

Navarro College District
Corsicana, Texas
Comprehensive Annual Financial Report
Years Ended August 31, 2010 and 2009



Prepared by:
Navarro College District
Finance Department



Introductory Section



Navarro College District

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Navarro College District

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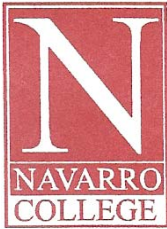
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December 16, 2010

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

The following comprehensive annual financial report of Navarro College District (the District) for fiscal year ended August 31, 2010 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, 2010 and 2009. 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 is also 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 2009 semester credit enrollment at the District grew by 872 students to 9,200 students on census date, an increase of 10.47% over Fall 2008.

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 stable as evidenced by an \$8.6 million (0.3%) increase in the assessed value of the District during the past fiscal year.

The District began offering an Oil and Gas Production Technology Certificate program in spring 2008. Associate sponsors of the program are EnCana and XTO, leaders in the oil and gas production industry. Marathon Oil and Chesapeake Energy joined EnCana and XTO as partners in Navarro College's Petroleum Technology Program, providing equipment and scholarships. EnCana and XTO also provided large donations for the construction of a new Petroleum Technology Building. Currently, there are 130 students enrolled in the program. In the fall of 2009, Navarro College expanded the Oil and Gas Production Technology Certificate program by adding an Associate in Applied Science Degree in Petroleum Technology. Future enrollment is anticipated to grow to approximately 200 students due to the increased capacity.

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).

Cinergy Cinemas is a new business in Corsicana. Cinergy built a 34,000 square foot entertainment complex that features eight movie screens, dining, mini bowling, an arcade, mini golf, and electric go karts. The cinema employs approximately 50 full-time and part-time employees.

The International Order of Odd Fellows (IOOF) is currently remodeling a former orphanage administration building into a conference center. Construction on Phase I of the center began in June 2010 and will provide meeting rooms and offices. Phase II will start upon completion of Phase I and will house a 750 seat Events Center. An expansion of the Navarro College Cook Education Center will provide a 500-plus seat event center, which is scheduled to open during spring 2011.

Navarro Regional Hospital recently completed an expansion of the hospital which expanded the emergency treatment facilities and added 9,000 square feet and fourteen treatment rooms. A 43,000 square feet (100 beds) skilled nursing facility is currently under construction.

The top employers in Navarro County are:

Employer	Industry	Number of Employees
Navarro College (includes part-time)	Education	982
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
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, LLC	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 twelve parks, two golf courses, 49 tennis courts and three 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 amphitheatre for concerts.

The population of Navarro County has grown 13% over the past ten years and the Office of the State Demographer for the State of Texas projects a population growth of 9.7% in Navarro County by 2015. The projected population growth for Ellis County for the same period is 17.2%.

Ellis County, a major part of our service area, continues to grow dramatically. The 2010 estimated population of Waxahachie is just over 31,000, with the population of Midlothian being 16,850.

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. In 2009, over \$70 million in commercial development and over \$30 million in residential development was completed.

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 \$49.8 million in awards was processed in fiscal year 2010. 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 to offer dual credit courses and articulated programs, to prepare students for the workforce in technical fields. Technical training and placement for students in industry located in the Limestone and Freestone counties.
- The Cook Education Center, located adjacent to the main campus in Corsicana, is equipped with a 60 ft. 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 and 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 “Opening Doors to Success” program continues to assist in identifying students with potential to succeed, but not enrolling in college for a variety of reasons. This program provides individualized counseling attention and financial assistance to qualifying students.
- The District cooperative agreement with John Deere continues to attract students from across Texas and neighboring states pursuing 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 also offered in these areas 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 aid training programs in the high schools also help to provide trained staff as well as the continuing education programs for training and recertification programs. 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 is also 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, 2010, provided no instances of material weakness in the internal control structure.

In addition, 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 District 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 budget.

State statutes require an annual audit by independent certified public accountants. Navarro College District's Board of Trustees selected the accounting firm of Jaynes, Reitmeier, Boyd & Therrell, P.C. for fiscal years 2006 through 2010.

MAJOR INITIATIVES

Academic Program Enhancements:

The District has been recognized as a leader in higher education with 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 22.01% 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 Fall 2000 to 663 students in Fall 2010 on both the Corsicana and Midlothian Campuses. The partnership has produced 1,272 graduates with 1,018 in education, 121 BAAs, 41 in Criminal Justice and 91 Master's degrees conferred.
- 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 which includes basketball, baseball, soccer, football, cheerleading, and volleyball.
 - The basketball team won the 2009-10 Region XIV Championship and finished fourth at the NJCAA National Tournament. Coach Johnny Estelle was named Region XIV Coach of the Year.
 - The baseball team was co-conference champion and finished fourth at the Region XIV Tournament and had two players on the NJCAA All-Region XIV Team and the NJCAA All-TEAC Conference Team.
 - The soccer team was the runner-up in the Region XIV Championship game and had four players on the NJCAA All Region XIV and NSCAA All Region Teams. Three players were named NJCAA All-Americans and two players were named NSCAA All-Americans.
 - The softball team finished in second place at the Region XIV Tournament and Eastern Conference Championships. They had ten East Zone All-Conference players, five players on the NJCAA All Region XIV, and two players on the NFCA All-Region Teams. Two players were named Louisville Slugger NFCA All Americans.
 - The football program has won fourteen conference championships and won the National Championship in 1989, the Pilgrim's Pride Bowl in 2007, and the Heart of Texas Bowl in 2009. The 2010 team won the SWJCFC Championship. They finished the season ranked No. 2 in the NJCAA Poll. Head Coach Nick Bobeck was named SWJCFC Coach of the Year.
 - The Cheerleaders won the 2010 NCA National Championship.

- Academics are stressed by Navarro College administration and the coaching staff. Success is evidenced by having 25 athletes named to the Region XIV Athletic Conference All-Academic Team, seven players named as Academic All-Americans, and one player named Distinguished Academic All-American. The Softball, Soccer, and Volleyball teams earned recognition as 2009-10 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 (SEC), residence life areas and the Midlothian campus; adding panic buttons in each of our college stores and cashiering office on each campus; providing controlled access points in Gibson Hall.
 - 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 38 campus clubs and organizations. Of those student organizations, 31 provide services to the Corsicana campus and seven 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

The renovation of the leased space in Waxahachie for the Ellis County Cosmetology program was completed during the Fall 2009 semester. Construction of the second classroom building (Midlothian Campus - Phase II) began in December 2009 with a scheduled completion date of November 2010. In addition, architectural drawings were prepared for a Petroleum Technology and a Campus Police building on the Corsicana campus. It is anticipated to have both buildings complete for the spring 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 District for its comprehensive annual financial report for the fiscal year ended August 31, 2009. This was the ninth consecutive year (2001 through 2009) 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.

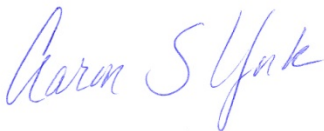
Navarro College has had six recipients of the distinguished Piper Professor award. Four additional faculty members attended the prestigious Salzburg Seminar for a study on global learning.

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 assistance in timely completion of the audit. Due credit should also be given 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,

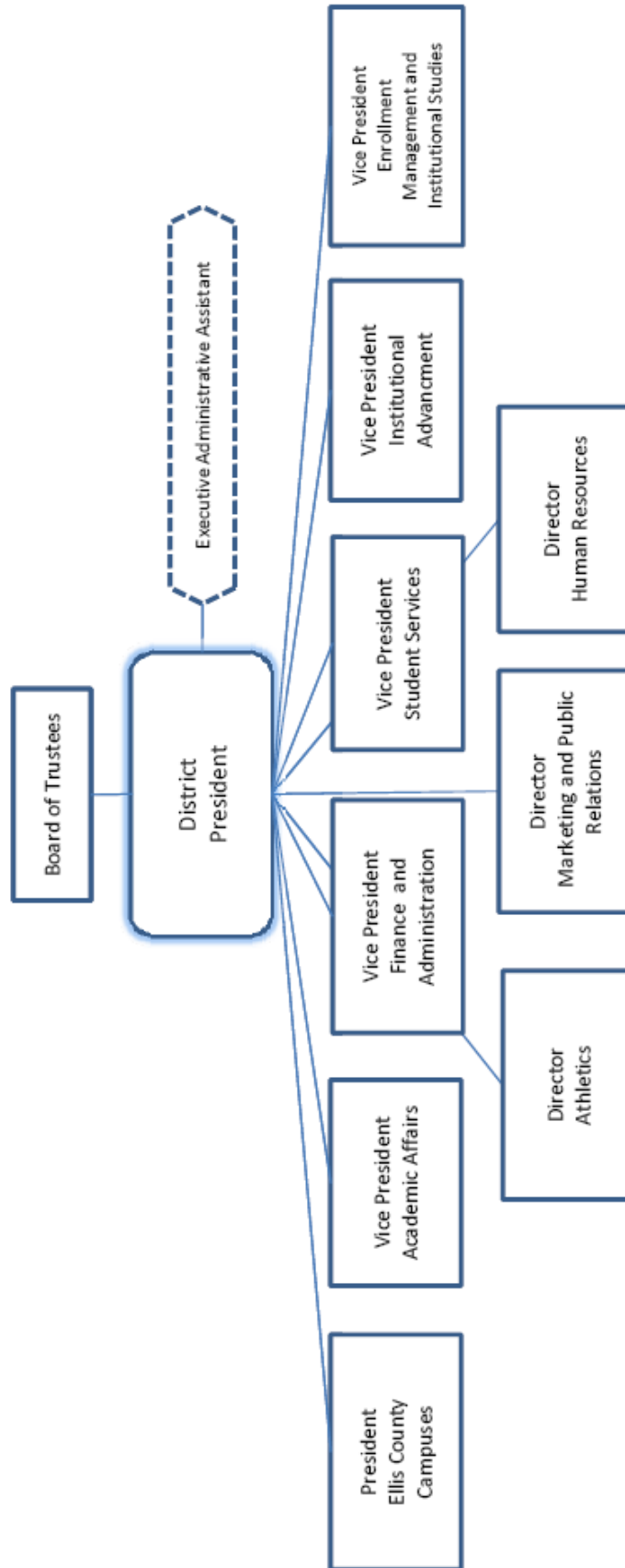


Gertrud Moreno, CPA
Vice President for Finance and Administration

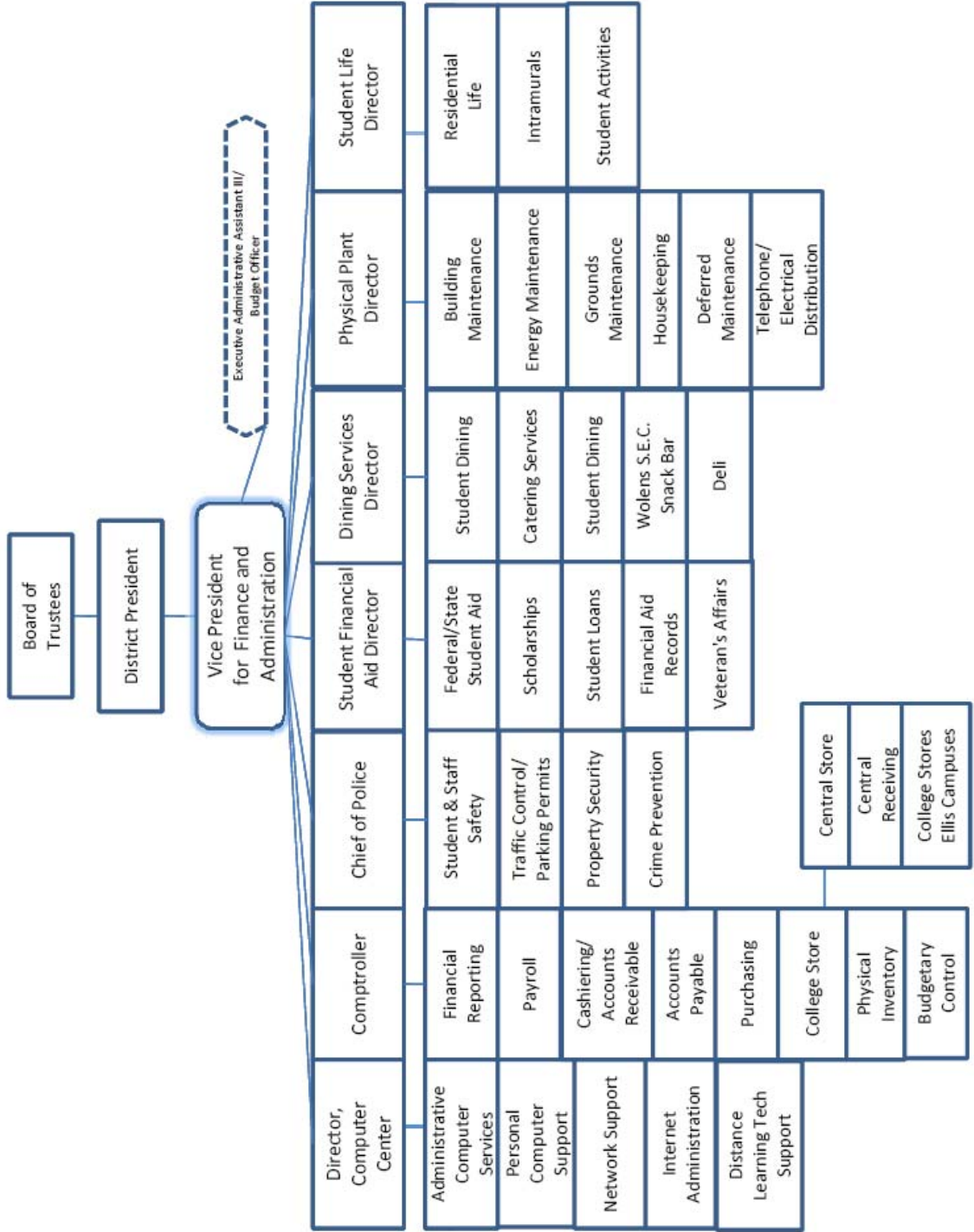


Aaron York, CPA
Comptroller

III.03.01
NAVARRO COLLEGE
Organization Chart
District President



III.03.04
NAVARRO COLLEGE
Organization Chart
Vice President for Finance and Administration



Navarro College District

**Principal Officials
Year Ending August 31, 2010**

Board of Trustees

Officers

Lloyd D. Huffman	Chairman
James G. Price, D.D.S.	Vice-Chairman
James E. Borkchum	Secretary/Treasurer

Members

Term Expires

James E. Borkchum	Corsicana, Texas	2013
Lloyd D. Huffman	Corsicana, Texas	2011
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	2011
A. L. Atkeisson	Kerens, Texas	2015

Executive Officers

Richard M. Sanchez, Ed.D.	District President
Harold Nolte, Ed.D	President, Ellis County Campuses
Kenneth Martin, Ed.D	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



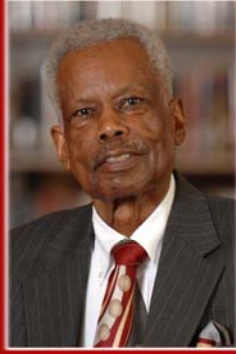
Dr. Richard Sanchez
District President



Lloyd D. Huffman
Chairman



Dr. James G. Price
Vice Chairman



James E. Borkchum Jr.
Secretary/Treasurer



Billy Todd McGraw
Member



Phil Judson
Member



Dick Aldama
Member



Buster Atkeisson
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, 2009

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.



President

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, 2010 and 2009, 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, 2010 and 2009. 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, 2010 and 2009, 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 December 16, 2010, 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 Standard*, 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 55 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.

James, Reitzman, Boyd & Threlkoff, P.C.

December 16, 2010

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, 2010. 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 - xiii of this report.

Financial Highlights

- Increase of \$3,742,474 in net assets for fiscal year ending August 31, 2010, of which \$3,399,194 represents an increase in unrestricted net assets.
- Direct Student Loan Program was implemented in March 2010. Total amount awarded during fiscal year 2010 was \$8,902,329.

Overview of the Financial Statements and Financial Analysis

The District is proud to present its financial statements for fiscal year ended August 31, 2010. 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.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year. 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 District. They are also able to determine how much the District owes vendors and lending institutions.

Navarro College District Statements of Net Assets

	August 31,			Amount of Change 2009 to 2010	% of Change 2009 to 2010
	2010	2009	2008		
Assets					
Current assets	\$ 29,049,544	22,134,751	19,662,598	6,914,793	31.24%
Capital assets	55,329,230	51,663,876	51,580,996	3,665,354	7.09%
Other assets	1,743,607	4,445,403	390,418	(2,701,796)	(60.78%)
Total assets	\$ 86,122,381	78,244,030	71,634,012	7,878,351	10.07%

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

	August 31,			Amount of Change 2009 to 2010	% of Change 2009 to 2010
	2010	2009	2008		
Liabilities					
Current liabilities	\$ 16,411,656	11,750,502	10,487,357	4,661,154	39.67%
Noncurrent liabilities	<u>33,274,674</u>	<u>33,799,951</u>	<u>30,832,724</u>	<u>(525,277)</u>	(1.55%)
Total liabilities	<u><u>49,686,330</u></u>	<u><u>45,550,453</u></u>	<u><u>41,320,081</u></u>	<u><u>4,135,877</u></u>	9.08%
Net assets					
Invested in capital assets, net of debt	\$ 23,238,115	22,732,156	21,529,891	505,959	2.23%
Restricted - expendable	3,007,776	3,170,455	3,371,239	(162,679)	(5.13%)
Unrestricted	<u>10,190,160</u>	<u>6,790,966</u>	<u>5,412,801</u>	<u>3,399,194</u>	50.05%
Total net assets	<u><u>36,436,051</u></u>	<u><u>32,693,577</u></u>	<u><u>30,313,931</u></u>	<u><u>3,742,474</u></u>	11.45%

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 District 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 net assets are available to the District for any lawful purpose of the District.

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 2009 to 2010

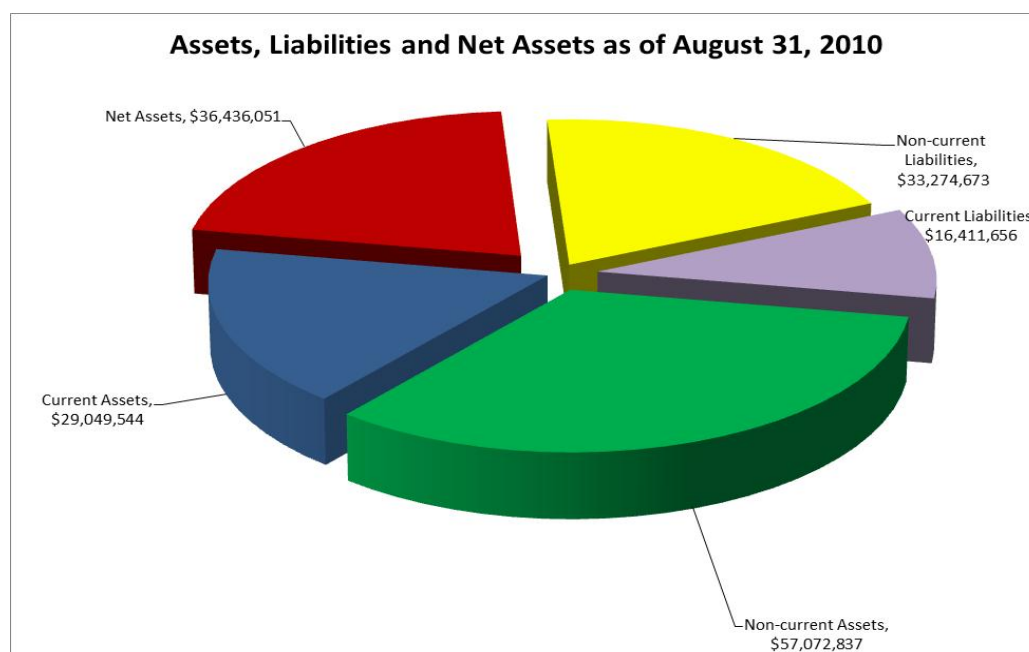
Current assets increased by 31.24% due to increases of \$8,471,397 in accounts receivable, \$270,698 in prepaid expenses, and \$627,916 in inventories. Student enrollment and federal Pell annual award increases (\$4,415,965), as well as the shift from third party lenders to direct lending for student loans (\$2,208,435) 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 (CIP) was affected by the startup of the construction for the second classroom building on the Midlothian Campus. Other noncurrent assets, which include restricted

cash, were also impacted by this construction project. Payment of project related invoices decreased restricted cash by \$2,667,625 (-67%).

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 (first time the District included room and board attributable for the subsequent fall semester in deferred revenue) 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 illustrated in the unrestricted net assets, namely \$3,399,194 (90.83%) with the remainder being tied to an increase of capital assets (\$505,959) minus a small reduction of \$162,697 in expendable restricted assets.



Financial Analysis from 2008 to 2009

Current assets increased by 12.57% due to increases in cash and cash equivalents (\$1,238,610), accounts receivable (\$716,497) and inventories (\$878,023). Money markets continued to fluctuate and prevailing lower interest rates required management to shift its long-term investments into more liquid, short-term investments. Enrollment increases affected both the outstanding receivables and the bookstore inventories.

Capital assets show a modest increase of \$82,880 (after depreciation). The increase was attributable to the purchase of two properties adjacent to the location of the Corsicana campus. Other assets, which include restricted cash, increased by \$4.05 million due to the receipt of funds from the 2009 Revenue Bond sale that was received in July 2009. These funds are restricted for the construction of Phase II on the Midlothian campus scheduled to start on December 1, 2009.

Total liabilities increased to \$45,550,453 from \$41,320,081 for an increase of \$4,230,372 (10.24%). This increase was due to an additional \$1.19 million in deferred revenues and the issuance of the 2009 Revenue Bonds which increased the bonds payable by \$3.075 million.

In summary, the total net assets of the District grew by \$2,379,646 to a total of \$32,693,577 at August 31, 2009. Most of the increase can be found in the unrestricted assets balance, namely \$1,378,165 with the remainder being tied to capital assets.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The statement includes three sections: operating revenues, operating expenses, and non-operating revenues (expenses). The purpose of the statement is to present the revenues received by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. Non-operating revenues are revenues received for which goods and services are not provided.

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

	August 31,			Amount of	% of
	2010	2009	2008	Change 2009 to 2010	Change 2009 to 2010
Operating revenues					
Tuition and fees	\$ 13,325,558	11,425,170 (a)	10,123,664 (a)	1,900,388	16.63%
Sales and services	8,147,110	7,879,420 (a)	6,887,130 (a)	267,690	3.40%
Other operating revenues	98,943	119,684	98,376	(20,741)	(17.33%)
Total operating revenues	<u>21,571,611</u>	<u>19,424,274</u>	<u>17,109,170</u>	<u>2,147,337</u>	11.05%
Non-operating revenues					
State appropriations	\$ 16,719,942	14,788,419	14,443,224	1,931,523	13.06%
Maintenance ad valorem taxes	2,988,424	2,868,682	2,686,447	119,742	4.17%
Grants and contracts	24,453,476	15,175,033	12,219,000	9,278,443	61.14%
Gifts	635,150	699,769	793,110	(64,619)	(9.23%)
Investment income	193,952	279,352	456,823	(85,400)	(30.57%)
Other non-operating revenues	479,948	-	38,049	479,948	100.00%
Total non-operating revenues	<u>45,470,892</u>	<u>33,811,255</u>	<u>30,636,653</u>	<u>11,659,637</u>	34.48%
Total revenues	<u>67,042,503</u>	<u>53,235,529</u>	<u>47,745,823</u>	<u>13,806,974</u>	25.94%

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

	August 31,			Amount of	% of
	2010	2009	2008	Change 2009 to 2010	Change 2009 to 2010
Operating expenses					
Instruction	17,540,069	16,061,086	14,955,025	1,478,983	9.21%
Public service	194,113	173,343	157,488	20,770	11.98%
Academic support	3,436,714	3,045,243	2,800,470	391,471	12.86%
Student services	3,838,251	3,058,628	2,693,937	779,623	25.49%
Institutional support	5,054,143	4,400,790	4,227,103	653,353	14.85%
Operation and management of plant	3,743,411	3,427,220	3,732,384	316,191	9.23%
Scholarships and fellowships	16,350,302	8,538,915 (a)	7,061,974 (a)	7,811,387	91.48%
Auxiliary enterprises	10,082,097	9,252,131	8,585,730	829,966	8.97%
Depreciation expense	1,574,211	1,539,247	1,475,450	34,964	2.27%
Total operating expenses	<u>61,813,311</u>	<u>49,496,603</u>	<u>45,689,561</u>	<u>12,316,708</u>	24.88%
Nonoperating expenses					
Interest on capital related debt	1,486,718	1,359,280	1,378,430	127,438	9.38%
Loss on disposal of capital assets	-	-	2,153	-	-
Total nonoperating expenses	<u>1,486,718</u>	<u>1,359,280</u>	<u>1,380,583</u>	<u>127,438</u>	9.38%
Total expenses	<u>63,300,029</u>	<u>50,855,883</u>	<u>47,070,144</u>	<u>12,444,146</u>	24.47%
Change in net assets	3,742,474	2,379,646	675,679	1,362,828	57.27%
Beginning net assets	<u>32,693,577</u>	<u>30,313,931</u>	<u>29,638,252</u>	<u>2,379,646</u>	7.85%
Ending net assets	<u>\$ 36,436,051</u>	<u>32,693,577</u>	<u>30,313,931</u>	<u>3,742,474</u>	11.45%

(a) Reclassification

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. (Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 35 require that tuition and fees and auxiliary enterprise charges should be reported net of any allowances and discounts.)

Non-operating revenues increased by 34.48% or \$11,659,637. As mentioned above, this increase was largely caused 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 non-operating revenues.

Overall operating expenses increased by 24.88% or \$12,316,708. 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.

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

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

Financial Analysis from 2008 to 2009

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase of \$2,379,646 in net assets at year-end. Operating revenues increased 7.20% or \$830,462 due to enrollment growth, small tuition increases and strong auxiliary enterprise sales.

Governmental Accounting Standards Board (GASB) standards require tuition and fees and auxiliary enterprise charges to be reported net of any allowances and discounts. The tuition and fees, net of allowances, are \$6,363,939 representing a 3% increase over the prior year. Auxiliary enterprise charges, net of discounts, are \$5,525,269 at August 31, 2009, which reflects an 11.4% increase from the prior year due to the increased number of students served.

Non-operating revenues increased by 10.36% or \$3,174,602. This increase resulted from small increases in state appropriations (\$345,195) and maintenance ad valorem taxes (\$182,235), and a \$2.95 million increase in grants and contracts which was attributable to the Department of Labor grant and increases in federal student financial aid.

Operating expenses increased in most categories as additional costs were incurred to support the additional enrollment and as the cost of goods and services increased. An additional 7.76% in auxiliary expenses occurred as a result of a 10.74% increase in auxiliary revenues caused by the enrollment increases.

Non-operating expenses of interest on capital debt decreased by \$19,150 due to regular amortization of principal and interest.

Statement 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 institution 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

non-operating, non-investing, and non-capital financing purposes. The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. This section deals with the cash used for the acquisition and construction of capital and related items. 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.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>Amount of Change 2009 to 2010</u>	<u>% of Change 2009 2010</u>
Cash provided by (used for):					
Operating activities	\$ (42,271,369)	(25,962,427)	(26,863,264) (a)	(16,308,942)	62.82%
Noncapital financing activities	42,628,582	30,614,137	29,737,811 (a)	12,014,445	39.24%
Investing activities	184,421	645,851	4,147,828	(461,430)	(71.45%)
Capital and related financing activities	<u>(5,664,387)</u>	<u>(58,951)</u>	<u>(3,891,239)</u>	<u>(5,605,436)</u>	9,508.64%
Net change in cash	(5,122,753)	5,238,610	3,131,136	(10,361,363)	(197.79%)
Cash, beginning of year	<u>19,922,162</u>	<u>14,683,552</u>	<u>11,552,416</u>	<u>5,238,610</u>	35.68%
Cash, end of year	\$ <u><u>14,799,409</u></u>	<u><u>19,922,162</u></u>	<u><u>14,683,552</u></u>	<u><u>(5,122,753)</u></u>	(25.71%)

(a) Reclassification

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 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.

Financial Analysis from 2008 to 2009

An analysis of cash flows shows an overall increase in cash flow for 2009. The District had \$19,922,162 in cash and equivalents at the end of fiscal year 2009 compared to \$14,683,552 at the end of fiscal year 2008. The increased cash flow was generated from net increases of student receipts, grant funds, state appropriation, ad valorem tax revenues, and the proceeds from the 2009 Revenue Bond issue.

Capital Assets and Debt Administration

In July 2009, the District issued an additional \$4,075,000 in debt with Series 2009 Revenue Bonds. Proceeds from these bonds were used to partially fund the construction of Phase II of the Midlothian campus. In addition, funding commitments for this project were made by the Corporation for Economic Development of Midlothian (\$1.5 million) and the City of Midlothian (\$265,634). \$750,000 was received from the Corporation for Economic Development upon issuance of the building permits; the balance will be paid upon issuance of the Certificate of Occupancy, which is expected to occur in November 2010. The City of Midlothian anticipates paying part of their commitment with in-kind services upon completion of construction. During

the last year, the District continued to increase its physical plant by adding \$1.1 million in capital assets, net of related debt. The physical plant addition consists of Phase II of the Midlothian campus as noted above.

As of August 31, 2010, the District had \$27,925,000 of revenue bonds outstanding.

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 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 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, 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, 2010 and 2009

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2010	2009	2010	2009
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 13,467,034	15,922,162	520,727	389,658
Accounts receivable, net	11,909,014	3,437,617	586,601	44,937
Prepaid expenses	839,105	568,497	-	-
Inventories	2,834,391	2,206,475	-	-
Total current assets	<u>29,049,544</u>	<u>22,134,751</u>	<u>1,107,328</u>	<u>434,595</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,332,375	4,000,000	-	-
Long-term investments	-	-	2,759,833	2,673,478
Capital assets, net	55,329,230	51,663,876	8,514,430	8,407,221
Other assets	411,232	445,403	-	-
Total noncurrent assets	<u>57,072,837</u>	<u>56,109,279</u>	<u>11,274,263</u>	<u>11,080,699</u>
Total assets	<u>86,122,381</u>	<u>78,244,030</u>	<u>12,381,591</u>	<u>11,515,294</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	3,223,356	1,905,836	28,340	1,751
Accrued liabilities	388,862	347,957	-	-
Funds held for others	529,088	498,498	-	-
Deferred revenue	10,954,857	7,752,661	-	-
Accrued compensated absences - current portion	82,993	12,793	-	-
Accrued claims and judgements - current portion	32,500	15,455	-	-
Note payable - current portion	-	37,302	-	-
Capital lease - current portion	135,000	125,000	-	-
Bonds payable - current portion	1,065,000	1,055,000	-	-
Total current liabilities	<u>16,411,656</u>	<u>11,750,502</u>	<u>28,340</u>	<u>1,751</u>
Noncurrent liabilities:				
Accrued compensated absences	1,623,967	1,698,765	-	-
Accrued claims and judgements	99,591	46,365	-	-
Loan payable	750,000	-	-	-
Capital lease	3,941,116	4,076,116	-	-
Bonds payable	26,860,000	27,978,705	-	-
Total noncurrent liabilities	<u>33,274,674</u>	<u>33,799,951</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>49,686,330</u>	<u>45,550,453</u>	<u>28,340</u>	<u>1,751</u>
<u>Net Assets</u>				
Net assets:				
Invested in capital assets, net of related debt	23,238,115	22,732,156	8,514,430	8,407,221
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	146,600	146,601
Pearce Museum	-	-	1,253,819	1,197,948
Expendable:				
Scholarships and fellowships	2,792,083	2,940,621	2,327,944	1,584,422
Debt service	215,693	229,834	-	-
Unrestricted	<u>10,190,160</u>	<u>6,790,966</u>	<u>110,458</u>	<u>177,351</u>
Total net assets	<u>\$ 36,436,051</u>	<u>32,693,577</u>	<u>12,353,251</u>	<u>11,513,543</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, 2010 and 2009

	Primary Government		Component Unit	
	Navarro College District		Navarro College Foundation, Inc.	
	2010	2009	2010	2009
Operating revenues:				
Tuition and fees (net of scholarship allowances and discounts of \$4,741,995 and \$3,597,793, respectively)	\$ 13,325,558	11,425,170	-	-
Gifts	-	-	1,228,145	576,043
Sales and services of educational activities	373,842	362,637	-	-
Auxiliary enterprises (net of scholarship allowances and discounts of \$2,032,283 and \$1,541,911, respectively)	7,773,268	7,516,783	-	-
Other operating revenues	98,943	119,684	-	-
Total operating revenues	21,571,611	19,424,274	1,228,145	576,043
Operating expenses:				
Instruction	17,540,069	16,061,086	-	-
Public service	194,113	173,343	-	-
Academic support	3,436,714	3,045,243	-	-
Student services	3,838,251	3,058,628	-	-
Institutional support	5,054,143	4,400,790	336,597	311,543
Operation and maintenance of plant	3,743,411	3,427,220	-	-
Scholarships and fellowships	16,350,302	8,538,915	204,092	111,651
Auxiliary enterprises	10,082,097	9,252,131	-	-
Depreciation	1,574,211	1,539,247	4,266	3,819
Total operating expenses	61,813,311	49,496,603	544,955	427,013
Operating income (loss)	(40,241,700)	(30,072,329)	683,190	149,030
Nonoperating revenues (expenses):				
State appropriations	16,719,942	14,788,419	-	-
Ad valorem property taxes for maintenance and operations	2,988,424	2,868,682	-	-
Federal grants and contracts	22,755,722	13,816,025	-	-
State grants and contracts	1,575,161	1,097,098	-	-
Local grants and contracts	122,593	261,910	-	-
Investment income (loss)	193,952	279,352	156,518	(69,600)
Gifts	635,150	699,769	-	-
Interest on capital asset-related debt	(1,486,718)	(1,359,280)	-	-
Other nonoperating revenues (expenses), net	479,948	-	-	-
Net nonoperating revenues	43,984,174	32,451,975	156,518	(69,600)
Increase in net assets	3,742,474	2,379,646	839,708	79,430
Net assets - beginning of year	32,693,577	30,313,931	11,513,543	11,434,113
Net assets - end of year	\$ 36,436,051	32,693,577	12,353,251	11,513,543

See accompanying notes to the financial statements.

Navarro College District

Statements of Cash Flows (Exhibit 3)

Years Ended August 31, 2010 and 2009

	Primary Government	
	Navarro College District	
	2010	2009
Cash flows from operating activities		
Receipts from students and other customers	\$ 24,762,180	25,504,021
Receipts from third-party student loans	25,011,989	20,375,379
Other receipts	98,943	119,684
Loans issued to students	(27,220,424)	(20,079,568)
Payments to employees	(24,705,305)	(22,041,871)
Payments to suppliers	(40,218,752)	(29,840,072)
Net cash used in operating activities	(42,271,369)	(25,962,427)
Cash flows from noncapital financing activities		
Receipts of state appropriations	14,447,465	12,465,236
Receipts from ad valorem property taxes for maintenance and operation	2,964,714	2,913,735
Receipts of grants and contracts	24,631,306	14,535,397
Receipts from gifts for other than capital purposes	635,150	699,769
Other payments	(50,053)	-
Net cash provided by noncapital financing activities	42,628,582	30,614,137
Cash flows from capital and related financing activities		
Proceeds from issuance of bonded debt	-	4,000,000
Proceeds from loan payable	750,000	-
Proceeds from capital contributions	530,000	-
Purchases of capital assets	(4,178,717)	(1,622,127)
Payments on capital debt principal	(1,271,007)	(1,050,692)
Payments on capital debt interest	(1,494,663)	(1,386,132)
Net cash used in capital and related financing activities	(5,664,387)	(58,951)
Cash flows from investing activities		
Proceeds from sale of investments	-	350,000
Receipts from interest on investments	184,421	295,851
Net cash provided by investing activities	184,421	645,851
Net increase in cash and cash equivalents	(5,122,753)	5,238,610
Cash and cash equivalents - beginning of year	19,922,162	14,683,552
Cash and cash equivalents - end of year	\$ 14,799,409	19,922,162
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (40,241,700)	(30,072,329)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,574,211	1,539,247
On-behalf payments	2,272,477	2,323,183
Bad debt expense	310,000	-
Change in assets and liabilities:		
Receivables, net	(8,894,884)	(138,413)
Inventories	(627,916)	(878,023)
Prepaid expenses	(270,608)	10,977
Accounts payable	325,016	(14,828)
Accrued liabilities	14,679	-
Funds held for others	30,590	4,075
Deferred revenue	3,171,093	1,194,065
Accrued compensated absences	(4,598)	97,528
Accrued claims and judgments	70,271	(27,909)
Net cash used in operating activities	\$ (42,271,369)	(25,962,427)
Noncash investing, capital and financing activities:		
State appropriations on-behalf payments	\$ 2,272,477	2,323,183

See accompanying notes to the financial statements.



Navarro College District

Notes to Financial Statements

August 31, 2010 and 2009

(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 Navarro College 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, 2010 and 2009, the Foundation expended \$178,205 and \$69,129, 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. Operating revenues of the District consist of tuition and fees, sales and services of educational activities and auxiliary enterprise revenues. Operating expenses include the cost of providing educational services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the District consist of state appropriations, grants and contracts, and ad valorem property taxes. 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 and \$6,700,000 at August 31, 2010 and 2009, 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, 2010 and 2009 consist of the following amounts which have not yet been earned:

	<u>2010</u>	<u>2009</u>
Tuition and fees	\$ 8,899,778	7,699,859
Auxiliary	2,023,976	52,802
Federal grants	<u>31,103</u>	<u>-</u>
	<u>\$ 10,954,857</u>	<u>7,752,661</u>

(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

Navarro College District

Notes to Financial Statements (Continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Use of Estimates (continued)

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.

(j) Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

(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, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Cash - demand deposits	\$ 6,094,564	13,217,397
Cash - certificates of deposit	8,700,000	6,700,000
Cash - petty cash on hand	<u>4,845</u>	<u>4,765</u>
Total deposits	<u>\$ 14,799,409</u>	<u>19,922,162</u>

Navarro College District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

Deposits and investments of the Foundation at August 31, 2010 and 2009 consist of the following:

	2010	2009
<u>Deposits</u>		
Cash - demand deposits	\$ 520,727	389,658
Total deposits	520,727	389,658
 <u>Investments</u>		
U. S. government securities	315,113	447,759
Corporate bonds	414,751	324,776
Marketable equity securities	1,391,947	892,575
Other investments	638,022	1,008,368
Total investments	2,759,833	2,673,478
Total deposits and investments	\$ 3,280,560	3,063,136

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, 2010 and 2009 consisted of the following:

	2010	2009
Tuition and fees	\$ 7,876,736	2,932,544
Ad valorem property taxes	293,415	269,705
Federal and state grants	3,175,581	1,113,874
Interest	30,306	20,776
Auxiliary and other	1,944,492	202,234
	13,320,530	4,539,133
Less allowance for doubtful accounts	(1,411,516)	(1,101,516)
Accounts receivable, net	\$ 11,909,014	3,437,617

(6) Capital Assets

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
	3,075,995	4,575,169	-	7,651,164
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
	66,342,827	664,396	-	67,007,223

Navarro College District

Notes to Financial Statements (Continued)

(6) Capital Assets (continued)

	Balance September 1, 2009	Additions	Transfers and Retirements	Balance August 31, 2010
Less accumulated depreciation:				
Buildings and building improvements	(12,402,097)	(1,009,901)	-	(13,411,998)
Other real estate improvements	(1,891,107)	(170,588)	-	(2,061,695)
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	(2,639,150)	(338,924)	-	(2,978,074)
	<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>

Capital asset activity for the District for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Additions	Transfers and Retirements	Balance August 31, 2009
Capital assets, not being depreciated:				
Land	\$ 2,623,893	17,763	-	2,641,656
Collections	434,339	-	-	434,339
Construction in progress	230,457	-	(230,457)	-
	<u>3,288,689</u>	<u>17,763</u>	<u>(230,457)</u>	<u>3,075,995</u>
Capital assets, being depreciated:				
Buildings and building improvements	55,205,663	416,705	230,457	55,852,825
Other real estate improvements	4,146,537	660,060	-	4,806,597
Total buildings and other real estate improvements	59,352,200	1,076,765	230,457	60,659,422
Library books	1,200,934	81,295	-	1,282,229
Furniture and equipment	3,967,711	446,304	(12,839)	4,401,176
	<u>64,520,845</u>	<u>1,604,364</u>	<u>217,618</u>	<u>66,342,827</u>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2008	Additions	Transfers and Retirements	Balance August 31, 2009
Less accumulated depreciation:				
Buildings and building improvements	(11,410,344)	(991,753)	-	(12,402,097)
Other real estate improvements	<u>(1,732,170)</u>	<u>(158,937)</u>	-	<u>(1,891,107)</u>
Total buildings and other real estate improvements	(13,142,514)	(1,150,690)	-	(14,293,204)
Library books	(770,495)	(52,097)	-	(822,592)
Furniture and equipment	<u>(2,315,529)</u>	<u>(336,460)</u>	12,839	<u>(2,639,150)</u>
	<u>(16,228,538)</u>	<u>(1,539,247)</u>	<u>12,839</u>	<u>(17,754,946)</u>
	<u>48,292,307</u>	<u>65,117</u>	<u>230,457</u>	<u>48,587,881</u>
	<u>\$ 51,580,996</u>	<u>82,880</u>	<u>-</u>	<u>51,663,876</u>

Construction in progress at August 31, 2010 is composed of the following:

	Spent to Date	Remaining Committed	Required Future Financing
Petroleum Technology Building	\$ 161,245	931,298	None
Police Department Building	77,571	510,721	None
Phase II - Midlothian	4,289,789	916,175	None
Waxahachie Library Renovation	<u>46,564</u>	<u>34,442</u>	None
	<u>\$ 4,575,169</u>	<u>2,392,636</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>

Navarro College District

Notes to Financial Statements
(Continued)

(6) Capital Assets (continued)

	Balance September 1, 2009	Additions	Transfers and Retirements	Balance August 31, 2010
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>

Capital asset activity for the Foundation for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Additions	Transfers and Retirements	Balance August 31, 2009
Capital assets, not being depreciated:				
Collections	\$ 8,384,053	6,175	-	8,390,228
	<u>8,384,053</u>	<u>6,175</u>	<u>-</u>	<u>8,390,228</u>
Capital assets, being depreciated:				
Furniture and equipment	25,733	-	-	25,733
	<u>25,733</u>	<u>-</u>	<u>-</u>	<u>25,733</u>
Less accumulated depreciation:				
Furniture and equipment	(4,921)	(3,819)	-	(8,740)
	<u>(4,921)</u>	<u>(3,819)</u>	<u>-</u>	<u>(8,740)</u>
	<u>20,812</u>	<u>(3,819)</u>	<u>-</u>	<u>16,993</u>
	<u>\$ 8,404,865</u>	<u>2,356</u>	<u>-</u>	<u>8,407,221</u>

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities

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, note and loan 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, note and loan 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>

Long-term liability activity for the year ended August 31, 2009 was as follows:

	Balance September 1, 2008	Additions	Reductions	Balance August 31, 2009	Due Within One Year
Bonds and note payable:					
Revenue bonds	\$ 25,775,000	4,075,000	870,000	28,980,000	1,055,000
Deferred amounts:					
On refunding	107,413	-	53,708	53,705	-
Note payable	97,994	-	60,692	37,302	37,302
Total bonds and note payable	25,980,407	4,075,000	984,400	29,071,007	1,092,302
Capital lease	4,321,116	-	120,000	4,201,116	125,000
Other liabilities:					
Compensated absences	1,614,030	283,094	185,566	1,711,558	12,793
Claims and judgments	89,729	23,341	51,250	61,820	15,455
	<u>\$ 32,005,282</u>	<u>4,381,435</u>	<u>1,341,216</u>	<u>35,045,501</u>	<u>1,245,550</u>

Navarro College District

Notes to Financial Statements
(Continued)

(7) Long-Term Liabilities (continued)

Revenue bonds at August 31, 2010 and 2009, which were all issued to provide funds for the acquisition and construction of major capital facilities, are comprised of the following individual issues:

	2010	2009
\$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%	\$ 17,785,000	18,415,000
\$3,550,000 series 2006 revenue bonds due in annual installments of \$95,000 to \$245,000 through May 2027; interest at 3.7%	3,055,000	3,190,000
\$3,550,000 series 2007 revenue bonds due in annual installments of \$120,000 to \$250,000 through May 2027; interest at 4.08%	3,170,000	3,300,000
\$4,075,000 series 2009 revenue bonds due in annual installments of \$135,000 to \$300,000 through May 2029; interest at 4.56%	<u>3,915,000</u>	<u>4,075,000</u>
	<u>\$ 27,925,000</u>	<u>28,980,000</u>

Note payable for the purchase of land at August 31, 2010 and 2009 is comprised of the following:

	2010	2009
\$600,000 note payable to a bank due in monthly installments of \$5,233 through April 2011; interest at two-thirds of the bank's base rate plus 0.5%; secured by land	\$ -	<u>37,302</u>

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

Navarro College District

Notes to Financial Statements (Continued)

(7) Long-Term Liabilities (continued)

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 proceeds of \$750,000 and has reported a loan payable of \$750,000 at August 31, 2010.

Debt service requirements to amortize revenue bonds payable as of August 31, 2010, are as follows:

For the Year Ended August 31,	Revenue Bonds		Total
	Principal	Interest	
2011	\$ 1,065,000	1,294,649	2,359,649
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	1,111,291	2,351,291
2016-2020	7,135,000	4,621,265	11,756,265
2021-2025	9,035,000	2,745,577	11,780,577
2026-2029	6,000,000	602,551	6,602,551
	\$ 27,925,000	13,994,438	41,919,438

The District has pledged certain future tuition and fees to repay \$27.9 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 20% of the pledged tuition and fees. The total principal and interest remaining to be paid on the bonds is \$41.9 million. Principal and interest paid for the current year and total of pledged tuition and fees were \$2.4 million and \$12.5 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, 2010 consisted of the following:

Navarro College District

Notes to Financial Statements
(Continued)

(8) Capital Lease Obligations (continued)

Building	\$ 4,651,416
Less: accumulated amortization	<u>(391,875)</u>
	<u><u>\$ 4,259,541</u></u>

The future minimum lease obligations and the net present value of future minimum lease payments as of August 31, 2010 are as follows:

Fiscal Year	
2011	\$ 320,125
2012	318,375
2013	321,375
2014	318,875
2015	321,125
2016-2020	1,621,210
2021-2025	1,689,800
2026-2030	<u>1,286,741</u>
Total minimum least payments	6,197,626
Less amounts representing interest (at rates ranging from 4% to 5%)	<u>2,121,510</u>
Present value of minimum capital lease payments	<u><u>\$ 4,076,116</u></u>

(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.

Navarro College District

Notes to Financial Statements (Continued)

(9) Employees' Retirement Plan (continued)

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 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 2010, 2009, and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. 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, 2010, 2009, and 2008 were \$746,132, \$598,673, and \$524,264, 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 6.58% and 6.65%, respectively. The District supplements an additional 1.92%. The contributions for the years ended August 31, 2010, 2009, and 2008 were \$583,056, \$572,706, and \$593,331, which consisted of \$254,126, \$253,577, and \$265,575 from the State; \$274,789, \$267,909, and \$277,889 from the employees; \$48,264, \$43,643, and \$43,079 from the District; and \$5,877, \$7,577, and \$6,788 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 \$21,782,465 and \$19,780,253 for the years ended August 31, 2010 and 2009, respectively. The total payroll of employees covered by TRS was \$14,220,658 and \$11,389,095, and the total payroll of employees covered by the optional retirement program was \$4,132,166 and \$4,028,698 for the years ended August 31, 2010 and 2009, 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

Navarro College District

Notes to Financial Statements
(Continued)

(10) Compensated Absences (continued)

recognized an accrued liability for the unpaid vacation of \$433,904 and \$398,699 at August 31, 2010 and 2009, respectively. Sick leave, which can be accumulated up to 480 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 \$1,273,056 and \$1,312,859 at August 31, 2010 and 2009, 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>2010</u>	<u>2009</u>	<u>2008</u>
Unpaid claims, beginning of year	\$ 61,820	89,729	113,543
Incurred claims (including IBNR) and changes to prior year estimates	100,491	23,341	11,318
Claim payments	<u>(30,220)</u>	<u>(51,250)</u>	<u>(35,132)</u>
Unpaid claims, end of year	<u>\$ 132,091</u>	<u>61,820</u>	<u>89,729</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, 2010, 2009 and 2008 were \$349,566, \$319,815, and \$309,713, 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, 2010, 2009, and 2008 were \$46,523, \$48,210, and \$41,441, 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 \$963,069 and \$840,804 in 2010 and 2009, respectively. Participant contributions were \$601,922 and \$525,502 in 2010 and 2009, 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:

	<u>2010</u>	<u>2009</u>
Assessed valuation of the District	\$ 2,659,140,974	2,570,555,700
Less: Abatements	61,331,491	85,020,050
Less: Exemptions	<u>65,287,380</u>	<u>59,118,950</u>
Net assessed valuation of the District	<u>\$ 2,532,522,103</u>	<u>2,426,416,700</u>

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

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
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 2009 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
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, 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>

Navarro College District

Notes to Financial Statements
(Continued)

(14) Ad Valorem Property Taxes (continued)

Taxes levied for the year ended August 31, 2009 are \$2,887,438. 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, 2009 are as follows:

	<u>Current Operations</u>	<u>Debt Service</u>	<u>Total</u>
Current taxes collected	\$ 2,770,640	-	2,770,640
Delinquent taxes collected	68,817	-	68,817
Penalties and interest collected	<u>49,138</u>	<u>-</u>	<u>49,138</u>
Total collections	<u>\$ 2,888,595</u>	<u>-</u>	<u>2,888,595</u>

Tax collections for the years ended August 31, 2010 and 2009 were 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 2010 or 2009.

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

(17) Commitments and Contingencies

In connection with the District's opening of the Midlothian campus, the State of Texas authorized and awarded a supplemental new campus appropriation of approximately \$2.7 million during 2006 and 2007. This appropriation included a minimum contact hour

Navarro College District

Notes to Financial Statements

(17) Commitments and Contingencies (continued)

contingency requirement. During 2008, an investigation was initiated because the number of contact hours the District reported to the Texas Higher Education Coordinating Board for the Midlothian campus included some distance learning classes which, allegedly, should have been reported by the main campus. In July 2009, the District was awarded and received an additional new campus appropriation of \$1,500,000 from the State of Texas. In August, 2009, the District refunded \$1,500,000 of the original supplemental new campus appropriation to the State of Texas to settle the contact hour allegations. The refunded amount has been reported in the accompanying 2009 statement of activity as a decrease to state appropriations.

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, 2010 and 2009 in the amount of \$73,429 and \$81,244, respectively.

(21) Authoritative Pronouncements Not Yet Adopted

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

Navarro College District

Notes to Financial Statements
(Continued)

(21) Authoritative Pronouncements Not Yet Adopted (continued)

GASB Statement No. 59, *Financial Instruments Omnibus* (Statement 59) – The objective of Statement 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments. The provisions of Statement 59 are effective for financial statements for periods beginning after June 15, 2010.



Supplemental Information



Navarro College District

Schedule of Operating Revenues (Schedule A)

Year Ended August 31, 2010
(With Totals for the Year Ended August 31, 2009)

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	Total	
					2010	2009
Tuition and fees:						
State funded credit courses:						
In-district resident tuition	\$ 1,317,023	-	1,317,023	-	1,317,023	1,185,930
Out-of-district resident tuition	5,225,397	-	5,225,397	-	5,225,397	4,324,382
Non-resident tuition	603,599	-	603,599	-	603,599	562,115
TPEG - credit (set aside)	400,149	-	400,149	-	400,149	341,028
State funded continuing education	303,945	-	303,945	-	303,945	227,987
TPEG - non-credit (set aside)	15,905	-	15,905	-	15,905	13,679
Non-state funded educational programs	11,350	-	11,350	-	11,350	6,600
Total tuition	7,877,368	-	7,877,368	-	7,877,368	6,661,721
Fees:						
Building use fees	3,667,746	-	3,667,746	-	3,667,746	3,080,219
Student services fees	803,450	-	803,450	-	803,450	625,665
Laboratory fees	394,194	-	394,194	-	394,194	338,364
Out-of-district fees	5,125,658	-	5,125,658	-	5,125,658	4,129,212
Other fees	199,137	-	199,137	-	199,137	187,782
Total fees	10,190,185	-	10,190,185	-	10,190,185	8,361,242
Scholarship allowances and discounts:						
Scholarship allowance	(4,479,128)	-	(4,479,128)	-	(4,479,128)	(3,288,821)
TPEG awards	(262,867)	-	(262,867)	-	(262,867)	(308,972)
Total scholarship allowances	(4,741,995)	-	(4,741,995)	-	(4,741,995)	(3,597,793)
Total net tuition and fees	13,325,558	-	13,325,558	-	13,325,558	11,425,170
Additional operating revenues:						
Sales and services of educational activities	373,842	-	373,842	-	373,842	362,637
General operating revenues	98,943	-	98,943	-	98,943	119,684
Total additional operating revenues	472,785	-	472,785	-	472,785	482,321
Auxiliary enterprises:						
Bookstore	-	-	-	5,502,951	5,502,951	5,205,602
less discounts	-	-	-	(1,117,755)	(1,117,755)	(848,051)
Dining services	-	-	-	2,327,168	2,327,168	2,061,962
less discounts	-	-	-	(508,071)	(508,071)	(385,478)
Housing	-	-	-	1,873,600	1,873,600	1,674,576
less discounts	-	-	-	(406,457)	(406,457)	(308,382)
Athletic sales and student programs	-	-	-	21,416	21,416	20,101
Gift shop	-	-	-	35,278	35,278	35,465
Other auxiliary enterprises	-	-	-	45,138	45,138	60,988
Total net auxiliary enterprises	-	-	-	7,773,268	7,773,268	7,516,783
Total operating revenues	\$ 13,798,343	-	13,798,343	7,773,268	21,571,611	19,424,274

In accordance with Education Code 56.033, \$416,054 and \$354,707 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended August 31, 2010 and 2009, respectively.

See accompanying independent auditors' report.

Navarro College District

Schedule of Operating Expenses by Object (Schedule B)

Year Ended August 31, 2010
(With Totals for the Year Ended August 31, 2009)

	Operating Expenses			Total		
	Salaries and Wages	Benefits		2010	2009	
		State	Local	Expenses		
Unrestricted - educational activities:						
Instruction	\$ 11,815,329	-	1,516,229	1,263,472	14,595,030	12,862,393
Public service	22,350	-	2,868	3,654	28,872	28,597
Academic support	2,325,548	-	298,431	535,515	3,159,494	2,765,355
Student services	1,836,543	-	235,679	780,913	2,853,135	2,483,394
Institutional support	2,413,433	-	309,709	1,961,196	4,684,338	4,091,634
Operation and maintenance of plant	650,216	-	83,440	2,932,245	3,665,901	3,345,384
Total unrestricted educational activities	<u>19,063,419</u>	<u>-</u>	<u>2,446,356</u>	<u>7,476,995</u>	<u>28,986,770</u>	<u>25,576,757</u>
Restricted - educational activities:						
Instruction	556,435	1,408,460	94,300	885,844	2,945,039	3,198,693
Public service	97,422	2,664	25,095	40,060	165,241	144,746
Academic support	-	277,220	-	-	277,220	279,888
Student services	340,461	218,927	69,111	356,617	985,116	575,234
Institutional support	35,634	287,696	10,434	36,041	369,805	309,156
Operation and maintenance of plant	-	77,510	-	-	77,510	81,836
Scholarships and fellowships	-	-	-	16,350,302	16,350,302	8,538,915
Total restricted educational activities	<u>1,029,952</u>	<u>2,272,477</u>	<u>198,940</u>	<u>17,668,864</u>	<u>21,170,233</u>	<u>13,128,468</u>
Total educational activities	<u>20,093,371</u>	<u>2,272,477</u>	<u>2,645,296</u>	<u>25,145,859</u>	<u>50,157,003</u>	<u>38,705,225</u>
Auxiliary enterprises	<u>1,689,094</u>	<u>-</u>	<u>343,217</u>	<u>8,049,786</u>	<u>10,082,097</u>	<u>9,252,131</u>
Depreciation expense:						
Buildings and other improvements	-	-	-	1,180,489	1,180,489	1,150,690
Equipment and furniture	-	-	-	338,924	338,924	336,460
Library books	-	-	-	54,798	54,798	52,097
Total depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,574,211</u>	<u>1,574,211</u>	<u>1,539,247</u>
Total operating expenses	<u>\$ 21,782,465</u>	<u>2,272,477</u>	<u>2,988,513</u>	<u>34,769,856</u>	<u>61,813,311</u>	<u>49,496,603</u>

See accompanying independent auditors' report.

Navarro College District

Schedule of Nonoperating Revenues and Expenses (Schedule C)

Year Ended August 31, 2010
(With Totals for the Year Ended August 31, 2009)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Total</u>	
				2010	2009
Nonoperating revenues:					
State appropriations:					
Education and general state support	\$ 14,447,465	-	-	14,447,465	12,465,236
State group insurance	-	2,018,351	-	2,018,351	1,470,933
State retirement matching	-	254,126	-	254,126	852,250
	<u>14,447,465</u>	<u>2,272,477</u>	<u>-</u>	<u>16,719,942</u>	<u>14,788,419</u>
Maintenance ad valorem taxes	2,988,424	-	-	2,988,424	2,868,682
Federal grants and contracts	-	22,755,722	-	22,755,722	13,816,025
State grants and contracts	-	1,575,161	-	1,575,161	1,097,098
Local grants and contracts	-	122,593	-	122,593	261,910
Investment income	92,459	87,242	14,251	193,952	279,352
Gifts and donations	-	635,150	-	635,150	699,769
Other nonoperating revenues	2,521	530,000	-	532,521	-
	<u>17,530,869</u>	<u>27,978,345</u>	<u>14,251</u>	<u>45,523,465</u>	<u>33,811,255</u>
Nonoperating expenses:					
Interest on capital related debt	1,486,718	-	-	1,486,718	1,359,280
Other nonoperating expenses	52,573	-	-	52,573	-
	<u>1,539,291</u>	<u>-</u>	<u>-</u>	<u>1,539,291</u>	<u>1,359,280</u>
Net nonoperating revenues	\$ <u>15,991,578</u>	<u>27,978,345</u>	<u>14,251</u>	<u>43,984,174</u>	<u>32,451,975</u>

See accompanying independent auditors' report.

Navarro College District

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

Year Ended August 31, 2010

	Detail by Source				Available for Current Operation	
	Unrestricted	Restricted - Expendable	Invested in Capital Assets, Net of Related Debt	Total	Yes	No
Current:						
Unrestricted	\$ 6,093,349	-	-	6,093,349	6,093,349	-
Auxiliary	3,347,035	-	-	3,347,035	3,347,035	-
Scholarships and fellowships	-	2,792,083	-	2,792,083	-	2,792,083
Plant:						
Debt service	-	215,693	-	215,693	-	215,693
Investment in plant	749,776	-	23,238,115	23,987,891	-	23,987,891
 Total net assets, August 31, 2010	 10,190,160	 3,007,776	 23,238,115	 36,436,051	 9,440,384	 26,995,667
 Total net assets, August 31, 2009	 6,790,966	 3,170,455	 22,732,156	 32,693,577	 6,584,186	 26,109,391
 Net increase (decrease) in net assets	 \$ 3,399,194	 (162,679)	 505,959	 3,742,474	 2,856,198	 886,276

See accompanying independent auditors' report.

Navarro College District

Schedule of Expenditures of Federal Awards (Schedule E)

Year Ended August 31, 2010

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Education Opportunity			
Grant Program	84.007		\$ 133,977
Federal Family Education Loans	84.032		18,318,094
Federal Work Study Program	84.033		200,319
Federal Pell Grant Program	84.063		19,585,644
Federal Direct Student Loans	84.268		8,902,329
Academic Competiveness Grant	84.375A		493,632
Teacher Education Assistance for College and Higher Education	84.379		<u>24,500</u>
Total Student Financial Assistance Cluster			47,658,495
TRIO - Student Support Services	84.042A		<u>383,661</u>
Total Direct Programs			48,042,156
Pass Through From:			
Texas Education Agency:			
Adult Basic Education	84.002A	094100017110266	317,754
Texas Higher Education Coordinating Board:			
Vocational Education - Carl Perkins	84.048	104231	486,637
Leverage Education Assistance Program	84.069A	39729729721	12,753
Special Leveraging Educational Assistance Program	84.069B	39729729721	16,397
Robert C. Byrd Honors Scholarship Program	84.185	39729729721	1,500
ARRA - State Fiscal Stabilization Fund - Government Services	84.397A	3616	249,349
Dallas County Community College District:			
Vocational Education - Technical Preparation	84.243	0942120771200001	<u>158,688</u>
Total U. S. Department of Education			<u>49,285,234</u>
<u>U. S. Department of Labor</u>			
Direct Program:			
Community Based Job Training Grant	17.269		721,785
Pass Through From:			
Texas Workforce Commission:			
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Energy Sectors	17.275	041XSD000	<u>121,186</u>
Total U.S. Department of Labor			<u>842,971</u>

Navarro College District

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

<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. Small Business Administration</u>			
Pass Through From Dallas County Community College District:			
Small Business Development Center	59.037	10-803001-Z-0076-24	\$ <u>62,776</u>
Total U. S. Small Business Administration			<u>62,776</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>32,598</u>
Total U.S. Department of Health and Human Services			<u>32,598</u>
Total Federal Awards			\$ <u><u>50,223,579</u></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, 2010

(1) Federal Revenue Reconciliation

Federal revenues for the year ended August 31, 2010 are reported in the basic financial statements as follows:

Federal grants and contracts per Exhibit 2	\$ 22,755,722
Less: Veterans Administration processing fees	(1,915)
Add: ARRA - State Fiscal Stabilization Fund state appropriation	249,349
Add: Federal Family Education Loans made	18,318,094
Add: Federal Direct Student Loans made	<u>8,902,329</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$ 50,223,579</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, 2010. 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>412,314</u>



Navarro College District

Schedule of Expenditures of State Awards
(Schedule F)

Year Ended August 31, 2010

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Indirect Costs and Expenditures</u>
Texas Higher Education Coordinating Board:		
State Work Study		\$ 38,960
Texas Grant Program		785,897
Texas Educational Opportunity Grant Program		198,115
Texas Tomorrow Fund		63,531
Certified Education Aide		77,202
Texas Be On Time		6,906
Top 10%		12,863
P-16 College Readiness Special Advisors Program		7,550
Nursing Shortage Grant Program		<u>115,308</u>
Total Texas Higher Education Coordinating Board		<u>1,306,332</u>
Texas Education Agency:		
State Adult Education	090100017110266	43,186
Temporary Assistance for Needy Families	093625017110250	<u>16,865</u>
Total Texas Education Agency		<u>60,051</u>
Texas Workforce Commission:		
Skills Development - Manufacturing Consortium	0410XSD000	<u>9,860</u>
Texas State Comptroller:		
Jobs and Education for Texans - Scholarship	3572-32	26,379
Jobs and Education for Texans - Equipment	4776-10	<u>64,062</u>
Total Texas State Comptroller		<u>90,441</u>
Small Business Development Center		<u>63,076</u>
Early High School Graduate		<u>45,401</u>
Total State Awards		<u>\$ 1,575,161</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, 2010

(1) State Revenue Reconciliation

State revenues for the year ended August 31, 2010 are reported in the basic financial statements as follows:

State grants and contracts per Exhibit 2	\$ <u>1,575,161</u>
Total per Schedule of Expenditures of State Awards	\$ <u>1,575,161</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
Fiscal Years 2002 to 2010
(Unaudited)

		<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>For the Fiscal 2007</u>
Invested in capital assets, net of related debt	\$	23,238,115	22,732,156	21,529,891	20,425,989
Restricted		3,007,776	3,170,455	3,371,239	3,344,836
Unrestricted		<u>10,190,160</u>	<u>6,790,966</u>	<u>5,412,801</u>	<u>5,867,427</u>
Total net assets	\$	<u><u>36,436,051</u></u>	<u><u>32,693,577</u></u>	<u><u>30,313,931</u></u>	<u><u>29,638,252</u></u>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002 - 2010 are available.

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

<u>Year Ended August 31,</u>				
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
21,532,452	21,173,689	20,707,351	15,590,718	15,094,013
3,270,450	3,282,817	3,194,512	3,020,182	3,758,768
<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>29,197,044</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 Fiscal Years 2002 to 2010 (Unaudited)

	2010	2009	2008
Tuition and fees (net of discounts)	\$ 13,325,558	11,425,170	10,123,664
Sales and services of educational activities	373,842	362,637	358,946
Auxiliary enterprises (net of discounts)	7,773,268	7,516,783	6,528,184
Other operating revenues	98,943	119,684	98,376
Total operating revenues	<u>21,571,611</u>	<u>19,424,274</u>	<u>17,109,170</u>
State appropriations	16,719,942	14,788,419	14,443,224
Ad valorem taxes for maintenance and operations	2,988,424	2,868,682	2,686,447
Federal grants and contracts	22,755,722	13,816,025	10,894,527
State grants and contracts	1,575,161	1,097,098	1,026,892
Local grants and contracts	122,593	261,910	297,581
Investment income	193,952	279,352	456,823
Gifts	635,150	699,769	793,110
Other non-operating revenues	479,948	-	38,049
Gain on sale of capital assets	-	-	-
Total non-operating revenues	<u>45,470,892</u>	<u>33,811,255</u>	<u>30,636,653</u>
Total revenues	<u>\$ 67,042,503</u>	<u>53,235,529</u>	<u>47,745,823</u>
Tuition and fees (net of discounts)	19.88%	21.46%	21.20%
Sales and services of educational activities	0.56%	0.68%	0.75%
Auxiliary enterprises (net of discounts)	11.59%	14.12%	13.67%
Other operating revenues	0.15%	0.22%	0.21%
Total operating revenues	<u>32.18%</u>	<u>36.49%</u>	<u>35.83%</u>
State appropriations	24.94%	27.78%	30.25%
Ad valorem taxes for maintenance and operations	4.46%	5.39%	5.63%
Federal grants and contracts	33.94%	25.95%	22.82%
State grants and contracts	2.35%	2.06%	2.15%
Local grants and contracts	0.18%	0.49%	0.62%
Investment income	0.29%	0.52%	0.96%
Gifts	0.95%	1.31%	1.66%
Other non-operating revenues	0.72%	0.00%	0.08%
Gain on sale of capital assets	0.00%	0.00%	0.00%
Total non-operating revenues	<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>

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2010 are available

For the Fiscal 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 Fiscal Years 2002 to 2010 (Unaudited)

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

Note: Due to reporting format and definition changes prescribed by GASB Statement 34, only fiscal years 2002-2010 are available.

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>
1,215,469	1,188,057	1,035,709	1,138,516	572,173	382,556
<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%
3.65%	3.36%	3.26%	2.64%	2.48%	2.50%
<u>96.82%</u>	<u>96.89%</u>	<u>96.90%</u>	<u>96.02%</u>	<u>97.87%</u>	<u>98.41%</u>
3.18%	3.11%	3.10%	3.98%	2.13%	1.59%
<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			
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
2001	264	408	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	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
-	388	532	0.00%	0.00%	11,356

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
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
2001	473	144	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	1,473	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
-	741	0.00%	7,027

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
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
2001	1,453,887,211	96,622,396	1,357,264,815

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.

(a) per \$100 taxable assessed valuation

Ratio of Taxable Value to Assessed Value	Estimated Actual Value	Direct Rates (a)		
		Maintenance and Operations	Debt Service	Total
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
93.35%	1,453,887,211	0.14177	-	0.14177

Navarro College District

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Navarro College District	\$ 0.1190	0.1190	0.1200	0.1350
County:				
Navarro County	0.6270	0.5828	0.5754	0.5973
Cities:				
Barry	0.3393	0.3237	0.3237	0.3279
Blooming Grove	0.4859	0.4653	0.4880	0.5000
Corsicana	0.6272	0.6272	0.6272	0.6272
Dawson	0.3783	0.3783	0.3783	0.4143
Emhouse	0.3072	0.3072	0.3332	0.3332
Frost	0.5000	0.5000	0.5000	0.5000
Goodlow	0.0897	0.0897	0.8970	0.1000
Kerens	0.6434	0.6433	0.6329	0.6584
Rice	0.4200	0.3700	0.3100	0.3200
Richland	0.2056	0.2056	0.2068	0.2009
School Districts:				
Blooming Grove	1.1200	1.1200	1.1231	1.4530
Corsicana	1.2830	1.2857	1.2850	1.5038
Dawson	1.2900	1.2900	1.2900	1.3700
Frost	1.2321	1.2850	1.1550	1.4600
Kerens	1.1200	1.1227	1.1000	1.3060
Mildred	1.2498	1.2838	1.2427	1.3027
Rice	1.4200	1.4200	1.1809	1.4882

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>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
0.1405	0.1405	0.1405	0.1418	0.1418	0.1218
0.6243	0.6246	0.5860	0.5496	0.5496	0.5496
0.3345	0.3380	0.3380	0.3380	0.3401	0.3401
0.4940	0.4383	0.4365	0.4387	0.4300	0.4300
0.6272	0.5995	0.5995	0.5995	0.5995	0.5995
0.4516	0.4335	0.4334	0.4268	0.4218	0.4213
0.3341	0.3377	0.3377	0.3377	0.3377	0.3377
0.5000	0.4834	0.4983	0.4900	0.4900	0.5000
0.1000	0.1000	-	-	-	-
0.6107	0.5500	0.5500	0.5500	0.5165	0.4999
0.3063	0.2675	0.2500	0.2294	0.2294	0.2172
0.2056	0.2082	0.2079	0.1964	0.2168	0.2301
1.5830	1.5781	1.5000	1.5000	1.5000	1.5500
1.6746	1.5208	1.4908	1.4908	1.4908	1.3499
1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
1.5650	1.5300	1.4300	1.4300	1.4000	1.4000
1.4000	1.4000	1.4000	1.4000	1.3300	1.3300
1.4220	1.4220	1.4220	1.4220	1.4220	1.4220
1.5896	1.5720	1.5822	1.5696	1.5367	1.5188

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Unaudited)

Taxpayer	Type of Business			
		2010	2009	2008
AP&P Mfg, Inc.	Manufacturer	\$ -	-	-
Burlington Northern Santa Fe	Railroad	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Corsicana Technologies, Inc.	Manufacturer	25,664,420	26,541,670	-
Energy Transfer Fuel LP	Electric Company	73,045,150	-	29,956,070
Equilon Pipeline Company	Oil Distribution	-	-	-
Guardian Industry	Glass Manufacturer	28,643,210	16,285,710	31,867,020
Guardian Industry - Abated	Glass Manufacturer	22,251,050	35,546,950	36,583,990
HD USA 5147	Manufacturer	46,870,610	-	-
Home Depot	Retail Distribution	-	36,383,870	61,084,750
K-Mart Corporation	Retail Distribution	-	-	-
Kohl's Distribution	Retail Distribution	-	12,848,920	19,001,110
Magellan Pipeline Co, LP	Pipeline Company	21,925,300	19,779,490	19,760,200
Mobil Pipeline	Oil Distribution	-	-	-
National Industrial Portfolio Borrower	Real Estate Investment	36,936,320	18,241,000	19,051,900
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Oncor Electric Delivery	Electric Utility	43,925,930	-	48,008,780
Pactiv-Foam	Foam Manufacturer	-	14,423,940	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
Russell Stover Candies - Abated	Candy Manufacturer	46,518,140	45,322,760	47,028,340
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	-
Sunoco Pipeline LP	Pipeline Company	-	-	-
Swift Transportation	Transportation	-	-	-
True Value Co. - Non-Abated	Retail Distribution	32,697,650	36,338,740	25,173,180
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abated	Retail Distribution	-	-	-
TXI Operations LP	Manufacturer	-	-	-
TXU Electric	Electric Company	-	-	-
Union Pacific	Railroad	-	-	-
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
Totals		\$ <u>378,477,780</u>	<u>261,713,050</u>	<u>337,515,340</u>
Net taxable assessed value		\$ <u>2,532,522,103</u>	<u>2,426,416,700</u>	<u>2,218,359,153</u>

Taxable Assessed Value						
2007	2006	2005	2004	2003	2002	2001
-	-	-	-	-	-	11,359,000
-	-	-	-	-	7,980,950	-
-	-	-	11,406,370	6,115,150	-	-
14,288,340	-	-	-	-	-	-
20,924,160	-	-	-	-	-	-
-	-	-	-	-	8,596,160	-
35,066,100	30,321,450	27,881,140	47,066,430	30,638,830	47,135,040	31,228,970
-	18,249,660	19,030,070	-	-	-	10,322,940
-	-	-	-	-	-	-
37,313,868	-	-	-	-	-	-
-	-	-	52,168,950	57,350,490	51,898,560	56,932,860
-	11,238,160	-	-	-	-	-
16,695,070	-	-	-	-	-	-
-	-	-	-	-	8,735,700	10,602,840
-	-	-	-	-	-	-
-	-	-	11,683,940	6,118,700	-	-
-	-	-	15,792,250	7,342,500	-	-
-	-	42,837,170	-	-	42,574,490	-
-	14,431,380	14,076,830	30,638,830	11,796,340	12,344,980	-
-	7,491,480	6,655,720	-	-	-	-
26,029,795	27,311,080	25,355,140	21,916,170	8,499,420	33,779,360	80,562,770
-	-	-	11,796,340	6,268,350	-	-
-	11,558,680	-	-	-	12,431,050	12,476,880
16,331,100	-	-	-	-	-	-
-	-	13,458,916	-	-	-	-
24,754,330	-	-	-	-	-	-
-	-	10,565,510	-	-	-	11,418,440
-	22,615,740	22,179,070	42,863,960	21,916,170	33,537,390	24,865,540
13,809,390	-	-	-	-	-	-
46,825,980	45,837,720	-	-	-	-	31,225,230
-	13,088,980	13,393,540	-	-	-	-
-	-	-	12,188,290	6,511,390	-	-
<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>280,995,470</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>	<u>1,357,264,815</u>

Navarro College District

Principal Taxpayers
Last Ten Tax Years
(Continued)

Taxpayer	Type of Business			
		2010	2009	2008
AP&P MFG, Inc	Manufacturer	-	-	-
Burlington Northern Santa Fe	Railroad	-	-	-
Corsicana Technologies	Chemical Manufacturer	-	-	-
Corsicana Technologies, Inc.	Manufacturer	1.01%	1.09%	-
Energy Transfer Fuel LP	Electric Company	2.88%	-	1.35%
Equilon Pipeline Company	Oil Distribution	-	-	-
Guardian Industry	Glass Manufacturer	1.13%	0.67%	1.44%
Guardian Industry - Abated	Glass Manufacturer	0.88%	1.46%	1.65%
HD USA 5147	Manufacturer	1.85%	-	-
Home Depot	Retail Distribution	-	1.50%	2.75%
K-Mart Corporation	Retail Distribution	-	-	-
Kohl's Distribution	Retail Distribution	-	0.53%	0.86%
Magellan Pipeline Co, LP	Pipeline Company	0.87%	0.82%	0.89%
Mobil Pipeline	Oil Distribution	-	-	-
National Industrial Portfolio Borrower	Real Estate Investment	1.46%	0.75%	0.86%
Navarro Pecan Company	Pecan Wholesaler	-	-	-
Navarro Regional Hospital	Hospital	-	-	-
Oncor Electric Delivery	Electric Utility	1.73%	-	2.16%
Pactiv-Foam	Foam Manufacturer	-	0.59%	-
Pactiv-Foam - Abated	Foam Manufacturer	-	-	-
Russell Stover Candies - Abated	Candy Manufacturer	1.84%	1.87%	2.12%
Shell Pipeline, Co.	Oil Distribution	-	-	-
Southwestern Bell Telephone	Telephone Company	-	-	-
Sunoco Pipeline LP	Pipeline Company	-	-	-
Swift Transportation	Transportation	-	-	-
True Value Co. - Non-Abated	Retail Distribution	1.29%	1.50%	1.13%
Tru-Serv Corporation - Abated	Retail Distribution	-	-	-
Tru-Serv Corporation - Non-Abated	Retail Distribution	-	-	-
TXI Operations LP	Manufacturer	-	-	-
TXU Electric	Electric Company	-	-	-
Union Pacific	Railroad	-	-	-
Williamhouse of Texas, LLC	Stationery Distribution	-	-	-
		<u>14.94%</u>	<u>10.79%</u>	<u>15.21%</u>

Source: Navarro County Appraisal District

Taxable Assessed Value

2007	2006	2005	2004	2003	2002	2001
-	-	-	-	-	-	0.84%
-	-	-	-	-	0.56%	-
-	-	-	0.73%	0.41%	-	-
0.73%	-	-	-	-	-	-
1.07%	-	-	-	-	-	-
-	-	-	-	-	0.60%	-
1.79%	1.74%	1.72%	3.03%	2.06%	3.29%	2.30%
-	1.05%	1.17%	-	-	-	0.76%
-	-	-	-	-	-	-
1.90%	-	-	-	-	-	-
-	-	-	3.36%	3.86%	3.63%	4.19%
-	0.65%	-	-	-	-	-
0.85%	-	-	-	-	-	-
-	-	-	-	-	0.61%	0.78%
-	-	-	-	-	-	-
-	-	-	0.75%	0.41%	-	-
-	-	-	1.02%	0.49%	-	-
-	-	2.64%	-	-	2.97%	-
-	0.83%	0.87%	1.97%	0.79%	0.86%	-
-	0.43%	0.41%	-	-	-	-
1.33%	1.57%	1.56%	1.41%	0.57%	2.36%	5.94%
-	-	-	0.76%	0.42%	-	-
-	0.66%	-	-	-	0.87%	0.92%
0.83%	-	-	-	-	-	-
-	-	0.83%	-	-	-	-
1.26%	-	-	-	-	-	-
-	-	0.65%	-	-	-	0.84%
-	1.30%	1.36%	2.76%	1.47%	2.34%	1.83%
0.71%	-	-	-	-	-	-
2.39%	2.63%	-	-	-	-	2.30%
-	0.75%	0.82%	-	-	-	-
-	-	-	0.78%	0.44%	-	-
<u>12.87%</u>	<u>11.61%</u>	<u>12.03%</u>	<u>16.57%</u>	<u>10.94%</u>	<u>18.10%</u>	<u>20.70%</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>
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
2001	1,924,185	(2,818)	1,921,367

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
2,887,898	96.45%	\$	-	2,887,898	96.45%
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%
1,825,326	95.00%		71,619	1,897,889	98.78%

Navarro College District

Ratios of Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

	2010	2009	2008
General Bonded Debt			
General obligation bonds	\$ -	-	-
Other Debt			
Revenue bonds	27,925,000	29,033,705	25,882,413
Notes payable	-	37,302	97,994
Capital lease obligations	4,076,116	4,201,116	4,321,116
Total other debt	32,001,116	33,272,123	30,301,523
Total outstanding debt	\$ 32,001,116	33,272,123	30,301,523
Total Outstanding Debt Ratios			
Per capita	\$ 647	673	615
Per student	1,849	2,313	2,391
As a percentage of taxable assessed value	1.26%	1.37%	1.37%
As a percentage of personal income	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	2001
-	-	-	-	-	-	-
26,781,121	23,740,000	20,490,000	20,715,000	20,715,000	5,575,496	6,178,871
154,547	254,122	448,093	915,863	1,131,727	1,338,398	1,149,462
4,436,116	4,696,384	4,857,779	235,196	381,961	223,873	302,626
31,371,784	28,690,506	25,795,872	21,866,059	22,228,688	7,137,767	7,630,959
31,371,784	28,690,506	25,795,872	21,866,059	22,228,688	7,137,767	7,630,959
631	591	532	454	469	153	166
2,630	2,560	2,413	2,205	2,469	903	1,082
1.59%	1.65%	1.59%	1.41%	1.50%	0.50%	0.56%
2.65%	2.59%	2.43%	2.15%	2.24%	0.74%	0.81%

Navarro College District

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Taxable Assessed Value	\$ <u>2,532,522,103</u>	<u>2,426,416,700</u>	<u>2,218,359,153</u>	<u>1,958,733,600</u>
General Obligation Bonds				
Statutory tax levy limit for debt service	\$ 12,662,611	12,132,084	11,091,796	9,793,668
Current year debt service requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 12,662,611</u>	<u>12,132,084</u>	<u>11,091,796</u>	<u>9,793,668</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>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</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>	<u>1,357,264,815</u>
8,703,663	8,124,310	7,770,114	7,430,098	7,156,952	6,786,324
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>6,786,324</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
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
2001	139,927	581,584	-	-	4,124,306	2,777,307

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.

			Debt Service Requirements			
Net Available	Interest Income	Total	Principal	Interest	Total	Coverage Ratio
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
2,068,510	82,737	2,151,247	576,100	274,803	850,903	2.53



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
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%
2000	45,124	944,452,000	20,835	3.9%

Source: Texas Workforce Commission

Note: The 2010 personal income amounts are not yet available.

Navarro College District

Principal Employers
Last Five Fiscal Years
(Unaudited)

Employer	2010		2009	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
Navarro College (includes part time)	982	4.95%	950	4.75%
Russell Stover Candies	680	3.43%	825	4.12%
Corsicana ISD	811	4.09%	802	4.01%
Collin Street Bakery (seasonal)	150	0.76%	766	3.83%
Guardian Industries, Corp.	318	1.60%	390	1.95%
Navarro Regional Hospital	354	1.78%	350	1.75%
Texas Youth Commission	299	1.51%	338	1.69%
City of Corsicana (includes part time)	284	1.43%	336	1.68%
Navarro County	284	1.43%	284	1.42%
Kohl's Call Center	216	1.09%	250	1.25%
Oil City Iron Works	172	0.87%	200	1.00%
Kohl's Distribution Center	200	1.01%	200	1.00%
Corsicana Bedding	257	1.30%	190	0.95%
Lance (formerly Tom's Foods)	148	0.75%	170	0.85%
Trinity Mother Francis Medical Center	156	0.79%	156	0.78%
Home Depot Distribution Center	145	0.73%	250	1.25%
Tru-Serve Distribution Center	149	0.75%	152	0.76%
Total	<u>5,605</u>	<u>28.26%</u>	<u>6,609</u>	<u>33.02%</u>

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

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

(Earliest information available is 2006.)

2008		2007		2006	
Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
886	4.52%	851	4.31%	827	3.97%
825	4.20%	825	4.18%	859	4.12%
802	4.09%	802	4.06%	879	4.22%
766	3.90%	766	3.88%	700	3.36%
390	1.99%	390	1.98%	367	1.76%
350	1.78%	350	1.77%	377	1.81%
338	1.72%	338	1.71%	335	1.61%
304	1.55%	304	1.54%	335	1.61%
284	1.45%	284	1.44%	282	1.35%
250	1.27%	250	1.27%	0	0.00%
200	1.02%	200	1.01%	224	1.08%
200	1.02%	200	1.01%	175	0.84%
190	0.97%	190	0.96%	180	0.86%
170	0.87%	170	0.86%	146	0.70%
156	0.80%	156	0.79%	120	0.58%
155	0.79%	155	0.79%	0	0.00%
152	0.77%	152	0.77%	150	0.72%
6,418	32.71%	6,383	32.34%	5,956	28.58%

Navarro College District

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

Fiscal Year	State Appropriation	Appropriation per FTSE	
		FTSE	State Appropriation per FTSE
2010	\$ 14,447,464	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
2001	8,468,925	7,055	1,200

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
3,371,872	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
1,578,816	560,304	2,139,120	3.96

Navarro College District

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Faculty				
Full-Time	123	113	112	112
Part-Time	<u>364</u>	<u>355</u>	<u>361</u>	<u>326</u>
Total	<u><u>487</u></u>	<u><u>468</u></u>	<u><u>473</u></u>	<u><u>438</u></u>
Full-Time	25.3%	24.1%	23.7%	25.6%
Part-Time	<u>74.7%</u>	<u>75.9%</u>	<u>76.3%</u>	<u>74.4%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>
Average Annual Faculty Salary	\$ <u><u>50,232</u></u>	<u><u>51,678</u></u>	<u><u>47,585</u></u>	<u><u>49,393</u></u>
Staff and Administrators				
Full-Time	214	208	196	187
Part-Time	<u>100</u>	<u>31</u>	<u>132</u>	<u>110</u>
Total	<u><u>314</u></u>	<u><u>239</u></u>	<u><u>328</u></u>	<u><u>297</u></u>
Full-Time	68.2%	87.0%	59.8%	63.0%
Part-Time	<u>31.8%</u>	<u>13.0%</u>	<u>40.2%</u>	<u>37.0%</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
105	100	98	90	75	N/A
<u>312</u>	<u>309</u>	<u>297</u>	<u>320</u>	<u>213</u>	<u>N/A</u>
<u>417</u>	<u>409</u>	<u>395</u>	<u>410</u>	<u>288</u>	<u>N/A</u>
25.2%	24.4%	24.8%	22.0%	26.0%	N/A
<u>74.8%</u>	<u>75.6%</u>	<u>75.2%</u>	<u>78.0%</u>	<u>74.0%</u>	<u>N/A</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>N/A</u>
<u>45,427</u>	<u>42,623</u>	<u>42,027</u>	<u>41,526</u>	<u>N/A</u>	<u>N/A</u>
176	164	156	148	112	N/A
<u>42</u>	<u>31</u>	<u>31</u>	<u>38</u>	<u>11</u>	<u>N/A</u>
<u>218</u>	<u>195</u>	<u>187</u>	<u>186</u>	<u>123</u>	<u>N/A</u>
80.7%	84.1%	83.4%	79.6%	91.1%	N/A
<u>19.3%</u>	<u>15.9%</u>	<u>16.6%</u>	<u>20.4%</u>	<u>8.9%</u>	<u>N/A</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>N/A</u>

Navarro College District

Enrollment Details
Last Nine Fiscal Years
(Unaudited)

	Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Student Classification								
00-30 hours	6,701	72.84%	6,191	74.34%	5,410	71.56%	6,593	89.02%
31-60 hours	1,615	17.55%	1,403	16.85%	1,461	19.33%	406	5.48%
> 60 hours	884	9.61%	734	8.81%	689	9.11%	407	5.50%
Total	<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>7,406</u>	<u>100.00%</u>
Semester Hour Load								
Less than 3	94	1.02%	673	8.08%	385	5.09%	512	6.91%
3-5 semester hours	1,769	19.23%	1,458	17.51%	1,494	19.76%	1,451	19.59%
6-8 semester hours	1,856	20.17%	1,530	18.37%	1,414	18.70%	1,267	17.11%
9-11 semester hours	1,198	13.02%	1,014	12.18%	885	11.71%	842	11.37%
12-14 semester hours	2,532	27.52%	2,034	24.42%	1,948	25.77%	2,001	27.02%
15-17 semester hours	1,361	14.79%	1,296	15.56%	1,148	15.19%	1,070	14.45%
18 & over	390	4.24%	323	3.88%	286	3.78%	263	3.55%
Total	<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>7,406</u>	<u>100.00%</u>
Tuition Status								
Texas Resident (in-District)	1,816	19.74%	1,777	21.34%	1,645	21.76%	1,729	23.35%
Texas Resident (out-of-District)	7,131	77.51%	6,304	75.70%	5,669	74.99%	5,392	72.81%
Non-Resident Tuition	253	2.75%	247	2.97%	246	3.25%	285	3.85%
Total	<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>7,406</u>	<u>100.00%</u>

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

Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
5,204	80.67%	4,508	74.90%	4,292	76.59%	4,099	80.18%	3,655	82.86%
764	11.84%	1,011	16.80%	925	16.51%	1,010	19.76%	755	17.12%
483	7.49%	500	8.31%	387	6.91%	3	0.06%	1	0.02%
<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>
27	0.42%	28	0.47%	65	1.16%	24	0.47%	28	0.63%
1,214	18.82%	1,158	19.24%	1,096	19.56%	1,007	19.70%	818	18.54%
1,131	17.53%	1,009	16.76%	848	15.13%	759	14.85%	659	14.94%
737	11.42%	551	9.15%	540	9.64%	456	8.92%	390	8.84%
2,076	32.18%	1,901	31.58%	1,855	33.10%	1,632	31.92%	1,333	30.22%
980	15.19%	1,055	17.53%	912	16.27%	883	17.27%	835	18.93%
286	4.43%	317	5.27%	288	5.14%	351	6.87%	348	7.89%
<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>
1,348	20.90%	1,273	21.15%	1,272	22.70%	1,213	23.73%	1,042	23.62%
4,791	74.27%	4,424	73.50%	3,932	70.16%	3,418	66.86%	2,888	65.47%
312	4.84%	322	5.35%	400	7.14%	481	9.41%	481	10.90%
<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 Nine Fiscal Years
(Unaudited)

	Fall 2009		Fall 2008		Fall 2007		Fall 2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender								
Female	5,643	61.34%	5,147	61.80%	4,733	62.61%	4,583	61.88%
Male	3,557	38.66%	3,181	38.20%	2,827	37.39%	2,823	38.12%
Total	<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>7,406</u>	<u>100.00%</u>
Ethnic Origin								
White	5,636	61.26%	5,303	63.68%	4,842	64.05%	4,802	64.84%
Hispanic	1,363	14.82%	1,183	14.21%	1,451	19.19%	1,332	17.99%
African American	1,903	20.68%	1,567	18.82%	995	13.16%	956	12.91%
Asian	87	0.95%	67	0.80%	56	0.74%	71	0.96%
Foreign	153	1.66%	156	1.87%	160	2.12%	183	2.47%
Native American	52	0.57%	52	0.62%	53	0.70%	50	0.68%
Other	6	0.07%	-	0.00%	3	0.04%	12	0.16%
Total	<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>7,406</u>	<u>100.00%</u>
Age								
Under 18	1,917	20.84%	2,138	25.67%	1,750	23.15%	1,854	25.03%
18 - 21	3,723	40.47%	3,313	39.78%	3,079	40.73%	2,984	40.29%
22 - 24	969	10.53%	756	9.08%	654	8.65%	651	8.79%
25 - 35	1,534	16.67%	1,211	14.54%	1,177	15.57%	1,110	14.99%
36 - 50	898	9.76%	780	9.37%	762	10.08%	702	9.48%
51 & over	159	1.73%	130	1.56%	138	1.83%	105	1.42%
Total	<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>7,406</u>	<u>100.00%</u>
Average Age	23		23		23		23	

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

Fall 2005		Fall 2004		Fall 2003		Fall 2002		Fall 2001	
Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
4,006	62.10%	3,776	62.73%	3,464	61.81%	3,072	60.09%	2,545	57.70%
2,445	37.90%	2,243	37.27%	2,140	38.19%	2,040	39.91%	1,866	42.30%
<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>
4,170	64.64%	3,906	64.89%	3,625	64.69%	3,265	63.87%	2,829	64.14%
701	10.87%	612	10.17%	535	9.55%	454	8.88%	343	7.78%
1,295	20.07%	1,195	19.85%	1,074	19.16%	959	18.76%	784	17.77%
48	0.74%	42	0.70%	43	0.77%	32	0.63%	26	0.59%
204	3.16%	239	3.97%	302	5.39%	388	7.59%	408	9.25%
33	0.51%	25	0.42%	25	0.45%	14	0.27%	21	0.48%
-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<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>
1,029	15.95%	1,035	17.20%	842	15.02%	695	13.60%	656	14.87%
2,939	45.56%	2,656	44.13%	2,599	46.38%	2,470	48.32%	2,217	50.26%
668	10.35%	618	10.27%	558	9.96%	494	9.66%	411	9.32%
1,091	16.91%	1,019	16.93%	955	17.04%	821	16.06%	607	13.76%
617	9.56%	577	9.59%	546	9.74%	539	10.54%	447	10.13%
107	1.66%	114	1.89%	104	1.86%	93	1.82%	73	1.65%
<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>
24		24		24		24		23	

Navarro College District

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

Name	2008 - 2009 Graduate as of Fall 2009				
	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	1	1	12	0.87%
2 Lamar University	8	1	-	9	0.65%
3 Midwestern State University	12	3	2	17	1.23%
4 Prairie View A&M University	5	-	2	7	0.51%
5 Sam Houston State University	81	2	6	89	6.45%
6 Stephen F. Austin State University	67	2	5	74	5.36%
7 Sul Ross State University	2	-	2	4	0.29%
8 Sul Ross State University - Rio Grande College	-	-	-	-	0.00%
9 Tarleton State University	63	2	10	75	5.43%
10 Texas A&M International University	-	-	-	-	0.00%
11 Texas A&M University	125	4	6	135	9.78%
12 Texas A&M University at Commerce	257	5	11	273	19.78%
13 Texas A&M University at Corpus Christi	7	2	1	10	0.72%
14 Texas A&M University at Galveston	6	-	-	6	0.43%
15 Texas A&M University at Kingsville	-	-	-	-	0.00%
16 Texas Southern University	4	1	-	5	0.36%
17 Texas State University	41	2	2	45	3.26%
18 Texas Tech University	68	-	5	73	5.29%
19 Texas Woman's University	13	4	1	18	1.30%
20 The University of Texas - Pan American	1	-	1	2	0.14%
21 The University of Texas at Arlington	189	7	7	203	14.71%
22 The University of Texas at Austin	57	-	3	60	4.35%
23 The University of Texas at Dallas	17	1	2	20	1.45%
24 The University of Texas at El Paso	-	-	-	-	0.00%
25 The University of Texas at San Antonio	4	-	-	4	0.29%
26 The University of Texas at Tyler	41	1	2	44	3.19%
27 The University of Texas of the Permian Basin	1	-	-	1	0.07%
28 University of Houston	6	-	1	7	0.51%
29 University of Houston at Clear Lake	1	-	-	1	0.07%
30 University of Houston at Victoria	1	-	-	1	0.07%
31 University of North Texas	135	-	9	144	10.43%
32 University of North Texas at Dallas	26	4	3	33	2.39%
33 West Texas A&M University	6	1	1	8	0.58%
Totals	1,254	43	83	1,380	100.00%

Source: Texas Higher Education Coordinating Board

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

2007 - 2008 Graduate as of Fall 2008					2006 - 2007 Graduate as of Fall 2007				
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		
7	2	-	9	0.67%	6	1	1	8	0.63%
9	1	1	11	0.82%	2	-	1	3	0.24%
16	1	1	18	1.35%	8	2	1	11	0.86%
3	-	2	5	0.37%	6	-	-	6	0.47%
77	3	5	85	6.36%	105	5	3	113	8.86%
57	-	3	60	4.49%	64	2	4	70	5.49%
1	-	-	1	0.07%	2	-	-	2	0.16%
-	-	-	-	0.00%	1	-	-	1	0.08%
66	4	9	79	5.91%	54	2	6	62	4.86%
-	-	-	-	0.00%	1	-	-	1	0.08%
125	-	8	133	9.95%	140	-	1	141	11.05%
270	5	8	283	21.17%	221	14	11	246	19.28%
4	1	1	6	0.45%	4	-	-	4	0.31%
2	-	-	2	0.15%	3	-	-	3	0.24%
3	-	-	3	0.22%	1	-	-	1	0.08%
7	-	1	8	0.60%	4	-	1	5	0.39%
50	-	3	53	3.96%	42	-	3	45	3.53%
65	-	2	67	5.01%	88	1	1	90	7.05%
20	4	1	25	1.87%	14	8	2	24	1.88%
-	-	1	1	0.07%	2	-	-	2	0.16%
149	9	7	165	12.34%	146	4	5	155	12.15%
56	1	3	60	4.49%	44	-	6	50	3.92%
11	-	2	13	0.97%	18	1	-	19	1.49%
1	-	-	1	0.07%	-	-	-	-	0.00%
6	-	1	7	0.52%	5	-	-	5	0.39%
42	1	3	46	3.44%	49	3	4	56	4.39%
-	-	-	-	0.00%	-	-	-	-	0.00%
8	-	1	9	0.67%	5	-	1	6	0.47%
1	-	-	1	0.07%	1	-	-	1	0.08%
-	-	-	-	0.00%	2	-	-	2	0.16%
174	2	6	182	13.61%	133	3	6	142	11.13%
-	-	-	-	0.00%	-	-	-	-	0.00%
4	-	-	4	0.30%	2	-	-	2	0.16%
<u>1,234</u>	<u>34</u>	<u>69</u>	<u>1,337</u>	<u>100.00%</u>	<u>1,173</u>	<u>46</u>	<u>57</u>	<u>1,276</u>	<u>100.00%</u>

Navarro College District

Capital Asset Information
Fiscal Years 2002 to 2010
(Unaudited)

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

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

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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2010. 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*.

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

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.

Jayne, Reitzner, Boyd & Therrell, P.C.

December 16, 2010



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, 2010. 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the *Uniform Grant Management Standards*, and which is described in the accompanying schedule of findings and questioned costs as *Finding 2010-1*.

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 2010-1*. 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, Reitzmeier, Boyd & Threlkoff, P.C.

December 16, 2010

Navarro College District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2010

(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? ___ yes x 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? ___ yes x 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
84.032	Federal Family Educational Loan 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
84.042A	Adult Basic Education
84.048	Vocational Education - Carl Perkins
State Fiscal Stabilization Fund Cluster:	
84.397A	ARRA - State Fiscal Stabilization Fund - Government Services
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Energy Sectors

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) State Award Findings and Questioned Costs

Finding 2010-1: 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. Receipt of an official high school transcript is required before registering for the subsequent Spring semester. 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. Once the official high school transcript is received, the admissions office is required to update the student's status in Colleague 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.

Questioned Costs: Approximately \$21,000 of most likely costs is questioned as a result of not meeting eligibility requirements.

Context: A test of 37 students from a total of 136 students awarded under the TEOG disclosed that 3 students who were awarded under the TEOG were eligible for the Texas Grant Program. The error resulted from a late determination that these students graduated under a recommended or advanced high school program. The total awards expended under TEOG were approximately \$198,000.

Effect: Students awarded under the TEOG should have been awarded under the Texas Grant Program.

Cause: Ineffective internal controls are in place to ensure completion and accuracy of a student's admission file in compliance with District policy from which financial aid awards are made.

Navarro College District

Schedule of Findings and Questioned Costs
(Continued)

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

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

Recommendation: We recommend that the admissions office update its policies and procedures to ensure that official transcripts are timely obtained and updated in Colleague for students enrolled in the District. In addition, communication of such policies and procedures and their importance should be communicated to admissions office personnel. Further, the financial aid office should develop a process to routinely verify updates to the student admissions file and adjust awards to students accordingly. 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.

(3) Federal Award Findings and Questioned Costs

None

Navarro College District

Summary Schedule of Prior Audit Findings

August 31, 2010

*Finding 2009-2: Improving Internal Controls over
Withdrawal Dates used for Title IV Refund Calculations*

CFDA No. 84.007 – Supplemental Education Opportunity Grant Program; CFDA No. 84.032 – Family Educational Loan Program; CFDA No. 84.033 – Work Study Program; CFDA No. 84.063 – Pell Grant Program; CFDA No. 84.375A – Academic Competitiveness Grant; CFDA No. 84.379 – Teacher Education Assistance for College and Higher Education Grant.

Criteria, Finding, and Recommendation: 34 CFR sections 668.22(a)-(e) states when a recipient of Title IV grant or loan assistance withdraws from an institution, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. The student earns 100% if his or her withdrawal date is after the completion of 60% of the period of enrollment; otherwise, the percentage earned by the student is equal to the percentage of the period of enrollment that was completed as of the student's withdrawal date. During our testwork on Title IV refunds, we noted two instances out of forty in which the withdrawal date used for the refund calculation was not supported by the appropriate drop slip.

As part of the District's corrective action plan to address this finding noted in our previous report dated December 6, 2007, the Registrar performed a complete review of the District's drop policies and implemented written drop policies and procedures that coincide with the HB 1231 policy mandated by the State of Texas. As part of this comprehensive policy, the Registrar redesigned the course drop form; communicated new procedures to all personnel; and implemented mandatory training for all personnel who perform admissions and records functions. These corrective actions were fully implemented by summer 2008. We concur with the current design of the policies and procedures for drops; however, to strengthen internal controls, we suggest that the Registrar strongly emphasize strict adherence to the District's policies and procedures, including record retention policies and procedures for drop slips, during training sessions.

Current Status

Contact person responsible for corrective action: David L. Edwards, Registrar

Corrective action taken: As noted above, the Registrar performed a complete evaluation of the drop policies and procedures of Navarro College that was completed in August of 2008. As a result of this review, new drop forms were designed and placed into service, workflows were redesigned, and training methods were improved. In addition, the Registrar will continue to strengthen training programs for all Admissions and Records personnel. Finally, file audit cycles have been initiated and all student files are being audited by appropriate personnel on an ongoing basis. This comprehensive effort has produced the desired results and is evidenced by no findings from current samples.

Navarro College District

Summary Schedule of Prior Audit Findings (Continued)

Finding 2009-3: 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 four instances out of a sample of forty in which the student's admission file indicated that the student had received a 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 2, 2008, and in response to the finding, the District implemented a corrective action plan which included specialized training in reading and interpreting high school transcripts, specific instructions for properly entering high school transcript information, and procedures to communicate updated high school transcript information to the appropriate financial aid staff members. These corrective actions were fully implemented by January 2009. The four exceptions noted during our procedures related to the eligibility of students for the fall 2008 semester, which was prior to the implementation of the corrective action plan. Based upon our procedures, no instances of non compliance were noted for the spring and summer 2009 semesters.

Current Status

Contact person responsible for corrective action: David L. Edwards, Registrar

Corrective action taken: The Registrar initiated special training for all personnel dealing with High School transcripts to ensure that all incoming High School transcripts are processed correctly and in a timely manner. The Registrar will continue to monitor this process, as well as provide ongoing specialized training to ensure that the College maintains a continuous state of compliance.

Navarro College District

Corrective Action Plan

August 31, 2010

Finding 2010-1

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

Corrective action planned: Due to the fact that this process involves close coordination between the Registrar and the Financial Aid offices, the corrective action will include both functional areas.

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 in a timely manner. The Registrar will also 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 contact the District's DATATEL representative to develop a program rule which will be attached to the TEOG awards in the student financial aid database environment. This rule will initiate 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 financial aid transfer to student accounts (FATR) update run. The FATR update process is routinely run throughout each semester. After each FATR process is performed, each student that has become ineligible will be identified. At that point, appropriate action will be taken to assure the student is awarded correctly.

Due to the immense volume of student financial aid processing, the District believes that automating this process will prevent recurrence of this finding.

Anticipated completion date: Plan to initiate DATATEL to develop rule during scheduled visit in January 31, 2011. The rule will be tested during the spring semester. Upon successful implementation, the monitoring will be ongoing.