improvements	-	16,500	-	16,500
	<u>25,733</u>	<u>16,500</u>	<u>-</u>	<u>42,233</u>
Less accumulated depreciation:				
Furniture and equipment	(8,740)	(3,819)	-	(12,559)
Leasehold improvements	-	(447)	-	(447)
	<u>(8,740)</u>	<u>(4,266)</u>	<u>-</u>	<u>(13,006)</u>
	<u>16,993</u>	<u>12,234</u>	<u>-</u>	<u>29,227</u>
	<u>\$ 8,407,221</u>	<u>107,209</u>	<u>-</u>	<u>8,514,430</u>

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2011 was as follows:

	Balance September 1, 2010	Additions	Reductions	Balance August 31, 2011	Due Within One Year
Bonds, note and loan payable:					
Revenue bonds	\$ 27,925,000	-	1,065,000	26,860,000	1,105,000
Loan payable	750,000	750,000	-	1,500,000	-
Total bonds, note and loan payable	28,675,000	750,000	1,065,000	28,360,000	1,105,000
Capital lease	4,076,116	-	135,000	3,941,116	140,000
Other liabilities:					
Compensated absences	1,706,960	360,094	144,338	1,922,716	118,024
Claims and judgments	132,091	(17,140)	29,930	85,021	21,255
	<u>\$ 34,590,167</u>	<u>1,092,954</u>	<u>1,374,268</u>	<u>34,308,853</u>	<u>1,384,279</u>

Long-term liability activity for the year ended August 31, 2010 was as follows:

	Balance September 1, 2009	Additions	Reductions	Balance August 31, 2010	Due Within One Year
Bonds and note payable:					
Revenue bonds	\$ 28,980,000	-	1,055,000	27,925,000	1,065,000
Deferred amounts:					
On refunding	53,705	-	53,705	-	-
Note payable	37,302	-	37,302	-	-
Loan Payable	-	750,000	-	750,000	-
Total bonds and note payable	29,071,007	750,000	1,146,007	28,675,000	1,065,000
Capital lease	4,201,116	-	125,000	4,076,116	135,000
Other liabilities:					
Compensated absences	1,711,558	90,557	95,155	1,706,960	82,993
Claims and judgments	61,820	100,491	30,220	132,091	32,500
	<u>\$ 35,045,501</u>	<u>941,048</u>	<u>1,396,382</u>	<u>34,590,167</u>	<u>1,315,493</u>

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Revenue bonds at August 31, 2011 and 2010, which were all issued to provide funds for the acquisition and construction of major capital facilities, are comprised of the following individual issues:

	2011	2010
\$20,715,000 series 2003 revenue and refunding bonds, due in annual installments of \$225,000 to \$1,450,000 through May 2028; interest at 2% to 5.375%	\$ 17,135,000	17,785,000
\$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2027; interest at 3.7%	2,910,000	3,055,000
\$3,550,000 series 2007 revenue bonds due in annual installments of \$120,000 to \$250,000 through May 2027; interest at 4.08%	3,035,000	3,170,000
\$4,075,000 series 2009 revenue bonds due in annual installments of \$135,000 to \$300,000 through May 2029; interest at 4.56%	3,780,000	3,915,000
	\$ 26,860,000	27,925,000

The District entered into a \$1,500,000 loan agreement with the Corporation for the Economic Development of Midlothian on July 24, 2009, which is forgivable under certain conditions. If these conditions are not met and maintained during a 20-year period, the loan may be demanded and if not paid in full within ten days of the date of such demand will accrue interest at a rate of 4.5% per year. The Corporation for Economic Development of Midlothian agreed to make the 20-year forgivable loan to the District in order to construct a 25,000 square foot classroom/workforce training facility on the Midlothian Navarro College Campus site. During fiscal year 2010, the District received the first installment of loan proceeds of \$750,000 and reported a loan payable of \$750,000 at August 31, 2010. During fiscal year 2011, the District received the second and final installment of loan proceeds of \$750,000 and reported a loan payable of \$1.5 million at August 31, 2011.

Navarro College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

Debt service requirements to amortize revenue bonds payable as of August 31, 2011, are as follows:

For the Year Ended August 31,	Revenue Bonds		Total
	Principal	Interest	
2012	\$ 1,105,000	1,251,620	2,356,620
2013	1,150,000	1,206,974	2,356,974
2014	1,195,000	1,160,511	2,355,511
2015	1,240,000	1,111,290	2,351,290
2016	1,295,000	1,053,565	2,348,565
2017 - 2021	7,485,000	4,290,635	11,775,635
2022 - 2026	9,450,000	2,321,420	11,771,420
2027 - 2029	3,940,000	303,772	4,243,772
	\$ 26,860,000	12,699,787	39,559,787

The District has pledged certain future tuition and fees to repay \$26.9 million in revenue bonds issued from 2003 to 2009. Proceeds from the bonds provided financing for the construction of classroom buildings and dormitories. Annual principal and interest payments on the bonds are expected to require approximately 20% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$39.6 million. Principal and interest paid for the current year and total of pledged tuition and fees were \$2.4 million and \$13.2 million, respectively.

(8) Capital Lease Obligations

The District leases a building under a noncancelable capital lease agreement that expires in August 2029. Amortization of assets held under capital leases is included with depreciation expense. Assets under capital leases at August 31, 2011 consisted of the following:

Building	\$ 4,651,416
Less: accumulated amortization	(477,375)
	\$ 4,174,041

Navarro College District

Notes to Financial Statements
(Continued)

(8) Capital Lease Obligations (continued)

The future minimum lease obligations and the net present value of future minimum lease payments as of August 31, 2011 are as follows:

Fiscal Year		
2012	\$	318,375
2013		321,375
2014		318,875
2015		321,125
2016		318,700
2017 - 2021		1,637,595
2022 - 2026		1,696,170
2027 - 2029		945,286
Total minimum least payments		5,877,501
Less amounts representing interest (at rates ranging from 4% to 5%)		1,936,385
Present value of minimum capital lease payments	\$	3,941,116

(9) Employees' Retirement Plan

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state

Navarro College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain circumstances, the District is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2010, and 2009 were \$818,858, \$746,132, and \$598,673, respectively, and are reported as revenues and expenses in the accompanying financial statements.

The State has also established an optional defined contribution retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System of Texas. 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 6.644% and 6.65%, respectively. The District supplements an additional 1.92%. The contributions for the years ended August 31, 2011, 2010, and 2009 were \$575,293, \$583,056, and \$572,706, which consisted of \$250,607, \$254,126, and \$253,577 from the State; \$271,017, \$274,789, and \$267,909 from the employees; \$48,945, \$48,264, and \$43,643 from the District; and \$4,724, \$5,877, and \$7,577 from federal grants. Contributions made by the State on behalf of the District are reported as revenues and expenses in the accompanying financial statements. Since these are individual annuity contracts, the State and the College have no additional or unfunded liability for this program.

The total payroll for all College employees was \$22,671,436 and \$21,782,465 for the years ended August 31, 2011 and 2010, respectively. The total payroll of employees covered by TRS was \$14,981,548 and \$14,220,658, and the total payroll of employees covered by the optional retirement program was \$4,075,437 and \$4,132,166 for the years ended August 31, 2011 and 2010, respectively.

(10) Compensated Absences

Full-time employees earn vacation at 6.67 hours per month. The District's policy is that any employee may carry accrued vacation forward from one fiscal year to another fiscal year with a maximum number of paid hours upon termination of 160. The District recognized an accrued liability for the unpaid vacation of \$477,716 and \$433,904 at August 31, 2011 and 2010, respectively. Sick leave, which can be accumulated up to 480

Navarro College District

Notes to Financial Statements
(Continued)

(10) Compensated Absences (continued)

hours, is earned at the rate of 8 hours per month. Unused sick leave will be compensated at termination of employment based upon the following years of service to the District:

<u>Full Years of Service</u>	<u>Vesting %</u>
1 - 5 years	0%
6 years	20%
7 years	40%
8 years	60%
9 years	80%
10 years	100%

The District recognized an accrued liability for the unpaid sick leave of \$1,445,000 and \$1,273,056 at August 31, 2011 and 2010, respectively.

(11) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There were no significant reductions in insurance in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years. The District has established a limited risk management program for workers' compensation. A liability for workers' compensation claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess commercial insurance policy covers individual workers' compensation claims in excess of \$122,874. The claims liability includes an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability does not include amounts for non-incremental claim adjustment expenses. Estimated future payments for incurred claims are charged to operating expenses. Changes in the balance of claims liability included in accrued liabilities during the past three years are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Unpaid claims, beginning of year	\$ 132,091	61,820	89,729
Incurred claims (including IBNR) and changes to prior year estimates	(17,140)	100,491	23,341
Claim payments	<u>(29,930)</u>	<u>(30,220)</u>	<u>(51,250)</u>
Unpaid claims, end of year	<u>\$ 85,021</u>	<u>132,091</u>	<u>61,820</u>

Navarro College District

Notes to Financial Statements (Continued)

(12) Post-Retirement Health Care and Life Insurance Benefits

Plan Description. The District contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan through the Group Benefits Program administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Texas Legislature. ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at www.ers.state.tx.us.

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code provides that contribution requirements of the employer and retirees are established and may be amended by the ERS board of trustees. Retirees pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage above the cost charged using a blended rate is known as the implicit rate subsidy. It is measured as the difference between the claims costs for the retirees and the amounts contributed by the retirees determined on a pay-as-you-go basis. State contributions to SRHP made on behalf of the District for the years ended August 31, 2011, 2010 and 2009 were \$349,957, \$349,566, and \$319,815, respectively, and are reported as revenues and expenses in the accompanying financial statements. The District's contributions to SRHP for the years ended August 31, 2011, 2010, and 2009 were \$81,480, \$46,523, and \$48,210, respectively, which equaled the required contributions each year.

(13) Voluntary Contributory Pension Plan

The District has a contributory, defined contribution, money-purchase pension plan which is administered by the trust departments at two local banks. Any employee who has completed one year of service, has attained age 21, and is actively employed on the last day of the plan year is eligible to participate. In order to participate, the employee must agree to contribute 5% of total compensation to the plan. The District then contributes 8% of total compensation to the plan. The employee is 100% vested in their contributions to the plan. Employer contributions to the plan are vested at 20% after one year of service, and then at the rate of 20% per year of service. District contributions were \$1,013,208 and \$963,069 in 2011 and 2010, respectively. Participant contributions were \$633,017 and \$601,922 in 2011 and 2010, respectively.

Navarro College District

Notes to Financial Statements
(Continued)

(14) Ad Valorem Property Taxes

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real, business and personal property located in the District as follows:

	2011	2010
Assessed valuation of the District	\$ 2,731,703,393	2,659,140,974
Less: Abatements	48,574,739	61,331,491
Less: Exemptions	67,956,570	65,287,380
Net assessed valuation of the District	\$ 2,615,172,084	2,532,522,103

Tax rates authorized and assessed during fiscal year 2011 are as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation for authorized	\$ 0.500000	0.500000	1.000000
Tax rate per \$100 valuation for assessed	0.119000	0.000000	0.119000

Tax rates authorized and assessed during fiscal year 2010 are as follows:

	Current Operations	Debt Service	Total
Tax rate per \$100 valuation for authorized	\$ 0.500000	0.500000	1.000000
Tax rate per \$100 valuation for assessed	0.119000	0.000000	0.119000

Taxes levied for the year ended August 31, 2011 are \$3,095,962. 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. Tax collections for the year ended August 31, 2011 are as follows:

	Current Operations	Debt Service	Total
Current taxes collected	\$ 2,999,249	-	2,999,249
Delinquent taxes collected	95,709	-	95,709
Penalties and interest collected	58,946	-	58,946
Total collections	\$ 3,153,904	-	3,153,904

Navarro College District

Notes to Financial Statements
(Continued)

(14) Ad Valorem Property Taxes (continued)

Taxes levied for the year ended August 31, 2010 are \$2,994,288. 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. Tax collections for the year ended August 31, 2010 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,887,898	-	2,887,898
Delinquent taxes collected	73,303	-	73,303
Penalties and interest collected	<u>53,827</u>	<u>-</u>	<u>53,827</u>
Total collections	<u>\$ 3,015,028</u>	<u>-</u>	<u>3,015,028</u>

Tax collections for the years ended August 31, 2011 and 2010 were 97% and 96%, respectively, of the current tax levy. An allowance for uncollectible taxes is based upon the historical experience in collecting property taxes.

(15) Budgets

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The budget, which is prepared on the accrual basis of accounting, is adopted by the District's Board of Trustees. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

(16) Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). The District had no unrelated business income tax liability for 2011 or 2010.

The Foundation is an organization generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Navarro College District

Notes to Financial Statements

(17) Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects any such amounts to be immaterial.

(18) Grants and Contracts

Contract and grant revenues are recognized in the accompanying Statements of Revenues, Expenses, and Changes in Net Assets. For contract and grant awards, funds expended but not collected are reported as accounts receivable in the accompanying Statements of Net Assets. Contract and grant awards that are not yet funded and for which the District has not yet performed services are not included in the financial statements.

(19) Business Concentrations

The District generally serves a limited geographic area in Central Texas; consequently, it is impacted by the general economy of the area. Also, the District receives a substantial portion of its funding from federal and state sources; consequently, the District is dependent upon continued funding from these sources.

(20) Transactions with Component Unit

The District received contributions from the Foundation for the years ended August 31, 2011 and 2010 in the amount of \$48,302 and \$73,429, respectively.

(21) Authoritative Pronouncements Not Yet Adopted

The following pronouncements were issued by the Governmental Accounting Standards Board (GASB) which may impact the District but are not yet effective. The District has not yet determined the effects of the adoption on its financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No.34 (Statement 61)* – The objective of Statement 61 is to improve financial reporting for a governmental financial reporting entity related to its component units. The provisions of Statement 61 are effective for financial statements for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (Statement 62)* – The objective of Statement 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB Statements

Navarro College District

Notes to Financial Statements (Continued)

(21) Authoritative Pronouncements Not Yet Adopted (continued)

and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The provisions of Statement 62 are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement 63) – Statement 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Current financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Also, Statement 63 amends net asset reporting by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011.



Supplemental Information



Navarro College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2011
(With Totals for the Year Ended August 31, 2010)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2011	2010
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 1,459,384	-	1,459,384	-	1,459,384	1,317,023
Out-of-district resident tuition	5,950,002	-	5,950,002	-	5,950,002	5,225,397
Non-resident tuition	715,092	-	715,092	-	715,092	603,599
TPEG - credit (set aside)	463,054	-	463,054	-	463,054	400,149
State funded continuing education	413,280	-	413,280	-	413,280	303,945
TPEG - non-credit (set aside)	26,338	-	26,338	-	26,338	15,905
Non-state funded educational programs	5,804	-	5,804	-	5,804	11,350
Total tuition	9,032,954	-	9,032,954	-	9,032,954	7,877,368
Fees:						
Building use fees	3,950,605	-	3,950,605	-	3,950,605	3,667,746
Student services fees	1,116,095	-	1,116,095	-	1,116,095	803,450
Laboratory fees	419,897	-	419,897	-	419,897	394,194
Out-of-district fees	5,863,890	-	5,863,890	-	5,863,890	5,125,658
Other fees	203,906	-	203,906	-	203,906	199,137
Total fees	11,554,393	-	11,554,393	-	11,554,393	10,190,185
Scholarship allowances and discounts:						
Scholarship allowance	(6,526,396)	-	(6,526,396)	-	(6,526,396)	(4,479,128)
TPEG awards	(301,528)	-	(301,528)	-	(301,528)	(262,867)
Total scholarship allowances	(6,827,924)	-	(6,827,924)	-	(6,827,924)	(4,741,995)
Total net tuition and fees	13,759,423	-	13,759,423	-	13,759,423	13,325,558
Additional operating revenues:						
Sales and services of educational activities	421,584	-	421,584	-	421,584	373,842
Other operating revenues	100,877	-	100,877	-	100,877	98,943
Total additional operating revenues	522,461	-	522,461	-	522,461	472,785
Auxiliary enterprises:						
Bookstore	-	-	-	6,568,193	6,568,193	5,502,951
less discounts	-	-	-	(1,609,439)	(1,609,439)	(1,117,755)
Dining services	-	-	-	2,402,579	2,402,579	2,327,168
less discounts	-	-	-	(731,563)	(731,563)	(508,071)
Housing	-	-	-	1,846,135	1,846,135	1,873,600
less discounts	-	-	-	(585,251)	(585,251)	(406,457)
Athletic sales and student programs	-	-	-	22,114	22,114	21,416
Gift shop	-	-	-	27,794	27,794	35,278
Other auxiliary enterprises	-	-	-	87,366	87,366	45,138
Total net auxiliary enterprises	-	-	-	8,027,928	8,027,928	7,773,268
Total operating revenues	\$ 14,281,884	-	14,281,884	8,027,928	22,309,812	21,571,611

In accordance with Education Code 56.033, \$489,392 and \$416,054 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2011 and 2010, respectively.

See accompanying independent auditors' report.

Navarro College District

Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2011
(With Totals for the Year Ended August 31, 2010)

	Operating Expenses				Total	
	Salaries and Wages	Benefits		Other Expenses	2011	2010
		State	Local			
Unrestricted - educational activities:						
Instruction	\$ 11,998,704	-	1,968,836	1,083,558	15,051,098	14,595,030
Public service	28,900	-	4,742	4,531	38,173	28,872
Academic support	2,389,434	-	392,076	537,384	3,318,894	3,159,494
Student services	1,959,712	-	321,564	603,935	2,885,211	2,853,135
Institutional support	2,621,667	-	430,183	1,622,273	4,674,123	4,684,338
Operation and maintenance of plant	692,624	-	113,651	3,704,146	4,510,421	3,665,901
Total unrestricted educational activities	19,691,041	-	3,231,052	7,555,828	30,477,921	28,986,770
Restricted - educational activities:						
Instruction	615,315	1,256,988	103,884	1,140,227	3,116,414	2,945,039
Public service	116,083	3,028	32,051	39,556	190,718	165,241
Academic support	-	250,318	-	9,963	260,281	277,220
Student services	350,422	205,300	67,223	168,854	791,799	985,116
Institutional support	34,654	274,647	5,676	33,676	348,653	369,805
Operation and maintenance of plant	-	72,560	-	-	72,560	77,510
Scholarships and fellowships	-	-	-	17,996,557	17,996,557	16,350,302
Total restricted educational activities	1,116,474	2,062,841	208,834	19,388,833	22,776,982	21,170,233
Total educational activities	20,807,515	2,062,841	3,439,886	26,944,661	53,254,903	50,157,003
Auxiliary enterprises	1,863,921	-	369,563	9,646,931	11,880,415	10,082,097
Depreciation expense:						
Buildings and other improvements	-	-	-	-	1,257,152	1,180,489
Equipment and furniture	-	-	-	-	389,448	338,924
Library books	-	-	-	-	57,328	54,798
Total depreciation expense	-	-	-	-	1,703,928	1,574,211
Total operating expenses	\$ 22,671,436	2,062,841	3,809,449	36,591,592	66,839,246	61,813,311

See accompanying independent auditors' report.

Navarro College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2011
(With Totals for the Year Ended August 31, 2010)

	Unrestricted	Restricted	Auxiliary Enterprises	Total	
				2011	2010
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 14,070,243	-	-	14,070,243	14,447,465
State group insurance	-	2,062,841	-	2,062,841	2,018,351
State retirement matching	-	250,607	-	250,607	254,126
Total state appropriations	14,070,243	2,313,448	-	16,383,691	16,719,942
Maintenance ad valorem taxes	3,122,756	-	-	3,122,756	2,988,424
Federal grants and contracts	-	27,228,331	-	27,228,331	22,755,722
State grants and contracts	-	1,911,420	-	1,911,420	1,575,161
Local grants and contracts	-	124,667	-	124,667	122,593
Investment income	97,505	18,072	37,978	153,555	193,952
Gifts and donations	-	762,018	-	762,018	635,150
Other nonoperating revenues	8,571	131,867	-	140,438	532,521
Total nonoperating revenues	17,299,075	32,489,823	37,978	49,826,876	45,523,465
Nonoperating expenses:					
Interest on capital related debt	1,493,617	-	-	1,493,617	1,486,718
Other nonoperating expenses	75,878	-	-	75,878	52,573
Total nonoperating expenses	1,569,495	-	-	1,569,495	1,539,291
Net nonoperating revenues	\$ 15,729,580	32,489,823	37,978	48,257,381	43,984,174

See accompanying independent auditors' report.

Navarro College District

Schedule of Net Assets by Source and Availability
(Schedule D)

Year Ended August 31, 2011

	Detail by Source				Available for Current Operation	
	Unrestricted	Restricted - Expendable	Invested in Capital Assets, Net of Related Debt	Total	Yes	No
Current:						
Unrestricted	\$ 7,633,360	-	-	7,633,360	7,633,360	-
Auxiliary	3,480,943	-	-	3,480,943	3,480,943	-
Scholarships and fellowships	-	2,782,126	-	2,782,126	-	2,782,126
Plant:						
Debt service	-	236,165	-	236,165	-	236,165
Investment in plant	-	-	26,031,404	26,031,404	-	26,031,404
 Total net assets, August 31, 2011	 11,114,303	 3,018,291	 26,031,404	 40,163,998	 11,114,303	 29,049,695
 Total net assets, August 31, 2010	 <u>10,190,160</u>	 <u>3,007,776</u>	 <u>23,238,115</u>	 <u>36,436,051</u>	 <u>9,440,384</u>	 <u>26,995,667</u>
Net increase in net assets	\$ <u>924,143</u>	<u>10,515</u>	<u>2,793,289</u>	<u>3,727,947</u>	<u>1,673,919</u>	<u>2,054,028</u>

See accompanying independent auditors' report.

Navarro College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2011

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity Grant Program	84.007		\$ 162,726
Federal Work Study Program	84.033		131,175
Federal Pell Grant Program	84.063		23,992,569
Federal Direct Student Loans	84.268		34,190,995
Academic Competiveness Grant	84.375A		499,798
Teacher Education Assistance for College and Higher Education	84.379		<u>26,000</u>
Total Student Financial Assistance Cluster			59,003,263
TRIO - Student Support Services	84.042A		<u>386,309</u>
Total Direct Programs			59,389,572
Pass Through From:			
Texas Education Agency:			
Adult Basic Education	84.002A	094100017110266	338,123
Texas Higher Education Coordinating Board:			
Vocational Education - Carl Perkins	84.048	114232	523,598
Leverage Education Assistance Program	84.069A	39729729721	13,320
Special Leveraging Educational Assistance Program	84.069B	39729729721	18,165
College Access Challenge Grant Program	84.378A	P378A090023	4,500
Dallas County Community College District:			
Vocational Education - Technical Preparation	84.243	0942120771200001	<u>150,132</u>
Total U. S. Department of Education			<u>60,437,410</u>
<u>U. S. Department of Labor</u>			
Direct Program:			
Community Based Job Training Grant	17.269		411,283
Pass Through From North Central Texas Council of Governments:			
Workforce Solutions of North Central Texas			
Community Based Job Training Grant			
Texas Logistics Consortium	17.269	CB-20564-10-60-A-48	<u>37,863</u>
			<u>449,146</u>
Pass Through From Texas Workforce Commission:			
WIA Cluster:			
ARRA - WIA Dislocated Workers	17.260	16-0184-0-1-504	<u>409,678</u>
Total U.S. Department of Labor			<u>858,824</u>

Navarro College District

Schedule of Expenditures of Federal Awards
(Schedule E)
(Continued)

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures
<u>U. S. Small Business Administration</u>			
Pass Through From Dallas County Community College District:			
Small Business Development Center	59.037	10-803001-Z-0076-24	\$ 64,722
Small Business Job Acts Program	59.037	1-603001-Z-0152	<u>21,331</u>
Total U. S. Small Business Administration			<u>86,053</u>
<u>U. S. Department of Health and Human Services</u>			
Pass Through From Texas Education Agency:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	093625017110250	<u>37,039</u>
Total U.S. Department of Health and Human Services			<u>37,039</u>
Total Federal Awards			<u>\$ 61,419,326</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

Navarro College District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2011

(1) Federal Revenue Reconciliation

Federal revenues for the year ended August 31, 2011 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 27,228,331
Add: Federal Direct Student Loans made	<u>34,190,995</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$ 61,419,326</u>

(2) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2011. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

(3) Summary of Significant Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(4) Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Based Job Training	17.269	\$ <u>150,360</u>



Navarro College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2011

Grantor Agency/Program Title	Grant Contract Number	Indirect Costs and Expenditures
Texas Higher Education Coordinating Board:		
State Work Study		\$ 41,093
Texas Grant Program		876,253
Texas Educational Opportunity Grant Program		188,680
Texas Tomorrow Fund		91,768
Certified Education Aide		91,360
Texas Be On Time		863
Top 10%		18,000
Nursing Shortage Grant Program		45,191
Total Texas Higher Education Coordinating Board		<u>1,353,208</u>
Texas Education Agency:		
State Adult Education	100100017110329	71,439
State Adult Education	110100017110370	114,523
Total Texas Education Agency		<u>185,962</u>
Texas Department of State Health Services		
Pass-through from Texas Education Agency:		
Temporary Assistance for Needy Families	113625017110347	<u>18,890</u>
Texas Historical Commission:		
Texas Heritage Tourism Partnership Grant Program	HTP-Lakes-10-003	<u>6,000</u>
Texas Workforce Commission:		
Skills Development - Manufacturing Consortium	0410XSD000	<u>29,950</u>
Texas State Comptroller:		
Jobs and Education for Texans - Scholarship	3572-32	26,708
Jobs and Education for Texans - Equipment	4776-10	179,746
Total Texas State Comptroller		<u>206,454</u>
Small Business Development Center		<u>70,161</u>
Early High School Graduate		<u>30,154</u>
Charley Wootan		<u>10,641</u>
Total State Awards		<u>\$ 1,911,420</u>

See accompanying independent auditors' report and notes to schedule of expenditures of state awards.



Navarro College District

Notes to Schedule of Expenditures of State Awards

Year Ended August 31, 2011

(1) State Revenue Reconciliation

State revenues for the year ended August 31, 2011 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>1,911,420</u>
Total per Schedule of Expenditures of State Awards	\$ <u>1,911,420</u>

(2) Basis of Presentation and Summary of Significant Accounting

The accompanying schedule of expenditures of state awards includes the state grant activity of Navarro College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Grant Management Standards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.



Statistical Section

Financial Trends Information

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Net Assets by Component

Revenues by Source

Expenses by Function and Changes in Net Assets

Revenue Capacity Information

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its primary revenues.

Tuition and Fees

Assessed Value and Estimated Actual Value of Taxable Property

Direct and Overlapping Property Tax Rates

Principal Taxpayers

Property Tax Levies and Collections

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the District's current levels of debt and the District's ability to issue additional debt in the future.

Ratios of Outstanding Debt

Legal Debt Margin Information

Pledged Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with each other.

Demographic and Economic Statistics

Principal Employers

Operating Information

These schedules contain other information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

State Appropriation per Full-Time Student Equivalents and Contact Hour

Faculty, Staff, and Administrators Statistics

Enrollment Details

Student Profile

Transfers to Senior Institutions

Capital Asset Information

Navarro College District

Net Assets by Component
Last Ten Fiscal Years
(Unaudited)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Invested in capital assets, net of related debt	\$ 26,031,404	23,238,115	22,732,156	21,529,891
Restricted	3,018,291	3,007,776	3,170,455	3,371,239
Unrestricted	<u>11,114,303</u>	<u>10,190,160</u>	<u>6,790,966</u>	<u>5,412,801</u>
Total net assets	\$ <u><u>40,163,998</u></u>	<u><u>36,436,051</u></u>	<u><u>32,693,577</u></u>	<u><u>30,313,931</u></u>

Note: Fiscal year 2005 was restated to properly report depreciation and investment in capital assets, net of related debt.

For the Year Ended August 31,

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
20,425,989	21,532,452	21,173,689	20,707,351	15,590,718	15,094,013
3,344,836	3,270,450	3,282,817	3,194,512	3,020,182	3,758,768
<u>5,867,427</u>	<u>4,394,142</u>	<u>4,036,085</u>	<u>4,520,280</u>	<u>3,580,224</u>	<u>2,179,430</u>
<u><u>29,638,252</u></u>	<u><u>29,197,044</u></u>	<u><u>28,492,591</u></u>	<u><u>28,422,143</u></u>	<u><u>22,191,124</u></u>	<u><u>21,032,211</u></u>

Navarro College District

Revenues by Source
Last Ten Fiscal Years
(Unaudited)

	2011	2010	2009	2008
Tuition and fees (net of discounts)	\$ 13,759,423	13,325,558	11,425,170	10,123,664
Sales and services of educational activities	421,584	373,842	362,637	358,946
Auxiliary enterprises (net of discounts)	8,027,928	7,773,268	7,516,783	6,528,184
Other operating revenues	100,877	98,943	119,684	98,376
Total operating revenues	<u>22,309,812</u>	<u>21,571,611</u>	<u>19,424,274</u>	<u>17,109,170</u>
State appropriations	16,383,691	16,719,942	14,788,419	14,443,224
Ad valorem taxes for maintenance and operations	3,122,756	2,988,424	2,868,682	2,686,447
Federal grants and contracts	27,228,331	22,755,722	13,816,025	10,894,527
State grants and contracts	1,911,420	1,575,161	1,097,098	1,026,892
Local grants and contracts	124,667	122,593	261,910	297,581
Investment income	153,555	193,952	279,352	456,823
Gifts	762,018	635,150	699,769	793,110
Other non-operating revenues	64,560	479,948	-	38,049
Gain on sale of capital assets	-	-	-	-
Total non-operating revenues	<u>49,750,998</u>	<u>45,470,892</u>	<u>33,811,255</u>	<u>30,636,653</u>
Total revenues	<u>\$ 72,060,810</u>	<u>67,042,503</u>	<u>53,235,529</u>	<u>47,745,823</u>
Tuition and fees (net of discounts)	19.09%	19.88%	21.46%	21.20%
Sales and services of educational activities	0.59%	0.56%	0.68%	0.75%
Auxiliary enterprises (net of discounts)	11.14%	11.59%	14.12%	13.67%
Other operating revenues	0.14%	0.15%	0.22%	0.21%
Total operating revenues	<u>30.96%</u>	<u>32.18%</u>	<u>36.49%</u>	<u>35.83%</u>
State appropriations	22.74%	24.94%	27.78%	30.25%
Ad valorem property taxes for maintenance and operations	4.33%	4.46%	5.39%	5.63%
Federal grants and contracts	37.79%	33.94%	25.95%	22.82%
State grants and contracts	2.65%	2.35%	2.06%	2.15%
Local grants and contracts	0.17%	0.18%	0.49%	0.62%
Investment income	0.21%	0.29%	0.52%	0.96%
Gifts	1.06%	0.95%	1.31%	1.66%
Other non-operating revenues	0.09%	0.72%	0.00%	0.08%
Gain on sale of capital assets	0.00%	0.00%	0.00%	0.00%
Total non-operating revenues	<u>69.04%</u>	<u>67.82%</u>	<u>63.51%</u>	<u>64.17%</u>
Total non-operating revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

For the Year Ended August 31,

2007	2006	2005	2004	2003	2002
5,361,391	5,522,555	5,462,894	4,084,042	3,125,956	3,130,078
323,871	302,157	309,673	259,937	99,911	114,661
4,614,339	4,088,933	3,402,443	2,784,283	2,670,875	3,246,371
177,827	226,393	159,978	185,027	218,294	191,774
<u>10,477,428</u>	<u>10,140,038</u>	<u>9,334,988</u>	<u>7,313,289</u>	<u>6,115,036</u>	<u>6,682,884</u>
13,776,780	13,991,286	10,487,726	10,153,252	9,900,296	10,901,088
2,699,632	2,483,723	2,302,370	2,295,887	2,077,465	2,013,756
9,431,603	9,887,235	9,712,239	9,200,485	8,539,636	4,610,125
938,010	638,876	578,687	123,677	756,683	300,815
128,462	105,942	114,415	120,458	178,689	149,144
620,102	481,994	382,527	376,719	412,460	257,614
607,580	608,458	560,903	5,132,837	55,615	356,890
8,350	56,748	87,152	-	-	-
-	484,375	-	132,566	-	-
<u>28,210,519</u>	<u>28,738,637</u>	<u>24,226,019</u>	<u>27,535,881</u>	<u>21,920,844</u>	<u>18,589,432</u>
<u>38,687,947</u>	<u>38,878,675</u>	<u>33,561,007</u>	<u>34,849,170</u>	<u>28,035,880</u>	<u>25,272,316</u>
13.86%	14.20%	16.28%	11.72%	11.15%	12.39%
0.84%	0.78%	0.92%	0.75%	0.36%	0.45%
11.93%	10.52%	10.14%	7.99%	9.53%	12.85%
0.46%	0.58%	0.48%	0.53%	0.78%	0.76%
<u>27.08%</u>	<u>26.08%</u>	<u>27.81%</u>	<u>20.99%</u>	<u>21.81%</u>	<u>26.44%</u>
35.61%	35.99%	31.25%	29.13%	35.31%	43.13%
6.98%	6.39%	6.86%	6.59%	7.41%	7.97%
24.38%	25.43%	28.94%	26.40%	30.46%	18.24%
2.42%	1.64%	1.72%	0.35%	2.70%	1.19%
0.33%	0.27%	0.34%	0.35%	0.64%	0.59%
1.60%	1.24%	1.14%	1.08%	1.47%	1.02%
1.57%	1.57%	1.67%	14.73%	0.20%	1.41%
0.02%	0.15%	0.26%	0.00%	0.00%	0.00%
0.00%	1.25%	0.00%	0.38%	0.00%	0.00%
<u>72.92%</u>	<u>73.92%</u>	<u>72.19%</u>	<u>79.01%</u>	<u>78.19%</u>	<u>73.56%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Navarro College District

Expenses by Function and Changes in Net Assets
Last Ten Fiscal Years
(Unaudited)

	2011	2010	2009	2008
Instruction	\$ 18,167,513	17,540,069	16,061,086	14,955,025
Public service	228,891	194,113	173,343	157,488
Academic support	3,579,175	3,436,714	3,045,243	2,800,470
Student services	3,677,010	3,838,251	3,058,628	2,693,937
Institutional support	5,022,776	5,054,143	4,400,790	4,227,103
Operation and maintenance of plant	4,582,981	3,743,411	3,427,220	3,732,384
Scholarships and fellowships	17,996,557	16,350,302	8,538,915	7,061,974
Auxiliary enterprises	11,880,415	10,082,097	9,252,131	8,585,730
Depreciation	1,703,928	1,574,211	1,539,247	1,475,450
Total operating expenses	<u>66,839,246</u>	<u>61,813,311</u>	<u>49,496,603</u>	<u>45,689,561</u>
Interest on capital related debt	<u>1,493,617</u>	<u>1,486,718</u>	<u>1,359,280</u>	<u>1,378,430</u>
Total non-operating expenses	<u>1,493,617</u>	<u>1,486,718</u>	<u>1,359,280</u>	<u>1,378,430</u>
Total expenses	<u>\$ 68,332,863</u>	<u>63,300,029</u>	<u>50,855,883</u>	<u>47,067,991</u>
Change in net assets	<u>\$ 3,727,947</u>	<u>3,742,474</u>	<u>2,379,646</u>	<u>675,679</u>
Instruction	26.59%	27.71%	31.58%	31.77%
Public service	0.33%	0.31%	0.34%	0.33%
Academic support	5.24%	5.43%	5.99%	5.95%
Student services	5.38%	6.06%	6.01%	5.72%
Institutional support	7.35%	7.98%	8.65%	8.98%
Operation and maintenance of plant	6.71%	5.91%	6.74%	7.93%
Scholarships and fellowships (net of discounts)	26.34%	25.83%	16.79%	15.00%
Auxiliary enterprises	17.39%	15.93%	18.19%	18.24%
Depreciation	<u>2.49%</u>	<u>2.49%</u>	<u>3.03%</u>	<u>3.13%</u>
Total operating expenses	<u>97.81%</u>	<u>97.65%</u>	<u>97.33%</u>	<u>97.07%</u>
Interest on capital related debt	<u>2.19%</u>	<u>2.35%</u>	<u>2.67%</u>	<u>2.93%</u>
Total non-operating expenses	<u>2.19%</u>	<u>2.35%</u>	<u>2.67%</u>	<u>2.93%</u>
Total expenses	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

For the Year Ended August 31,

2007	2006	2005	2004	2003	2002
13,753,775	13,296,066	12,500,569	11,621,720	11,673,577	9,631,145
125,816	135,365	123,866	19,341	16,109	113,734
2,768,153	3,101,135	2,255,733	1,754,738	1,784,211	2,437,694
2,369,268	2,294,807	1,636,654	1,532,696	1,621,629	1,694,395
4,237,693	3,990,424	3,161,359	2,870,416	2,473,797	2,494,828
3,196,937	3,250,343	2,453,004	2,234,986	2,013,947	2,054,046
1,271,148	2,309,532	2,325,806	564,981	592,402	1,057,714
7,912,581	7,324,740	6,851,913	6,125,073	5,454,594	3,556,582
1,395,899	1,283,753	1,091,485	755,684	666,374	599,763
<u>37,031,270</u>	<u>36,986,165</u>	<u>32,400,389</u>	<u>27,479,635</u>	<u>26,296,640</u>	<u>23,639,901</u>
<u>1,215,469</u>	<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,516</u>	<u>572,173</u>	<u>382,556</u>
<u>1,215,469</u>	<u>1,188,057</u>	<u>1,035,709</u>	<u>1,138,516</u>	<u>572,173</u>	<u>382,556</u>
<u>38,246,739</u>	<u>38,174,222</u>	<u>33,436,098</u>	<u>28,618,151</u>	<u>26,868,813</u>	<u>24,022,457</u>
<u>441,208</u>	<u>704,453</u>	<u>124,909</u>	<u>6,231,019</u>	<u>1,167,067</u>	<u>1,249,859</u>
35.96%	34.83%	37.39%	40.61%	43.45%	40.09%
0.33%	0.35%	0.37%	0.07%	0.06%	0.47%
7.24%	8.12%	6.75%	6.13%	6.64%	10.15%
6.19%	6.01%	4.89%	5.36%	6.04%	7.05%
11.08%	10.45%	9.45%	10.03%	9.21%	10.39%
8.36%	8.51%	7.34%	7.81%	7.50%	8.55%
3.32%	6.05%	6.96%	1.97%	2.20%	4.40%
20.69%	19.19%	20.49%	21.40%	20.30%	14.81%
<u>3.65%</u>	<u>3.36%</u>	<u>3.26%</u>	<u>2.64%</u>	<u>2.48%</u>	<u>2.50%</u>
<u>96.82%</u>	<u>96.89%</u>	<u>96.90%</u>	<u>96.02%</u>	<u>97.87%</u>	<u>98.41%</u>
<u>3.18%</u>	<u>3.11%</u>	<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>	<u>1.59%</u>
<u>3.18%</u>	<u>3.11%</u>	<u>3.10%</u>	<u>3.98%</u>	<u>2.13%</u>	<u>1.59%</u>
<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Navarro College District

Tuition and Fees
Last Ten Academic Years
(Unaudited)

Resident Students (1)

Fiscal Year (Fall)	Tuition		General Services Fee (2)	Matriculation Fee	Building Use Fee
	In-District	Out-of-District			
2011	\$ 420	828	-	11	216
2010	384	768	-	11	204
2009	372	744	-	11	204
2008	372	732	-	10	204
2007	372	696	-	10	204
2006	360	648	-	10	144
2005	336	588	-	10	132
2004	324	576	(3)	(3)	132
2003	264	504	42	10	120
2002	264	456	42	10	72

Vehicle Registration Fee	Total Cost		Increase from Prior Year		Semester Credit Hours
	In-District	Out-of-District	In-District	Out-of-District	
10	657	1,065	7.88%	7.25%	20,481
10	609	993	2.01%	2.48%	20,602
10	597	969	1.88%	1.36%	18,256
10	586	956	0.00%	5.05%	16,783
10	586	910	14.01%	13.47%	15,663
10	514	802	7.53%	9.86%	14,795
10	478	730	2.58%	1.67%	14,013
10	466	718	4.48%	4.66%	13,508
10	446	686	12.06%	16.27%	13,472
10	398	590	2.58%	10.90%	9,880

(Continued)

Navarro College District

Tuition and Fees
Last Ten Academic Years
(Continued)

Non-Resident Students (1)

Fiscal Year (Fall)	Tuition	Out-of-District Fee	General Services Fee (2)	Matriculation Fee	Building Use Fee
2011	\$ 972	396	-	11	216
2010	876	372	-	11	204
2009	811	360	-	11	204
2008	811	348	-	10	204
2007	809	324	-	10	204
2006	773	288	-	10	144
2005	677	252	-	10	132
2004	665	252	-	(3) 10	132
2003	605	240	42	10	120
2002	570	192	42	10	72

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees and certification fees.

- (1) Based on twelve semester credit hour load.
- (2) Includes athletic fee.
- (3) General Services Fee and Athletic Fee now included in Tuition.

<u>Vehicle Registration Fee</u>	<u>Total Cost</u>	<u>Increase from Prior Year</u>	<u>Semester Credit Hours</u>
10	1,605	8.96%	4,234
10	1,473	5.52%	3,531
10	1,396	0.94%	3,433
10	1,383	1.92%	3,233
10	1,357	10.78%	2,738
10	1,225	13.32%	3,785
10	1,081	1.12%	4,025
10	1,069	4.09%	4,325
10	1,027	14.62%	5,542
10	896	20.92%	6,243

Navarro College District

Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years (Unaudited)

Fiscal Year	Assessed Valuation of Property	Less: Abatement and Exemptions	Net Taxable Assessed Value
2011	\$ 2,731,703,393	116,531,309	2,615,172,084
2010	2,659,140,974	126,618,871	2,532,522,103
2009	2,570,555,700	144,139,000	2,426,416,700
2008	2,386,173,918	167,814,765	2,218,359,153
2007	2,075,341,228	116,607,628	1,958,733,600
2006	1,854,903,155	114,170,514	1,740,732,641
2005	1,726,100,913	101,238,919	1,624,861,994
2004	1,645,733,535	91,710,674	1,554,022,861
2003	1,573,712,142	87,692,484	1,486,019,658
2002	1,519,200,552	87,810,123	1,431,390,429

Source: Navarro County Tax Assessor - Collector

Notes: Property is assessed at full market value.
Assessed value of taxable property by class of real and personal property is not available from the Navarro County Tax Assessor-Collector.

(1) per \$100 taxable assessed valuation

Ratio of Taxable Value to Assessed Value	Estimated Actual Value	Direct Rates (1)		
		Maintenance and Operations	Debt Service	Total
95.73%	\$ 2,731,703,393	0.11900	-	0.11900
95.24%	2,659,140,974	0.11900	-	0.11900
94.39%	2,570,555,700	0.11900	-	0.11900
92.97%	2,386,173,918	0.12000	-	0.12000
94.38%	2,075,341,228	0.13500	-	0.13500
93.84%	1,854,903,155	0.14050	-	0.14050
94.13%	1,726,100,913	0.14050	-	0.14050
94.43%	1,645,733,535	0.14050	-	0.14050
94.43%	1,573,712,142	0.14050	-	0.14050
94.22%	1,519,200,552	0.14177	-	0.14177

Navarro College District

Direct and Overlapping Property Tax Rates
Per \$100 of Assessed Value
Last Ten Fiscal Years
(Unaudited)

	2011	2010	2009	2008
Navarro College District	\$ 0.1190	0.1190	0.1190	0.1200
County:				
Navarro County	0.6270	0.6270	0.5828	0.5754
Cities:				
Barry	0.3349	0.3393	0.3237	0.3237
Blooming Grove	0.4900	0.4859	0.4653	0.4880
Corsicana	0.6272	0.6272	0.6272	0.6272
Dawson	0.4000	0.3783	0.3783	0.3783
Emhouse	0.3072	0.3072	0.3072	0.3332
Frost	0.5000	0.5000	0.5000	0.5000
Goodlow	0.0897	0.0897	0.0897	0.8970
Kerens	0.6434	0.6434	0.6433	0.6329
Rice	0.4700	0.4200	0.3700	0.3100
Richland	0.2056	0.2056	0.2056	0.2068
School Districts:				
Blooming Grove	1.1300	1.1200	1.1200	1.1231
Corsicana	1.2830	1.2830	1.2857	1.2850
Dawson	1.2900	1.2900	1.2900	1.2900
Frost	1.2550	1.2321	1.2850	1.1550
Kerens	1.1100	1.1200	1.1227	1.1000
Mildred	1.2798	1.2498	1.2838	1.2427
Rice	1.4200	1.4200	1.4200	1.1809

Source: Navarro County Appraisal District

Note: Overlapping rates are those of other governments that apply to property owners within the Navarro College District. Not all overlapping rates apply to all District property owners; for example, although the Navarro County tax rate applies to all District property owners, the City of Barry, Texas rate applies only to a small portion of District property owners whose property is located within the City's geographic boundaries.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
0.1350	0.1405	0.1405	0.1405	0.1405	0.1418
0.5973	0.6243	0.6246	0.6243	0.6246	0.5496
0.3279	0.3345	0.3380	0.3380	0.3380	0.3401
0.5000	0.4940	0.4383	0.4365	0.4387	0.4300
0.6272	0.6272	0.5995	0.5995	0.5995	0.5995
0.4143	0.4516	0.4335	0.4334	0.4268	0.4218
0.3332	0.3341	0.3377	0.3377	0.3377	0.3377
0.5000	0.5000	0.4834	0.4983	0.4900	0.4900
0.1000	0.1000	0.1000	-	-	-
0.6584	0.6107	0.5500	0.5500	0.5500	0.5165
0.3200	0.3063	0.2675	0.2500	0.2294	0.2294
0.2009	0.2056	0.2082	0.2079	0.1964	0.2168
1.4530	1.5830	1.5781	1.5000	1.5000	1.5000
1.5038	1.6746	1.5208	1.4908	1.4908	1.4908
1.3700	1.5000	1.5000	1.5000	1.5000	1.5000
1.4600	1.5650	1.5300	1.4300	1.4300	1.4000
1.3060	1.4000	1.4000	1.4000	1.4000	1.3300
1.3027	1.4220	1.4220	1.4220	1.4220	1.4220
1.4882	1.5896	1.5720	1.5822	1.5696	1.5367

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Unaudited)

Taxpayer	Type of Business	2011	2010	2009
Energy Transfer Fuel LP	Electric Company	\$ 79,919,230	73,045,150	-
Guardian Industry - Abated	Glass Manufacturer	47,719,270	22,251,050	35,546,950
Russell Stover Candies - Abated	Candy Manufacturer	43,777,148	46,518,140	45,322,760
Oncor Electric Delivery	Electric Utility	42,244,260	43,925,930	-
HD USA 5147	Manufacturer	33,662,336	46,870,610	-
True Value Co. - Non-Abated	Retail Distribution	32,844,610	32,697,650	36,338,740
Corsicana Technologies, Inc.	Manufacturer	24,295,930	25,664,420	26,541,670
Union Pacific	Railroad	21,388,410	-	-
Magellan Pipeline Co, LP	Pipeline Company	20,108,295	21,925,300	19,779,490
Burlington Northern Santa Fe	Railroad	15,374,710	-	-
National Industrial Portfolio Borrower	Real Estate Investment	-	36,936,320	18,241,000
Guardian Industry	Glass Manufacturer	-	28,643,210	16,285,710
Home Depot	Retail Distribution	-	-	36,383,870
Pactiv-Foam	Foam Manufacturer	-	-	14,423,940
Kohl's Distribution	Retail Distribution	-	-	12,848,920
TXU Electric	Electric Company	-	-	-
Sunoco Pipeline LP	Pipeline Company	-	-	-
TXI Operations LP	Manufacturer	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Equilon Pipeline Company	Oil Distribution	-	-	-
K-Mart Corporation	Retail Distribution	-	-	-
Mobil Pipeline	Oil Distribution	-	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	-
Swift Transportation	Transportation	-	-	-
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abated	Retail Distribution	-	-	-
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
Totals		\$ 361,334,199	378,477,780	261,713,050
Net taxable assessed value		\$ 2,615,172,084	2,532,522,103	2,426,416,700

Taxable Assessed Value						
2008	2007	2006	2005	2004	2003	2002
29,956,070	20,924,160	-	-	-	-	-
36,583,990	-	18,249,660	19,030,070	-	-	-
47,028,340	26,029,795	27,311,080	25,355,140	21,916,170	8,499,420	33,779,360
48,008,780	-	-	42,837,170	-	-	42,574,490
-	-	-	-	-	-	-
25,173,180	24,754,330	-	-	-	-	-
-	14,288,340	-	-	-	-	-
-	-	13,088,980	13,393,540	-	-	-
19,760,200	16,695,070	-	-	-	-	-
-	-	-	-	-	-	7,980,950
19,051,900	-	-	-	-	-	-
31,867,020	35,066,100	30,321,450	27,881,140	47,066,430	30,638,830	47,135,040
61,084,750	37,313,868	-	-	-	-	-
-	-	14,431,380	14,076,830	30,638,830	11,796,340	12,344,980
19,001,110	-	11,238,160	-	-	-	-
-	46,825,980	45,837,720	-	-	-	-
-	16,331,100	-	-	-	-	-
-	13,809,390	-	-	-	-	-
-	-	-	-	11,406,370	6,115,150	-
-	-	-	-	-	-	8,596,160
-	-	-	-	52,168,950	57,350,490	51,898,560
-	-	-	-	-	-	8,735,700
-	-	-	-	11,683,940	6,118,700	-
-	-	-	-	15,792,250	7,342,500	-
-	-	7,491,480	6,655,720	-	-	-
-	-	-	-	11,796,340	6,268,350	-
-	-	11,558,680	-	-	-	12,431,050
-	-	-	13,458,916	-	-	-
-	-	-	10,565,510	-	-	-
-	-	22,615,740	22,179,070	42,863,960	21,916,170	33,537,390
-	-	-	-	12,188,290	6,511,390	-
<u>337,515,340</u>	<u>252,038,133</u>	<u>202,144,330</u>	<u>195,433,106</u>	<u>257,521,530</u>	<u>162,557,340</u>	<u>259,013,680</u>
<u>2,218,359,153</u>	<u>1,958,733,600</u>	<u>1,740,732,641</u>	<u>1,624,861,994</u>	<u>1,554,022,861</u>	<u>1,486,019,658</u>	<u>1,431,390,429</u>

(Continued)

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Continued)

Taxpayer	Type of Business	2011	2010	2009
Energy Transfer Fuel LP	Electric Company	3.06%	2.88%	-
Guardian Industry - Abated	Glass Manufacturer	1.82%	0.88%	1.46%
Russell Stover Candies - Abated	Candy Manufacturer	1.67%	1.84%	1.87%
Oncor Electric Delivery	Electric Utility	1.62%	1.73%	-
HD USA 5147	Manufacturer	1.29%	1.85%	-
True Value Co. - Non-Abated	Retail Distribution	1.26%	1.29%	1.50%
Corsicana Technologies, Inc.	Manufacturer	0.93%	1.01%	1.09%
Union Pacific	Railroad	0.82%	-	-
Magellan Pipeline Co, LP	Pipeline Company	0.77%	0.87%	0.82%
Burlington Northern Santa Fe	Railroad	0.59%	-	-
National Industrial Portfolio Borrower	Real Estate Investment	-	1.46%	0.75%
Guardian Industry	Glass Manufacturer	-	1.13%	0.67%
Home Depot	Retail Distribution	-	-	1.50%
Pactiv-Foam	Foam Manufacturer	-	-	0.59%
Kohl's Distribution	Retail Distribution	-	-	0.53%
TXU Electric	Electric Company	-	-	-
Sunoco Pipeline LP	Pipeline Company	-	-	-
TXI Operations LP	Manufacturer	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Equilon Pipeline Company	Oil Distribution	-	-	-
K-Mart Corporation	Retail Distribution	-	-	-
Mobil Pipeline	Oil Distribution	-	-	-
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	-
Swift Transportation	Transportation	-	-	-
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abated	Retail Distribution	-	-	-
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
		13.82%	14.94%	10.79%

Source: Navarro County Appraisal District

Taxable Assessed Value						
2008	2007	2006	2005	2004	2003	2002
1.35%	1.07%	-	-	-	-	-
1.65%	-	1.05%	1.17%	-	-	-
2.12%	1.33%	1.57%	1.56%	1.41%	0.57%	2.36%
2.16%	-	-	2.64%	-	-	2.97%
-	-	-	-	-	-	-
1.13%	1.26%	-	-	-	-	-
-	0.73%	-	-	-	-	-
-	-	-	-	-	-	-
0.89%	0.85%	-	-	-	-	-
-	-	-	-	-	-	0.56%
0.86%	-	-	-	-	-	-
1.44%	1.79%	1.74%	1.72%	3.03%	2.06%	3.29%
2.75%	1.90%	-	-	-	-	-
-	-	0.83%	0.87%	1.97%	0.79%	0.86%
0.86%	-	0.65%	-	-	-	-
-	2.39%	2.63%	-	-	-	-
-	0.83%	-	-	-	-	-
-	0.71%	-	-	-	-	-
-	-	-	-	0.73%	0.41%	-
-	-	-	-	-	-	0.60%
-	-	-	-	3.36%	3.86%	3.63%
-	-	-	-	-	-	0.61%
-	-	-	-	0.75%	0.41%	-
-	-	-	-	1.02%	0.49%	-
-	-	0.43%	0.41%	-	-	-
-	-	-	-	0.76%	0.42%	-
-	-	0.66%	-	-	-	0.87%
-	-	-	0.83%	-	-	-
-	-	-	0.65%	-	-	-
-	-	1.30%	1.36%	2.76%	1.47%	2.34%
-	-	-	-	0.78%	0.44%	-
<u>15.21%</u>	<u>12.87%</u>	<u>10.86%</u>	<u>11.20%</u>	<u>16.57%</u>	<u>10.94%</u>	<u>18.10%</u>

Navarro College District

Property Tax Levies and Collections Last Ten Fiscal Years (Unaudited)

<u>Fiscal Year</u>	<u>Original Levy</u>	<u>Cumulative Levy Adjustments</u>	<u>Total Adjusted Tax Levy</u>
2011	\$ 3,112,065	(16,103)	3,095,962
2010	3,013,738	(19,450)	2,994,288
2009	2,886,719	(9,280)	2,877,439
2008	2,661,925	(1,264)	2,660,661
2007	2,644,308	2,237	2,646,545
2006	2,445,735	(11,085)	2,434,650
2005	2,282,942	(2,904)	2,280,038
2004	2,183,412	(794)	2,182,618
2003	2,087,767	(3,057)	2,084,710
2002	2,011,112	(1,984)	2,009,128

Source: Navarro County Tax Assessor-Collector

Note: Property tax only - does not include penalties and interest.

Collections - Year of Levy			Collections in Subsequent Years	Total Collections To Date	
Amount	Percent			Amount	Percent
2,999,249	96.88%	\$	-	2,999,249	96.88%
2,887,898	96.45%		48,903	2,936,801	98.08%
2,770,640	96.29%		40,689	2,811,329	97.70%
2,568,362	96.53%		45,884	2,614,246	98.26%
2,571,228	97.15%		41,863	2,613,091	98.74%
2,347,645	96.43%		46,510	2,394,155	98.34%
2,191,308	96.11%		59,891	2,259,656	99.11%
2,082,706	95.42%		72,678	2,160,608	98.99%
1,920,141	92.11%		131,928	2,055,399	98.59%
1,809,594	90.07%		168,761	1,980,680	98.58%

Navarro College District

Ratios of Outstanding Debt Last Ten Fiscal Years (Unaudited)

	2011	2010	2009	2008
General Bonded Debt				
General obligation bonds	\$ -	-	-	-
Other Debt				
Revenue bonds	26,860,000	27,925,000	29,033,705	25,882,413
Notes payable	-	-	37,302	97,994
Capital lease obligations	3,941,116	4,076,116	4,201,116	4,321,116
Total other debt	30,801,116	32,001,116	33,272,123	30,301,523
Total outstanding debt	\$ 30,801,116	32,001,116	33,272,123	30,301,523
Total Outstanding Debt Ratios				
Per capita	\$ 645	647	673	615
Per student	1,632	1,849	2,313	2,391
As a percentage of taxable assessed value	1.18%	1.26%	1.37%	1.37%
As a percentage of personal income	2.07%	2.34%	2.56%	2.40%

Note: Navarro College District does not have any general obligation debt. Per student ratio is calculated based on debt per full-time student equivalent.

For the Year Ended August 31,					
2007	2006	2005	2004	2003	2002
-	-	-	-	-	-
26,781,121	23,740,000	20,490,000	20,715,000	20,715,000	5,575,496
154,547	254,122	448,093	915,863	1,131,727	1,338,398
4,436,116	4,696,384	4,857,779	235,196	381,961	223,873
31,371,784	28,690,506	25,795,872	21,866,059	22,228,688	7,137,767
31,371,784	28,690,506	25,795,872	21,866,059	22,228,688	7,137,767
631	591	532	454	469	153
2,630	2,560	2,413	2,205	2,469	903
1.59%	1.65%	1.59%	1.41%	1.50%	0.50%
2.65%	2.59%	2.43%	2.15%	2.24%	0.74%

Navarro College District

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Taxable Assessed Value	\$ <u>2,615,172,084</u>	<u>2,532,522,103</u>	<u>2,426,416,700</u>	<u>2,218,359,153</u>
General Obligation Bonds				
Statutory tax levy limit for debt service	\$ 13,075,860	12,662,611	12,132,084	11,091,796
Current year debt service requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of statutory limit for debt service over current requirements	\$ <u>13,075,860</u>	<u>12,662,611</u>	<u>12,132,084</u>	<u>11,091,796</u>
Net current requirements as a percentage of statutory limit	0.00%	0.00%	0.00%	0.00%

Note: Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars assessed valuation.

For the Year Ended August 31,					
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>1,958,733,600</u>	<u>1,740,732,641</u>	<u>1,624,861,994</u>	<u>1,554,022,861</u>	<u>1,486,019,658</u>	<u>1,431,390,429</u>
9,793,668	8,703,663	8,124,310	7,770,114	7,430,098	7,156,952
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,793,668</u>	<u>8,703,663</u>	<u>8,124,310</u>	<u>7,770,114</u>	<u>7,430,098</u>	<u>7,156,952</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Navarro College District

Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Pledged Revenues					
	Tuition Pledged (1)	Building Fee	Out of District Fee (2)	Other Fees (2)	Pledged Auxiliary Revenue	Less Auxiliary Expenses
2011	\$ 374,798	3,950,605	5,863,890	1,535,992	10,844,701	9,476,634
2010	349,388	3,667,746	5,125,658	1,396,781	9,738,995	7,875,098
2009	316,725	3,080,219	4,129,212	1,151,811	8,977,605	6,993,133
2008	263,580	2,775,032	3,456,736	939,215	7,707,995	6,569,444
2007	263,768	1,982,253	2,902,250	820,493	7,138,751	5,965,548
2006	237,668	1,638,960	2,501,509	764,721	6,892,938	5,593,455
2005	221,460	1,586,746	2,358,743	788,544	6,562,232	5,003,324
2004	206,535	1,206,054	2,063,395	872,453	5,925,334	4,770,100
2003	182,828	918,247	1,502,253	728,396	5,332,367	4,297,630
2002	153,120	648,194	-	-	3,161,285	2,351,960

Notes:

(1) Calculated at \$15.00 per semester headcount (\$7.50 per summer semester).

(2) New bond covenants effective 2003 which broadens scope of pledged revenues.

Net Available	Interest Income	Total	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
13,093,352	153,555	13,246,907	1,065,000	1,281,713	2,346,713	5.64
12,403,470	119,094	12,522,564	1,055,000	1,326,249	2,381,249	5.26
10,662,439	205,251	10,867,690	870,000	1,178,089	2,048,089	5.31
8,573,114	322,120	8,895,234	845,000	1,205,495	2,050,495	4.34
7,141,967	364,969	7,506,936	670,000	1,107,889	1,777,889	4.22
6,442,341	263,299	6,705,640	300,000	952,620	1,252,620	5.35
6,514,401	132,811	6,647,212	225,000	957,120	1,182,120	5.62
5,503,671	116,391	5,620,062	-	994,341	994,341	5.65
4,366,461	102,770	4,469,231	500,000	28,500	528,500	8.46
1,610,639	18,889	1,629,528	603,375	305,136	908,511	1.79



Navarro College District

Demographic and Economic Statistics Last Ten Fiscal Years (Unaudited)

Calendar Year	Navarro County Population	Navarro County Personal Income	Navarro County Personal Income Per Capita	Navarro County Unemployment Rate
2010	47,735	\$ 1,486,924,498	28,958	9.7%
2009	49,440	1,367,123,573	28,074	9.0%
2008	49,456	1,298,064,101	26,247	8.0%
2007	49,396	1,266,154,353	25,577	5.0%
2006	49,440	1,177,303,270	24,177	5.7%
2005	48,525	1,126,606,000	23,136	5.4%
2004	48,215	1,060,397,000	21,993	5.7%
2003	47,386	1,016,509,000	21,463	6.2%
2002	46,799	991,316,000	21,180	6.0%
2001	46,036	966,894,000	21,003	5.4%

Source: Texas Workforce Commission

Note: The 2011 amounts are not yet available.

Navarro College District

Principal Employers
Last Six Fiscal Years
(Unaudited)

Employer	2011		2010	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
Navarro College (includes part time)	1,064	5.33%	982	4.95%
Corsicana ISD	811	4.07%	811	4.09%
Russell Stover Candies	680	3.41%	680	3.43%
Navarro Regional Hospital	354	1.77%	354	1.78%
Guardian Industries	318	1.59%	318	1.60%
Texas Youth Commission	299	1.50%	299	1.51%
City of Corsicana (includes part time)	284	1.42%	284	1.43%
Navarro County	284	1.42%	284	1.43%
Corsicana Bedding	257	1.29%	257	1.30%
Heritage Oaks/Heritage Oaks West	236	1.18%	-	0.00%
Kohl's Call Center	216	1.08%	216	1.09%
Kohl's Distribution Center	200	1.00%	200	1.01%
Oil City Iron Works	172	0.86%	172	0.87%
Collin Street Bakery (seasonal)	150	0.75%	150	0.76%
Tru-Serve / True Value Distribution Center	149	0.75%	149	0.75%
Lance (formerly Tom's Foods)	148	0.74%	148	0.75%
Home Depot Distribution Center	145	0.73%	145	0.73%
Trinity Mother Francis Medical Center	-	0.00%	156	0.79%
Total	5,767	28.91%	5,605	28.26%

Source: City of Corsicana, Texas and the Texas Workforce Commission

Note: Similar information for the four years prior was not available.

(Earliest information available is 2006.)

2009		2008		2007		2006	
Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
950	4.75%	886	4.52%	851	4.31%	827	3.97%
802	4.01%	802	4.09%	802	4.06%	879	4.22%
825	4.12%	825	4.20%	825	4.18%	859	4.12%
350	1.75%	350	1.78%	350	1.77%	377	1.81%
390	1.95%	390	1.99%	390	1.98%	367	1.76%
338	1.69%	338	1.72%	338	1.71%	335	1.61%
336	1.68%	304	1.55%	304	1.54%	335	1.61%
284	1.42%	284	1.45%	284	1.44%	282	1.35%
190	0.95%	190	0.97%	190	0.96%	180	0.86%
-	0.00%	-	0.00%	-	0.00%	-	0.00%
250	1.25%	250	1.27%	250	1.27%	-	0.00%
200	1.00%	200	1.02%	200	1.01%	175	0.84%
200	1.00%	200	1.02%	200	1.01%	224	1.08%
766	3.83%	766	3.90%	766	3.88%	700	3.36%
152	0.76%	152	0.77%	152	0.77%	150	0.72%
170	0.85%	170	0.87%	170	0.86%	146	0.70%
250	1.25%	155	0.79%	155	0.79%	-	0.00%
156	0.78%	156	0.80%	156	0.79%	120	0.58%
<u>6,609</u>	<u>33.02%</u>	<u>6,418</u>	<u>32.71%</u>	<u>6,383</u>	<u>32.34%</u>	<u>5,956</u>	<u>28.58%</u>

Navarro College District

State Appropriation per Full-Time Student Equivalent and Contact Hour Last Ten Fiscal Years (Unaudited)

Fiscal Year	Appropriation per FTSE		
	State Appropriation	FTSE	State Appropriation per FTSE
2011	\$ 14,070,243	18,877	\$ 745
2010	14,447,465	17,311	835
2009	12,465,236	14,384	867
2008	12,124,659	12,697	955
2007	10,587,066	11,866	892
2006	10,587,066	11,207	945
2005	10,121,395	10,691	947
2004	10,153,252	9,916	1,024
2003	9,900,296	9,004	1,100
2002	10,901,088	7,910	1,378

Note: Full-time student equivalent (FTSE) is defined as the number of full-time students plus the total hours taken by part-time students divided by 12.

Appropriation per Contact Hour

Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	State Appropriation per Contact Hour
3,682,160	1,833,744	5,515,904	\$ 2.55
3,371,872	1,683,760	5,055,632	2.86
2,759,980	1,476,690	4,236,670	2.94
2,512,272	1,191,867	3,704,139	3.27
2,457,624	895,344	3,352,968	3.16
2,450,256	713,896	3,164,152	3.35
2,350,836	673,660	3,024,496	3.35
2,222,272	616,268	2,838,540	3.58
2,007,904	605,132	2,613,036	3.79
1,794,914	585,720	2,380,634	4.58

Navarro College District

Faculty, Staff, and Administrators Statistics
Last Ten Fiscal Years
(Unaudited)

	2011	2010	2009	2008
Faculty				
Full-Time	122	123	113	112
Part-Time	355	364	355	361
Total	477	487	468	473
Full-Time	25.6%	25.3%	24.1%	23.7%
Part-Time	74.4%	74.7%	75.9%	76.3%
Total	100.0%	100.0%	100.0%	100.0%
Average Annual Faculty Salary	\$ 52,138	50,232	51,678	47,585
Staff and Administrators				
Full-Time	230	214	208	196
Part-Time	95	100	31	132
Total	325	314	239	328
Full-Time	70.8%	68.2%	87.0%	59.8%
Part-Time	29.2%	31.8%	13.0%	40.2%
Total	100.0%	100.0%	100.0%	100.0%

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
112	105	100	98	90	75
<u>326</u>	<u>312</u>	<u>309</u>	<u>297</u>	<u>320</u>	<u>213</u>
<u>438</u>	<u>417</u>	<u>409</u>	<u>395</u>	<u>410</u>	<u>288</u>
25.6%	25.2%	24.4%	24.8%	22.0%	26.0%
<u>74.4%</u>	<u>74.8%</u>	<u>75.6%</u>	<u>75.2%</u>	<u>78.0%</u>	<u>74.0%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
<u>49,393</u>	<u>45,427</u>	<u>42,623</u>	<u>42,027</u>	<u>41,526</u>	<u>N/A</u>
187	176	164	156	148	112
<u>110</u>	<u>42</u>	<u>31</u>	<u>31</u>	<u>38</u>	<u>11</u>
<u>297</u>	<u>218</u>	<u>195</u>	<u>187</u>	<u>186</u>	<u>123</u>
63.0%	80.7%	84.1%	83.4%	79.6%	91.1%
<u>37.0%</u>	<u>19.3%</u>	<u>15.9%</u>	<u>16.6%</u>	<u>20.4%</u>	<u>8.9%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Navarro College District

Enrollment Details Last Ten Fiscal Years (Unaudited)

	Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<u>Student Classification</u>								
00-30 hours	7,311	71.92%	6,701	72.84%	6,191	74.34%	5,410	71.56%
31-60 hours	1,841	18.11%	1,615	17.55%	1,403	16.85%	1,461	19.33%
> 60 hours	1,014	9.97%	884	9.61%	734	8.81%	689	9.11%
Total	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>
<u>Semester Hour Load</u>								
Less than 3	159	1.56%	94	1.02%	673	8.08%	385	5.09%
3-5 semester hours	1,820	17.90%	1,769	19.23%	1,458	17.51%	1,494	19.76%
6-8 semester hours	1,998	19.65%	1,856	20.17%	1,530	18.37%	1,414	18.70%
9-11 semester hours	1,402	13.79%	1,198	13.02%	1,014	12.18%	885	11.71%
12-14 semester hours	2,987	29.38%	2,532	27.52%	2,034	24.42%	1,948	25.77%
15-17 semester hours	1,409	13.86%	1,361	14.79%	1,296	15.56%	1,148	15.19%
18 & over	391	3.85%	390	4.24%	323	3.88%	286	3.78%
Total	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>
<u>Tuition Status</u>								
Texas Resident (in-District)	2,028	19.95%	1,816	19.74%	1,777	21.34%	1,645	21.76%
Texas Resident (out-of-District)	7,830	77.02%	7,131	77.51%	6,304	75.70%	5,669	74.99%
Non-Resident Tuition	308	3.03%	253	2.75%	247	2.97%	246	3.25%
Total	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>

Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
6,593	89.02%	5,204	80.67%	4,508	74.90%	4,292	76.59%	4,099	80.18%	3,655	82.86%
406	5.48%	764	11.84%	1,011	16.80%	925	16.51%	1,010	19.76%	755	17.12%
407	5.50%	483	7.49%	500	8.31%	387	6.91%	3	0.06%	1	0.02%
<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
512	6.91%	27	0.42%	28	0.47%	65	1.16%	24	0.47%	28	0.63%
1,451	19.59%	1,214	18.82%	1,158	19.24%	1,096	19.56%	1,007	19.70%	818	18.54%
1,267	17.11%	1,131	17.53%	1,009	16.76%	848	15.13%	759	14.85%	659	14.94%
842	11.37%	737	11.42%	551	9.15%	540	9.64%	456	8.92%	390	8.84%
2,001	27.02%	2,076	32.18%	1,901	31.58%	1,855	33.10%	1,632	31.92%	1,333	30.22%
1,070	14.45%	980	15.19%	1,055	17.53%	912	16.27%	883	17.27%	835	18.93%
263	3.55%	286	4.43%	317	5.27%	288	5.14%	351	6.87%	348	7.89%
<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>
1,729	23.35%	1,348	20.90%	1,273	21.15%	1,272	22.70%	1,213	23.73%	1,042	23.62%
5,392	72.81%	4,791	74.27%	4,424	73.50%	3,932	70.16%	3,418	66.86%	2,888	65.47%
285	3.85%	312	4.84%	322	5.35%	400	7.14%	481	9.41%	481	10.90%
<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>	<u>4,411</u>	<u>100.00%</u>

Navarro College District

Student Profile Last Ten Fiscal Years (Unaudited)

	Fall 2010		Fall 2009		Fall 2008		Fall 2007	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender								
Female	6,218	61.16%	5,643	61.34%	5,147	61.80%	4,733	62.61%
Male	3,948	38.84%	3,557	38.66%	3,181	38.20%	2,827	37.39%
Total	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>
Ethnic Origin								
White	6,151	60.51%	5,636	61.26%	5,303	63.68%	4,842	64.05%
Hispanic	1,492	14.68%	1,363	14.82%	1,183	14.21%	1,451	19.19%
African American	2,171	21.36%	1,903	20.68%	1,567	18.82%	995	13.16%
Asian	26	0.26%	87	0.95%	67	0.80%	56	0.74%
Foreign	164	1.61%	153	1.66%	156	1.87%	160	2.12%
Native American	71	0.70%	52	0.57%	52	0.62%	53	0.70%
Other	91	0.90%	6	0.07%	-	0.00%	3	0.04%
Total	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>
Age								
Under 18	1,848	18.18%	1,917	20.84%	2,138	25.67%	1,750	23.15%
18 - 21	4,131	40.64%	3,723	40.47%	3,313	39.78%	3,079	40.73%
22 - 24	990	9.74%	969	10.53%	756	9.08%	654	8.65%
25 - 35	1,874	18.43%	1,534	16.67%	1,211	14.54%	1,177	15.57%
36 - 50	1,065	10.48%	898	9.76%	780	9.37%	762	10.08%
51 & over	258	2.54%	159	1.73%	130	1.56%	138	1.83%
Total	<u>10,166</u>	<u>100.00%</u>	<u>9,200</u>	<u>100.00%</u>	<u>8,328</u>	<u>100.00%</u>	<u>7,560</u>	<u>100.00%</u>
Average Age	24		23		23		23	

Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
4,583	61.88%	4,006	62.10%	3,776	62.73%	3,464	61.81%	3,072	60.09%
2,823	38.12%	2,445	37.90%	2,243	37.27%	2,140	38.19%	2,040	39.91%
<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
4,802	64.84%	4,170	64.64%	3,906	64.89%	3,625	64.69%	3,265	63.87%
1,332	17.99%	701	10.87%	612	10.17%	535	9.55%	454	8.88%
956	12.91%	1,295	20.07%	1,195	19.85%	1,074	19.16%	959	18.76%
71	0.96%	48	0.74%	42	0.70%	43	0.77%	32	0.63%
183	2.47%	204	3.16%	239	3.97%	302	5.39%	388	7.59%
50	0.68%	33	0.51%	25	0.42%	25	0.45%	14	0.27%
12	0.16%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
1,854	25.03%	1,029	15.95%	1,035	17.20%	842	15.02%	695	13.60%
2,984	40.29%	2,939	45.56%	2,656	44.13%	2,599	46.38%	2,470	48.32%
651	8.79%	668	10.35%	618	10.27%	558	9.96%	494	9.66%
1,110	14.99%	1,091	16.91%	1,019	16.93%	955	17.04%	821	16.06%
702	9.48%	617	9.56%	577	9.59%	546	9.74%	539	10.54%
105	1.42%	107	1.66%	114	1.89%	104	1.86%	93	1.82%
<u>7,406</u>	<u>100.00%</u>	<u>6,451</u>	<u>100.00%</u>	<u>6,019</u>	<u>100.00%</u>	<u>5,604</u>	<u>100.00%</u>	<u>5,112</u>	<u>100.00%</u>
23		24		24		24		24	

Navarro College District

Transfers to Senior Institutions
(Includes only public senior colleges in Texas)
(Unaudited)

Name	2009 - 2010 Graduate as of Fall 2010				
	Transfer Student Count Academic	Transfer Student Count Technical	Transfer Student Count Tech-Prep	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 Angelo State University	10	3	1	14	0.94%
2 Lamar University	8	1	-	9	0.61%
3 Midwestern State University	9	-	2	11	0.74%
4 Prairie View A&M University	7	3	-	10	0.67%
5 Sam Houston State University	85	9	4	98	6.60%
6 Stephen F. Austin State University	69	2	8	79	5.32%
7 Sul Ross State University	2	-	-	2	0.13%
8 Sul Ross State University - Rio Grande College	-	-	-	-	0.00%
9 Tarleton State University	53	9	5	67	4.51%
10 Texas A&M International University	-	-	-	-	0.00%
11 Texas A&M University	119	3	6	128	8.63%
12 Texas A&M University at Commerce	301	4	9	314	21.16%
13 Texas A&M University at Corpus Christi	6	2	2	10	0.67%
14 Texas A&M University at Galveston	4	1	-	5	0.34%
15 Texas A&M University at Kingsville	3	-	-	3	0.20%
16 Texas Southern University	7	-	1	8	0.54%
17 Texas State University	49	5	4	58	3.91%
18 Texas Tech University	72	1	6	79	5.32%
19 Texas Woman's University	22	2	-	24	1.62%
20 The University of Texas - Pan American	1	-	-	1	0.07%
21 The University of Texas at Arlington	178	24	9	211	14.22%
22 The University of Texas at Austin	62	2	9	73	4.92%
23 The University of Texas at Dallas	13	-	4	17	1.15%
24 The University of Texas at El Paso	1	-	-	1	0.07%
25 The University of Texas at San Antonio	8	2	1	11	0.74%
26 The University of Texas at Tyler	35	4	5	44	2.96%
27 The University of Texas of the Permian Basin	1	-	-	1	0.07%
28 University of Houston	14	-	-	14	0.94%
29 University of Houston at Downtown	1	-	-	1	0.07%
30 University of Houston at Victoria	1	-	-	1	0.07%
31 University of North Texas	133	2	12	147	9.91%
32 University of North Texas at Dallas	31	3	2	36	2.43%
33 West Texas A&M University	5	1	1	7	0.47%
Totals	1,310	83	91	1,484	100.00%

Source: Texas Higher Education Coordinating Board

Note: Information not available for ten years of trend information.

2008 - 2009 Graduate as of Fall 2009					2007 - 2008 Graduate as of Fall 2008				
Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of all Sample Transfer Students	% of all Sample Transfer Students
Academic	Technical	Tech-Prep			Academic	Technical	Tech-Prep		
10	1	1	12	0.87%	7	2	-	9	0.67%
8	1	-	9	0.65%	9	1	1	11	0.82%
12	3	2	17	1.23%	16	1	1	18	1.35%
5	-	2	7	0.51%	3	-	2	5	0.37%
81	2	6	89	6.45%	77	3	5	85	6.36%
67	2	5	74	5.36%	57	-	3	60	4.49%
2	-	2	4	0.29%	1	-	-	1	0.07%
-	-	-	-	0.00%	-	-	-	-	0.00%
63	2	10	75	5.43%	66	4	9	79	5.91%
-	-	-	-	0.00%	-	-	-	-	0.00%
125	4	6	135	9.78%	125	-	8	133	9.95%
257	5	11	273	19.78%	270	5	8	283	21.17%
7	2	1	10	0.72%	4	1	1	6	0.45%
6	-	-	6	0.43%	2	-	-	2	0.15%
-	-	-	-	0.00%	3	-	-	3	0.22%
4	1	-	5	0.36%	7	-	1	8	0.60%
41	2	2	45	3.26%	50	-	3	53	3.96%
68	-	5	73	5.29%	65	-	2	67	5.01%
13	4	1	18	1.30%	20	4	1	25	1.87%
1	-	1	2	0.14%	-	-	1	1	0.07%
189	7	7	203	14.71%	149	9	7	165	12.34%
57	-	3	60	4.35%	56	1	3	60	4.49%
17	1	2	20	1.45%	11	-	2	13	0.97%
-	-	-	-	0.00%	1	-	-	1	0.07%
4	-	-	4	0.29%	6	-	1	7	0.52%
41	1	2	44	3.19%	42	1	3	46	3.44%
1	-	-	1	0.07%	-	-	-	-	0.00%
6	-	1	7	0.51%	8	-	1	9	0.67%
1	-	-	1	0.07%	1	-	-	1	0.07%
1	-	-	1	0.07%	-	-	-	-	0.00%
135	-	9	144	10.43%	174	2	6	182	13.61%
26	4	3	33	2.39%	-	-	-	-	0.00%
6	1	1	8	0.58%	4	-	-	4	0.30%
<u>1,254</u>	<u>43</u>	<u>83</u>	<u>1,380</u>	<u>100.00%</u>	<u>1,234</u>	<u>34</u>	<u>69</u>	<u>1,337</u>	<u>100.00%</u>

Navarro College District

Capital Asset Information
Last Ten Fiscal Years
(Unaudited)

	2011	2010	2009	2008
Academic buildings	14	12	12	12
Square footage (in thousands)	300,786	260,737	260,737	260,737
Libraries	3	3	3	3
Square footage (in thousands)	29,540	29,540	29,998	29,998
Number of Volumes (in thousands)	61,226	62,337	61,208	53,669
Administrative and support buildings	3	2	2	2
Square footage (in thousands)	95,819	90,897	90,897	90,897
Dormitories/Apartments	23	23	23	22
Square footage (in thousands)	156,254	156,254	156,254	150,362
Number of Beds	819	819	850	818
Dining Facilities	1	1	1	1
Square footage (in thousands)	22,100	22,100	22,100	22,100
Average daily customers	1,037	973	951	904
Athletic Facilities	5	5	5	5
Square footage (in thousands)	66,416	66,416	66,416	66,416
Gymnasiums/Weight Room	2	2	2	2
Tennis Court	-	-	-	0
Physical Plant Facilities	1	1	1	1
Square footage (in thousands)	9,492	9,492	9,492	9,492
Transportation	40	34	33	35
Cars	12	7	7	7
Light Trucks/Vans	24	23	23	25
Buses	4	4	3	3

Fiscal Year					
2007	2006	2005	2004	2003	2002
10	10	10	9	9	9
228,522	228,522	209,446	199,990	201,632	187,632
1	1	1	1	1	1
28,000	28,000	34,920	34,920	34,920	43,412
53,055	65,000	64,000	63,000	62,000	61,000
2	2	1	1	1	1
90,897	90,897	55,977	55,977	55,686	55,686
22	21	20	19	19	18
150,362	145,422	139,602	126,674	141,992	128,922
816	815	783	719	687	623
1	1	1	1	1	1
22,100	22,100	19,076	19,076	19,400	19,400
861	861	827	759	725	657
5	5	5	5	5	5
66,416	66,416	66,416	66,416	67,944	67,944
2	2	2	2	2	2
3	3	3	3	3	3
1	1	1	1	1	1
9,492	9,492	9,492	9,492	10,994	10,994
34	34	34	31	27	27
4	4	5	5	3	3
27	27	26	23	24	24
3	3	3	3	0	0



**Overall Compliance, Internal Control and
Federal and State Awards Section**





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

The Board of Trustees
Navarro College District:

We have audited the financial statements of the business-type activities and the discretely presented component unit of Navarro College District (the District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Navarro College Foundation (the Foundation), as described in our report on the District's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

Internal Control Over Financial Reporting (continued)

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the *Public Funds Investment Act* (Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jaynes, Reitzmaier, Boyd & Tharrell, A.C.

November 28, 2011



Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Federal and State Program
and Internal Control Over Compliance in Accordance with
OMB Circular A-133 and Uniform Grant Management Standards

The Board of Trustees
Navarro College District:

Compliance

We have audited Navarro College District's (the District) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Uniform Grant Management Standards* that could have a direct and material effect on each of the District's major federal and state programs for the year ended August 31, 2011. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the *Uniform Grant Management Standards*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the *Uniform Grant Management Standards*, and which are described in the accompanying schedule of findings and questioned costs as *Finding 2011-1* and *Finding 2011-2*.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as *Finding 2011-1* and *Finding 2011-2*. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jaynes, Reitzmaier, Boyd & Thunell, A.C.

November 28, 2011

Navarro College District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2011

(1) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Significant control deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes x no
- Significant control deficiency(ies) identified? x yes ___ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x yes ___ no

State Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes x no
- Significant control deficiency(ies) identified? x yes ___ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Management Standards? x yes ___ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grant Program
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans Program
84.375A	Academic Competiveness Grant
84.379	Teacher Education Assistance for College and Higher Education
TRIO Cluster:	
84.042A	TRIO- Student Support Services
17.260	ARRA - WIA Dislocated Workers

Identification of major state programs:

<u>Name of State Program</u>
Texas Grant Program
Texas Educational Opportunity Grant Program

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

\$300,000

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

\$300,000

Auditee qualified as a federal low-risk auditee? ___ yes x no

Auditee qualified as a state low-risk auditee? ___ yes x no

Navarro College District

Schedule of Findings and Questioned Costs (Continued)

(2) Financial Statement Findings

None

(3) Federal Award Findings and Questioned Costs

Finding 2011-1: Eligibility for ARRA – WIA Dislocated Workers

U.S. Department of Labor
CFDA 17.260
Grant No. 16-0184-0-1-504
Award Year: March 29, 2010 to May 31, 2011

Criteria: Section 5.5 of attachment A of the pass-through grantor contract states that “the Grantee shall ensure that project participants meet state and federal work requirements”. In an e-mail dated October 20, 2010 from the pass-through grantor to its subrecipients, further clarification was provided that grantees are required to retain documentation verifying a program participant’s social security number, date of birth, citizenship status, and selective service registration. This e-mail further stated that participants benefitting from American Recovery and Reinvestment Act funds must be eligible to receive services and this eligibility must be documented.

Condition: When eligibility was determined for participants in this grant, grant management did review the individual’s selective service registration via the selective service website (www.sss.gov). However, individuals who were not found to be registered with selective service were not disallowed from participation in training that resulted from the program. In addition, for some individuals who were found to be registered with selective service, the documentation demonstrating such registration was not retained.

Questioned Costs: Questioned costs related to this finding are not readily determinable. This is due to the ineligible reimbursement costs differing for each individual involved based on the class that was attended by the individual and the reimbursement cost per person for that class.

Context: A test of forty individuals from a total of 981 that participated in training disclosed that one individual who participated in training under the grant was not registered for selective service. The error resulted from program management allowing individuals who did not meet this eligibility requirement to participate in training and be submitted for reimbursement under the grant. An expansion of this testwork to a total of sixty individuals found that nine of these individuals were not registered for selective service, but allowed to participate under the grant. The expanded testwork also revealed five individuals for whom selective service registration documentation was not retained.

Navarro College District

Schedule of Findings and Questioned Costs (Continued)

(3) Federal Award Findings and Questioned Costs (continued)

Finding 2011-1: Eligibility for ARRA – WIA Dislocated Workers (continued)

Effect: Individuals who were ineligible to receive training under the grant were allowed to be trained, and were included in submissions for reimbursement.

Cause: Program management does not have effective controls in place to disallow the participation of ineligible individuals, or to not include ineligible participants from requests for reimbursement submitted under the grant.

Recommendation: We recommend that grant management discuss eligibility requirements in depth with the grantor representatives prior to the administration of new grants to ensure that grant management is cognizant of all applicable eligibility requirements. Grant management should further communicate these requirements to staff that make eligibility determinations, and retain the necessary documentation required by the Grantor to prove the eligibility of individuals allowed to participate in grant activities. We recommend that individuals who are deemed to be ineligible not receive benefits otherwise awarded under the grant.

Views of Responsible Officials and Planned Corrective Action: This information is in the District's separate Corrective Action Plan.

(4) State Award Findings and Questioned Costs

Finding 2011-2: Eligibility for Texas Educational Opportunity Grant (TEOG) Program

Texas Higher Education Coordinating Board
Texas Educational Opportunity Grant Program

Criteria: Texas Administrative Code Rule 22.256 contains the eligibility requirements for the Texas Educational Opportunity Grant Program. One of these requirements indicates that a student is not eligible for the Texas Educational Opportunity Grant Program (TEOG) if they meet the eligibility requirements of the Texas Grant Program.

Condition: When students first enroll at the District, the admissions office will accept a high school diploma as part of the admissions process. If only a high school diploma is obtained upon initial enrollment, the financial aid office will award the student under the TEOG as long as all other TEOG requirements are met. If an official high school transcript is later received, the admissions office is required to update the student's college status and financial aid is to adjust awards accordingly. However, official transcripts are not consistently obtained for students enrolled at the District and financial aid is not adjusting awarded amounts based on revised eligibility status.

Navarro College District

Schedule of Findings and Questioned Costs (Continued)

(4) State Award Findings and Questioned Costs (continued)

Finding 2011-2: Eligibility for Texas
Educational Opportunity Grant (TEOG) Program (continued)

Questioned Costs: Approximately \$18,600 of costs are questioned as a result of not meeting eligibility requirements.

Context: A test of 37 students from a total of 105 students awarded under the TEOG disclosed that one student who was awarded under the TEOG was eligible for the Texas Grant Program. The error resulted from a late determination that this student graduated under a recommended or distinguished high school program. Additionally, the test of 37 students disclosed that one student was awarded the TEOG based solely on the student's diploma. No official transcript was obtained for the student to verify that the student was ineligible for the Texas Grant and therefore eligible for the TEOG. The total awards expended under TEOG were approximately \$189,000.

Effect: Students awarded under the TEOG should have been awarded under the Texas Grant Program, or sufficient evidence was not obtained by the school to determine which award the student was eligible to receive.

Cause: Ineffective internal controls are in place to ensure transcripts are received from all students eligible for the Texas Grant and the TEOG to be used in eligibility determinations.

Recommendation: We recommend that the admissions office and the financial aid office work together to develop policies that would allow transcripts to be obtained for all students who are eligible to receive the Texas Grant or the TEOG. In addition, financial aid should develop processes to ensure that award determinations are not made until the student's transcript is obtained. Further, the admissions office should develop a routine of performing spot checks of transcripts obtained to ensure the appropriate degree level is recorded in Datatel for use in award determinations. This will ensure proper determination of eligibility for TEOG and negate the possibility of awarding grants based on incomplete information.

Views of Responsible Officials and Planned Corrective Action: This information is in the District's separate Corrective Action Plan.

Navarro College District

Summary Schedule of Prior Audit Findings

August 31, 2011

Finding 2010-1: Eligibility for Texas Educational Opportunity Grant (TEOG) Program

Criteria, Finding and Recommendation: Chapter 22, Subchapter M, Section 22.256 describes the eligibility requirements for the TEOG program, which states that a student must not be eligible for the Texas Grant program in order to be eligible for the TEOG program. During our tests of compliance over eligibility for the TEOG program, we noted three instances out of a sample of thirty-seven in which the student's admission file indicated that the student had received a recommended or distinguished high school diploma, which would make the student eligible for the Texas Grant program, and thus, ineligible for the TEOG program. We understand that these instances occurred because the type of high school diploma was not entered correctly by the Registrar's Office.

This finding was noted in our previous report dated December 16, 2010, and in response to the finding, the District implemented a corrective action plan which included new program rules to be run in Datatel, as well as additional training for all personnel dealing with transcripts to ensure that transcripts are processed correctly and in a timely manner. These corrective actions were fully implemented by January 2011.

Current Status

Contact person responsible for corrective action: David L. Edwards, Registrar and Ed Ephlin, Director of Financial Aid

Corrective action taken: A rule was developed with the help of Datatel personnel to detect the type of degree earned by the student, as entered into Datatel by the Registrar's office, and to only award TEOG to students who did not graduate recommended or distinguished.



Navarro College District

Corrective Action Plan

August 31, 2011

Finding 2011-1: Eligibility for ARRA – WIA Dislocated Workers

Contact person(s) responsible for correction action: Kristin Walker, Director of Continuing Education, and Don Jock, Grant Coordinator

Corrective action planned: Staff with the responsibility of administering training grant deliverables will be required to review individual grant requirements with the Director, and have accountability to the Grant Account, to ensure necessary requirements are known to staff. Additionally, the process of creating individual training agreements for the grant partners (companies to receive training) will be a collaborative effort of the staff, including the Director, both Grant Coordinators, and the Grant Accountant. Each grant partner will receive clear documentation of the grant requirements, including participation requirements.

Additional or new requirements of individual grants will be added to the registration form; i.e. selective service, eligibility to work in the United States, and the registration form will clearly state the requirements of the grant. This will be a second measure for the grant partners, Grant Coordinators, and the participants to ensure all stakeholders are aware of the requirements and given the opportunity to advise ineligibility. Grant Coordinators will be trained to identify participant who do not meet requirements. Additionally, Grant Coordinators will be responsible for not registering ineligible participants and advising the grant partner of the situation.

The Director will continue training for all grant staff to ensure that all grant requirements are met and documented properly. A check list will be created specific to each grant noting the requirements for each participant. This checklist will be required to document each student's eligibility. Completing internal audits of each grant will occur at the mid-point of the grant timeline, as well as at the conclusion of the grant.

Anticipated completion date: The Director will initiate training on November 30, 2011. Successful implementation will occur with the next grant awarded to the Navarro College Continuing Education department.

Finding 2011-2: Eligibility for Texas Education Opportunity Grant (TEOG) Program

Contact person(s) responsible for correction action: David L. Edwards, Registrar, Ed Ephlin, Financial Aid Director, and Kristal Nicholson, Financial Aid Director, Elect

Corrective action planned: Corrective action will have to be coordinated between the Registrar and the Financial Aid offices; therefore the plan will include both functional areas.

Navarro College District

Corrective Action Plan (Continued)

Finding 2011-2: Eligibility for Texas Education Opportunity Grant (TEOG) Program (continued)

The Registrar will continue the training for all personnel dealing with High School transcripts to ensure that all incoming High School transcripts are processed correctly and are identified in Datatel as either “Minimum/GED” or “Recommended” in a timely manner. If admission and registration of a student is allowed based only the High School diploma, the student will be identified as “Graduated” in Datatel. Students will be informed that they are not eligible for either TEOG or Texas Grants funds until they provide the District with an official copy of their High School transcript. The Registrar will continue to monitor this process, as well as provide ongoing specialized training to ensure that the District maintains a continuous state of compliance.

The Financial Aid office will award financial aid as follows. Students admitted as “Minimum/GED” will receive TEOG awards if all other criteria are met. Students admitted as “Recommended” will receive Texas Grant award if all other criteria are met. Students admitted as “Graduated” will not be awarded either TEOG or Texas Grants. Once the student submits an official transcript and his record in Datatel is updated from “Graduated” to either “Minimum/GED” or “Recommended,” the program rule below will take effect. This program rule is attached to the TEOG awards in the student financial aid database environment. This rule initiates the program to review the high school graduation type. If the graduation type field is populated with an “R” on the IASU screen, the rule will fail and the TEOG funds will not transmit to the student’s account. If the graduation type field is updated or changed during the semester, the TEOG award will initiate the return of any TEOG award from the student’s account after each FATR (Financial Aid Transfer to student accounts) update run. The FATR update process is routinely run throughout each semester.

Anticipated completion date: Implementation is immediate and will be monitored during the upcoming spring 2012 semester.